



Proceedings of the Atlantic Schools of Business Conference

November 4-6, 2004
Halifax, NS

*"The Academy:
Researching, Teaching and Leading in Business Education"*



ASB Conference 2004

Acknowledgements

Conference Chair

Ann MacGillivray, Mount Saint Vincent University

Organizing Committee

(Mount Saint Vincent University)

Bob Bagg, MSVU

Margaret Bateman-Ellison, MSVU

Karen Blotnicky, MSVU

Randall Fisher, MSVU

Elizabeth Hicks, MSVU

Peter Mombourquette, MSVU

Elaine Seniuk, MSVU

Rod Tilley, MSVU

Staff Members

(Mount Saint Vincent University)

Kathryn Britten, MSVU

Miriam Gallant, MSVU

Session Chairs:

Accounting	Peter Secord, Saint Mary's University
Finance	Frances Boabang, Saint Mary's University
Entrepreneurship	Ed Leach, Dalhousie University
Management	Jeff Young, Mount Saint Vincent University
Management Education	Carolyn Nobes, Mount Saint Vincent University
Marketing	Wendy Wilson, University of New Brunswick
Law	Steven Enman, Acadia University
Information Systems	Paul Callaghan, Acadia University
Tourism & Hospitality Management	Wanda George, Mount Saint Vincent University

Table of Contents

Introduction: Review Policy	5
Accounting.....	6
The Wardens' Accounts of St. Paul's Church of Halifax by Peter Secord (Saint Mary's University)	7
The Measurement of Accounting Harmonization: The Practical Use of Indices by Peter Secord (Saint Mary's University)	8
Finance	9
House Prices in Canada: An Empirical Investigation by Richard W. Watuwa and Harvey Johnstone (University College of Cape Breton)	10
Entrepreneurship	11
Do Business Schools Encourage Entrepreneurship? by Peter Mombourquette (Mount Saint Vincent University)	12
E-Learning and small business: A Nova Scotia perspective by Wendy Doyle and Jeff Young (Mount Saint Vincent University)	23
Trends in Entrepreneurship Education by Peter Mombourquette (Mount Saint Vincent University)	33
Management.....	34
The Interface Between Culture, Ethics and Leadership by Margaret McKee and Cathy Driscoll (Saint Mary's University)	35
Cultural production and economic renewal and regeneration in Atlantic Canada: the case of Cape Breton Island by Larry Haiven (Saint Mary's University)	36
The Employment Interview: A Brief Discussion of Some Aspects and Issues by Bob Bagg (Mount Saint Vincent University)	39
Whatever Happened to Canadian Big Business? by Barry E.C. Boothman (University of New Brunswick)	51
Student Attitudes Regarding Ecological Concern: Business versus Health Professions by Cathy Driscoll (Saint Mary's University) and Daniel Driscoll (State University of New York at Cortland)	62
"I'm going to have to let you go." Psychological contracts, the law, and organization justice by Jim Grant (Doctoral Program in Management - Saint Mary's University)	71
Where does all the money go? An Investigation of Donation Filtration by Saher Shaikh and Carolan McLarney (Dalhousie University)	72
Trends in academic management research: An exploratory analysis of trends in virtual research teams by Jason LeCoure and Wendy Carroll (Ph.D. Program, Saint Mary's University)	79
Women and Work: Hearing the 'Other Voice' by Kelly Dye (Acadia University)	80
How do Nonprofits Recruit Paid Staff? By Judy Haiven (Saint Mary's University)	81
Organizational Learning: What have we learned so far? by Amy Thurlow (Acadia University)	93
Understanding Investor Relations and Business Processes: Towards Closing an Organizational Gap in Non-Financial Performance Measurement and Reporting by Kim Myrick (MBA Student – Memorial University of Newfoundland)	102

Promoting Performance: An Employee Initiative Paradigm by Shripad G Pendse (Saint Mary's University)	113
Understanding the Potential for Duplicity to Undermine Legitimacy by Edith Callaghan and Ian Hutchinson (Acadia University)	127
Management Education	141
A partnership university: Cape Breton's University College by Keith Brown (University College of Cape Breton)	142
Knowledge Applicability Versus Knowledge Application: A Way to Visualize the Relevance of Management Education to the Real World by M.D. Skipton and R.K. Gupta (Memorial University of Newfoundland)	152
Marketing	165
A Typology of CRM Systems by Gordon Fullerton (Saint Mary's University)	166
The Big Pictures: Sources of National Competitiveness in the Global Movie Industry by Joseph W. R. Howse and Carolan McLarney (Dalhousie University).....	167
The Influence of Individual Characteristics on Moviegoers' Satisfaction Ratings by Riadh Ladhari (University of Moncton) and Miguel Morales (Saint Mary's University)	181
Cues Used in the Formation of Corporate Reputation: An Empirical Study of Department Stores by Nha Nguyen and Souad H'Mida (Université de Moncton)	193
Publish or Perish! by Shelley Rinehart and Wendy Wilson (University of New Brunswick – Saint John)	205
Developing a Market Orientation in Atlantic Canada's Seasonal Industry Sector: Evidence from New Brunswick by Reginald G. Sheppard (University of New Brunswick)	206
Information Systems	218
Determinants of the Usage of Public Computer Lab Facilities in Rural Communities By Kent MacIsaac and Todd A. Boyle (St. Francis Xavier University)	219
Where in the World versus What's on the Web: An Examination of Web-Based Locational Information for Selected Firms in the Hospitality Sector by James E. Wyse and Christine L. Strong (Alumna) (Memorial University of Newfoundland).....	229
Understanding the Adoption of E-Commerce by Small Retailers in Atlantic Canada: Literature Review & A Preliminary Model by Randall Fisher (Mount Saint Vincent University).....	241
Cyberdeviancy: New Harms in the Workplace by Terrance Weatherbee (Acadia University)	252
Tourism and Hospitality Management.....	254
Challenges, Approaches and Impacts of IT Adoption Among SMEs in the Tourism Industry by Karen A. Blotnicky (Mount Saint Vincent University)	255
Local Culture: A Rural Community's Most Valuable Capital Asset? by E.Wanda George (Mount Saint Vincent University).....	263
Tourism Impacts and an Ecotourism Case Study by R.M. MacDonald and M. MacEachern (University of Prince Edward Island).....	273

Introduction: Review Policy

Atlantic Schools of Business Conference – November 4-6, 2004

All papers submitted were subjected to a blind review process. Each paper was reviewed by a minimum of two reviewers. Only papers recommended for acceptance for presentation and publication are included in the Conference Proceedings.

Papers submitted for presentation only were also subjected to the review process. Only those papers recommended suitable for presentation were be accepted for presentation at the conference. These papers are not included in the Conference Proceedings, however, authors had the option of submitting an abstract for publication in the Proceedings.

Reviewers' comments were forwarded to authors on an anonymous basis to allow them to reflect on the comments and make any changes, recommended or required, to their work.

For more information about the review process please contact the Conference Chair, Ann MacGillivray at (902) 457-6198.

Accounting

**The Wardens' Accounts of St. Paul's Church of Halifax
by Peter Secord (Saint Mary's University)**

Abstract

A Royal Foundation endowed by George II and opened for public worship on 2 September 1750, St. Paul's Church in Halifax, Nova Scotia, is the oldest church of British origin in Canada and was the first cathedral of the Church of England outside the British Isles.

The archives of the Parish of St. Paul include a wealth of early records of the Parish, including the original records of the vestry and wardens, the lay governance of the Parish. These records include the minute books, the wardens' accounts, and miscellaneous records of the activities of the church. A full century before responsible government and Companies Acts, the Parish of St. Paul was one of the earliest organizations in Canada that had a measure of public accountability.

This paper presents the findings of a preliminary examination of extant original records, particularly the wardens' accounts from the eighteenth century, and attempts to place these records within the broader context of accounting for contemporary not-for-profit and business organizations. Images, narratives, analysis and commentary are integrated to provide insight into the operations of a complex organization and the role of the accounts as an aid to management.

**The Measurement of Accounting Harmonization:
The Practical Use of Indices
by Peter Secord (Saint Mary's University)**

Abstract

This article reports on the use of the H-index, the C-index, and the I-index in the measurement of harmony of accounting practices among firms located in different countries using data drawn from Canada, the United States and Mexico. These indices are systematically compared, and numerous methodological considerations are suggested. Extensions of the work of van der Tas and of Archer, Delvaile & McLeay are demonstrated in the use of the C-index.

A practical demonstration of the use of the indices is undertaken, with a view toward demonstrating their usefulness, particularly with small samples. The usefulness of the C-index approach to the measurement of harmony and harmonization of measurement practices is tentatively confirmed. An extension of the C-index subdivision to provide for the measurement of harmony within a particular country is shown. This addresses an issue raised by Archer, Delvaile & McLeay (1995) and provides a solution approach apparently not contemplated by them. The restatement of the component as an index, as well as the use of equal cell sizes, increases the usefulness of this particular element of the present approach. The substantial equivalence of the country factors of the decomposed C-index to the H-index is demonstrated. The usefulness of the I-index, in the case of comparisons involving three or more countries, is refuted.

Finance

**House Prices in Canada: An Empirical Investigation by Richard W.Watuwa
and Harvey Johnstone (University College of Cape Breton)**

ABSTRACT

In this paper, we investigate the main determinants of National and Regional House Prices in Canada. We model trend national prices in a consumption choice model whereby prices depend on relative prices and total household expenditure in an Almost Ideal Demand System (AIDS), implemented in an iterative seemingly unrelated regression system. We also use an error correction model to examine deviations from trend in the short run. An additional objective of the study is to test for the main determinants of regional prices relative to national price levels by considering Provincial per capita incomes, unemployment rates, macroeconomic commodity price shocks and immigration factors. We use quarterly data for the period 1981 to 2001. The incomplete results from the national AIDS model very tentatively suggest an insignificant role for the price of imports. We are in the process of developing the model and will forward more reliable findings covering the AIDS model and new results on short run price movements, and regional results very shortly.

Entrepreneurship

Do Business Schools Encourage Entrepreneurship? by Peter Mombourquette (Mount Saint Vincent University)

Abstract

Entrepreneurship education has grown substantially over the past 25 years as governments, students, parents and alumni push for the inclusion of the subject area into mainstream university education. To date entrepreneurship programs have been housed for the most part in schools of business or, more specifically, in the functional area of management education. However questions are starting to arise whether or not traditional business schools that rely on lecture/discussion/case method of learning are actually encouraging students to consider entrepreneurship as a career option. This paper reports on the entrepreneurial intent of 120 fourth year business students and finds that business students view their education as a positive influence on entrepreneurial intentions, research that contradicts much of the current theory on the subject.

Introduction

Entrepreneurship education has grown significantly in recent years as schools try to meet the demands from government, students, parents and alumni to expose students to entrepreneurship as a career option. In Canada, this growth has resulted in 73 universities offering 367 undergraduate entrepreneurship courses in 2004 -- up significantly from 51 universities offering 253 courses in 1999 (Menzie's 1999; Mombourquette 2004). The United States has seen similar growth, with entrepreneurship education expanding from 16 schools in the 1970's to over 400 universities by 1995 (McIntyre & Roche 1999).

Government has been one of the biggest advocates of entrepreneurship as politicians realize that entrepreneurship, not large organizations, will be the driving force of economic growth in the coming years (Franke & Luthje 2004). In Canada there has been an increased emphasis on entrepreneurship from all levels of government and economic development agencies, accompanied by programs aimed at commercializing research (ACOA study 2001; Wholiham 1989; Menzie's & Gasse 1999).

Elected officials are also starting to realize that the benefits of entrepreneurship education extend beyond business development as graduates of entrepreneurial programs often possess the problem solving and creativity characteristics that are needed to solve many of today's social problems. The emergence of so-called social entrepreneurs is seen as another benefit of entrepreneurship education as these people are beginning to experience success in solving public problems through the use of creativity, innovation and determination. (Reid 2000).

Student interest has been another driving force in the popularity of entrepreneurship education. In a recent Gallup poll, 70% of high school students expressed interest in new venture creation and 96% of entrepreneurship and management students believe entrepreneurship education to be beneficial (Gallup Organization 1994). These results are echoed in similar studies over the last number of years. Dunn and Short (2001), found that approximately 70% of high school students were interested in studying entrepreneurship, while Hills (1988) found that 80% of university students were interested in taking one or more courses in entrepreneurship.

High student interest can be attributed to a number of factors beyond a desire to start a business. Students are becoming increasingly aware that employment prospects are more likely to come from small and medium sized businesses versus larger organizations, and courses in entrepreneurship will provide them with the skill set needed to gain employment (Menzies & Gasse 1999; Vesper & Gartner 1997). Additionally, students, particularly non-business students, are seeing a link between entrepreneurship courses and valuable real world experience -- something that may be missing in traditional arts and science programs (Dennis 1990; Mombourquette 2002; Streeter et al. 2002).

Parents and alumni have also influenced the growth of entrepreneurial curriculum. Parents see the study of entrepreneurship as a means of gaining work experience while developing very valuable skills such as creativity, teamwork and innovation (Menzies & Gasse 1999; Solomon & Weaver 1994). Alumni often cite the lack of entrepreneurial skills as a gap in their background and encourage universities to include small business and entrepreneurship training in their programs (McIntyre & Roche 1999; Streeter et al. 2002).

Universities have met the continued demand for an entrepreneurial curriculum by offering more and more entrepreneurship courses (Menzies & Gasse 1999). These courses, for the most part, have been placed in traditional business schools, often as part of the management curriculum. Unfortunately, research has indicated that this may not be the best place to house entrepreneurship courses due to the differences in teaching methodologies between conventional management education and entrepreneurship (Gibb 1999; Mombourquette 2002; Solomon & Weaver 1994; Streeter et al. 2002).

Management education is usually taught using large business examples focusing on lectures, discussions and case analysis. Entrepreneurship education, on the other hand, is best taught using experiential learning methods (McMullan & Gillin 1998; Menzies & Gasse 1999; Solomon & Weaver 1994). Thompson and Dass (2000) express this sentiment when they state, "Traditional university teaching methods work well for teaching business, technical and communication skills, but strategic thinking, business planning, goal setting and decision making are best developed using experiential learning (Thompson & Dass, 2000)." Fleming (1996) makes similar comments in, *Entrepreneur-ship Education in Ireland: A Longitudinal Study*, when he writes that students often state their preferred career choice as entrepreneurship. The majority of graduates, however, often perceive too many obstacles in starting their own business and instead opt for conventional employment. He suggests that the problem of this inconsistency may lie in the present business curricula, which have, until recently, focused almost entirely on the needs of aspiring middle and functional management rather than aspiring entrepreneurs (Fleming 1996).

This paper sets out to first identify the entrepreneurial intentions of fourth year business students, compare these results based on gender, children of entrepreneurs versus children of non-entrepreneurs and students who have or have not studied entrepreneurship at university. The researcher will then assess if students think their business degrees have positively or negatively impacted their entrepreneurial intentions.

Literature Review

Research to date has drawn a clear distinction between entrepreneurship education and traditional management education when discussing impact on entrepreneurial intent and actual venture rates (Franke & Luthje 2004; Solomon & Weaver 1994; The Karl Eller Center 2002). Most research has indicated that entrepreneurship education, when taught with an emphasis on experiential techniques, encourages the skills and characteristics associated with entrepreneurship and leads to the development of new ventures (Menzies 1998; Menzies & Gasse 1999; Solomon & Weaver 1994). McMullan & Gillin (1998) found that students studying an entrepreneurship MBA at the University of Calgary resulted in 38% of graduates starting a business versus the national average of 14% (Webb 1982). Similar results have been reported in various studies including Babson College where 21% of students who studied entrepreneurship started a business, compared to 14% in a control group. In another study, 80% of students enrolled in Introduction to Entrepreneurship courses across America considered starting a business with 75% of them actually fulfilling their goal (Clarke et al 1984).

While the evidence in support of entrepreneurship education is significant, it is not without limitations. Regrettably, the majority of research focuses only on a single course or one institution's program, often lacks pretests of the subject's entrepreneurial characteristics, rarely uses control groups, suffers from small sample size and very seldom makes use of longitudinal data (Franke & Luthje 2004). That being said, the consensus of studies to date indicates that entrepreneurship can, at the very least, be encouraged and, more than likely, can be taught.

The research on the influence of management education on entrepreneurial intentions is less clear. In a study comparing entrepreneurial intentions of MIT general business students to students studying in Germany, MIT students perceived their university's business program as being a positive influence on entrepreneurial intentions while German students felt their educational program negatively impacted their intentions (Franke & Luthje 2004).

However, in other studies, the findings have been much clearer. Hostage and Decker (1999) concluded that general business education has no impact on entrepreneurial intent. Chen (1998) and Gupta (1992) have also concluded that the number of management courses had no impact on the entrepreneurial intentions of the students. Whitlock and Masters (1996) further strengthened the claims that management education has zero positive impact on entrepreneurial propensity when they determined that attending general business classes actually reduces entrepreneurial intentions (Franke & Luthje 2004).

Research Methods

Questionnaires were distributed to students in fourth year general management courses at a Nova Scotia University. Prior to selecting the university, the researcher reviewed curriculum and course outlines to ensure that the teaching methodologies in classes focused more on traditional lecture/discussion/case method versus experiential learning. Of the 141 surveys distributed 120 were returned which represents a response rate of 85% with 68 females and 58 males amongst the participants. The majority of the students were between the ages of 18 – 25 (76%), 5% indicated they own their own business now, and 53% of the students surveyed had at least one parent who owns or previously owned a business.

The researcher asked students to rate their entrepreneurial intentions and their chance of one day becoming an entrepreneur on a five point Likert scale (1 = no intention, 5 = extremely strong intention). Behavioral intention was used as it has been proven to be the best predictor of future intentions across a number of fields including entrepreneurship (Bird 1998). Students were then asked to rate their entrepreneurial intentions prior to entering university and whether university education has positively or negatively impacted their entrepreneurship intent (1 = extremely negative, 5 = extremely positive). After these questions students were asked to describe what influence, either positive or negative, their university has had on entrepreneurial propensity. Prior to finalizing the survey it was piloted with five individuals and the appropriate changes were made.

Results

Of the students surveyed only 5% indicated that they own or had owned their own business. However, students are somewhat positive about their intentions to start a business with 53.9% of students (M=3.46) indicating a strong or extremely strong intent of one day becoming an entrepreneur. In regards to gender, males rated their entrepreneurial propensity slightly higher than females, with a mean of 3.67 for intent and 3.62 for chance compared to 3.36 and 3.25 respectively, children of entrepreneurs rated their intentions (M=3.64) and chance (M=3.63) higher than those whose parents were not involved in the entrepreneurially process (M=3.25, M=3.07) and students who had studied at least one entrepreneurship class rated their intentions at a mean of 3.86 and chance at 3.73 opposed to a mean of 3.08 and 3.017 for students who have not studied entrepreneurship.

When asked to consider their timeframe for opening a business, the majority of students (51%) indicated that they would start a business in five or more years, 7% stated they would start a company within the year, 10 % in two years, 19% in three years and 8% in four. There was no significant difference based on gender, children of entrepreneurs and those who enrolled in a university entrepreneurship class.

When asked to think back prior to starting their university education and determine their entrepreneurial intentions, the majority of students (44.6%) rated their intentions as weak or nonexistent whereas 26.3% had a moderate intention of starting a business, 22% a strong intention and 4.2 % an extremely strong intention.

When students were asked to consider the impact of university education on entrepreneurial results, 8.8% felt the experience had negatively impacted their entrepreneurial intentions versus 65.7% that perceived the impact as somewhat or extremely positive. When asked to indicate how university education has influenced entrepreneurship intentions the common themes were exposure to business ideas, the learning of business skills and the knowledge that entrepreneurs have the opportunity to earn significantly higher income than traditional employment. Students also pointed out the high debt level associated with gaining a university education as detrimental to starting a business.

Regression analysis was performed using Minitab 14 (See Figure 1) to measure the perceived impact of university education on entrepreneurial intention considering intentions upon entering university. After completing the initial regression the data was separated into three categories

including gender, children of entrepreneurs and students who have taken at least one entrepreneurship class.

Figure 1

<i>Measured Impacts</i>	<i>Intent upon entering, University Education / Intent Now</i>
Entire Sample	$\text{Pint} = 0.97 + .245 \text{Int} + .405 \text{UE}$ $(0.334) \quad (0.073) \quad (0.064)$ <p>*** $R^2 = 35.4\%$</p>
Male Influence	$\text{Pint} = 1.15 + .223 \text{Int} + .412 \text{UE}$ $(0.694) \quad (0.125) \quad (0.127)$ <p>** $R^2 = 30.0\%$</p>
Female Influence	$\text{Pint} = 0.92 + .261 \text{Int} + .391 \text{UE}$ $(0.388) \quad (0.091) \quad (0.077)$ <p>*** $R^2 = 37.0\%$</p>
Parents Entrepreneurs	$\text{Pint} = 1.32 + .274 \text{Int} + .341 \text{UE}$ $(0.430) \quad (0.089) \quad (0.080)$ <p>*** $R^2 = 34.9\%$</p>
Parents not Entrepreneurs	$\text{Pint} = .649 + .193 \text{Int} + .472 \text{UE}$ $(0.517) \quad (0.120) \quad (0.104)$ <p>*** $R^2 = 36.7\%$</p>
Students who have taken at least one entrepreneurship class	$\text{Pint} = 1.19 + .319 \text{Int} + .360 \text{UE}$ $(0.494) \quad (0.082) \quad (0.085)$ <p>*** $R^2 = 37.5\%$</p>
Student who have not taken one entrepreneurship class	$\text{Pint} = 1.09 + .096 \text{Int} + .413 \text{UE}$ $(0.454) \quad (0.124) \quad (0.096)$ <p>*** $R^2 = 30.0\%$</p>

Note: (1) * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

(2) The figures in parentheses are the estimated standard errors

(3) Pint = variable corresponding to Present Intent

Int = Intent when entering University

UE = University Education

As illustrated above, university education explains 35.4% of the variance in intentions of becoming an entrepreneur when considering the student's intention upon entering university. When breaking the calculation down into sub categories, university education explained 30% to 37.5% of the variance with the highest explained variance being students who have studied entrepreneurship at university. The lowest explained variance results from male students and students who have not taken an entrepreneurship course.

Discussion

The percentages of business students (5%) that are currently operating a business are similar to the results found in other studies. In a comprehensive survey of Atlantic Canadians aged 15 – 29, ACOA noted that fewer than one in ten students owned a business, which is similar to information provided by Statistics Canada where the reported self employment rate of people age 15 – 29 has fluctuated between 6.2% and 9.2% in the Atlantic Canada region over a 20 year period (ACOA study 2001). Franke & Luthje (2004) found similar results when comparing business students at MIT (7.7%) to business students in Germany, 6.2% (Franke & Luthje 2004). The only results that differed significantly with these findings came from an ACOA study surveying high school students about their entrepreneurship intentions when over 33% stated they owned or had previously owned a business (ACOA study 2001). While the questions took into account past ownership, the percentage is still significantly higher than information provided by Stats Canada and similar studies, and may be attributed to the research instrument or the presentation of the instrument to the sample.

Student entrepreneurial intentions (53.9%) were below those reported in ACOA's study of Youth Entrepreneurship in the region (66% of males, 55% of females) but exceeded results in three other studies including a study of a senior business in the United States - 45%, and business students at MIT - 49.6, and in Germany - 30.9% (Brenner & Pringle 1991; Franke & Luthje 2004). The number may have come in lower than the ACOA figure as their survey was pointed at people aged 15 – 29 from various academic backgrounds. As non-business students actually start the majority of business this may explain the higher number (MacNeil 2004). Younger students may also be more likely to say that they are willing to engage in entrepreneurship, as they may not be fully aware of the obstacles involved. Regional differences, student characteristics and the university curriculum may account for the discrepancy between other regions (Franke & Luthje 2004).

There were also some interesting differences when student intentions were separated by gender, students whose parents are or were entrepreneurs and students who studied entrepreneurship at university. Male students reported higher entrepreneurial intentions (61%) compared to females (48%). Studies to date have produced contradictory results but this study lends credibility to the argument that males have higher entrepreneurial intentions (Fitzgerald & Chamard 1997; Scherer et al. 1989). Students whose parents are or were entrepreneurs had a higher intention (62%, 42%), which is consistent with other research. While students enrolled in entrepreneurship courses while completing their degree had rated their intentions (64%) much higher than those who did not study entrepreneurship (41.5%) which is also consistent with other research results.

Interestingly enough while students have expressed high entrepreneurial intentions in this study the timeframes for starting a business are similar to other papers. The majority of students are planning to start a business after five years, which mirrors other results in the area (Brenner & Pringle 1991; Fitzgerald & Chamard 1997; Franke & Luthje 2004). Apparently higher entrepreneurial intentions do not correspond to shorter intended start up times.

The most fascinating results in the study pertain to the perceived impact of university education on entrepreneurial intentions. Students perceived their university education as having a strong impact on their entrepreneurial intentions ($M=4.632$). This compares favorably to similar studies at MIT ($M=2.53$, 1= extremely positive, 5 = extremely negative) but contradicts studies conducted in

Germany and in the eastern United States (Brenner & Pringle 1991; Franke & Luthje 2004). When looking at the qualitative question of how has university education impacted entrepreneurship intentions the majority answered positively (83%) and pointed out such reasons as exposure to business, realization of low paying jobs, learning business skills, etcetera. Unfortunately the actual response rate for this question was low (27%) and it was difficult to pick out themes. Another reason may be the entrepreneurial spirit on the campus, which is difficult to assess or quantify and the location of the schools in what could be described as the economic capitals of the region (Franke & Luthje 2004).

Regression analysis was performed and resulted in explaining 30% to 37.5% of the variance in entrepreneurial intentions. Not surprisingly, students who studied entrepreneurship in university had the highest amount of variance explained (37.5%), while students who had not taken any entrepreneurship classes had the lowest (30%). This is most likely to due to the exposure students would receive in entrepreneurship classes to starting a business as a career option and the experiential teaching techniques that are predominate in these courses.

The impact of university education also explained only 30% of the variance with male students versus 37% of female students. These findings have been supported in other research where results have indicated that females consider entrepreneurship later in life and are more apt to do so as they become better educated (ACOA study 2001). Children of non-entrepreneurs are also more likely to consider their university education as influential on entrepreneurial intentions (36.7%) compared to children of entrepreneurs (34.9%). As illustrated above and supported in other research, children of entrepreneurs are more likely to consider entrepreneurship as a career option and have more than likely made such a decision prior to university (Fitzgerald & Chamard 1997).

Limitations

The survey is limited in a number of areas including the retrospective nature of the question that asks students to think back prior to entering university and evaluate their entrepreneurially intentions. However, similar questions have been used in the fields of Small Business and Information System and in the absence of longitudinal data it is the best available information (Knight 1986).

The sample is also limiting as the majority of students surveyed are from the same university. Research has indicated that the entrepreneurial spirit of the campus and faculty members can impact the entrepreneurial intentions of students. Thus future research in this area should make an effort to include various universities and geographical regions.

Conclusion

The results of the survey are quite provocative as they establish support for the theory that a traditional university business education will be perceived as having a positive impact on student's entrepreneurially intentions. While this has been supported in a similar study at MIT it contradicts much of the theoretical research to date. Most studies indicate that the traditional lecture/discussion/case work in business schools discourages entrepreneurship since entrepreneurial curriculum can only be encouraged through experiential learning methods. While students' perceptions of university education as a positive influence on intentions is quite interesting, it should be noted that students who have actually studied entrepreneurship had higher

entrepreneurial intentions and felt that their university education had resulted in a much more positive contribution than students who did not complete such course work.

The research also lends support to the premise that males have stronger entrepreneurial intentions than females, that females are more likely to consider entrepreneurship later in life, that children of entrepreneurs are more likely to consider entrepreneurship and that the study of entrepreneurship positively impacts entrepreneurial intent. Future research should be conducted in different disciplines, in various geographical regions and make use of longitudinal surveys and control groups to gain a better understanding of the impact of university education on entrepreneurial intentions.

References

ACOA study. see Atlantic Canada Opportunities Agency.

Atlantic Canada Opportunities Agency. (2001). Study of entrepreneurship among young Atlantic Canadians aged 15-29. Available from ACOA: Halifax, Nova Scotia.

Bird, Barbara. (1998). Implementing entrepreneurial ideas: The case for intention. *The Academy of Management Review*, July 13, pp. 442-453.

Brenner, O.C. & Pringle, Charles D. (1991). Perceived fulfillment of organizational employment versus entrepreneurship: Work values and career intentions of business college graduates. *Journal of Small Business Management*, vol.29, no.3, pp.62-75.

Chen, C.C., Greene, P.G. & Crick A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers? *Journal of Small Business Venturing*, vol. 13, no.4, pp. 295-316.

Clarke, B.W., Davis, C.H. & Harnish, V.C. (1984). Do courses in entrepreneurship aid new venture creation? *Journal of Small Business Management*, vol.22, no.2, pp.26-31.

Dennis, Ray. (1990). Liberal arts for entrepreneurs. *Entrepreneurship: Theory & Practice*, vol.15, no.2, pp.79-94.

Dunn, Paul & Short, Larry. (2001). An entrepreneurship major? *University of Louisiana at Monroe* [Available online: www.sbaer.uca.edu/Docs/2001asbe/27asbe01.htm]

Fell, James S. (1999). Canada's Entrepreneurial MBA Program. Calgary, Alberta: The University of Calgary Enterprise Development MBA.

Fitzgerald, P.A. & Chamard, J. (1997). A comparison of perceptions of Canadian undergraduates on what constitutes success, how it is limited, and how it is facilitated, and entrepreneurship. *Entrepreneurship Division, Administrative Sciences Association of Canada Annual Conference*, St. John's, Newfoundland.

- Fleming, Patricia. (1996). Entrepreneurship education in Ireland: A longitudinal study. *Academy of Entrepreneurship Journal, European Edition*, vol.2, no.1, pp.94-118.
- Franke, Nikolaus & Luthje, Christian. (2004). Entrepreneurial intentions of business students: A benchmarking study. *International Journal of Innovation and Technology*, September, pp. 1-23.
- Gallup Organization, Inc. & National Centre for Research in Economic Education. 1994. Entrepreneurship and small business in the United States: A survey report on the views of the general public. High school students and small business owners and managers. Available from the Centre for Entrepreneurial Leadership, Inc: Kansas City, USA.
- Gibb, Allan. (1999). Can we build 'effective' entrepreneurship through management development? *Journal of General Management*, vol. 4, pp. 21.
- Gupta, A. (1992). The informal education of the Indian entrepreneur. *Journal of Small Business and Entrepreneurship*, vol.9, no.4, pp.63-70.
- Hills, Gerald. (1988). Variations in university entrepreneurship education: An empirical study of an evolving field. *Journal of Business Venturing*, vol. 2, pp. 109-123.
- Hostager, T.J. & Decker, R.L. (1999). The effects of an entrepreneurship program on achievement motivation: A preliminary study, *SBIDA*, San Francisco, CA: Small Business Institute Director's Association, [Available online: <http://www.sbaer.uca.edu/Research/1999/SBIDA/sbi28.htm>].
- Knight, R.N. (1986). Franchising from the Franchisor and Franchisee Points of View. *Journal of Small Business Management*. July, pp.8-15.
- MacNeil, Ryan T. (2004). Disadvantaged region seeks enterprising graduates: A target market for entrepreneurship recruitment and repatriation in Atlantic Canada. Honours certificate thesis paper, Mount Saint Vincent University. [Available online: www.ryanmacneil.com].
- McIntyre, John R. and Roche, Mathieu. (1999). University education for entrepreneurs in the United States: A critical and retrospective analysis of trends in the 1990's. Available from Georgia Institute of Technology: Atlanta, Georgia.
- McMullan, W.E. & Gillin, L.M. (1998). Developing technological start-up entrepreneurs: A case study of a graduate entrepreneurship program at Swinburne University. *Technovation*, vol. 4, pp. 275-286.
- Menzies, Teresa. (1998). Entrepreneurship and Canadian universities: report of a national survey of entrepreneurship centres. Available from: The John Dobson Foundation, Brock University: Ontario.

Menzies, Teresa & Gasse, Yvon. (1999). Entrepreneurship and the Canadian Universities: report of a national study of entrepreneurship education. [Available online : <http://www.bus.brocku.ca/~tmenzies>]. Accessed 15 June, 2002.

Mombourquette, Amanda. (2002) Survey of prerequisite requirements of Entrepreneurship courses in Atlantic Canadian universities.

Mombourquette, Peter. (2004). Trends in entrepreneurship education in Canada. Unpublished paper.

Mombourquette, P. & Leach, E. (2002). Dream to Reality: Evaluation of a Multi- University, Multi Discipline Entrepreneurship Program, *presented at the Canadian Council of Small Business and Entrepreneurship (CCSBE) Conference*, Halifax, Nova Scotia.

Reid, A. (2000). The schooling of entrepreneurs. *Canada Today*, vol.15, no.1, pp.5-8.

Scherer, R.F., Adams, J.S., Carley, S.S. & Wiebe, F.A. (1989). Role model performance effects on the development of entrepreneurial career preference. *Entrepreneurship Theory and Practice*, vol.13, no.3, pp.53-71.

Solomon, George and Weaver, Mark. (1994). A historical examination of small business management and entrepreneurship pedagogy. *Simulation & Gaming*, vol.25, no.3, pp. 338-353.

Streeter, Deborah H., Jaquette, John P. and Hovis, Kathryn. (2002). University-wide Entrepreneurship education: Alternative models and current trends. *Working Paper, Department of Applied Economics and Management, Cornell University*.

The Karl Eller Center and the Berger Entrepreneurship Program, [Available online: <http://www.bpa.arizona.edu/programs/berger/>]. Accessed 15 August 2002.

Thompson, George H. & Dass, Parshotam. (2000). Improving students' self-efficacy in strategic management: the relative impact of cases and simulations. *Simulation and Gaming*, vol.31, no.1, pp.22-41.

Weaver, M. (1993). Two alternative approaches to creating opportunities for entrepreneurial activity: Bridging the divide between academics and entrepreneurs. *Journal of Creative Behavior*, vol. 2, pp. 89-102.

Webb, T., Quince, T. & Wathers, D. (1982). *Small Business Research, the Development of Entrepreneurs*, Gower, Aldershot.

Whitlock, D.M. & Masters, R.J. (1996). Influences on business students' decisions to pursue entrepreneurial opportunities or traditional career paths, *SBIDA*, San Diego, CA: Small Business Institute Director's Association, [Available online: <http://www.sbaer.uca.edu/Research/1996/SBIDA/96sbi039.htm>].

Wholiham, J. (1989). Entrepreneurship campus: A personal view based on 25 years in academia. *Journal of Creative Behavior*, vol. 3, pp. 194-197.

**E-Learning and small business: A Nova Scotia perspective
by Wendy Doyle and Jeff Young (Mount Saint Vincent University)**

Abstract

Nineteen small business owners/managers in the Halifax Regional Municipality were interviewed regarding their workplace learning. Of particular interest was their e-learning activity. Results of this study indicate that 19 firms (100%) had access to a computer and that 18 firms (95%) access to the Internet. However, only 16 owners of the 19 firms (84%) used the computer and 15 of the 19 owners (79%) used the Internet. The computer was used by owners for a variety of things, mostly business related, for example, accounting. However, only three described specific use of the computer for learning, for example, through CDs. Internet use was mainly for broad-brush information access, a learning outcome however, only two people identified specific e-learning activities. Several owners discussed opposition to e-learning. Results are discussed and future research directions are identified.

Introduction

The small and medium-sized enterprise (SME) sector continues to be a very important part of the Canadian economy. According to Industry Canada (April, 2004), SMEs employed 65% of all employees in the private sector and provided the largest percent contribution to the net change in paid employment in five of the years in the 1994 to 2002 period. During 1985 to 1999, small business was the main creator of jobs and more than offset the job losses in large firms over this period (Halabisky, Dreessen & Parsley, 2004). Further, it has been estimated that 25% of Canada's GDP is contributed by small businesses (Industry Canada, April, 2004).

Given the failure rate of small businesses and its relationship to management competence, the management development of small business owners/managers is still an important issue for a number of small business researchers (see for example, Ibrahim & Soufani, 2002). Indeed, small business owners themselves are concerned about training and development. A COMPAS Report (2001) found that 62% of respondents listed training and development as an important challenge/issue.

Despite these positions there is some question as to the efficacy of management training given the mixed results provided by a number of studies examining the relationship between management training and firm performance. For example, Baldwin (1994) found that training didn't make a difference in his study of growing SMEs but questioned the indicators used. Huang (2001) found that the better training effectiveness firms had a higher percentage of employees receiving training and had a more comprehensive training process. Training effectiveness was made up of ten items, ranging from improved profitability to enhanced quality of product/service. Other studies have shown that learning has had a positive impact on strategic planning (Deakins & Mileham, 2000), innovation (Mitra, 2000) and pro-growth firms (Morrison & Bergin-Seers (2002).

Historically, the research on small business and management development has tended to focus on formal approaches to education and training. However, there has been increased research on

informal learning in organizations in general and in small business in particular (see for example, Doyle & Young, 2003; Murphy & Young, 1995). Indeed several studies have found that small business has a preference for informal training (Morrison & Bergin-Seers, 2002; Paige, 2002; Solomon, Fernald & Tarabishy, 2002). A more recent phenomenon is e-learning, a market that is large and growing, for example, Whiteman (2001) stated that, "In 1999, corporate America alone spent \$63 billion on educating and training its workforce. Of that spending, e-Learning, at \$3 billion, accounted for the fastest-growing fragment of the market" (p. 6).

The purpose of this paper is to examine e-learning and management development in small business in Nova Scotia. Initially an overview of e-learning is provided and that is followed by a review of the literature on small business and e-learning in Canada.

E-Learning: An overview

E-learning, a relatively new approach to management development, is called by many names such as open and distance learning, e-training, web-based training and computer-assisted training. E-learning encompasses all of these and can be defined as "learning from information delivered to us electronically" (Honey, 2001, p. 200). E-learning can include surfing the web, conducting a focused search on a topic, sending and receiving e-mails, participating in an online course and/or discussion forum, being coached or mentored through e-mail (Honey, 2001), simulations (Hoban, 2001) and training courses accessed over the intranet (Baldwin-Evans, 2002; Ingram, Sandelands & Teare, 2002; Waller, 2001).

An online course may be simply e-reading where a correspondence course is available to be read online or according to Zager (2001), an online course can include text and graphics, animated graphics, streaming audio and video (live or recorded) for the instructor's narration, interactive classroom exercises, software simulation, links to related web sites, articles and other resources. An online course could also include online text or voice chats between students and instructors or among students, online blackboards, e-mail for submitting assignments and for instructions to send back critiques, pre-tests and post-tests to measure student learning and reporting student registration, attendance and performance. B-learning or blended learning includes both e-learning and traditional classroom learning.

There are advantages to e-learning. From the learner's perspective, e-learning has the advantages of real-time learning, learning-on-demand, personalized individual training, simulation, and collaboration, (Whiteman, 2001), ownership and empowerment (Whiteman, 2001, Young, 2002), training anytime and anywhere (Whiteman, 2001, Voci & Young, 2001), learner-centric training (Whiteman, 2001, Deluca, 2002), a consistent quality message delivery (Deluca, 2002, Voci & Young, 2001) and it respects differences in learning styles and pace (Voci & Young, 2001, Young, 2002).

From the perspective of business, e-learning is cost effective (Whiteman, 2001, Tyler, 2001, Young, 2002, Industry Canada, ay 2004), convenient (Tyler, 2001), can motivate employees (Industry Canada, 2004), cuts down on opportunity cost (Tyler, 2001), is a continuous on-demand resource (Tyler, 2001, Industry Canada, May, 2004), online courses can be used as reference tools (Tyler, 2001) and provides a variety of courses for companies who can't afford a training

department (Tyler, 2001, Industry Canada, May, 2004). E-learning has streamlined custom-design options (Tyler, 2001), has a quantifiable return-on-investment (Whiteman, 2001), is location independent (Young, 2002, Deluca, 2002), has improved capability to measure effectiveness and demonstrate regulatory compliance (Deluca, 2002), expands access (Volery and Lord, 2000), and alleviates capacity constraints (Volery and Lord, 2000). Further, it capitalizes on emerging market opportunities (Volery and Lord, 2000), serves as a catalyst for institutional transformation (Volery and Lord, 2000), expands the capabilities of the business (Industry Canada, 2004), can be constantly updated and can keep up with the latest developments, can be tailored, complements existing knowledge management approaches, is popular with computer-literate staff and has course work depth and breadth (Young, 2002). Finally, a UK study (Young, 2002) found e-learning delivered significant business benefits in employee performance, efficiency of staff members, retention of employees, cost and quality of critical business processes, revenues/sales, and share price and training costs.

Although the advantages are numerous, there can be disadvantages to e-learning. It may not be effective if it does not provide critical interpersonal interaction, if there are limitations of technology and bandwidth and if there is limited or no access to the internet in some workplaces. Also initial investment is expensive and early adopters might only have been able provided simple page-turning offerings (Deluca, 2002). The time required for implementation, the cost and uncertain ROI were barriers found by Richmond (2003). Limitations of IT infrastructure, lack of face-to-face contact and the need for employees to be motivated are other weaknesses with e-learning (Young, 2002). Although e-learning can be tailored to individual needs, Honey (2001) found that 43% of employers claimed that e-learning they offered was tailored to individual needs but only 7% of learners agreed.

Several factors appear to be important for e-learning. There needs to be a human resource and according to Volery and Lord (2000), this would be an instructor whose role is one of a learning catalyst. Also an e-coach or personal learning consultant who diagnoses the learners' needs and connects them to the right resources may be crucial to e-learning success (A web of leaders, 2002). Blending e-learning with classroom learning provides this human resource (Honore, 2003; Lewis & Orton, 2000; Whiteman, 2001; Stokes, 2001; Voci & Young, 2001). Another way is to have learners interact with each other (Waller, 2001). Brosnan and Burgess (2003) propose Wenger's 1998 Learning Architecture be used to design a continuing professional development program via the internet by creating a community of practice where learners negotiate meaning and construct knowledge.

Technical assistance in learning the technology is also a factor (Ren & Au, 2001; Roth, 1995; Stokes, 2001) as are trust and flexible delivery (Stokes, 2001), time to learn and adapt, learner acceptance of the technology, good reasons to change from traditional methods (Roth, 1995), previous use of the technology from a student's perspective (Volery & Lord, 2000) and technology that is state of the art and accessible (Roth, 1995; Volery & Lord, 2000).

E-learning and management development in small business in Canada

E-learning and its relationship with small business has received a great deal of research attention in the USA and the UK. For example, a recent US study found that 37% of small businesses were

training on-line and 43% were getting news and information on-line (Kanter, 2001). Further, Ren and Au (2001), in a US training program for SMEs in government electronic sources of information, found over 80% of participants after training agreed or strongly agreed that their knowledge, internet search skills and confidence improved. Why do small businesses use the internet less than larger businesses? In the UK, Chaston, Badger, Mangles and Sadler-Smith (2001) found that the organizational learning style influenced the use of the Internet and e-commerce. A higher level or double-loop learning style was associated with higher usage of the internet and e-commerce.

There has however been less attention paid to e-learning and small business in Canada. According to CFIB (2003), SMEs in Canada are not viewing e-training as an effective type of training. Although 64% of respondents indicated tutoring with another staff member was an effective type, only 10% felt CD-Rom training and 9% Via Web were effective types of training. There was a strong interest in e-training and CFIB estimated the potential market for e-learning to be about one-third of all SMEs using the internet.

Although not all forms of e-learning require use of the internet, many types do. How many SMEs use the internet? Various studies indicate that internet usage is high and growing. A CFIB 2000 (2002) survey, showed internet usage by participants at 67%. It was used most often for e-mail followed by research and browsing. About 33% have a web site and about 1 in 7 buys or sells on-line. According to Dulipovici (2002) the results of a 2001 CFIB study found that by 2001, internet usage had risen to 77% of survey participants and internet use drives SMEs to do business outside of Canada, to post a stronger performance than the previous year, to expect a stronger performance and to hire staff.

The Survey of Electronic Commerce and Technology (Industry Canada, 2003) found that both a smaller percentage of small firms were connected to the internet and had web sites compared to medium and large-sized firms. Being connected to the Internet however, does not by itself indicate usage. A COMPAS Report (2001) found 45% of small business managers didn't use the internet and only 11% used it a great deal. Of those who used it at least somewhat, 83% used it for business information and 50% for accessing government websites.

A reasonable question then is what is the role of e-learning in the management development of small business owners/managers, particularly those in Nova Scotia? This study attempts to address this question.

Methodology

Based on the procedures described by Lofland and Lofland (1984) the methodology in this study was qualitative and exploratory in nature and examined a number of cases. The case study was the preferred strategy in this research for several reasons: 1) questions of "what" "how", and "why" regarding informal workplace learning are being examined, 2) the investigators had little or no control over events within the sites to be studied, and 3) events in a real-life context were the study's focal point (Yin, 1984). This multi-site, qualitative procedure permitted in-depth description of specific cases and "cross-site comparisons without necessarily sacrificing within site understanding" (Herriot & Firestone, 1983, p.14).

In-depth interviews were completed using an interview guide consisting of open-ended and closed-ended questions to determine select demographic and business information as well as issues related to e-learning. Interviews took approximately 60-90 minutes and were tape-recorded (with one exception). Selection was based on the notion of maximum variation sampling (Lincoln & Guba, 1985) and interviews were completed with 19 small business owners in the HRM from a broad cross section of the small-business community. The questions relating to e-learning were part of a larger study on the barriers to and facilitators of workplace learning (i.e., formal, informal and incidental) of Canadian, men and women, small business owners/managers.

A small business was defined in this paper as one that was independently owned and operated, had fewer than 100 full-time-equivalent employees, and had less than \$5 million dollars per year in sales. Lastly, each small business was in operation for at least one year.

Results

Participants in this study were 20 owners/managers, thirteen men and seven women, representing 19 firms, the two owners of one firm, one man and one woman, were jointly interviewed. In terms of industry type, six firms were retailers, eight were combined manufacturing and retail operations, two were personal service firms, one was a manufacturing firm, and three were in the hospitality sector. These firms had been in business on average 14 years and business age ranged from one to 27 years. In terms of sales three firms reported annual sales between \$100,000 and \$299,999, one firm had sales between \$500,000 and \$999,999, seven had annual sales between \$1,000,000 and \$2,000,000, and eight had sales between \$2,000,000 and \$5,000,000. On average firms had 18 full-time employees and ranged from having no full-time employees to 75 full-time employees.

Computer and Internet Access

All of the 19 participants had access to a computer and 18 had access to the internet. Three of the participants with access to both the computer and the internet didn't use either preferring to have employees perform those functions for them. According to Lenny, "I have all the gear you could shake a stick at and I don't use it... But I make the other people here use it".

Sixteen participants used the computer. Raymond felt "in the business computers play a big role now". The 15 participants who used the internet had varying opinions about their usage. According to Ian, "I use the net a lot". Mark had a similar view, "Without email we could no longer live. We get (orders) so it is now growing to be a substantial part of the business...you're negotiating with somebody over a monitor and the only thing that's an obvious common denominator is the price...I can only respond...(I can't) see their reaction". Computers and the internet were essential for Vernon, "we set up our network to have cable, modem, and you access the Internet from every station in the store so it's part of our life, it's part of the routine, everybody can ...get some information. To that extent, it's been very useful".

Computer and Internet Uses

The 16 participants who did use the computer used it for a variety of purposes. Although there wasn't a specific question regarding computer usage other than for e-learning, many participants volunteered this information. The main use of the computer was for financial purposes such as accounting, costing, projections, payroll. Inventory management, scheduling or booking customers, correspondence and providing customer services were other uses. Ophelia indicated that computers "play more of a role in our accounting, like just general paperwork, our labels...definitely point of sale is on the computer, so...pretty much everything that we do is on our computer". For Patrick, the computer was for "99.9% accounting and a little bit of typing". Raymond has "a fully integrated accounting system that does everything...we have inventory on it...we're looking at upgrading the website...to a point where we could take orders on it".

Only three participants mentioned learning through the computer. More specifically, they used CDs containing industry-specific knowledge, conference proceedings, supplier information, industry-specific software training, and management development material. George found that "there are lots of CDs produced with medical information on them...I use that constantly...Most of the major conferences, all the material is on CD...sometimes a pharmaceutical company will decide to put together a CD...they would provide it to your staff, They're really nice aids."

Of the 15 participants who used the internet, most of them used it for finding information on products, competitors, and business trends. Ian who used the net a lot felt that "as far as learning from it, I mean it's unlimited". Some indicated that they used it for email and others for sales/bookings/customer orders and ordering products. One participant used it for banking and one used the internet for placing ads. Jack has "a secure website where we can do our e-commerce transactions from people". Mark who was able to find a specialized product for a customer felt "without the internet it would have been totally impossible". Many used the internet to do research and obtain information. Jane indicated "I use it more like a ...library to look up various things. We look at (it) for the competition".

Two mentioned specific e-learning activities via the internet. George said his employees "actually write tests and everything on-line...and we'll get a certificate that says they passed this module...So there are places that they can get continuing education on-line...Those who use it, will use it a lot." Steve indicated that an industry association has e-learning on-line and "the initial ones weren't really very good quite frankly but now the quality is starting to improve and so those are very, very good".

Some mentioned opposition to learning through the computer and/or internet. Hazel said that "different times people have tried to get me to subscribe to on-line classes...like that just doesn't appeal to me in the least...People have also asked me about...on-line mentorship...I just don't think it can be a forced thing". Vernon reported that "Some of the suppliers we talked about are setting up distance learning programs for store employees but I can't think of a single example where it's been implemented well...I don't see it as an organized learning tool for our industry".

Discussion of results and future research directions

Clearly access to computers and the internet was not a problem for the participants as 100% had computer access and 95% internet access in 2003. This is consistent with the CFIB study which

showed 77% of small businesses in 2001 had internet access and that had been increasing each year.

Using Honey's (2001) definition of e-learning as "learning from information delivered to us electronically" (p. 200), most of the participants are engaging in e-learning. They either use the internet, directly or indirectly through their employees, in an informal way through e-mails and searching the web to obtain information and conduct research. Three indicated they used CDs for learning and two used on-line learning materials.

When cost/time leads the list of barriers to learning by small business and cost/time is often quoted as the key advantage of more structured e-learning, the question arises, why do so few use computer or on-line formal learning opportunities? The low usage of formal learning opportunities could reflect the lack of such opportunities or the lack of knowledge about such opportunities. One of the critical success factors often cited is the human resource who can act as a learning consultant to determine learning needs and connect them to the right resources (Training, 2002). It could be that this critical resource is lacking in small businesses. The low usage of formal e-learning activities could also reflect the preference small business has for informal learning (CFIB, 2003; Solomon, Fernald & Tarabishy, 2002; Paige, 2002; Morrison & Bergin-Seers, 2002)

Another critical success factor was appropriate technology and training in how to use it effectively (Roth, 1995; Stokes, 2001; Ren & Au, 2001, Volery & Lord, 2000). This could also be a barrier to using e-learning formally. Future research is needed to determine if e-learning is useful for small business and possible questions include, who plays the role of learning manager in a small business, is training in computer skills necessary, are there appropriate formal e-learning activities (courses, programmes, mentoring) for small business, are there ways to encourage more informal e-learning activities?

E-learning for small business is a relatively new phenomenon that has immense potential. Further research is needed on its applicability, barriers to and facilitators of its usage for small business in both formal and informal learning.

References

Baldwin, J. (1994). *Strategies for success: a profile of growing small and medium-sized enterprises (GSMEs) in Canada*, Statistics Canada.

Baldwin-Evans, K., (2002). E-learning in action at Xerox Europe. *Training & Management Development Methods*, 16, 5.01-5.05.

Brosnan, K. & Burgess, R. (2003). Web-based continuing professional development: a learning architecture approach. *Journal of Workplace Learning*, 15 (1), 24-33.

CFIB (May, 2003). *Skilled in training: results of CFIB surveys on training*. Toronto: CFIB.

CFIB (2002). *Small business primer 2002*. Toronto: CFIB.

Chaston, I., Badger, B., Mangles, T., & Sadler-Smith, E. (2001). The internet and e-commerce: An opportunity to examine organisational learning in progress in small manufacturing firms? *International Small Business Journal* 19(2), 13-30.

COMPAS Inc. (February, 2001). Small business information needs: assessment survey, Report to Industry Canada.

Deakins, D., O'Neill E., and Mileham, P. (2000) Executive learning in entrepreneurial firms and the role of external directors. *Education + Training* 42 (4/5) 317-325.

DeLuca, R. J. (2002) Using the internet to achieve your workplace training objectives, *Applied Occupational and Environmental Hygiene* 17(12) pg 814-817

Doyle, W. and Young, J. (2003). Small business owners: barriers to and facilitators of their workplace learning, *CCSBE 24th Annual Conference Proceedings*, Victoria, BC.

Dulipovici, A. (October, 2002) The impact of internet use on small and medium-sized Canadians businesses during a recession. The 6th *International Francophone Congress on SME*, HEC, Montreal

Halabisky, D., Dreessen, E. & Parsley, C. (2004). *Growth firms in Canada, 1985-1999*. ASAC 2004, Quebec, QUEBEC.

Herriott, R. & Firestone, W. (1983). Multisite qualitative policy research: optimizing description and generalizability, *Educational Researcher*, 12 (2), 14-19.

Hoban, V., (Nov 2001) It's learning, Jim, but not as we know it. *Management Today*, London, 96-98.

Honey, P (2001) E-learning: A performance appraisal and some suggestions for improvement. *The Learning Organization*. 8(5) 200-202.

Honore, S. (2003). Learning to lead with e-learning. *Training Journal Focus*, January, 2003, 16-18.

Huang, T-C. (2001) The relation of training practices and organizational performance in small and medium size enterprises. *Education + Training* 43 (8/9), 437-444.

Ibrahim, A. B., & Soufani, K. (2002). Entrepreneurship education and training in Canada; A critical assessment. *Education + Training*, 44(8/9), 421-430.

Industry Canada, May 11, 2004, *e-Learning*, ebiz.enable found at www.strategis.gc.ca

Industry Canada, April, 2004. *Key Small Business Statistics* found at www.strategis.gc.ca/sbstatistics

Industry Canada (May, 2003) *Key Small Business Statistics* found at www.strategis.gc.ca/sbstatistics

Ingram, H., Sandelands, E., & Teare, R. (2002) Cases in e-enabled action learning. *Training & Management Development Methods*, (16), 1.27-1.41

Kanter, R. M. (2001) You are here, *INC*. 23(2), 85-89.

Lewis, N. & Orton, P. (2000). The five attributes of innovative e-learning. *Training & Development*, June, 2000. 47-51.

Lincoln, Y. & Guba, E. (1985). *Naturalistic inquiry*. London, England: Sage Publications.

Lofland, J. & Lofland (1984). *Analyzing social settings; a guide to qualitative observation and analysis*. Belmont, Calif.: Wadsworth Publishing Company.

Mitra, J. (2000) Making connections: innovation and collective learning in small businesses. *Education + Training*, 42(4/5) 228-236.

Morrison, A. & Bergin-Seers, S. (2002). Pro-growth small businesses: learning “architecture”. *Journal of Management Development*, 21 (5), 388-400.

Murphy, H. J. & Young, J. D. (1995). Management self-development and small business: Exploring emergent issues. *Management Learning*, 26(3), 319-330.

Ottewill, R., Jennings, P. L. & Magirr, P. (2000). Management competence development for professional service SMEs: the case of community pharmacy. *Education + Training* 42(4/5), 246-254.

Paige, H. (2002). An exploration of learning, the knowledge-based economy, and owner-managers of small bookselling businesses. *Journal of Workplace Learning*, 14 (6), 233-244.

Ren, W-H., & Au, K-N, (2001) Integrating library research and service: the case of internet training for small business executives, *College & Research Libraries*, 62(2) 167-172.

Richmond, M. (2003) *State of e-business readiness report, private sector educational services (pses) in canada*, Canadian Society for Training and Development, available on-line at <http://strategis.ic.gc.ca/epic/int...sf/vwGeneratedInterE/ok01762e.html>

Roth, G., L., (1995) information technologies and workplace learning. In *Workplace Learning, New Directions for Adult and Continuing Education* ed. W. F. Spikes 68. 75-85.

- Solomon, G., Fernald, L. & Tarabishy, A. *An analysis of small business training and development in the United States by size of business*, found at <http://www.sbaer.uca.edu/Research/2002/USASBE/pdf/papers/35.pdf>
- Stokes, A., (2001) Using telementoring to deliver training training to SMEs: A Pilot. *Education & Training*, 43 (6), 317-324.
- Tyler, K. (2001). E-Learning: not just for e-normous companies anymore. *HR Magazine*, May, 2001, 82-88.
- Uhrbach, M. & vanTol, B., (2004). *Information and communication technology use: Are small firms catching up?* Ottawa: Industry Canada.
- Voci, E. & Young, K. (2001). Blended learning working in a leadership development programme. *Industrial and Commercial Training* 33 (5), 157-160.
- Volery, T. & Lord, D., (2000). Critical success factors in online education, *The International Journal of Educational Management* 14(5), 216--??)
- Waller, V. (2001) Planning e-learning—the iceberg syndrome. *Training & Management Development Methods*, 15, 5.37-5.40.
- A web of leaders. *Training*, February, 2002, 18.
- Whiteman, Jo Ann M. (2001) Relevance of education and training in a business environment. *Opinion Papers* (120)
- Yin, R. (1984). *Case study research: design and methods*. Beverly Hills, Calif.: Sage Publications.
- Young, K. (2002) Is e-learning delivering ROI? *Industrial and Commercial Training*, 34 (2), 54-61.
- Zager, M. (2001) Online training: a practical alternative for small businesses, *Rural Telecommunications*, 20 (5), 42-45.

Trends in Entrepreneurship Education
by Peter Mombourquette (Mount Saint Vincent University)

Abstract

This paper first examines entrepreneurship education in Canada and finds that there has been substantial growth since the last major study in 1999, with 21 new universities offering course work in the subject area and the total number of courses increasing from 253 to 367. The study then addresses the issue of accessibility of entrepreneurship courses by classifying universities as either offering focused entrepreneurship curriculum, which is entrepreneurship that is limited to business and engineering students only, or university wide entrepreneurship, which are courses that are available to all students regardless of their discipline of study. Surprisingly, the accessibility of entrepreneurship courses is quite low in Canada contrary to an emerging trend in the United States.

Management

**The Interface Between Culture, Ethics and Leadership
by Margaret McKee and Cathy Driscoll (Saint Mary's University)**

Abstract

In the past few years, there have been repeated calls for business school scholars to conduct more research in the area of leadership and ethics. A detailed review of the literature on ethical leadership reveals there are several gaps. There has been limited empirical study and relatively little study of the impact of ethical leadership styles on leader-follower relationships. This paper will present preliminary results from a qualitative research study that utilizes in-depth interviews to explore the ethical values and leadership styles of executives and senior managers in organizations. The paper will focus specifically on the effectiveness of such executives in establishing the ethical tone for their companies, and the means by which they do this through their communications practices.

**Cultural production and economic renewal and regeneration in Atlantic
Canada: the case of Cape Breton Island
by Larry Haiven (Saint Mary's University)**

Abstract

On Valentine's Day in 1999, 2000 Cape Breton coal miners and supporters gathered in a hockey rink to protest the shutting down of a 300-year-old industry, one of the oldest in Canada. An eight-year-old girl, Aselin Debison, sang "The Island," by Kenzie MacNeil, an anthem of pride and resistance, and a tribute to the caustic history of labour struggles in this remote corner of North America. The words rang bitterly true to those assembled.

I see the black pit-head,
The coal wheels are turning,
The smoke-stacks are belching
And the blast furnace burning
Aw, the sweat on the back is no joy to behold
In the heat of the steelplant or mining the coal
And the foreign-owned companies force us to fight
For our survival and for our rights

Not only did those attending weep at the bitter-sweetness of the moment, people across the country saw the rally and the young singer on television and were captured by her voice and the emotion of the moment. From that moment of despair a new career was born. Aselin Debison, now only 13, is touted as a Canadian and international star.

For Cape Breton Island, the blooming of music, art and literature amid the struggle for industrial survival is nothing new. For the past quarter-century, a literal explosion of cultural activity has spread from here around the world, much of it explicitly connected to the decline or demise of the three great industries that defined the region: coal-mining, steelmaking and the groundfish harvest. Many new careers have been born. But are those good careers? Can there be enough new careers to replace old careers? For every Aselin Debison who might win the talent-and-luck lottery, how many others will not? Many of these new jobs are highly precarious, in great need of capital infusion and rife with exploitive and self-exploitive relations. Can economic events that threaten to tear apart community and citizenship be transformed by new economic and socio-cultural trends? Chosen recently by National Geographic Traveller as the second "greatest destination" in the world, can the entire island community adapt itself into a cultural workshop?

To understand the depth of the challenge, a few figures will suffice: At its height, in the 1920s, coal-mining employed 12,000 people. In 1961, 24% of the island's workforce was employed in either coal or steel. Today, that number has been reduced to zero. Over the past three decades, approximately 7,000 jobs have been lost in the coal and steel industries, and an estimated 2,300 people have been impacted by the closure of the groundfish harvest.

The loss and decline in these industries has had a tremendous impact on the economy of the Island. In 1971, the population of the Island was 170,000; by 2001, it was down to 147,500— a drop of 13%.

This paper explores the tension between “core” and “periphery” amid major changes in the nature of work. It also examines the interrelationship of market, community and government in the production of both wealth and a sense of citizenship.

In the production of culture, the tension between “core” and “periphery” is evident in two regards.

First, cultural production once on the margins of economic activity, is coming more and more to occupy a major part of the industry of many countries and regions, especially those whose “hard” industry has declined or crashed. Indeed, cultural production often emerges in a post-industrial landscape. To take Atlantic Canada as an example, where once there were working coal mines there are now miner's museums, miner's choirs and plays and novels about miners. Where once there were thriving fishery and shipbuilding industries, there are now fishery and maritime museums, tall ships for tourists and world-famous heritage towns kept in loving historical fidelity. Indeed, the recreation of the Fortress of Louisbourg occurred as a direct response to the impending demise of the Cape Breton coalfields and steel industry.

As well, there is a geographic tension. “Peripheral” has traditionally meant not only geographically remote from the metropolis but also out of the economic mainstream. Yet technological innovations have rendered this definition problematic, especially in the production of culture. Where once the recording and broadcasting and of cultural services and artifacts possible only in central locations, now decentralization is possible. Computerization, miniaturization, communications technology, all have put the production and dissemination of music, video, drama, art and other art forms within the reach of geographically remote regions. Moreover, advances in transportation has brought tourism within easier reach.

However, the tension between core and periphery still exists and cultural activity holds both promises and challenges for the communities involved. The nurturing of cultural activity requires the infusion of resources beyond the ability of the single artist or performer. The model of single cultural producer toiling away in isolation, only to be “discovered,” financed and promoted by corporate or independent wealthy patrons is, in fact, very limiting, often exploitative and often false. There are other models of artist development and many of them involve, indeed require, community and government involvement.

Many cultural enterprises emerge from strong communities, nourished within family, neighbour, cooperative and communal networks, given exposure through locally-based institutions and institutions, generating a devoted following among the wider regional community. Not to be ignored is the role of governmental institutions, both federal and provincial, in fostering cultural production. The National Film Board, the CBC, regional development offices, provincial departments of culture, all play an integral part in the development of culture – for better and for worse.

Ironically, the peripheral community-based cultural products find a ready audience in the metropolis, ever-hungry for talented novelty and longing for a lost sense of community, connectedness and “authenticity.” Culture is also a key ingredient to tourism in these regions as “cultural tourism” plays an ever larger role.

The outside audience bears the promise of some sort of economic revival for peripheral communities. Be it through exporting to remote purchase, or through the advent of outsiders for cultural tourism, there is the potential for community economic renewal or at least economic development.

But, as with many realms of economic activity in the new economy, there is a tug of war over the capital necessary to finance the activity and the surplus generated from it. Will there be enough patient and loyal capital available in the community or from sources immediately beyond it? Or will the financing come from impatient capital "from away," eager to invest but also eager to reap quick rewards and to suck the surplus up into the world-wide turbulence of speculative capital? Will cultural tourism contribute to good jobs and healthy communities, or will it be corrosive and produce dependency?

Two problems emerge for peripheral communities in this tug of war: If capital and control are exercised locally, will the cultural activities be able to blossom and attract a wider audience? But if investment comes from outside, will local control inevitably diminish? Is there surplus that can be plowed back into the local community to develop new talent from other producers? Does the cultural product change or how much does it change to suit the tastes and vagaries of the external market? Is there a danger that in so doing the product becomes watered down and divorced from the specificity that gave rise to it? To what extent is the sense of “authenticity” grounded in reality or artificially constructed to please outside consumers and regional elites?

On the other hand, is the local community always hospitable to the development of cultural industries in their midst? Sometimes local communities can stifle or discourage indigenous cultural activity that takes root in their midst both socially and economically and the activity can flourish only by moving away.

In Atlantic Canada and Cape Breton Island in particular, the sense of rootedness in an indigenous culture, a firm sense of place and proud and strong local communities have long wrestled with their opposites – with the pull of economic forces from “away,” the loss of population and the failure to use and replenish local capital.

Employing a mixture of lecture and audio-visual presentation, this paper explores the impact of industrial decline and cultural regeneration on Cape Breton Island. It investigates whether and how cultural capital can sustain both a sense of citizenship and the rights of citizenship within a community under stress.

The Employment Interview: A Brief Discussion of Some Aspects and Issues by Bob Bagg (Mount Saint Vincent University)

ABSTRACT

An overview of the employment selection interview, looking at various descriptions of what the interview is and the possible purposes it can be seen to serve, along with a discussion of different levels of interview structure. Despite the problems with the unstructured interview reasons for its continued popularity are examined, the issues of validity and reliability are briefly considered, and some of the potential judgmental problems that can exist or arise with the interview are brought to light.

Employment is nature's physician, and is essential to human happiness.

- Galen (2nd century Greek physician & scholar)

Introduction

The employment selection interview has been examined for decades; indeed the literature on the employment selection interview goes back to the early years of the twentieth century, and for much of that time most of the literature concluded that the employment interview had limited predictive power, sometimes even seen as a selection tool as not much superior to simply choosing randomly. More recent studies have impugned that view and have suggested that properly structured and applied selection interviews can be effective in predicting future performance. Yet despite that, there still remains a noticeable gap between what the research indicates, and actual interviewing as performed by field practitioners (Arvey & Campion, 1982; Eder, Kacmar & Ferris, 1989). As well, while there is some general agreement as to a definition of what is meant, or what constitutes, an employment interview, there are also sufficient degrees of difference to complicate study.

Definition of the Employment Interview

Eder, Kacmar & Ferris (1989) offer one definition of the selection interview as "a face-to-face exchange of job relevant information ...with the overall goal of attracting, selecting, and retaining a highly competent workforce" (p18). Fear (1984) suggests that the main employment interview is the most important part of the selection procedure, as it is at this point where all previous information about a candidate is integrated with the information the candidate provides about past behaviours and future intentions (p85).

Weisner and Cronshaw offer a definition of the employment interview as "an interpersonal interaction of limited duration between one or more interviewers and a job-seeker for the purpose of identifying interviewee knowledge, skills, abilities and behaviours that may be predictive of success in subsequent employment." They further add that future success can be measured through training success, job performance, and advancement through and tenure with the organization (Weisner & Cronshaw, 1988).

The employment interview has further been defined as a test of interpersonal (and communication) skills where the process itself and the interaction of the participants is a key variable, a verbal cognitive ability test (particularly true in a highly structured interview environment), a substitute assessment device where the process is of much less importance than the structure and core content of the questions, or a measure of long-term motivation that may try to determine person-organization fit or the candidate's organizational citizenship tendencies (Buckley and Weitzel, 1989). As well, the interview is

seen by some practitioners as a means to sell candidates (and applicants) on the organization, and to present them with realistic job-related information (Arvey and Campion, 1997).

Carlson, Thayer, Mayfield and Peterson (1971), quoted in Webster (1982) posit that the true purpose of a selection interview is to gather information, both concrete facts and about the candidate's attitudes and values, in order to permit the organization to make as accurate as possible predictions concerning future job performance. Webster, in his seminal work at McGill University, originally came to a similar conclusion, i.e. that the purpose of the employment interview is the collection of accurate data that draws an interviewer inexorably towards a valid conclusion as to a candidate's job suitability as regards a potential for effective person-job and person-organization match. In theory, the selection interview is a major step in the organization's evaluation of a candidate's relevant qualifications: knowledge, skills, abilities, and other (KSAOs) (Heneman & Judge, 2003; p5).

However, Webster wondered that if this was the case then why were there such problems with the selection interview? Why did the different research studies give different results as regards reliability, validity, and even basic effectiveness? He came to the conclusion that much of the design methodology in interview research was faulty or irrelevant. Webster maintained that since the interview is an event that occurs in the social world, where a multitude of forces, including social custom and pressures, interviewer incompetence and bias, and legal requirements all have an impact, they consequently vary from the results obtained in much selection interview research done in more laboratory or artificial (that is, not actual) settings. It is worth noting that current complaints about, and disinterest in utilizing, employment interview research that come from HR practitioners are often still rooted in a feeling that all this research is still more academic than applicable in the day-to-day world of organizational reality (Rynes, Colbert, & Brown, 2002).

Webster agreed with the collection of information as being very important, but decided that the key characteristic of the employment interview is the actual decision; "everything else is preparatory" (1982; p7). As a consequence, Webster examined the literature on selection interviewing by looking at interviewer judgement within a cognitive-processing framework. Since then others have agreed. The selection interview is not just about asking questions; it is equally if not more so about how to use the answers (Breakwell, 1990) That is, it is about making effective decisions.

From Unstructured to Well-Structured: Interview Formats

All the literature agrees that interviews can come in two types, structured and unstructured. In reality however, interviews can fall anywhere from a totally unstructured (and even disorganized) style to the comprehensive interview, a highly planned and structured, and fairly rigid, format. Personal experience in various hiring situations indicates that most interviews fall somewhere in between the these two opposites, with the average tending towards the unstructured end. This appears to be borne out by previous studies, as well as in anecdotal evidence from discussions with human resource personnel and section managers. While a preponderance of the research has indicated that despite the fact that both reliability and validity increase with high structure interviews (Wright, Lichtenfels, & Pursell, 1989), the structured interview appears to be used less often than might be expected given these results (Lievens & De Paepe, 2004). Thus the truth is that the bulk of selection interviews are in a range that goes from a totally unstructured, off the cuff format to what could be loosely called a semi-structured style, though the term semi-structured is vague as it defines a rather large set of possibilities as to levels of structure. In fact, even when discussing the "structured" interview there is no firm agreement among researchers or within the literature as to what is exactly meant by this term.

A general definition of the structured interview would be one that implies a carefully designed, pre-planned, thorough interview procedure that is standardized (i.e. identical for all candidates) and that is directly job-related. Even this is not as straight-forward as it may sound; Campion et al. (1997) identify 15 possible components of structure, from those that influence content to those that can influence the cognitive evaluation / judgement processes. Since the late 1980s the research literature has generally (though not entirely) concurred that the structured interview has greater reliability and validity (Foster & Godkin, 1998; Barclay, 2001; Campion, Palmer & Campion, 1997; Judge, Higgins, & Cable, 2000).

To be effective the structured interview must be based on a detailed and effective job analysis system that develops a real understanding of the needs of the job being filled. Proper structured interviews are based upon previously determined required KSAOs (which themselves are prioritized) and around which assessment questions are designed. (Hakel, 1989). Further, in the current legal environment of specific anti-discriminatory rules and regulations, job analysis is a requirement for compliance (Feild & Gatewood, 1989). Though job analysis may not necessarily increase reliability, it is considered “a basic requirement for developing valid selection procedures” (Campion, Palmer & Campion, 1997, p660; Barclay, 2001).

The structured interview can take two general approaches: the previous-job-related (experience-based) interview (Janz, 1989), which attempts to ascertain and assess relevant past behaviours (“what actions did you take...?”), and the future-oriented, situational interview (Latham, 1989) that works to assess candidates’ ability to give an indication of their actions in potential future situations (“What would you do if...?”). As to the validity of each type, the meta-analysis completed by McDaniel et al. (1994) reported in favour of the situational interview as being more valid. Contrary to this, Campion, Campion, & Hudson (1994), after comparing the two interview types, suggested that greater validity was achieved by the past-behaviour, experienced-based interview. Again, agreement currently eludes us.

Unstructured interviews tend to be less (or much less) planned procedures that are often made up as the interviewer goes along, and that often entail questions based on the interviewer’s personal diagnosis of the situation. Questions can be casual, subjective, unrelated to any job-pertinent criteria, and/or uninformed as to job requirements (see Catano et al., 2001; p404-5 for samples), and consequently validity can be quite low - if not very low (Cronshaw & Weisner, 1989). Reliability of unstructured interviews is poor as well, mainly due to interviewer subjectivity and cognitive biases, so that the same interviewer (let alone different interviewers) will make different evaluative decisions from applicant to applicant (Dipboye, 1994). Biases can include the negativity bias, the recency, contrast, halo, similar-to-me, and primacy effects, impression management by the candidate, prior information (e.g. from the applicant’s résumé), projection, attribution errors, directed answers, and a series of possible biases based on an applicant’s sex, race, age, language, behaviour, and body language, and on non-verbal clues/communication. Non-verbal communication can be especially unreliable in cross-cultural situations.

Finally, there is some controversy as to the predictive value of interviews (even structured) to final performance (Weisner & Cronshaw, 1988; Arvey & Campion, 1982). Research appears to suggest that in many cases there can be a low level of correlation between the interview and future job performance, though some more recent studies have indicated that there may be a higher correlation than previously supposed - if the interview is properly structured and deals with valid job-related criteria. So the question of interview design and the weight placed on it in selection decisions can have overall relevance.

Despite their high potential for flaws and subsequent evaluation errors, unstructured interviews can allow spontaneous information to be sought or provided, to follow up on an unexpected piece of

information, to make room for probing and elaboration, and to give both parties a chance to feel out and make some subjective decisions about the other. As well, unstructured interviews are less costly, and involve less preparation and interviewing skills. And they still comprise by far the large majority of employment interviews (Dipboye, 1994; Dreher & Maurer, 1989).

Why the Continued Use of the Employment Interview Despite the Evidence?

Despite some generally verifiable research data, including a couple of validity meta-analyses, that structured interviews, if properly done, increase interview validity (Huffcutt & Arthur, 1994; Huffcutt & Woehr, 1999; McDaniel, Whetzel, Schmidt, & Maurer, 1994; Weisner & Cronshaw, 1988), most practitioners still appear to favour the unstructured or semi-structured interview format. Why is there such a gap between interview research and interview practice?

Smart (1983) says that surveys of some thousands of middle and upper managers indicates that a large majority do not use a structured format. While his own surveys have indicated that many “have a vague feeling in their gut that there would be advantages” to a structured process, they just never do it (p 60). Reasons offered include the feeling of being constrained, of a lack of spontaneity, an appearance of not knowing what questions to ask without having to read them off, a sense of doing things by rote and sounding mechanical, and so on. Rynes et al. (2002) found from almost one thousand HR professionals that there was a large gap between research findings and the practitioners acceptance or use of the results.

Possible reasons for this were felt to be time constraints that left professionals with little time to keep up with the literature, that the average research paper or journal has become increasingly technical and scientific, making them rather useless for a non-academic to comprehend, and that those issues that academics think important are not those that the practitioners think should rate much attention (Rynes, Colbert, & Brown, 2002). This may be unfortunate since Rynes et al. found that in staffing matters, less than 50% of respondents from a survey among HR practitioners agreed with current research findings when asked a series of selection-based questions. Specifically, as regards the role played in future job performance, they under-rated the value of intelligence, over-rated the predictive benefit of conscientiousness and screening for applicant values, and even believed that intelligence was a disadvantage for people in less- or unskilled jobs. According to current research they were wrong on all counts.

Yet the interview appears to be here to stay (Oliver, 1998). As Wiesner and Cronshaw (1988) say, “the employment interview continues to enjoy ubiquitous (but apparently inexplicable) popularity among practitioners.” Indeed, Judge, Higgins & Cable (2000) suggest that there “is perhaps no more widely used selection procedure than the employment interview. Despite decades of research questioning the validity of the interview and the reliability of interviewers, most organizations still include some type of interview in their selection process.” As Dipboye (1994) says, insofar as the selection interview goes, “Unstructured, intuitive processes still appear to dominate HRM practices.”

Arvey and Campion (1997) in their review of more recent research into the employment interview suggested that use of the (generally unstructured) interview persists for four possible categories of reasons. The first reason is that the interview is valid, at least insofar as it offers valid observations on certain behaviours such as speech or social attitudes. Categories two, three, and four accept that it may not be valid but offers other useful features. The second category maintains that regardless of validity, practical considerations make the interview functional; such considerations include a small number of applicants (often the case) that renders more elaborate tools impractical, and as a means to expose candidates to accurate / realistic job-related information.

Thirdly, despite the lack of validity, many interviewers retain a great belief in their ability to make effective judgements. Interviewers do not see their biases, over-value their experience and successes, and discount any disconfirming evidence to the contrary. Finally, the fourth category again admits that the interview may not offer much validity per se, but fills other non-selection needs. These include selling candidates on the job, answering candidates questions, and as a public-relations exercise.

Terpstra and Rozell (1997) add to these reasons some other possibilities: organizational philosophy or objectives, including social objectives that may outweigh performance objectives, or a fear that rigid hiring practices could harm the organization's image, no support from top management, internal politics, or a culture that is change resistant.

Validity, Reliability, and the Employment Interview

While some researchers have claimed that employing a panel interview will increase interview validity, particularly in unstructured format (Weisner & Cronshaw, 1988), Huffcutt & Woehr, (1999) performed a follow-up investigation and found a neutral or even slightly negative correlation between the use of a panel interviews and validity. That is, validity was not increased and could even be decreased by the use of unstructured panel interviews. However, Dipboye, Gaugler, Hayes, Parker (2001) found a - albeit weak - level of validity for the unstructured panel interview, particularly when the validity of the panel is determined by assessing the level of validity of each individual panel member.

In the case of the employment interview, how is validity defined? In the selection interview validity can be defined as the degree to which the judgements made from an interview about a candidate's future job success are borne out in fact. That is, its predictive validity, or the degree to which it accurately measures the attributes (or constructs) that it is supposed to measure; attributes that have been shown to relate to job performance. However, measurement procedures can be valid in themselves, yet not valid insofar as the purpose of the interview is concerned. Weighing applicants during an interview when weight has no relation to job performance could be valid if an accurate scale is used; the recorded weights are correct and are thus valid in themselves. But since the purpose of the interview is to attempt to predict future job performance (or organizational citizenship or other key constructs) the weighing of candidates is an invalid form of testing as regards the purpose of the interview, and basing selection decisions on this information is highly ineffective. And as Huffcutt and Woehr (1999) suggest, interviewer-related factors (training, use of the same interviewer across applicants, use of panel interviews, and interviewer note-taking) also have an impact on validity of an interview.

Further, validity must increasingly fit certain legal criteria, regardless of whether the questions can be argued as being job-related. The fact that an organization may believe that its customers may not wish to deal with a salesperson of some cultural or ethnic group is no longer a valid reason for discouraging some applicants, asking specific questions, or making certain decisions. Questions must relate to job-specific requirements and nothing more, or legal challenges can develop (Willianson, Campion, Malos et al., 1997; Kacmar, Ratcliff & Ferris, 1989). Therefore the law, in the form of human rights and employment legislation adds a further dimension to the definition of validity. Thus the weighing "test" mentioned above is not only invalid but also these days quite illegal.

Reliability is another issue in the selection interview, albeit one that has been studied less than the issue of validity. Hakel (1989) approached the idea that another way to improve interview predictive success would be to pay closer attention to the reliability of the selection interview. He recommended that researchers study interview reliabilities, and this suggestion was subsequently followed by Conway, Jako, and Goodman (1995). They found that reliability was affected by interviewer training and interview structure, as well as by panel versus one-on-one interviews, and offered recommendations that

included standardized questions, the training of interviewers, and of the application of good job analysis. It has generally been agreed to that one can have reliability without validity (as in the weighing example), but not the opposite: reliability is a requirement - though not the only one - for there to be validity. For interested readers it might be worth mentioning that not all agree, and Moss (1994) has posited that under certain circumstances there can be validity without reliability; however, for our purposes here reliability will be assumed to be a requirement for validity. Further to the issue of reliability, in their study Schmidt & Zimmerman (2004) did produce two interesting results. One was that if one determined the average score from three or four unstructured interviews (per candidate with different interviewers) it could produce a validity equal to one structured interview by one interviewer.

The other was that despite the fact that increasing reliability in any interview will increase validity, in the area of highly structured interviews, as structure increased past a certain point reliability began to decrease. They make a good point that is not always made though is always in the background: "By definition, increased structure cannot be used to increase reliability of unstructured interviews because the imposition of all but minimal structure causes them to cease being unstructured interviews" (p560). Thus they suggest the way to increase the reliability (and subsequently, validity) of unstructured interviews is to use a system of multiple raters; that is, to put each candidate through a number of unstructured interviews (two to four perhaps) with different interviewers.

Factors That Can Reduce the Effectiveness of the Employment Interview

Until the last decade, the employment interview was perceived to be beset with problems that reduced its usefulness (validity). A number of generally held opinions and observations about (and problems with) the interview include a lack of consensus between interviewers as to types of questions and rating of responses (low reliability). As well, as both Webster (1982) and Rowe (1989) point out, there is a negative bias in most people that tends to give more time, consideration, and credence to unfavourable information than to positive information. Other reasons that are offered for the inability of the interview to single out the best candidate include pressure to fill the position, a failure to collect sufficient job-related information, flaws with the interviewers cognitive and decision making processes, particularly as regards systematic ordering of facts and maintaining a fair degree of consistency, the ability of interviewers to allow their overall judgement to be influenced by one or two specific (and often unimportant) aspects of the interview or the candidate (halo effect), and - once a candidate's ability to do the job is properly assessed - a failure of the interviewer to determine whether there is any motivation to perform successfully (Flynn & Gillian, 1995).

Direct interpersonal interaction is media rich, and non-verbal information plays a dominant role in all face-to-face communication. A million years of social evolution have left us with the ability to read, often without conscious awareness, the body language of others. The problem with this ability is at least threefold. One is that an applicant's nervousness can have an adverse impact on interviewer judgement yet have no relevance to the ability to do the job; indeed a highly motivated applicant who really wants the position may exhibit a high level of tension or nervous energy. As a corollary to this, there is also evidence that when an applicant's verbal responses (both manner and content) are poor, higher non-verbal activity caused lowered ratings (Rasmussen, 1984). DeGroot and Motowidlo (1999) have suggested that vocal cues such as pitch, speech rate, pauses, tone variation and volume, along with visual cues, e.g. eye contact, gestures, smiling, body movements, appear to have a direct impact on interviewers' judgements and evaluations.

Secondly, applicants can attempt to indulge in impression management in an effort to affect the outcome of the interview. Impression management (IM) activities can be verbal, non-verbal, involve physical appearance, or utilize specific behaviours. IM behaviours can be both assertive and defensive,

depending on the direction of the interview (Stevens and Kristof, 1995). Assertive impression tactics can include ingratiation, either by flattering the other person, or by opinion conformity, where one verbally supports the opinions held by the other. A second type of assertive tactics utilizes self-promotion, where positive personal statements are made, or where inflated descriptions are given of previous responsibilities, of successes being greater or more important than they actually were, or of obstacles that were overcome. Defensive impression management tactics appear to be used when an applicant feels the need to repair damage caused by prior or concurrent events. Such behaviours can entail the use of excuses (“I would’ve worn a tie, but it had a stain on it.”) or justifications (“It’s true that I quit my previous job without giving any notice, but they were a very unethical company that no one would want to work for; besides, they didn’t care anyway.”).

A final problem with non-verbal behaviour, and one of increasing concern these days, is the issue of the different meanings conveyed by non-verbal language across different societies and cultures. Consciously or unconsciously we employ a large vocabulary of non-verbal signals to communicate information and intentions; cultural variations here can easily allow for (sometimes serious) misinterpretation. There are a number of reasons that the misunderstandings involved in incorrect readings of others’ body language are detrimental, but the two greatest are legal concerns, and in a multi-racial/cultural society, the possible loss of highly credible future employees. There are societies where smiling in public is rare, where handshakes are brief and soft, where interrupting or closing one’s eyes is a sign of attention, where verbal conflict or self-promotion is to be shunned, or where eye contact is to be avoided. While ‘mainstream’ Canadian society still regards eye contact as a sign of trustworthiness in interpersonal communication - indeed to describe someone whom we think, often without specific evidence, to be of a furtive or devious nature we pejoratively refer to them as “shifty eyed” - there are societies that regard direct eye contact as aggressive, impertinent, or rude, and the avoidance of eye contact as a sign of courtesy or respect. Given that many interviewers consider themselves to be “experts” at reading verbal and non-verbal cues, and that until recently much interview literature encouraged this “talent”, in a more diverse society there is an increasing potential for serious misjudgement.

Other factors that are generally perceived as possible problems in the traditional employment interview include the use of prior knowledge, most often through the reading of résumés and applications that allow interviewers to make up their mind either before the interview or within the first few minutes of actual interviewing (Judge & Higgins, 2000). Dipboye, Fontenelle, & Garner (1984) found that previewing applicant information caused interviewers to collect more non-application information, but gave little advantage in post-interview processing of the information. Further, as far as the assessment of the candidate was concerned, previewing applicant details at best had no effect, and at worst could be detrimental.

Previewing also appears to have a negative impact on interviewer reliability; those interviewers that previewed applicant information had notably lower inter-rater reliability in rating applicant performance and “goodness of fit.” Studies also show a fairly direct relationship between interviewers’ impressions and judgements based on pre-interview information and their post-interview evaluation of candidates (Macan & Dipboye, 1990). Pre-interview impressions / evaluations also lead to the possibility of becoming a self-fulfilling prophesy in the interview itself, where initial impressions create both behavioural biases (interviewer’s verbal and non-verbal language communicates an attitude that the applicant can respond to) and cognitive biases (e.g. selective attention and information recall) (Dipboye, 1982; Dougherty, Turban, Callender, 1994). This has also been referred to as the “Pygmalion Effect.”

Previewing information further appears to create expectancies in the minds of interviewers. Tucker and Rowe found a connection between this expectancy, which could be favourable or

unfavourable, and the attribution of responsibility for the applicant's past successes. That is, unfavourable prior information led the interviewers to attribute less credit for past achievements and more responsibility for any failures. These causal attributions then translated into an employment decision to hire or reject (Tucker & Rowe, 1979). Even without previewing, studies indicate that information gathered early in the interview often has the effect of encouraging interviewers to come to a decision quite quickly; some research has shown that interviewers will reach a conclusion within the first few minutes of a half-hour interview, and then spend the remaining time attempting to substantiate their opinion (Judge, Higgins & Cable, 2000; p384). Therefore, first impressions seem to have a substantial impact on interviewer final decision making (Dougherty, Turban, & Callender, 1994).

Other factors that interfere with effective interviewer employment decisions are those that deal with the applicant's appearance and the applicant's human and cultural characteristics. Attractiveness (however defined) has been shown to have an impact, whether it is dress, cosmetics, grooming, or weight (Gilmore & Love, 1986; Dipbooy, Arvey, & Terpstra, 1977; Forsythe & Cox, 1985; Elliot, 1981; Graves & Powell, 1996). Interviewers are also affected by similarity characteristics of race, sex, educational level (and institution), age and other such personal attributes. Gender can have an impact whether interviewers and or applicants are male or female, and regardless whether both are same sex or different sex (Parsons & Liden, 1984). Even interviewee order in the interview schedule has been shown to have a measurable effect on interviewer validity (Heneman, Schwab, Huett, & Ford, 1975).

Summary

This paper has offered a brief look at why the unstructured interview is popular, despite its low validity and apparent inherent flaws. If so beset with real and potential weaknesses, then why is the interview still so popular, or as it is sometimes disparagingly referred to, so ubiquitous? Information can be requested and supplied, tests given, personal paperwork (resumes, references) read and vetted, questions satisfactorily asked and answered, without - in most cases - any need for face-to-face interpersonal interaction. Other than a medical check if required, it appears that the sole contribution of the interview at times is to waylay concrete information with irrelevant and subjective input that distorts cognitive processes and final judgements. I will offer a possible answer, with no concrete evidence at my fingertips to defend it. All I can offer are some ideas that have formed from decades of collecting and sorting an endless variety of information that has drifted my way in life.

We are gregarious beings by evolution and nature, and need to feel the presence of others to effectively communicate and evaluate. Many of us even have trouble leaving a simple telephone message on a recording device when there is no actual being on the other end, let alone dealing with more complicated human relations issues without some physical presence. I have with interest read of neurological research that indicates that there are very specific areas of the brain that are given over to the memory of faces and names, and the association of one with the other. If this is so, then there must be some powerful evolutionary reasons for this. I believe that we simply need to see each other to make a decision about one another. Once the face (and thus an image of the person) is imprinted in our mind, we can call it up for future decisions. But for most of us, an original "imprinting" is a requirement for any sense of comfort in our evaluation. We like to say that we need to meet face-to-face (to "look someone over") to determine additional valid (and valuable) human attributes that no other source can impart (and that may certainly happen at times), but what we are unconsciously explaining or rationalizing is the need for us to experience the other person's existence in physical terms in order to be able to accept them as a member of whatever group (tribe?) that we are bringing them into.

As gregarious beings by nature, it is important for us to experience the presence of others. It is no coincidence that one of the greatest punishments we can inflict upon ourselves as beings is to be isolated

Atlantic Schools of Business Conference - 2004

from the group, however that group may be defined. Even within prisons, where separation, confinement, and reduced individual identity is the norm, the ultimate official sanction is solitary confinement. Physical presence conveys meaning. Thus I think that our need to register another's presence, and perhaps have them register ours, before rendering judgements makes the subject of the employment interview worthy of study, if for no other reason than as a selection tool it is not likely to be going away any time soon. Given this, and since much personal and organizational well-being depends on each interview's outcome, we should work to see the interview's inefficiencies minimized and its potential for effectiveness maximized.

References

- Arvey, R.D. & Campion, J. E. (1982). The employment interview: A summary of recent research. *Personnel Psychology*, 35, 281-323.
- Barclay, J. M. (2001). Improving selection interviews with structure: Organizations' use of "behavioural" interviews. *Personnel Review*, 30(1), 81-92.
- Buckley, M. R., & Weitzel, W. (1989). Comment on the research methodologies used in interview research. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 294-304). Newbury Park, CA: Sage.
- Campion, M. A., Palmer, D. K., & Campion, J. E. (1997). A review of structure in the selection interview. *Personnel Psychology*, 50, 655-702.
- Campion, M. A., Campion, J. E., & Hudson, J. P., Jr. (1994). Structured interviewing: A note on incremental validity and alternative question types. *Journal of Applied Psychology*, 79, 998-1002.
- Cantano, V. M., Cronshaw, S. F., Wiesner, W. H., Hackett, R. D., & Methot, L. L. (2001). *Recruitment and selection in Canada*. Scarborough, ON: Nelson Thomson.
- Conway, J. M., Jako, R. A., & Goodman, D. F. (1995). A meta-analysis of interrater and internal consistency reliability of selection interviews. *Journal of Applied Psychology*, 80(5), 565-579.
- Cronshaw, S. F., & Wiesner, W. H. (1989). The validity of the employment interview: Models for research and practice. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 269-279). Newbury Park, CA: Sage.
- DeGroot, T. & Motowidlo, S. J. (1999). Why visual and vocal cues can affect interviewers' judgements and predict job performance. *Journal of Applied Psychology*, 84(6), 986-993.
- Dipboye, R. L. (1994). Structured and unstructured selection interviews: Beyond the job-fit model. *Research in Personnel and Human Resources Management*, 12, 79-123.
- Dipboye, R. L. (1982). Self-fulfilling prophecies in the selection interview. *Academy of Management Review*, 7(4), 579-586.
- Dipboye, R. L., Fontenelle, G. A., & Garner, K. (1984). Effects of previewing the application process and outcomes. *Journal of Applied Psychology*, 69(1), 118-129.
- Dipboye, R. L., Gaugler, B. B., Hayes, T. L., & Parker, D. (2001, Fall). The validity of unstructured panel interviews: More than meets the eye? *Journal of Business and Psychology*, 16, 35-49.
- Dipboye, R. L., Arvey, R. D., & Terpstra, D. E. (1997). Sex and physical attractiveness of raters and applicants as determinants of résumé evaluations. *Journal of Applied Psychology*, 62, 288-294.
- Dougherty, T. W., Turban, D. B., & Callender, J. C. (1994). Confirming first impressions in the employment interview: A field study of interviewer behavior. *Journal of Applied Psychology*, 79, 659-665.
- Dreher, G. F., & Maurer, S. D. (1989). Assessing the employment interview: Deficiencies associated with the existing domain of validity coefficients. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 249-268). Newbury Park, CA: Sage.
- Eder, R. W., Kacmar, K. M., & Ferris, G. R. (1989). Employment interview research: History and synthesis. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 17-29). Newbury Park, CA: Sage.
- Elliot, A. G. P. (1981). Sex and decision making in the selection interview: A real-life study. *Journal of Occupational Psychology*, 54, 265-273.
- Fear, R. A. (1984). *The evaluation interview* (3rd Ed.). New York, NY: McGraw-Hill.
- Feild, H. S., & Gatewood, R. D. (1989). Development of a selection interview: A job context strategy. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 145-155). Newbury Park, CA: Sage.
- Flynn, G. (1995). HR managers name the most common causes of poor candidate selection. *Personnel Journal*, 74(7), 25.

- Forsythe, S., Drake, M. F., & Cox, C. E. (1985). Influence of applicant's dress on interviewer selection decisions. *Journal of Applied Psychology, 70*, 374-378.
- Foster, C., & Godkin, L. (1998). Employment selection in health care: The case for structured interviewing. *Health Care Management Review, 23*(1), 46-52.
- Gilmore, D. C., Beehr, T. A., & Love, K. G. (1986). Effects of applicant sex, applicant physical attractiveness, type of rater and type of job on interview decisions. *Journal of Occupational Psychology, 59*, 103-109.
- Graves, L. M., & Powell, G. N. (1996). Sex similarity, quality of the employment interview and recruiters' evaluation of the actual applicant. *Journal of Occupational and Organizational Psychology, 69*(3), 243-261.
- Hakel, M. D. (1989). The state of employment history and research. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 285-293). Newbury Park, CA: Sage.
- Heneman, H. G., Schwab, D. P., Huett, D. L., & Ford, J. J. (1975). Interviewer validity as a function of interview structure, biographical data, and interview order. *Journal of Applied Psychology, 60*, 748-753.
- Heneman, H. G., & Judge, T. A. (2003). *Staffing organizations* (4th Ed.). Burr Ridge, IL: McGraw-Hill.
- Huffcutt, A. I. & Arthur, W. Jr. (1994) Hunter and Hunter (1984) revisited: Interview validity for entry-level jobs. *Journal of Applied Psychology, 79*, 184-190.
- Huffcutt, A. I., & Woehr, D. J. (1999). Further analysis of employment interview validity: A quantitative evaluation of interviewer-related structuring methods. *Journal of Organizational Behavior, 20*, 549-560.
- Janz, T. (1989). The patterned behavior description interview: The best prophet of the future is the past. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 158-167). Newbury Park, CA: Sage.
- Judge, T. A., Higgins, C. A., & Cable, D. M. (2000). The employment interview: A review of recent research and recommendations for future research. *Human Resource Management Review, 10*, 383-406.
- Kacmar, K. M., Ratchiff, S. L., & Ferris, G. R. (1989). Employment interview research: Internal and external validity. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 32-41). Newbury Park, CA: Sage.
- Latham, G. P. (1989). The reliability, validity, and practicality of the situational interview. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 169-180). Newbury Park, CA: Sage.
- Lievens, F., & De Paepe, A. (2004). An empirical investigation of interviewer-related factors that discourage the use of high structure interviews. *Journal of Organizational Behavior, 25*, 29-46.
- Macan, T. H. & Dipboye, R. L. (1990). The relationship of interviewers' preinterview impressions to selection and recruitment outcomes. *Personnel Psychology, 43*, 745-768.
- McDaniel, M. A., Whetzel, D. L., Schmidt, F. L., & Maurer, S. D. (1994). The validity of employment interviews: A comprehensive review. *Journal of Applied Psychology, 79*, 599-616.
- Moss, P.A. (1994). Can there be validity without reliability? *Education Researcher, 23*, 5-12.
- Oliver, J. (1998, February). The science of professional interviewing. *Management Today, 80*.
- Parsons, C. K., & Liden, R. C. (1984). Interviewer perceptions of applicant qualifications: A multivariate field study of demographic characteristics and nonverbal cues. *Journal of Applied Psychology, 69*, 557-568.
- Rasmussen, K. G. (1984). Nonverbal behavior, verbal behavior, resumé credentials, and selection interview outcomes. *Journal of Applied Psychology, 69*, 551-556.
- Rowe, P. M. (1989). Unfavorable information and interview decisions. In R. W. Eder & G. R. Ferris (Eds.). *The employment interview: Theory, research, and practice* (pp. 77-89). Newbury Park, CA: Sage.

- Rynes, S. I., Colbert, A. E., & Brown, K. G. (2002) HR professionals' beliefs about effective human resource practices: Correspondence between research and practice. *Human Resource Management, 41*(2), 149-174.
- Schmidt, F. L., & Zimmerman, R. D. (2004). A counterintuitive hypothesis about employment interview validity and some supporting evidence. *Journal of Applied Psychology, 89*, 553-561.
- Smart, B. D. (1983). *Selection interviewing: A management psychologist's recommended approach*. New York, NY: John Wiley.
- Stevens, C. K., & Kristof, A. L. (1995). Making the right impression: A field study of applicant impression management during job interviews. *Journal of Applied Psychology, 80*, 587-606.
- Terpstra, D. E., & Rozell, E. J. (1997). Why some potentially effective staffing procedures are seldom used. *Public Personnel Management, 26*(4), 483-494.
- Tucker, D. H., & Rowe, P. M. (1979). Relationship between expectancy, causal attributions, and final hiring decisions in the employment interview. *Journal of Applied Psychology, 64*, 27-34.
- Webster, E. C. (1982). *The employment interview: A social judgement approach*. Schomberg, ON: S.I.P. Publications.
- Wiesner, W. H., & Cronshaw, S. F. (1988). A meta-analytic investigation of the impact of interview format and degree of structure on the validity of the employment interview. *Journal of Occupational Psychology, 61*, 275-290.
- Williamson, L. G., Campion, J. E., Malos, S. B., et al. (1997). Employment interview on trial: Linking interview structure with litigation outcomes. *Journal of Applied Psychology, 82*, 900-912.
- Wright, P. M., Lichtenfels, P. A., & Pursell, E. D. (1989). The structured interview: Additional studies and a meta-analysis. *Journal of Applied Psychology, 62*, 191-199.

Whatever Happened to Canadian Big Business?
by Barry E.C. Boothman (University of New Brunswick)

This paper reappraises shifts in the composition of the largest Canadian-owned corporations. It highlights the patterns of size, industrial mix, and turnover across the twentieth-century. The logic of the turnover of the leading domestic firms is surveyed and the implications are explored.

Since the publication of Alfred D. Chandler's magisterial accounts about the rise of managerial capitalism (1977, 1990), scholars have examined the variations that unfolded among different countries. The available research has stressed the evolution of giant companies in the most important economies but it remains unclear whether the attributes of those firms based also characterized enterprises in medium-sized nations. For example, a hallmark of the transition to managerial capitalism was a shift from control by families, entrepreneurs, and their heirs to widely-dispersed ownership. This phenomenon was bound up with the leadership by professional managers, the construction of competitive advantage, and the enforcement of market discipline upon enterprise performance. The pattern was different in Canada where founding families or major investors continued to shape big domestic firms. Even by the 1980s, less than 16 percent of the largest companies were widely-held in the sense that no single shareholder owned more than 20 percent of the outstanding voting stock (Daniels and Iacobucci, 2000). Using the same gauge, more than half of the largest American corporations were widely held (Demsetz and Lehn, 1985).

As enterprises expanded in response to strategic imperatives, large corporations accounted for greater shares of the assets, revenues, and income in each of the capitalist economies. Once firms arose to giant size, their positions often were sustained for generations. For example, Coca-Cola, Exxon, Eastman Kodak, and Ford remain among the leaders in the industries that they help to found a century ago. Canadian economists similarly have charted increases in corporate concentration as the economy developed. By the late twentieth-century, the 500 largest firms accounted for over one-half of sales and nearly sixty percent of net income in the domestic private sector (Carroll, 1987). Within the economic and historical literature, there has been a presumption that the domestic corporate elite was formed by the middle of the twentieth-century and remained stable thereafter. Writers like Porter (1965), Clement (1974), and Newman (1975) popularized this notion by claiming the existence of a 'Canadian establishment.' Indeed, the ability of the big firms to sustain their positions has been treated as a received truth, especially in the fields of political science and sociology. Media observers have conveyed similar impressions by focussing upon executives like Conrad Black and Paul Desmarais, reputed aristocrats of modern business. Diane Francis (1987) even claimed that 32 families dominated the Canadian private sector and effectively controlled one third of the nation's non-financial assets.

However, even a casual analysis, will establish that many of the large Canadian corporations have disappeared. A songwriter in 2004 might come up with lyrics like: "Dominion Stores, Eatons, Massey-Ferguson, Steinbergs. Remember? Canadian Breweries, Dominion Textile, Moore, Seagrams. Remember?" This paper is part of a more extensive research project and questions the traditional interpretations by reappraising alterations among the leading firms. The methodology necessary to map changes among the largest firms initially will be summarized. The size and industrial composition of the companies, along with the scale of turnover then will be mapped. The concluding section explores some of the rationales for the degree of alteration and outlines several implications.

Methodology

What actually were the largest Canadian corporations? Most of the academic research cross-sectional analyses of patterns at single points in time, with few attempts to map shifts over time. Annual compendia have been produced by financial publications since 1928 but these have had numerous lacunae, inconsistent categorizations, and major gaps in coverage. Several use indices like return on investment or profitability for ranking firms. However, those measures do not gauge size and reflect anything that may impact upon enterprise performance. Economists and historians have measured size by assets, revenues, employment, or market value of capital. Each generates distinctive estimates and has methodological complications. Owing to regulatory policies about information disclosure, assets must be used to map Canadian companies. Prior to 1962, firms often did not release data that would permit reliable surveys by alternate indicators. Size by assets has been the most utilized gauge (see Chandler, Amatori, and Hikino, 1996). However, it generates a bias toward capital-intensity and results may be distorted by financial policies or creative accounting.

Cross-sectional data were collected for a set of sample years across the past century. The choices of dates were similar to those utilized in surveys for other countries (see Chandler, 1990). The population was determined from a diverse set of materials: Financial Post Corporation Service publications, *Moody's* and *Poor's* manuals, the *Annual Financial Review*, the *Blue Book of Canadian Business*, *Report on Business* and Dun and Bradstreet compendia, archival collections, company records, government papers, Statistics Canada reports, periodicals, and secondary sources. The traits of private or provincially-chartered enterprises usually can be estimated from these sources. A few cannot be fully documented before they 'went public' but prior to listing on exchanges most were small or moderate in size.

A 'corporation' was defined as an establishment (or group of establishments under common control) that, as a distinct operating entity, reported information to public authorities. Considerable data was collected about consolidated subsidiaries but those enterprises were excluded from the formal rankings unless there was a significant degree of managerial autonomy. Following the approach taken in the available literature, holding or investment vehicles (like Argus or Onex) also were excluded. Owing to changes in financial practices, a careful audit was conducted for 2003 relative to income funds or trusts. The enterprises were included if they directly controlled and managed productive operations but not if they were mere investment tools. The collated data thus vary from lists released by popular publications.

The primary and secondary activities of the firms then were categorized by sector. The classifications were conducted at the three-digit (types of goods or services) or the four-digit (specific goods or services) levels. To permit comparisons with other surveys, the Standard Industrial Classification schema of the U.S. Bureau of the Census was utilized. Ownership and amalgamations were tracked to map shifts in control, along with transitions to investment or holding vehicles. Nationality was not gauged just by domicile or the equity held by domestic *vis-à-vis* foreign interests. Rather, it was cross-checked via primary and secondary sources. Archival research also is being conducted to document the logic of success or failure for specific enterprises.

What Were the Leading Firms?

Because corporate growth is conditioned by the traits of domestic markets, the notion of 'big' for firms from middle-sized economies must be approached judiciously. Table 1 summarizes company magnitude by assets and reveals several issues. First, the number of large enterprises was limited during the first half of the twentieth century but it increased in response to population, higher income levels, and

internationalization. Second, at lower ranks, corporate assets decreased sharply. Thus, while Chandler and other researchers have focussed upon the largest 100 or 200 firms in a national market, more finite

Table 1 Asset Size of the Largest Canadian-Controlled Companies, 1930-2003 (C\$ Millions)						
	1930	1948	1960	1973	1988	2003
Non-financials by rank						
1st	1,372	1,709	2,742	5,139	17,805	41,416
25th	38	45	160	536	2,856	7,652
50th	20	26	80	206	1,848	3,359
75th	12	18	45	116	950	2,439
100th	8	12	31	85	679	1,621
125th	6	9	24	65	430	1,137
150th	4	7	18	53	324	752
Industrials by rank						
1st	213	346	1,047	2,449	11,501	41,416
25th	20	33	86	202	1,666	2,945
50th	9	18	29	64	416	1,192
75th	5	10	17	32	213	561
Financials by Rank						
1st	880	2,223	4,297	21,670	110,054	403,033
25th	53	122	331	891	4440	789

clusters are appropriate for a country like Canada. Two overlapping groups, the top 50 non-financials and 25 manufacturers, retained pre-eminent stature. These enterprises would have accounted for two-thirds of total assets if the samples were expanded to the largest 100 non-financials and 75 industrials.

When contrasted against firms based in the large American market, the domestic companies appeared diminutive. The total assets of the top 25 industrials were just 7.6 percent of those for the leading 25 American manufacturers in 1930, and 7.4 percent during 1948. The differences of Canadian *vis-à-vis* American corporations sharpened over time. In 1930, 44 Canadian industrials could have appeared among the top 200 American firms, and 26 could have appeared among the top 100. By 1948, only 11 and 3 Canadian-controlled companies could have joined the comparable American groups. Most of those firms concentrated upon export markets or had begun a process of internationalization. By 1988 and 2003, none of the big domestic firms could have belonged to the 200 largest American firms.

How big was the leading Canadian company in an industry or product class relative to its American counterpart? The patterns varied across sectors due to differences in plant economies of scale, engineering economies, or labour requirements. Still, the enterprises can be contrasted against the lists of American firms compiled by Chandler (1990) for similar years from 1930 to 1973. As a general rule, the size of the biggest Canadian manufacturer in a sector was analogous to that of the third or fourth ranked firm in the United States. The leading American company was seven or more times larger than the biggest Canadian-controlled firm in food products, glass, primary metals, or fabricated metals. In textiles, lumber or pulp and paper, the biggest American firm was three or four times larger. Southam, the leading newspaper publisher from 1960 to 1988, was one-tenth the size of Hearst Consolidated Publications. Massey-Harris was one-sixth the size of International Harvester in 1930 and then decreased in comparison. Stelco's assets amounted to 4 percent of those controlled by U.S. Steel in 1930 and 1948. Nonetheless, the size of Canadian corporations did not detract from their domestic. In specific sectors or

product classes, the firms retained a commanding presence, positions often abetted by high concentration rates and weak anti-combines policy (see Bryce and Nadeau, 1977).

The transition toward managerial capitalism occurred rapidly in the United States and Germany.

	1930	1948	1960	1973	1988	2003
Mineral Extraction	2.0	1.1	2.6	2.0	6.7	16.8
Construction	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	30.2	34.7	52.7	43.6	45.6	47.7
Transportation	34.3	30.9	29.4	13.4	10.1	6.5
Utilities	28.9	29.6	9.7	30.8	17.3	21.4
Wholesale	1.4	0.0	0.0	0.1	0.0	0.0
Retail	3.3	3.6	5.7	7.5	3.3	4.1
Property	0.0	0.0	0.0	2.7	17.1	2.9
Business & Personal Services	0.0	0.0	0.0	0.0	0.0	0.7
<i>TOTAL</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

The Canadian experience was incremental. The emergence of a first mover that secured a dominant position occurred: between 1890 and 1920 for grain milling, meat packing, textiles, cement, utilities, department stores, steel, and agricultural machinery; between 1920 and 1950 for alcoholic products, baked goods, dairy products, pulp and paper, business forms, non-ferrous smelting; and between 1950 and 1973 for newspapers, fabricated metals, transport equipment, most forms of retail trade, and property development. Because the dimensions of the Canadian market limited the potential for economically-efficient rivals, followers often struggled for many years after first movers established their positions.

Tables 2 to 4 map the composition of the leading companies. Table 2 illustrates the proportions of assets based in different business activities for the fifty top non-financials. Tables 3 and 4 then indicate the number of firms located in specific sectors. Even a cursory examination reveals several phenomena. The most prominent issue is the weight of non-industrial activities. This component represented half of the aggregate assets or number of firms in each sample year. Non-manufacturing enterprises were clustered in capital-intensive sectors like resource distribution, utilities, and retail trade. A significant number emerged over time in telephone and broadcasting activities. Although foreign capital tended to control big mining ventures during the early 1900s, the number of domestic companies increased in two ways. Firms like Bow Valley and Denison Mines developed new resources, while control occasionally was repatriated from foreign interests. As of 1930, Eaton's dominated retail trade and was three times bigger than its nearest rival. Across time, there was a proliferation of variety stores (Woodward Stores), grocerias (Loblaws, Dominion Stores), and hardware or auto parts dealers (Canadian Tire). By exploiting economies of scale and scope, firms like Olympia and York arose in property development.

The largest of the manufacturers were located in four categories: pulp and paper; primary metals; foodstuffs; and, more recently, printing and publishing. Consistent with Chandler's propositions, the largest firms were never based in labour-intensive sectors like construction, apparel, furniture, or leather. The distributions were analogous to the patterns that occurred in the United Kingdom, not the United States. Foodstuffs producers dealt with perishable or semi-perishable goods: bakeries and dairy goods,

Atlantic Schools of Business Conference - 2004

meat packing, fish canning, grain milling, distilleries, or beer. These activities were characterized by modest scale economies based upon well-known, rather than novel, productive technologies. In other sectors (like textiles, pulp and paper, publishing, primary and fabricated metals, machinery or transport equipment) domestic manufacturers concentrated upon mature goods, which had predictable demand patterns and employed manufacturing techniques in widespread use.

SIC	Group	1930	1948	1960	1973	1988	2003
10-14	Mineral Extraction	2	1	3	4	4	8
15-17	Construction	0	0	0	0	0	0
20	Food	5	7	5	6	3	3
21	Tobacco	0	0	0	0	0	0
22	Textiles	1	3	1	1	0	0
23	Apparel	0	0	0	0	0	0
24	Lumber	1	2	1	0	0	0
25	Furniture	0	0	0	0	0	0
26	Pulp and Paper	7	7	5	5	6	3
27	Printing/Publishing	0	1	1	2	2	4
28	Chemicals	0	0	1	0	0	2
29	Petroleum Refining	2	2	2	1	2	2
30	Rubber	0	0	0	0	0	0
31	Leather	0	0	0	0	0	0
32	Stone/Glass/Clay	1	1	1	0	0	0
33	Primary Metals	5	5	7	7	8	5
34	Fabricated Metals	1	1	1	0	0	0
35	Machinery	1	1	1	1	1	0
36	Electrical Machinery	0	0	1	1	1	1
37	Transport Equipment	1	1	0	0	1	2
38	Instruments	0	0	0	0	0	0
39	Miscellaneous Mfg	0	0	0	0	0	0
40-47	Transportation	4	4	4	3	4	3
48	Communications	1	1	0	2	1	4
49	Electricity & Gas	15	11	11	9	8	7
50	Wholesale Trade	1	0	0	0	0	0
52-59	Retail Trade	2	2	4	6	3	3
65	Real Estate	0	0	0	2	6	3
70-79	Bus. & Personal Services	0	0	0	0	0	1
<i>TOTAL</i>		<i>50</i>	<i>50</i>	<i>50</i>	<i>50</i>	<i>50</i>	<i>50</i>

By the interwar era, subsidiaries of British and American firms dominated areas like tobacco products, chemicals, petroleum refining, rubber products, electrical machinery, transport equipment, and instruments. These firms often had entrenched their positions through the acquisition of domestic rivals and could draw upon the parent companies in production, research, and marketing. It is impossible to isolate a case where a Canadian firm displaced a foreign first mover through competitive action, even on a product-class level. Control occasionally shifted from a foreign to a domestic locus but the two most

prominent examples, Alcan Aluminium and Northern Telecom, resulted from U.S. anti-trust decisions.

Domestic firms did try to penetrate the industries favoured by international competitors but their survival proved fleeting. In petroleum refining, McColl-Frontenac, British American Oil, Supertest, and Canadian Oil Companies succumbed to takeover bids, eliminating the presence of domestic refiners for a generation. An analogous phenomenon unfolded among producers of machinery, electrical goods and transport equipment. In the long-term, only a handful of companies attained large size through the supply of high-technology goods. As Canadian firms arose in new technology areas, most were acquired by

SIC	Group	1930	1948	1960	1973	1988	2003
20	Food	5	6	5	6	3	3
21	Tobacco	0	0	0	0	0	0
22	Textiles	1	3	1	1	0	0
23	Apparel	0	0	0	0	0	0
24	Lumber	1	1	0	0	0	0
25	Furniture	0	0	0	0	0	0
26	Pulp and Paper	7	6	5	5	5	3
27	Printing/Publish	0	0	1	2	4	3
28	Chemicals	0	0	1	0	0	4
29	Petroleum Refining	2	1	2	1	2	3
30	Rubber	0	0	0	0	0	0
31	Leather	0	0	0	0	0	0
32	Stone/Glass/Clay	1	1	1	0	0	0
33	Primary Metals	5	5	6	7	8	6
34	Fabricated Metals	1	0	1	1	0	0
35	Machinery	1	1	1	1	1	0
36	Electrical Machinery	0	0	1	1	1	2
37	Transport Equipment	1	1	0	0	1	2
38	Instruments	0	0	0	0	0	0
39	Misc. Manufacturing	0	0	0	0	0	0
<i>TOTAL</i>		25	25	25	25	25	25

rivals, particularly foreign-based enterprises, within a generation. The firms that successfully penetrated grew through niche strategies or via the supply of products where major economies were not expected.

Moreover, even in 2003 the biggest enterprises remained concentrated in the same sectors favoured by firms in earlier decades. Business and personal services remained insignificant, while the share in mining actually expanded (see Table 2). With the exceptions of Nortel and some broadcasting firms, few fit the 'new economy' of electronics, high technology, and internet delivery.

Was There a Stable 'Canadian Establishment'?

One measure of organizational success is a company's ability to remain independent and sufficiently large still to enjoy a status as a 'big business.' Longevity represents a useful measure not only of a company's long-term performance but of institutional viability. First movers or successful followers should have garnered capabilities that enabled them to achieve secure positions. Corporate survival also

can be a function of factors other than managerial competence. Regulation, protective policies or subsidies, or weak competition may enable firms to sustain their positions against competitive pressures.

Turnover and shifts in importance are concomitants of industrial evolution. Still, as Chandler (1977, 1990) and Porter (1990) have noted, big businesses were key in the construction and maintenance of competitive competencies for their economies *vis-à-vis* other countries. The corporations often remained leaders for generations before erosion occurred (see Chandler, Hikino, and Amatori, 1996). If there was a stable 'Canadian establishment,' a similar phenomenon should have occurred. Volatility among the population of big firms would suggest a failure to construct durable positions.

Table 5 Stability and Change Among the Large Canadian Firms						
	Firms remained in group	New domestic firms joined	Acquired by other domestic interests	Control passed from domestic to foreign interests	Control passed from foreign to domestic interests	Exited due to size/status
Top 50 non-financials						
1948 vs. 1930	36	10	4	2	3	8
1960 vs. 1948	33	15	5	5	3	14
1973 vs. 1960	36	14	5	3	0	6
1988 vs. 1973	31	15	3	4	8	2
2003 vs. 1988	21	27	10	12	2	7
Top 100 non-financials						
1948 vs. 1930	63	30	6	2	7	29
1960 vs. 1948	66	30	11	8	4	15
1973 vs. 1960	61	39	14	19	0	6
1988 vs. 1973	53	43	21	6	4	20
2003 vs. 1988	36	59	28	23	4	13
Biggest 25 industrials						
1948 vs. 1930	17	6	1	2	2	5
1960 vs. 1948	17	6	3	6	2	3
1973 vs. 1960	20	5	2	3	0	0
1988 vs. 1973	17	6	2	3	2	3
2003 vs. 1988	12	13	4	6	0	2
Biggest 75 industrials						
1948 vs. 1930	50	22	3	2	3	20
1960 vs. 1948	54	17	9	8	4	4
1973 vs. 1960	44	31	14	13	0	4
1988 vs. 1973	40	33	14	4	2	17
2003 vs. 1988	29	44	16	18	2	12

Several issues conditioned survival among the groups of big enterprises. A company could drop out: if it had smaller assets relative to other firms by a subsequent sample year; if it was liquidated or was converted into a holding or investment vehicle; or if it was acquired by another entity. A corporation could join the groups through internal growth, the acquisition of other firms, or if the locus of control shifted from foreign to domestic interests. Turnover is captured imperfectly in Tables 5 and 6. The sample populations have been expanded in these exhibits to demonstrate the magnitude of change. The data understate the turnover in two ways. Incremental ownership changes are not indicated. An acquisition was 'eliminated' once it was consolidated within a parent but sometimes it persisted as a distinctive entity.

Approximately two-thirds of the groups survived between each sample year from 1930 to 1973 but the cumulative impact was strong. One-half or less of the members of the 1930 groups remained participants by 1960. The turnover pace accelerated during the final third of the twentieth-century as the best known firms succumbed in a seeming Armageddon. Only a fifth of each 1930 group belonged among the comparable 1988 cluster; ten percent or less still belonged in 2003. Equally interesting is when the members of the current leading groups expanded sufficiently to be participants. Slightly less than half of the top 50 non-industrials and the top 25 manufacturers belonged in 1988 or 1973. Put simply, a majority are recent joiners but are engaged in activities analogous to those of their predecessors.

Table 6 Perseverance Among the Largest Canadian-Controlled Firms						
<i>Percentage Remaining in Group</i>						
	1930	1948	1960	1973	1988	2003
Survival from 1930 Groups						
Top 50 non-financials	100	72	44	33	20	10
Top 100 non-financials	100	63	48	28	18	8
Biggest 25 industrials	100	68	52	49	20	8
Biggest 75 industrials	100	67	51	36	19	5
Longevity in 2003 Group						
Top 50 non-financials	10	14	26	46	48	100
Top 100 non-financials	8	11	19	30	38	100
Biggest 25 industrials	8	16	36	48	48	100
Biggest 75 industrials	5	9	17	25	36	100

Legends of the Fall

As noted earlier, alterations in the mix of the largest firms are a concomitant of economic evolution. The degree of change appears more extensive than occurred in other countries and it belies the notion of a stable or cohesive 'Canadian establishment.' Disappearance from the leading ranks (whether by failure, takeover, or fadeout) was not driven by single or simple issues. Outright failure was rare and when it occurred (Campeau, Eatons, Massey-Ferguson) accordingly attracted intense interest.

Across the period of 1930 to 1973, the very largest firms tended to survive but lower-ranked companies were eliminated from the groups. Between 1930 and 1948 firms tended to drop out of the groups on the basis of asset size. Engaged in foodstuffs, textiles or grain storage, the companies were displaced as bigger firms arose in other sectors. Thereafter, like experiences in Britain and the United States, mergers and acquisitions from domestic or foreign firms became the key mode of elimination. Especially in mining and manufacturing, this represented the primary means by which markets were rationalized. Mergers, nonetheless, could not guarantee that corporate leadership was retained.

In countries like Spain and Italy, controlling interest by families or major investors did not necessarily lead to weakness (see Chandler, Hikino, and Amatori, 1996). If those who retained key ownership stakes allowed a transition to professional management and did not let their personal interests dominate corporate strategy or finances, the companies continued to prosper at the national or international level. Ownership certainly surfaces as a variable in the fate of individual Canadian companies prior to 1980 but its influence upon the patterns of leading firms was mixed, even in descriptive terms. It is difficult to determine how closely firms were owned prior to 1962 (and the proclamation of the Corporation and Labour Unions Return Act) but Table 7 provides a best estimate of the status of surviving and eliminated companies between different sample years. Closely-held enterprises were more likely to be eliminated

during closing decades of the twentieth-century. Indeed, the period after 1985 became a virtual Armageddon for many of the most prominent family- or entrepreneur-controlled firms. Of the 32 'dominant' families identified by Diane Francis (1987) as having a 'controlling interest' in the Canadian economy, 18 had disappeared by 2003, 4 presided over withered empires, and 2 were exiting by the stage door. Only 9 still controlled stable or prospering enterprises.

The traits of the companies contribute to an explanation of both the ownership dimensions and vulnerability. Most were located in sectors or goods with mature technologies, slow-to-moderate growth, and modest economies of scale or scope — the competitive conditions under which personal management could persist. Smaller than comparable enterprises based in other countries, they did not make the same

Table 7 Ownership Status of Surviving and Eliminated Firms						
	<i>Surviving firms</i>			<i>Eliminated firms</i>		
	Total	Widely-held	Closely-held	Total	Widely-held	Closely-held
Top 50 non-financials						
1948 vs. 1930	36	15	21	14	5	9
1960 vs. 1948	33	16	17	17	6	11
1973 vs. 1960	36	23	13	14	6	8
1988 vs. 1973	31	19	12	19	10	9
2003 vs. 1988	21	15	6	29	2	27
Top 25 industrials						
1948 vs. 1930	17	10	7	8	3	5
1960 vs. 1948	17	10	7	8	3	5
1973 vs. 1960	20	14	6	5	3	2
1988 vs. 1973	17	11	6	8	6	2
2003 vs. 1988	12	9	3	13	0	13

levels of capital investments and had lower requirements for professional managers. Indeed, some companies survived by dominating local or regional markets, without necessarily developing competitive strengths because the national market was not integrated to the scale that prevailed in the American republic. Instead, the economy was fragmented by geography, social groups, or trade barriers. With the growing liberalization of international markets after 1970, numerous firms became highly susceptible either to takeovers or market penetration from aggressive rivals.

A separation of the interests between managers and owners is triggered by problems resulting from corporate growth strategies: rapid expansion; lack of managerial expertise in handling manufacturing processes or multiple product lines; weak expertise in managing capital investments and cost or cash issues. The business activities of Canadian firms also interrelated with their administrative characteristics. The Weston group illustrates how firms could grow to large size effectively but stay under the founders' control. Family members served as directors and kept veto rights over major decisions. At the same time, operational decision-making was decentralized to the managers of business units and the motivation of those officers was ensured by tying compensation and promotion to the performance of their units. Other corporate networks (notably those controlled by the Bronfman or Reichmann families, Argus or Power Corporation) were dominated through a schema of 'cascade financing,' minority equity interests which reached back to holding enterprises. Nonetheless, case studies of individual companies quickly document the converse results that could unfold from a system of personal management. One of the gravest issues occurred when enterprises were treated as 'family jewels,' entities meant to maintain the income or influence of founders, major investors, or their heirs. In cases like Dominion Stores, Ivaco, and Massey-Ferguson, the controlling investors drained off financial resources or were not prepared to provide sufficient

resources for investments in new business activities or professional management. In other cases, like Eatons or Steinbergs, less than competent managers were left to maintain the store, with a slow but steady descent then unfolding.

This available evidence indicates that the Canadian firms developed administrative hierarchies slowly. Several of the largest empires (Argus, Power Corporation) were established as investment vehicles and never evolved into divisional structures. Others, like d Southam and Maclean-Hunter, set up loose holding formats to ensure journalistic discretion for different media operations. It is important to grasp how small the class of managers and administrators remained. Census data for 1971 appraised them as 2 percent of all occupations, earning 2.6 percent of employment income in Canada and 3.8 percent in Ontario (Boothman, 2000). Survey research on the career sequences of business leaders in Canada and the United States during the 1960s and 1970s further indicates that the former tended to move into upper management positions much later in their working lives than occurred in the United States. A slow promotional sequence based on seniority and experience was the norm into the last third of the century. Senior executives in the United States were recruited from a wide background of occupations and after 1945 the share of administrators with collegiate education rapidly expanded. In contrast, the education levels of Canadian executives remained appreciably lower. As of 1961, only 16 percent of the managerial categories within the male labour force had university degrees, whereas the comparable American level was 35 percent. Alleviation of this problem could not be resolved quickly, despite the expansion of business education during the closing decades of the century (Boothman, 2000).

Integration of the different stages in the value chain of productive activity, from resource collection through manufacturing to marketing and service, represented a critical phase in the construction of successful large enterprises. Taylor and Baskerville (1994) have claimed that virtually all of the manufacturing and extractive firms among the top twenty companies of 1929 had partially integrated. In fact, the degree of integration was not as extensive and the patterns of action appear to be linked to corporate turnover. The most successful of the primary metals producers, for example, integrated backwards into resource extraction and forward into metal fabrication. But aspiring entrants faced major obstacles, including the lack of economic sources of power, good and accessible mineral deposits, and ready access to potential markets. Some melodramatically careened from marginal profitability to bankruptcy: Nova Scotia Steel, Dominion Steel, Sidbec, Algoma. Only a few manufacturers like George Weston, fully integrated productive operations with retail facilities, while the eventual failure of retailers like Dominion Stores and Steinberg's can be partially traced to their inability to elaborate strong wholesaling operations or to integrate vertically.

By the close of the twentieth-century, the 'Canadian establishment' had long disappeared. Even among the remainder, receivership or merger with foreign firms were regularly cited as possibilities in the business media. Sanguine observers may suggest that 'new' leading firms could form the locus of a resurgent corporate elite. However, a significant number are in sectors like resource extraction that historically have been quite susceptible to takeovers, especially from foreign enterprises. A significant group are based in regulated sectors or in activities that have foreign ownership restrictions (broadcasting, utilities, pipelines), which leaves open the issue of whether future changes in public policies may endanger their privileged positions. The pace of turnover remains unabated and therefore implies a need for caution when appraising the future prospects of Canadian big businesses. Even today, one can almost hear the refrain: "Hollinger, Hudson's Bay, Molson, Nortel, Noranda. Remember?"

References

Boothman, B. E. C. (2000). Culture of Utility: The Development of Management Education in Canada. In B. Austin (Ed.), *Capitalizing Knowledge: Essays on the Development of Business Education in Canada* (pp. 11-86). Toronto: University of Toronto Press.

- Bryce, R., and P. Nadeau. (1977). Report of the Royal Commission on Corporate Concentration. Ottawa: Information Canada.
- Carroll, W. K. (1987). Corporate Power and Canadian Capitalism. Vancouver: UBC Press.
- Chandler, A. D. (1977). The Visible Hand: The Managerial Revolution in American Business. Cambridge, Mass.: Harvard University Press).
- Chandler, A. D. (1990). Scale and Scope: The Dynamics of Industrial Capitalism. Cambridge, Mass.: Harvard University Press.
- Chandler, A. D., F. Amatori, and T. Hikino, (Ed.). (1996). Big Business and the Wealth of Nations. New York: Cambridge University Press.
- Clement, W. (1974). The Canadian Corporate Elite. Toronto: McClelland and Stewart.
- Daniels, R. J., and E. M. Iacobucci. (2000). Some of the Causes and Consequences of Corporate Ownership Concentration in Canada. In R. Monck (Ed.), Concentrated Corporate Ownership, (pp. 78-101). Chicago: University of Chicago Press.
- Demsetz, H., and S. Lehn. (1985). Managerial Ownership of Voting Rights: Causes and Consequences. *Journal of Political Economy* 93, 1155-1177.
- Francis, D. (1986). Controlling Interest: Who Owns Canada? Toronto: McClelland and Stewart.
- Porter, J. D. (1965). The Vertical Mosaic. Toronto: University of Toronto Press.
- Newman, P. (1975). The Canadian Establishment. Toronto: McClelland and Stewart.
- Porter, M. (1990). The Competitive Advantage of Nations. New York: Free Press.
- Taylor, G., and P. Baskerville. (1994). A Concise History of Business in Canada. Toronto: Oxford University Press..

Student Attitudes Regarding Ecological Concern: Business versus Health Professions

by Cathy Driscoll (Saint Mary's University) and Daniel Driscoll (State University of New York at Cortland)

The objective of this study was to gather information on and analyze attitudes related to ecological awareness and concern among business students and students in the health professions. The study found that attitudes related to ecological awareness and concern were lower among business students than among students in health professions. The results concur with the findings of other research that has shown that business students have different ecological orientations than do non-business students. Implications and ideas for future research are provided.

A related problem confronting us is one of education; that is, developing in the population more knowledge about ecology, the environment, and pollution. Again, the task is enormous, but the outcome is critical.

Michael P. Maloney & Michael P. Ward, 1973

INTRODUCTION AND BACKGROUND

Ecological responsibility should be a critical part of management for business organizations today¹. According to Benton (1994b), corporate ecological responsibility will increase when more managers become knowledgeable, concerned, and focused towards ecological issues and the impact of business on the natural environment. The World Summit on Sustainable Development which was held in Johannesburg in 2002, committed communities all over the world to move towards achieving the Agenda 21 objectives that were first outlined in at the United Nations Conference on Environment and Development held in Rio in 1992. Key to implementation of this plan for a more sustainable future is education of sustainability and raising awareness of sustainable development issues (Nath, 2003).

The UK-based journal, *Business Strategy and the Environment*, has recently put out a call for a special issue focusing on 'Educating for Sustainability.' Because business schools are graduating future leaders and decision makers with the potential to contribute to a more sustainable approach to business activity, at least part of the responsibility for fostering corporate environmental responsibility lies with these schools and their programs (Benton, 1994b).

¹ Like social responsibility, there is no universal definition for ecological (or environmental) responsibility. Our definition is that ecological responsibility is about how organizations manage their processes in order to reduce the impact on the natural environment.

According to Waddock (2003), a short-term focus on maximization of shareholder value and finding ways for business people to 'win' in a hypercompetitive business environment are some of the main foci of current business education programs. While there are systematic pressures for ever-improving (financial) performance and (market) growth, there continues to be little or no attention given to ecological issues and social concerns in most business programs (Waddock, 2003). Others have suggested that environmental values are marginalized or, at best, not systematically thought through in business curricula (Rohweder, 2004; Synodinos, 1990).

In the early nineties, there was a call to business educators to increase the ecologically-related component of the business curricula (e.g., Ahna, Bancroft, & Freeman, 1992; Barnes & Ferry, 1992; Post, 1989). It was felt that business schools were behind arts and science faculties in regards to addressing ecological issues (e.g., Benton, 1994a). Meanwhile, throughout the 1990s, the 'green' organizational literature, drawing largely on the ethics of deep ecology, described how the traditional management paradigm and the dominant social paradigm of material monism and mass consumption needed to be transformed to a 'new environmental paradigm' or 'new ecological order' (e.g., Buchholz, 1998; Capra, 1995; Cooperrider & Khalsa, 1997; Durning, 1992; Shrivastava, 1995; Srikantia & Bilimoria, 1997; Suzuki, 1997; van Dam and Apeldoorn, 1996). At the turn of the millennium there are a few progressive business schools offering Environmentally Responsible MBA degrees (Kaemerle, 2003) or courses that address environmental responsibilities (Cordano, Ellis, & Scherer, 2003; Ryland, 1998).

According to Benton (1994b), "[k]nowing something about the environmental knowledge and attitudes of today's business students compared to other students will aid in understanding how and why curricular changes need to be made" (p. 207). Few studies have looked at ecological attitudes and behaviours of business students, and in particular few studies have compared business students to non-business students. There are a few exceptions (e.g., Benton, 1994b; Synodinos, 1990). For example, Synodinos (1990) found that environmental attitudes and knowledge of business students were lower than those of environmental psychology students. Benton (1994b) found that although business students were not less environmentally knowledgeable, they did demonstrate less ecological concern and less of a willingness to act in an ecologically responsible manner than did non-business students. Both of these authors concluded that ecological values are for the most part downplayed in business education. Synodinos (1990) suggested that increasing students' knowledge of ecological issues might result in more positive attitudes towards ecology.

In our study, we compared attitudes related to ecological awareness and concern among students studying in a commerce program within a business school and a group of students studying in three different health professions.

Research Question

The primary research hypothesis for this study is that the ecological orientation of business students differs from those of students in the health professions.

METHODOLOGY

Since the early 1970s, several scholars have worked on developing and refining scales to measure ecological attitudes and knowledge (e.g., Dunlap & Van Liere, 1978; Maloney & Ward, 1973; Maloney, Ward, & Braucht, 1975) and ecologically conscious consumer behaviour (ECCB) (e.g., Roberts, 1991; Roberts & Bacon, 1997). The instrument used in this study is a multiscale instrument measuring ecological concern and behavioural intentions. It is a 5 point Likert scale with 20 items. This included 10 out of 12 items from the new environmental paradigm scale (NEP) (Dunlap & Van Liere, 1978), 8 out of 30 items from the ecologically conscious consumer behaviour (ECCB) scale (Roberts, 1991), and 2 items from a sustainability scale developed by Starik & Rands (1997). The NEP scale is one of the most commonly used scales to measure ecological concern (Roberts & Bacon, 1997) and its reliability and validity have been tested across different samples (Vining & Ebreo, 1992). Roberts and Bacon (1997) found the NEP and ECCB scales to highly correlate. Following their lead, we added portions of the ECCB scale to our instrument. The Sustainability Scale includes two social attitudinal questions regarding perceptions of a state of ecological crisis and a pending ecological catastrophe. Lower numerical scores on the scale represent higher ecological orientation and concern. Demographic questions (e.g., program) were asked in order to classify data. A copy of the instrument is found in the appendix.

Business students in three sections of a fourth year Strategic Management course in the Sobey School of Business at Saint Mary's University were asked to participate in this study. Sixty students answered the questionnaire providing 51 usable questionnaires in sample 1 (response rate of 46%). All students in their last year in Occupational Therapy and Physiotherapy and all students in their 2nd year (or last year before going out on clinical rotations) in Medicine at Dalhousie University were invited to participate in the study. Students from these three health profession schools provided 31 usable questionnaires in sample 2 (average response rate of 23%). There is no required course in any of the undergraduate programs surveyed in this study that explicitly covers environmental issues. Ecological issues are integrated to varying degrees by individual faculty members in each of the programs. The study was approved by the Research Ethics Board at Saint Mary's University.

RESULTS

An analysis of variance demonstrated support for the research hypothesis. In other words, there was a significant difference between the mean scores of the business students and the students in the health professions ($F = 9.301, p < .003$). The attitudes related to ecological awareness and concern were lower among business students than among students in health professions. A descriptive summary table is listed below.

TABLE 1
Descriptive Statistics²

Major	Mean	Standard Deviation	N
Commerce	49.57	9.64	51
Health Professions	43.03	9.02	31

DISCUSSION AND FUTURE RESEARCH

The results of this study provide evidence that business students have different ecological orientations than do students in the health professions. This concurs with the findings of others (e.g., Benton, 1994b; Synodinos, 1990) that business students have different ecological orientations than do non-business students.

Although students may come into a business program with lower levels of ecological awareness and concern, business programs are not fostering progressive ecological attitudes and awareness of ecological issues. We echo Benton's words that he wrote in 1994, "The educational solution is to 'environmentalize' the business curriculum" (209). It is necessary to find ways to transmit ecological values both in a separate course that addresses ethical, social, and ecological responsibilities of business and by genuinely integrating ecological responsibilities throughout the business curriculum. As Thomas Berry said in *The Dream of the Earth* (1988: 108), "[b]usiness education needs to be grounded in an appreciation of the dynamics of the planet". More management educators are beginning to provide evidence of how courses that integrate ecological topics into their curricula have learning outcomes such as students expressing greater levels of ecological concern at the end of the course (e.g., Cordano et al., 2003).

Several scholars are also beginning to encourage a critical pedagogical approach that introduces a radical change perspective that is more genuinely aligned with the concept of sustainability (e.g., Kearins & Springett, 2003; Welsh & Murray, 2003). Others emphasize the importance of an interdisciplinary approach to integrating ecological issues into business education (e.g., Pesonen, 2003). Wade (1999) found that attitudes regarding environmental sustainability are influenced positively by the particular learning experience. Transformative learning techniques can also be used to help students engage in the learning process, challenge personal assumptions and discover and refine values, and explore their connectedness to other human beings and to view the natural environment as a primary stakeholder of the firm (Sable, 2004; see also Driscoll & Starik, 2004; Sims & Brinkmann, 2003).

² Note that lower numerical scores on the likert scale represent higher ecological orientation and concern.

Future research could involve larger samples of students and include other disciplines or professions. There have been several large scale studies of students' attitudes regarding ethical responsibilities, but few have focused on ecological responsibilities per se.

Future research could also involve a qualitative component that explores more deeply the underlying reasons behind the difference in ecological awareness and concern among business students and non-business students. As Benton (1994b) suggested, learning about the understanding and attitudes of business students compared to non-business students will help educators begin to make the necessary program and curricular changes. Ecological learning outcomes are indeed critical for all business courses and programs.

REFERENCES

Ahna, B., Bancroft, D.S., & Freeman, S. 1992. Developing an environmental perspective within business curricula. *Journal of Business Education*, 68(2):70-73.

Barnes, A.J., & Ferry, J.K. 1992. Creating a niche for the environment in the business curriculum. *Business Horizons*, 35: 3-8.

Benton, R. Jr., 1994a. Environmental knowledge and attitudes of faculty: Business versus arts and sciences. *Journal of Education for Business*, 70(1): 12-24.

Benton, R. Jr., 1994b. Environmental knowledge and attitudes of undergraduate business students compared to non-business students. *Business & Society*, 33(2): 191-212.

Berry, T. 1988. *The Dream of the Earth*. San Francisco: Sierra Club Books.

Buchholz, R.A. 1998. The ethics of consumption activities: A future paradigm? *The Journal of Business Ethics*, 17(8): 871- 882.

Capra, F. 1995. Deep ecology: A new paradigm. In G. Sessions (Ed.), *Deep ecology for the twenty-first century*: 19-25. Boston: Shambala.

Cooperrider, D.L., & Khalsa, G.S. 1997. The organization dimensions of global environmental change. *Organization & Environment*, 10: 331-341.

Cordano, M., Ellis, K.M., & Scherer, R.F. 2003. Natural capitalists: Increasing business students' environmental sensitivity. *Journal of Management Education*, 27(2): 144-158.

Driscoll, C., & Starik, M. 2004. "The Primordial Stakeholder: Advancing the Conceptual Consideration of Stakeholder Status for the Natural Environment." *Journal of Business Ethics*, 49:55-73.

Dunlap, R.E., & Van Liere, K.D. The new environmental paradigm: A proposed measuring instrument and preliminary results. *The Journal of Environmental Education*, 9: 10-19.

- Durning, A.T. 1992. *How Much Is Enough?* New York: W.W. Norton and Company.
- Kaemerle, K. 2003. Sustainability trends in business education. *In Business*, 25(4): 23-36.
- Kearins, K., & Springett, D. 2003. Educating for sustainability: developing critical skills. *Journal of Management Education*, 27(2): 188-205.
- Maloney, M.P., & Ward, M.P. 1973. Ecology: Let's hear from the people. An objective scale for the measurement of ecological attitudes and knowledge. *American Psychologist*, 28: 583- 586.
- Maloney, M.P., Ward, M.P., & Braucht, G.N. 1975. Psychology in action: A revised scale for the measurement of ecological attitudes and knowledge. *American Psychologist*, 30: 787-790.
- Nath, B. 2003. Education for sustainable development: The Johannesburg Summit and Beyond. *Environment, Development, and Sustainability*, 5(1-2): 231-239.
- Pesonen, H.L. 2003. Challenges of integrating environmental sustainability issues into business school curriculum: A case study from the university of Jyvaskyla, Finland. *Journal of Management Education*, 27(2): 158-172.
- Post, J.E. 1989. Getting the environment into the business school. In W.M. Hoffman, R. Frederick, & E.S. Petry Jr. (Eds.), *The corporation, ethics, and the environment*, New York: Quorum Books.
- Roberts, J.A. 1991. The development of a profile of the socially responsible consumer for the 1990s and its marketing management and public policy implications (doctoral dissertation), *Marketing Department, University of Nebraska, Lincoln, NE*.
- Roberts, J.A., & Bacon, D.R. 1997. Exploring the subtle relationships between environmental concern and ecologically conscious consumer behaviour. *Journal of Business Research*, 40: 79-89.
- Rohweder, L. 2004. Integrating environmental education into business schools' educational plans in Finland. *Geo-Journal*, 60(2): 175-189.
- Ryland, E.K. 1998. "Greening" business education: Teaching the paradigm. *Journal of Management Education*, 22(3): 320-344.
- Sable, D. 2004. Waking Up and Getting Engaged: Transformative Learning in the University Classroom, <http://www.shambhalainstitute.org/Fieldnotes/Issue4/index.html>, Accessed May 23, 2004.
- Shrivastava, P. 1995. Ecocentric management for a risk society. *Academy of Management Review*, 20 (1), 118-137.
- Sims, R., & Brinkmann, J. 2003. Business ethics curriculum design: Suggestions and illustrations. *Teaching Business Ethics*, 7: 69-86.

Srikantia, P. & Bilimoria, D. 1997. Isomorphism in organization and management theory. *Organization & Environment*, 10 (4): 384-406.

Starik, M. & Rands, G.P. 1997. Sustainability Survey. Working paper.

Suzuki, D. 1997. *The Sacred Balance*. Vancouver: Greystone Books.

Synodinos, N.E. 1990. Environmental attitudes and knowledge: A Comparison of marketing and business students with other groups. *Journal of Business Research*, 20(2): 161-170.

van Dam, Y.K., & Apeldoorn, P.A.C. 1996. Sustainable Marketing. *Journal of Macromarketing, Fall*, 45-56.

Vining, J., & Ebreo, A. Predicting recycling behaviour from global and specific environmental attitudes and changes in recycling opportunities. *Journal of Applied Social Psychology*, 22(20): 1580-1607.

Waddock, S. 2003. A radical agenda for business in society. Paper presented at Academy of Management Meetings. Seattle, Washington.

Wade, J. 1999. Students as environmental agents. *International Journal of Contemporary Hospitality Management*, 11(5): 251-263.

Welsh, M.A., & Murray, D.L. 2003. The ecollaborative: Teaching sustainability through critical pedagogy. *Journal of Management Education*, 27(2): 220-236.

APPENDIX

Ecological Concern³

This part of the survey is designed to assess various attitudes that you hold regarding ecological concern. The rating scale for this part of questionnaire is also:

- 1 = Strongly Agree with the statement
- 2 = Agree with the statement
- 3 = Neither agree nor disagree with the statement
- 4 = Disagree with the statement
- 5 = Strongly disagree with the statement

	SA			SD
1. The balance of nature is very delicate and easily upset	1	2	3	4 5
2. Humankind was created to rule over the rest of nature.....	1	2	3	4 5
3. We are approaching the limit of the number of people the earth can support.....	1	2	3	4 5
4. Humans have the right to modify the natural environment to suit their needs.....	1	2	3	4 5
5. When humans interfere with nature, it often produces disastrous consequences	1	2	3	4 5
6. Plants and animals exist primarily to be used by human	1	2	3	4 5
7. There are limits to growth beyond which our industrialized society cannot expand.....	1	2	3	4 5
8. Humans must live in harmony with nature in order to survive	1	2	3	4 5
9. If things continue on their present course, we will soon experience a major ecological catastrophe	1	2	3	4 5
10. Humans need not adapt to the natural environment because they can remake it to suit their needs	1	2	3	4 5
11. Humankind is severely abusing the environment	1	2	3	4 5
12. The so-called “ecological crisis” facing humankind has been greatly exaggerated.....	1	2	3	4 5
13. I make every effort to buy products made from recycled paper	1	2	3	4 5
14. I have convinced members of my family or friends not to buy some products which are harmful to the environment	1	2	3	4 5
15. I usually purchase the lowest-priced product, regardless of its				

³ Bolded items are reversed in scoring.

- impact on society..... 1 2 3 4 5
16. I will not buy products which have excessive packaging..... 1 2 3 4 5
17. I have switched products for ecological reasons..... 1 2 3 4 5
18. I will not buy a product if the company that sells it is
socially irresponsible 1 2 3 4 5
19. I have tried very hard to reduce the amount of electricity I use 1 2 3 4 5
20. To save energy, I drive a car as little as possible..... 1 2 3 4 5

**“I’m going to have to let you go.”
Psychological contracts, the law, and organization justice by Jim Grant
(Doctoral Program in Management - Saint Mary’s University)**

Abstract

Rousseau (1995) claimed that organizational restructuring and the decline of labour have made employer “promises about the future,...the essence of [employment] contracts,” increasingly difficult to make and keep. In this study, the author employs interviews with Human Resource (HR) managers in a qualitative approach to the exploration of HR managers’ application of discipline and dismissal of non-union employees.

Non-union employee contracts, dismissal and discipline are poorly studied in the organization theory literature. In Canada, non-union employees are protected by a labyrinth of statute and common laws which some claim complicate the HR manager's job. However, the common law of wrongful dismissal is the last word on the rights and wrongs of the employment contract in Canada; labour standards provide only minimum protection to the employee.

The author seeks to identify the attitudes, knowledge and experience of HR managers in the discipline and dismissal of problem employees which may bring to light something of the nature of the subtle nuances of the employment contract in practice. Specifically, the author examines how perceived obligations, as the basis of a psychological contract, differ from actual employment law as a method for considering issues of justice in the workplace. This study should contribute to a greater understanding of the processes, attitudes and consequences of the management of allegedly incompetent or misbehaving employees.

Where does all the money go? An Investigation of Donation Filtration by Saher Shaikh and Carolan McLarney (Dalhousie University)

Abstract

This paper is divided into three sections. The first section profiles three charities. The second section discusses the lack of established quantitative and qualitative measures to judge a charity's performance; i.e., the degree to which a charity is successful at accomplishing its stated aims. It then goes on to suggest certain measures a charity can be evaluated against to evaluate the degree of its success. The paper uses these guidelines to measure the comparative success of each of the profiled charities. The third section finishes with recommendations for making charitable behaviours a widespread phenomenon that will further contribute to the success of each organization.

Introduction

There has been much social and legal debate over the definition of the word "charity". For some it is a pathway to heaven, for others, it plays a decisive role in anti-trust cases. Charles Dickens wrote "Charity begins at home and justice begins next door". Lord Macnaghten's take on the *Preamble to the Statute of Elizabeth* (1601) 43 Eliz.1, c.4. (U.K.), whilst considered to have its limitations, is widely regarded as a useful starting point for a legal definition of charity. In *Commissioners for Special Purposes of the Income Tax vs. Pemsel* (*supra* note 2, at 583, 1891), Lord Macnaghten laid out the following *classifications* (note: not a definition) of charity:

"Charity" in its legal sense comprises four principal divisions: trusts for the relief of poverty; trusts for the advancement of education; trusts for the advancement of religion; and trusts for other purposes beneficial to the community; not falling under any of the preceding heads."(Carter, 2002, p. 7)

These four heads of charity, as they have come to be known, have taken on the status of tests to see if an organization merits the title of charity and any accompanying benefits (such as favourable tax status).

This paper attempts to go beyond the definition of charity and to closely examine what constitutes the "success" of a charity.

Section 1: Profiles of three charities

To enable a comparative study, we have chosen three different charities on three different continents. Before going on to compare numerical and subjective findings, profiles of these charities can be found in Table 1.

Table 1: Profiles

	American Foundation for AIDS Research (US)	Edhi Foundation (Pakistan)	ActionAid (UK)
Also Known As	amfAR	Edhi Trust	
Continent	North America	Asia	Europe (with worldwide operations)
Year Incorporated	1985	1947	1972
Stated Purpose	"...to prevent HIV infection and the death and disease associated with HIV/AIDS and to protect the human rights of all people threatened by the epidemic of HIV/AIDS."	"...taking on the challenge of developing a system of services to reduce human miseries."	"Our mission is to work with poor and marginalised people to eradicate poverty by overcoming the injustice and inequity that cause it".
CEO's Compensation	\$295,456 (US)	\$0.00 (US)	\$153,463 (US)
Board Size	29	0	A network of boards
Paid Staff	78	2000	1800
Methods of Fund Raising	Direct mail appeals Telephone appeals Special events Print advertisements Grant proposals Planned giving Cause-related marketing Internet appeals	Donations are not accepted from the government, relief organizations or religious organizations. 99% of the donations come from within Pakistan. There are no organised fund-raising activities. Mr Edhi occasionally takes to the streets, cap in hand, asking for donations.	Child sponsorship Appeals, Fundraising schemes and events, Other forms of regular giving, legacies, trading, official bodies International agencies - including EU, UK government, USAID, UN, World Bank Community fund (ex-National Lottery) Charitable trusts, private trusts, corporate donors
Cost of Fund Raising	Fund raising costs were 19% of related contributions. (Related contributions, which totalled \$16,013,431, are donations received as a result of fund raising activities.) amfAR incurred joint costs of \$486,171 for informational materials and activities that included fund raising appeals. Of those costs, \$194,467 was allocated to fund raising expenses and \$291,704 was allocated to public policy and public and professional education.	\$0.00	Fund raising costs were 22% of income at 13.6 million pounds→US\$24,795,384 or approximately US\$24.8 million
Tax Status	Tax Exempt under 501 (c) (3).	Tax Exempt under ITO subsection 10 of 239.	Tax Exempt under ITA

There are hundreds of charities worldwide. These three charities were chosen to provide a cross section of the variety of charities that exist. Varying factors include:

Operational scope: We have an interesting mix. One international charity with worldwide operations and alliances with several different countries (ActionAid). One national charity but which sends aid to other countries too (Edhi Foundation) and one national charity that localizes its efforts to its own country (amfAR).

Resources: amfAR and ActionAid are operating with huge budgets, Edhi Foundation with much much less; yet, in the course of our research, it is interesting that the Edhi Foundation has appeared to achieve more concrete goals than the other two.

Time since founded: amfAR is the youngest of the three, being only 19 years old. ActionAid has been around for 32 years and has built up remarkable awareness of its name in those years. Edhi Foundation recently entered its 59th year.

Difference in fundraising methods: Whilst amfAR and ActionAid employ similar fundraising methods, ActionAid occasionally going for a more politically charged style, Edhi Foundation is unique in that it has no fund-raising method other than its founder taking to the streets with a cap in his hand every few days (Drogin 1993). Yet the donations pour in; achieving results that amfAR needs fancy champagne receptions and celebrity charity balls to achieve. Another difference worthy of mention is that according to the Charities Commission Guidelines, charities in the U.K. are forbidden to lobby government. There is no such restriction in the US where lobbying is a very powerful tool.

Political/Religious affiliation: None of these charities discriminates amongst its recipients based on religious or political grounds. Edhi Foundation takes this mentality a step further by refusing donations from any religious or relief organization or from any government. When the late President of Pakistan, Zia-ul-Haq, donated a cheque of Rs. 50,000 to the foundation, it was returned to him uncashed.

Target market: Whether in the business of making a profit or of saving lives, a charity is still a business. It has goals to meet, income and expenses. While not selling a product or service, they still have consumers. In this case, we believe, though, that the consumers are not the people on the receiving end of the charity but the donors: the people to whom the idea of giving to charity has to be sold. These are a charity's target market. amfAR targets US society's elite, ActionAid targets the U.K's middle class and Edhi Foundation expects its income from Pakistan's lower classes.

Section 2: Performance of these charities

It is extremely difficult to establish quantitative measures for the degree to which a charity is successful. In the course of our research, we came across no established tools of evaluation. What exactly is a "successful" charity? One that earns the largest revenues or one that comes closest to achieving its mission statement? A large proportion of amfAR's funds go towards primary and secondary research; yet AIDS has not been eradicated. ActionAid wishes to eradicate poverty throughout the world; yet poverty still exists. Edhi Foundation envisions Pakistan as a country with a solid infrastructure for all the destitute within its borders; yet there is still tremendous human suffering in Pakistan. Does this mean that they have failed in their missions or that success is a far more abstract concept for them? The purpose of this paper is to suggest guidelines for

evaluating the success of a charitable organization and to compare the performance of our three profiled charities based on our measures.

Donation Filtration

One guideline we would like to suggest as a performance measurement is the proportion of donations received actually being used for the intended projects. What proportion of donations received actually filters down to the intended recipients? In other words, what is the level of “Donation Filtration”? This is a question most people who give to charity wish to know the answer to. When a housewife in the U.K. digs into her pocket to give to an orphanage, she would like to know how much of it actually reaches the orphan versus how much goes towards the CEO’s expense account.

Table 2: Donation Filtration

	AmfAR ⁴	Edhi Foundation ⁵	Actionaid ⁶
Total Income	\$18,334,193	Unavailable	\$133,092,870
Total Expenses	\$18,073,862	Unavailable	\$130,540,404
Program Expenses	77%	99%	79.32%
Fund Raising Expenses	16%	0%	18.99%
Administrative Expenses	7%	1%	1.68%

Visibility

The term “visibility” is used to encompass the concept of how much awareness the organization has developed about itself and its causes. It is important to categorize between being highly visible in one’s own locality, versus having created national awareness throughout one’s country or being known internationally. The choice of this term could also have been taken to mean the visible presence of the organization: bricks and mortar versus virtual. In this paper, it is used only to express the degree of awareness of the organization in its own country. This is undeniably a narrower definition than could be employed, but equally undeniably, a handier means of measurement.

amfAR is an organization that garners a great deal of press coverage in the U.S. It supports a well-known cause and its activities, mostly its fund-raising events, are well-publicized. One of its strategies is to actively pursue the presence of celebrities at its charity-galas. When Princess Diana attended an amfAR ball in 1995 wearing an imperial purple Versace ball gown, amfAR’s name was in headlines not only around the U.S. but around Europe too, especially the U.K. Nearly every man, woman and child is aware of the Edhi Foundation in Pakistan; however, there is hardly any awareness of the organization on an international level. The Foundation has worked side by side with the Red Cross and *Medicins sans Frontiers* abroad at relief missions, Mr. Edhi was formally recognized in Rome and was awarded the prestigious Ramon Magasay award by the Philippines government in Manila (Drogin, B. 1993), yet the Edhi Foundation is hardly known beyond the boundaries of Pakistan. ActionAid launches massive appeals using different media in

⁴ 2002 data in US dollars, (BBB Wisegiving Alliance, Report: American Foundation for AIDS Research Programs [2004]).

⁵ (Personal interview with Mrs. Bilquis Edhi)

⁶ 2002 data in US dollars, (Consolidated Statement of Financial Account, Actionaid Annual Review 2002)

the U.K. and is a well-known name. It also has a widespread reputation in Europe though lacks recognition in North America where World Vision is better known for child-sponsorship programs.

Reach-out Factor

The term “reach-out factor” can be given a number of different interpretations. When viewed with a marketing mind-set, it means the depth of penetration into the target market. However, this definition alone would be insufficient and would counter the argument presented before that when it comes to charities, it is the donors rather than the recipients who should be labelled the “consumers”. The depth of penetration in this instance would be taken to represent the number of people the charity has directly or indirectly affected; thus, both donors and recipients.

Idealistically, this would be taken to mean the number of lives it has made a difference in. amfAR has invested over \$220 million since its inception in 1985 and awarded grants to over 2000 research teams worldwide (amfAR, 2004). Since it only mentions 11 fellowships and grants to the tune of \$1.15 million awarded in February 2004, it must be assumed that the remaining \$219 million was awarded at a much more prolific rate over the last 18 years. Whilst there are literally hundreds of photos of celebrities in their photo archives, there is not a single image of an African child with AIDS. While that statement can be perceived as pejorative, it is not meant to be critical so much as to illustrate our earlier point that amfAR’s target market is the U.S. elite and consequently, that its reach-out factor has inbuilt boundaries. It is automatically limited by their choice of consumer as to the number of people they affect in the donor category. As for the recipient category, aside from the number of grants awarded this year, there were no figures available that would indicate the number of lives touched by amfAR’s research.

The Edhi Foundation has an estimate of the number of lives it has touched on its website (Edhi Foundation, “From Cradle to Grave”, [2004]). It claims to have touched 90% of the Pakistani population. While unable to actually go out and do a survey of the Pakistani population to verify that claim, based on our own personal experience, we have no reason to doubt that claim. An Edhi ambulance saved the Pakistani author’s father’s life. Its endeavours are not just an abstract concept but include myself as one of the lives it has personally touched. As for ActionAid, it has tremendous reach-out factor on an international level. It has programs running in many different countries spanning five continents. Due to the large scale of their programs, it was difficult to get a precise estimate as to the strength of their reach-out factor.

Table 3: Comparative Performance of these Charities

Charity	<i>Pemsel's</i> Test	Target Group	Discrimination	Donation Filtration	Visibility	Reach-out Factor	Degree of Success
AmfAR	purposes beneficial to the community	U.S. elite	No	77%	Yes	Very low	Low
Edhi Foundation	relief of poverty, advancement of education	Pakistan's poor	No	99%	Yes	High	High
ActionAid	relief of poverty, advancement of education	U.K. middle-class	No	79.32%	High	Mediocre	Mediocre

Section 3: Recommendations

Consolidation of same-cause charities

We believe these three charities are varyingly successful at what they are doing. However, in light of economic, political, religious, cultural vicissitudes, we would like to present some recommendations that may help charities to become/stay successful. The first of these is the consolidation of same-cause charities. There are hundreds of AIDS charities in the U.S. If they were to merge, they would have tremendous clout, lobbying power, intellectual resources and more immediate access to information regarding breakthroughs across the country. Imagine the influence ActionAid and World Vision would have if they were to merge. ActionAid's annual 2003 income of US\$133,092,870 combined with World Vision's annual 2003 income of US\$685,770,000 would equal US\$818,862,870. That is a substantial amount.

A challenge that we recognize with this recommendation though is that aside from being in the business of altruism, most charities have additional agendas. World Vision is a Christian organization and its work, whilst indiscriminate, exudes a strong flavour of missionary zeal. Even though its mission statement aligns with ActionAid's

, its internal aims may be very different. Action Aid does not have a religious identity but is a politically active organization which also may not tie in with the image World Vision would like to present.

Education of our young

Children are never too young to be taught the social interactions of giving and sharing and lessons learnt in childhood stay with a person throughout their life. Mr. Abdul Sattar Edhi credits his mother for his generous spirit. When he was a child, she used to send him to school with two paisas every day: one paisa for himself and one to give to a poor child. He is still giving. Religious instruction has become a politically touchy topic in today's world but children must still learn the value of charity and the joy of giving. Self-development courses should be part of every school's curriculum. The education system can act as a conduit for learning how to divide one's life into its personal, professional and community elements. A well-rounded human being should be aware of and fulfil their responsibilities in all three facets of their life. This basic grounding should be sown in an environment where there is social interaction, consistency, stability and learning; thus, schools provide the ideal germination grounds for such incentives.

Mandatory community service

In January 1993, President Clinton laid the ground for the idea of national service: "In serving, we recognize a simple but powerful truth: We need each other and we must care for each other". In March 1993, he expounded upon his initial discourse by introducing the AmeriCorps service program. His initiative included making community service a mandatory requirement to graduate from high school. About 500 public school districts including Washington D.C., Atlanta and Detroit have adopted mandatory community service programs.

However, there is a huge debate as to whether the terms: "mandatory" and "community service" are conflicting. Community service is commonly perceived as an act of altruism, perpetuating the spirit of volunteerism. Can such an act be forced, made mandatory? Our view on this issue is that President Clinton was on the right track and our recommendation is that community service should be declared mandatory in all schools around the world. This may sound like an extreme statement, ethnocentric no less, but we believe that exposure to those less fortunate motivates thankfulness

for one's own situation and encourages charitable behaviours. The act of giving is more powerful than the act of receiving and children in the slum schools of Calcutta should be given just as much opportunity to experience that as those in the public schools of Washington D.C.

References

ActionAid, (2003), Consolidated Statement of Financial Accounts for the year ended 31 December 2002, ActionAid Annual Review 2002, January, p.p. 26. Retrieved 20 March, 2004, from: http://www.actionaid.org/aboutus/annualreview2002/annual_review.pdf

American Foundation for AIDS Research Programs (2004), "[Spring 2004 Research Awards Total More Than \\$1 Million](#)", amfAR AIDS Research. Retrieved 20 March, 2004 from: <http://www.amfar.org/cgi-bin/iowa/programs/index.html>

BBB Wisegiving Alliance, (2003), Report: American Foundation for AIDS Research, December, Better Business Bureau. Retrieved 20 March, 2004 from: http://www.give.org/reports/care_dyn.asp?1220

Carter, T.S. (2002), Re: Charity and "Political Activities", The Information Service of the Canadian Bar Association, December 04, 2002, pp.1-7. Retrieved 25 March, 2004 from: <http://www.cba.org/cba/submissions/pdf/02-47-eng.pdf>

Drogin, B., 1993, "He works wonders in Pakistan", Los Angeles Times: World Report, Issue: April 3rd, pp. 7.

Edhi Foundation, "From Cradle to Grave", (2004), Serving Humanity since 1947, Retrieved 31 March, 2004 from: <http://www.paks.net/edhi-foundation/>

Personal interview with Mrs. Bilquis Edhi conducted by Saher Shaikh, January 31st, 2004. Edhi Headquarters, Karachi, Pakistan.

**Trends in academic management research:
An exploratory analysis of trends in virtual research teams
by Jason LeCoure and Wendy Carroll
(Ph.D. Program, Saint Mary's University)**

Abstract

Recent years have seen an increasing interest arise amongst managerial researchers in the phenomenon of *Virtual Teams*. The growth of the internet and other forms of communications technology has resulted in businesses adopting geographically dispersed networks in an effort to maximize the utilization of expertise within the organization. Academics have been quick to notice the trend and a large number of articles examining the impacts of these new teams on organizational structure, technology utilization, and team processes are to be found in the literature. Five tier one academic management journals were examined for a ten year period. The quantitative analysis lends support to the commonly accepted assumption that international virtual research teams have increased. In addition evidence was found to support that domestic virtual research teams have increased. Significant differences in these trends were found between journals surveyed.

**Women and Work: Hearing the ‘Other Voice’
by Kelly Dye (Acadia University)**

Abstract

This study highlights the importance of the women’s voice and heralds the need for future research that addresses issues that hold meaning for women at work. The confinement of answers to little boxes based on scales developed at the hands of malestream management theory may actually serve to mask what is truly important to women at work and subsequently prohibit the development of organization theory. If we want to truly understand the experiences of women at work, we must first ask them to tell us their stories and we must then truly hear their voices. This study is an attempt to do just that – to discover, from a truly grounded perspective, why women work, what motivates and inspires them, and why they leave. In essence, the study attempts to capture what it means to be a woman at work.

How do Nonprofits Recruit Paid Staff? By Judy Haiven (Saint Mary's University)

Abstract

This paper compares recruitment of paid staff in a study done with 26 nonprofit organizations, 13 in the UK and 13 in Canada. The qualitative study looks at a number of features in the area of recruitment and selection including job analysis, job descriptions, advertising and equal opportunities. The organizations were matched mainly according to mission. All the organizations provided a range of human services. The organizations' size and the training of its human resources managers are factors in assessing how well recruitment and selection are managed in the selected organizations. The comparative nature of the research – Canada and the UK – allows for a rich contrast and highlights national and cultural differences in these aspects of human resource management.

Introduction

The voluntary and nonprofit sector is quite a new area of academic study, and within it, human resource management has hardly been explored. This paper is about managing paid staff in a range of organizations in the nonprofit sector.

How are human resources managed in nonprofits? Specifically, how do these organizations recruit and select their staff? The research showed that the short answer is that the history and culture of each country leaves a big footprint on voluntary organizations. In addition, the need for trained personnel to handle human resources issues is viewed differently in Canada and the UK. Canadian nonprofits' lack of resources and trained personnel in the personnel area means the human resources agenda is often ignored. In the UK, a longer tradition of government provision of services, even of bureaucracy, accounts for more a reliance on trained, professional human resource managers who more ably handle personnel issues.

Dealing with paid staff is not uppermost in the minds or experience of many executive directors or managers of nonprofit or voluntary organizations on either side of the Atlantic. Even if managers look for a human resources model in the wider field of the for-profit or public sectors, it is not easy for them to use that model as a template for their sector. Nonprofits present a challenge to the field of human resource management (HRM). Nearly all of the existing theory and technique of HRM is based on the model of the large, bureaucratic, impersonal organization in the for-profit or public sector. Large organizations, armed with financial resources, consultants and professional experts, have tried to come up with the winning combination of pay and incentives to squeeze productivity out of their workforces.

The voluntary and not-for-profit sector is different in two significant ways. First, paid staff and volunteers alike give meaning to the term 'voluntary sector'; they tend to be highly dedicated and altruistic. Indeed, many paid workers start out as volunteers. To further the cause, the paid workers are often prepared (and expected) to work long hours for low pay. So the problem is not motivation as it often is in the for-profit sector. The problem is often the opposite: the 'burnout' rate can be high (O'Neill, 1989, pp.121-122; Handy, 1988, p. 41). Altruism often gives way to

disillusionment and enthusiasm to resentment -- sometimes threatening an organization's very existence.

The second significant point is that, compared to the for-profit sector, employers in the voluntary sector have fewer financial resources and a scarcity of trained personnel managers. Some tend to take advantage of their staff or, at the least, to brush aside the issue of management of their own paid staff. There are three likely reasons for this: one is that most executive directors wear too many hats; they switch hats from financial manager to fundraiser to publicist, and are loath to take on all the extra tasks of an HR manager. Second, some executive directors believe problems among staff and strained relations between management and staff are not as disruptive as other issues. So disagreements are often put aside in favour of focusing all energies on the organization's mission. Finally, few nonprofit managers and executive directors have any particular expertise or training in human resource management. But today, the old function of personnel management has been subsumed within the area of human resource management. There seem to be two reasons for this. The first reason has to do with the emphasis, expressed by Torrington and Hall (1987, p. 14) on "planning, monitoring and control rather than problem-solving and mediation". Many Canadian organizations, as we shall see, tend to 'fly by the seat of their pants' in the area of planning. They often lurch from grant to grant; programming is determined by donations or by service contracts with one or more levels of government. Their plans or programs change and the daily grind of delivering quality services on a shoe-string budget renders strategic considerations a luxury. This means voluntary organizations have staff charged with the personnel portfolio who are more comfortable with solving problems and mediating solutions which fits with their organization's mandate, rather than staff who have experience and training in strategic management.

The second reason has to do with Torrington and Hall's perception that human resource management "... is totally identified with management interests ... and is relatively distant from the workforce as a whole." (ibid.) Most nonprofit and voluntary organizations, especially those in the study, prided themselves on their relationship and with their client or user base. People who work for nonprofits tend to identify with the cause and the people they help. Even if they are, for example the personnel director or the human resources manager, they do not feel like managers and they do not identify with 'management'. Many voluntary organizations, which began or grew up in the 1970s, started out as collectives in which everyone pitched in and no one was really in charge (Landry and Morley, 1985, p. 32). Even, or especially in the area of human resources management, the idea of strategic management was not considered relevant (ibid.).

Methodology

The study involved recruitment policies and procedures in twenty-six organizations, 13 in the UK and 13 in Canada. The study employed a qualitative methodology. The researcher conducted semi-structured interviews with key informants in a selection of nonprofit and voluntary organizations which serve clients in the four different areas. There were four types of organizations, according to mission. From there the selection was made according to similarities in size and numbers of paid staff and volunteers. Two British organizations had 'branch' or sister organizations in Canada which made the matching easier, and an AIDs hospice in London was the model for a replica in Toronto, but in each case there were also major differences between them, notably size.

While the Canadian and British organizations can be said to be ‘matched’ in the sense that they are similar in mission, it was impossible to match them precisely. There are two reasons for this: one problem was the size of British organizations versus Canadian ones. Even allowing for the two-fold difference in population of the countries, Canadian organizations were on the whole much smaller and had fewer staff. Another difficulty was that some organizations whose main mission was in one category, also did significant work in another category. In fact, as the organization developed, quite often what the organization was first known for was no longer a major aspect of their mission. For example, an organization in the housing/shelter category, was also heavily involved with advocacy. The background and history of each organization, derived through documents such as leaflets, annual reports, recruitment kits and other printed materials, added a useful dimension to the study.

This paper focuses on how recruitment are carried out in the 26 nonprofit organizations studied. There are two reasons for limiting this paper to recruitment. First recruitment is, arguably, a cornerstone in for human resource management. Issues of fairness, equity and management style emerge in the discussion of recruitment. How nonprofits manage the hiring of new staff (and promoting experienced staff) is indicative of the faith and attention management puts in its paid staff. Second, recruitment is a window on nonprofit management, management which, as noted earlier, seems markedly different in the UK and in Canada. Some of these differences can be ascribed to the country’s culture and some to the culture of the nonprofit sector as a whole.

Aspects of Recruitment

Thousands of pages in human resource textbooks, trade books, and academic literature are devoted to aspects of recruitment and selection. Organizations hire agencies and ‘head-hunters’ to create useful short-lists of job applicants. Depending on the job, recruiters sometimes administer a battery of psychological and task-related tests or send candidates to independently-run assessment centres which evaluate them.

In the voluntary sector too, recruitment is important. Nonprofits, like other organizations, need new employees to replace those who have resigned, retired, been promoted, transferred or dismissed. Many organizations also hire new staff when prompted by technological change or shifting market conditions. The axiom of recruiting the ‘right’ people making an organization and recruiting the ‘wrong’ ones breaking it has special significance in the voluntary and nonprofit sector for three reasons.

First, in the voluntary sector money is tight. Every financial commitment is scrutinized. Paying an employee who is not doing his or her job adequately means money wasted that could be spent on direct service (or generating profit in the for-profit sector). Second, the issue of professionalism in nonprofits is not trivial, so choosing an experienced person for the job is important. As Smith and Lipsky (1993) point out,

“The staffs of nonprofit agencies are the new ‘street-level bureaucrats’: that is, workers who exercise discretion while interacting with citizens in the course of their jobs, whose decisions in assessing, prescribing, and in some case treating citizens’ needs are highly consequential...” (p.13)

Finally morale is a consideration. Though there is a high degree of altruism among people who work for nonprofits, the jobs are often difficult and thankless. Hiring someone who cannot work with other employees, or someone who undermines what other employees – or volunteers – do, can be disastrous especially for a voluntary organization.

How well do nonprofits recruit and select staff? One method of assessment is to compare actual practices to what are considered ‘best’ practices, those carried out by top for-profit employers. The prescribed protocol follows several steps. A job analysis is performed, then a job description drawn up. The job is posted and/or advertised inside and outside the organization. Applications and resumés are submitted and given a preliminary cull by a junior officer in the personnel department. Often a hiring committee or panel selects a short-list. The people on the short-list are interviewed by the panel which has previously met and prepared questions. There is often a scoring system so that all candidates are assessed according to criteria deemed important and not irrelevant ones, superfluous to the job requirements. Finally, after consulting, the panel selects the best candidate. Someone checks the person’s references and he or she is offered the job.

To what extent do nonprofits follow this protocol? The study reveals two distinct patterns in the two countries: the British organizations followed the protocol much more closely than the Canadian ones, which frequently took a series of short-cuts. This section will first look at how the nonprofits studied carried out some aspects of recruitment. At the end, the researcher will speculate about why the situation differs so much in each country.

The first and crucial step in recruitment is job analysis. According to the literature, no job description can properly be written, no job usefully advertised and certainly no candidate hired until management conducts a proper job analysis. According to Torrington and Hall (1987),

“Job analysis is a central technique which is the basis of many personnel management activities. ...Job analysis is the process of collecting and analyzing information about the tasks, responsibilities and the context of jobs.” (p.193)

Job analysis is crucial because it brings together two disparate human resource areas. On the one hand, job analysis helps to deal with individual employees. It lays a foundation for recruitment, selection, promotions, transfers, training, appraisal and even discipline. On the other hand, a good job analysis serves the organization’s needs such as organizational development, restructuring, job design, manpower planning and salary administration. Other uses of job analysis include conforming to health and safety legislation, and equal opportunities. From an industrial relations perspective, introduction of new technology, and collective bargaining can benefit from the determinations of job analysis (Torrington & Hall, 1987, p.195).

How much is job analysis used in the nonprofit sector? In the British voluntary organizations investigated in the present study, ten out of thirteen human resources managers said they had completed job analyses. One of the three who did not was an accountant who also carried out the personnel function in Health Charity UK; he had no training in human resource management. But in only one of the thirteen Canadian organizations studied, did the person responsible for human resources carry out job analysis. Though several Canadian personnel managers had training in their field, only one took job analysis seriously, as a precursor to drawing up job descriptions. The rest of Canadian personnel managers dispensed with job analysis and jumped to writing job descriptions. In other words, Canadian nonprofit managers took a ‘short-cut’.

Short-cuts routinely taken in recruitment in human service work, can deliver very serious results, as the following example illustrates. A 1991 incident at Seaton House (not part of the

study) reveals that problems -- or short-cuts -- in recruitment, selection and possibly training played a role in an ensuing tragedy. Seaton House is a hostel for 700 transient, homeless men in a very poor area of downtown Toronto. One resident, aged 28, became physically violent to co-residents when provoked by a racial slur. Five hostel workers were required to subdue the resident. In the twenty minutes it took until the police arrived, the man asphyxiated under the weight of the workers who pinned him down. An inquest ruled "his death had been a 'homicide', meaning that while no one intentionally killed [him], he had expired at the hands of others" (Livesey, 1992). Quite rightly, a handful of workers at Seaton House took the blame. However, the inquest also revealed that barely trained and inexperienced employees often found themselves confronting violent residents. The situation was exacerbated by limited resources -- cramped space, no lockers, a bed shortage -- and a management determined to secure military-style control of residents and staff alike. Managers at Seaton House probably believed they had hired the 'right' workers, tough men able to handle drunk or mentally ill charges. But in hiring low-waged custodial people, with virtually no training, it was almost predictable that a bad situation would turn into a tragedy.

This example demonstrates the importance of job analysis, especially in nonprofits which typically deal with sensitive and difficult client groups.

Job Descriptions

In the study, each of the twenty-six organizations had job descriptions, but the quality of these documents was not uniform. According to the literature, job descriptions should be an accurate reflection of the work and ought not to reflect the prejudices of the supervisor. Job descriptions ought to be detailed enough that a prospective candidate can know four things: the duties to be done, the purpose of the job, the standards of work expected and the working conditions (Werther & Davis, 1990, p. 151).

In the nonprofits studied, the quality of job descriptions varied greatly. Some were itemized to the last detail, others gave a general description of the job and then specified 'and other duties to be assigned.' Neither extreme is desirable. If a job description is very detailed, it tends to inhibit initiative. Managers and others in voluntary organizations need to be able to 'spread their wings' a bit in their jobs. If the description is too narrow, it could prevent the enlargement of jobs or not allow for the use of new technologies. On the other hand, overly general job descriptions are also a problem. First, the job's duties tend to expand because there are few limits set. Second, the employee feels the organization may take advantage of him or her because any or all duties can be added or subtracted from the job, at a whim.

Typically, the British organizations mailed prospective applicants a comprehensive package including a job description, a personal specification sheet, an application form and orientation materials (like an annual report and brochure) about their agency. In Canada, available jobs were loosely described in an advertisement. Applicants were expected to fax or mail in a résumé, or dispatch a letter of application without knowing anything about the job's particulars or the organization itself. Though the Canadian organizations claimed to have had job descriptions for all positions, they were frequently out of date, not specific enough or no longer valid. As the financial director of Community Charity 1: Canada said,

“For most jobs, the jobs are changing all the time. To keep revising [job descriptions] is more trouble than it’s worth. We try to bring them up to date every two or three years.” But if the job descriptions were out of date, or did not accurately describe the job, they could have presented problems for some applicants. An inaccurate job description could discourage qualified applicants or encourage unqualified ones.

Can any significance be attached to the differences between the two countries? Quite possibly, yes. The Canadian organizations seemed to have two problems, first, they did not tend to rely on job analysis and job descriptions the way UK organizations did. Some Canadian organizations were not clear on what they wanted or needed, in terms of personnel. They tended to treat recruitment like a ‘cattle call’. In some Canadian nonprofits, there were scores of applications for a position. But only after the executive director or the human resources manager had seen a lot of candidates with a broad range of skills, did he or she begin to identify what skills the organization actually needed. In a way, this was approaching recruitment backward. The recruiters tried to fit a job to a candidate, rather than the candidate suit the job, which tended to waste the organizations’ energy and time.

Person Specification Sheet

All thirteen UK organizations studied used a ‘person specification form’ or sheet. On such a form the candidate was expected to explain how his or her experience and training matched the requirements of the specific job.

In the formerly class-ridden society of Britain, the person specification form serves another purpose. Putting one’s education (or lack of it) or one’s address on a form could potentially prejudice an applicant’s chances. The human resources manager at AIDs Hospice UK considered this a serious problem. She believed that the questions asked on an application form, by their very nature, could be biased against an applicant who, but for education, might be quite capable of performing the job. Questions such as where a candidate went to school, the date of birth (signaling whether one was too old or young for a job), the candidate’s home address (perhaps a known council estate address) and a telephone number (many job seekers in the UK did not have phones) could, the human resource manager explained, bring out subconscious prejudice:

“I take the names off the forms and other information which could prejudice or bias the panel at the short-list stage. It is at the short-list stage where discrimination happens. I’m looking for indirect discrimination and try to make sure groups aren’t being treated less fairly.”

Her solution was to give the interview panel *only* the completed person specification sheets, not the application forms, to aid in short-listing. She also believed sending an applicant’s cover letter could indicate a low level of literacy or bad writing skills which could bias a panel. So she sent only the person specification sheet, thinking it would put all the candidates on similar footing.

Not all personnel managers were as circumspect. The human resources manager at International Youth UK, which also participated in the study, criticized her technique as “quite a purist view” and “a left-wing thing.” She felt the more material the interviewing panel had, the better assessment they would be able to make. She dismissed the idea that social class and education would affect hiring-- especially since, as she points out, discrimination on the basis of social class and education is not illegal. However, discrimination on illegal grounds such as race, ethnicity and gender is a concern to her -- and fellow recruiters in the organizations studied.

In Canada, no organization used a personal specification form. Recruiters relied on candidates submitting two of three of: letters of application, resumes and application forms. Often advertisements asked for letters of reference as well. But for Canadian recruiters and candidates, it was really 'going blind' – the recruiter might have compared the applications to the requirements set out in the advertisement, which carried the only specifics about the job the candidate could address.

Equal Opportunities

This takes us into the area of equal opportunities, as it is called in the UK, and employment equity, as it is known in Canada. Given the altruistic *raison d'être* of nonprofit organizations, one might expect a higher commitment and a greater drive toward equity. But as Dickens (1994) points out,

“The existence of an EO [equal opportunities] statement or policy (and not all organizations recognize the difference) says little about what is actually happening in the organization. Adoption of a policy may have little impact, even at the minimal level of awareness of the policy's existence.” (p. 256)

The issue certainly is an important one, at least theoretically, to recruiters in almost all of the nonprofit organizations studied, on both sides of the Atlantic. Each of the British nonprofits studied, except one, had a policy and claimed to implement recruitment practices which focused on visible minorities, women and gays and lesbians. The first step the organizations took in an attempt to implement equal opportunities was to create a workable policy and educate the employees about it. In the second stage, the human resources department or manager asked job applicants to fill in a monitoring form which was usually included in the job application packets referred to earlier. The form monitored ethnicity, race, sex and disability of the applicant, but there was no obligation to fill it in. Generally, when the forms were returned with applications, they were detached and placed in a separate file to be evaluated. The forms were meant to be anonymous, but at least two organizations asked candidates at the interview to fill in the monitoring forms there and then, if they had not sent one in before. The forms requested candidates to tick if they were Asian, Afro-American, Afro-Caribbean, or tick an applicable box. But the problem arose if a black born in Britain identified herself simply as British. The same problem applied to disability. Self-identification as disabled depends on the applicant's point of view and thus does not always achieve the anticipated results. Similarly, people tend not to identify their disabilities or ethnicity if they see them as disadvantages impairing their chance of getting a job interview.

However, attempts to implement equal opportunities are constrained by legislation and by practice. UK law makes a distinction between 'positive action' (legal) and 'positive discrimination' (illegal) in recruitment. This means employers can focus their advertisements on certain target groups (women, or visible minorities, or the disabled) but they cannot discriminate in favour of any one group. To conform to the law, the British nonprofits in the study monitored applicants, and sometimes placed job advertisements in ethnic or minority publications. Only one UK organization, Health Charity UK with 60 employees, had no equal opportunities policy. Its accountant also acted as the personnel manager. He felt any rules were too restrictive and that he alone could manage equal opportunities.

But the statistics he kept told another story, a story similar to what was found in the other voluntary organizations surveyed. Two-thirds of the employees were women. Yet the women were concentrated in the administrative and support jobs and there was a disproportionate number of men in management. He justified the staffing complement by explaining the organization hired a lot of nurses to respond to staff its telephone hotline which served those with the illness. Though he kept no records on ethnic or racial numbers, he admitted that there was not one non-white person on staff, despite the fact that visible minority women were more likely (than white women) to work in health services (Dickens, 1994, p.258).

What about employment equity in Canadian nonprofits? All the organizations studied had equity statements, or policies, or 'diversity' programs which attempted to acquaint staff with equity issues. Most of the human resources managers agreed that they wanted to diversify their employee groups, but their *practice* seemed rather inadequate.

For instance, one international human rights organization's director of finance, who was also charged with personnel matters, said, "We looked at employment equity and we try to practice it but we have no targets." By this he meant the organization had no plan or goal for attracting minority employees, though two of twenty-five employees were visible minorities.

In another example, the planning coordinator (also responsible for personnel) for an international aid organization explained how his unionized organization tried to meet targets for minority hirings:

"There is an employment equity policy in the collective agreement. Part of our recruitment strategy is to advertise ourselves as an employment equity employer. We've gone from two people of colour out of fifty, to 12 out of forty-eight -- of whom two are openly gay, ten are visible minorities. We have no aboriginals and no disabled. We don't ask people when they apply and we don't send them a form to self-identify."

This meant the organization either presumed a candidate was part of a minority from reading their name and/or address in the application, or, noting their skin colour at an interview, decided there and then if the person should be hired. This was not an ideal practice for equity hiring!

It is important to note that state-sanctioned affirmative action – as practice and policy – was shelved in Ontario (where all three of the above organizations are located) in 1995. At that time the newly elected Conservative government rescinded the legislation which established a commission to oversee implementing employment equity province-wide.

One human resources manager admitted, given the legislation prohibiting it, affirmative hiring would be very difficult to implement. Even before the law changed, only two of the eleven Ontario organizations surveyed had recruitment targets for visible minorities, women or the disabled.

One nonprofit in the study, a health clinic in Saskatoon, had voluntarily filed an employment equity plan with the provincial human rights commission. In Saskatchewan, there is no employment equity law. If a job applicant or employee makes a successful complaint about discrimination, the Human Rights Commission (SHRC), might ask the employer to make an employment equity plan. The plan usually calls for hiring more Aboriginal, visible minority and disabled employees and women for management jobs. There are two problems with the plan. First, there is no way of obliging candidates to self-identify. As the organization's administrator pointed out,

"We ask candidates to self identify, but they don't have to. Most of the staff have never self-identified and if they wanted to be considered part of our affirmative action program,

they would have to state they were part of a target group: few do. So they are not part of our statistics.”

The second problem involves the trade union representing the employees and the classic clash between equity hiring and seniority. For example, in the case of the health clinic the employer required a receptionist for a satellite office which served a predominantly aboriginal clientele. According to the employment equity plan, the organization should have sought a qualified aboriginal candidate. But according to the collective agreement with the union, the job first had to be advertised internally, within the organization. There were part-time workers who wanted to bid on the full-time receptionist job, so the union insisted it be filled by an internal (non-equity) candidate, who had seniority.

Overall, then, in both the UK and Canada, nonprofits had major problems in implementing employment equity. There were two main causes: legislation and positioning equity on the human resources agenda. The first difficulty was legislation. Both countries had legislation which prohibited discrimination based on gender, ethnicity and race. However, though the laws proscribed some forms of discrimination, there was nothing in the law to promote the implementation of equity. In the UK, with the Race Relations Act, the Sex Discrimination Act and the Disabilities Rights Act, the laws were always complaints-based. The same was true for Canada under the provincial or federal human rights codes. There was one difference: in Ontario, from 1991-1995, there had been a legal environment which fostered equity. When the law was revoked, a backlash ensued. Without government backing, voluntary compliance was all that remained. Notwithstanding the legal problem, equity simply was not a major item on the human resources agenda in either country. As Dickens (1994) notes, equal opportunities is seldom a core value:

“EO tends to be marginal in organizations rather than mainstream... regarded often as the concern of those discriminated against... rather than an organizational concern... EO may be advocated as good management practice, but, unless it is a mainstream objective, priority will be given to other good management practices which serve organizational objectives and which may conflict with the tenor or requirements of EO.” (pp. 282-3)

It was not clear this was the precise problem with nonprofits. Many nonprofits recognized the need for prioritizing but felt they could not because of the legal environment and also because possibly – especially in Canada as we will see – their own staff was not well equipped to carry it out.

Advertising

The final area this paper explores is advertising. British and Canadian nonprofits studied had very different approaches to advertising. Before looking at how nonprofits advertise, there are two considerations.

Sometimes, a vacancy does not need to be filled by a permanent employee. More and more for-profit organizations are trying to cut their workforces and make do with fewer employees. There are at least three means employers utilize to evade recruiting new staff. One way is to reorganize the work, essentially dividing the work between fewer employees. A subset of that is contracting out the most repetitive and least rewarding jobs. Atkinson (1984) describing the ‘flexible firm’ made up of core and peripheral workers. Core employees are the ones with ‘good’ jobs, higher pay, decent hours and benefits and the possibility of promotion. Peripheral employees

are divided into two groups: those who have some skills but no career potential with the employer and those who have few job skills or are on job training schemes. Core employees are valued and peripheral employees, who are paid less, have no benefits, work on contract or restricted hours, and are expendable.

A second way of avoiding hiring is to stagger employees' hours, so there is more coverage or more shifts. A third way is to turn a job from full-time to part-time. This has the effect of perhaps short-circuiting a recruitment process and placing a part-time person in the job. Third, employers sometimes ask existing employees to work overtime, at busy times, instead of recruiting a new employee.

Nonprofits are not immune to trying to cut their labour costs as well. Though nonprofits do not generally adhere to Atkinson's model of core and peripheral employees, at least in Canadian organizations there are part-time and contract workers. For example, in Canadian organizations, fundraising work is often contracted out to telemarketing firms which hire people at little more than minimum wage to solicit donations by phone. In contrast, in Britain, virtually all fundraising is done in-house by full-time paid staff. Part-time jobs are ubiquitous in nonprofit organizations in Canada, while they are not so commonplace in the UK.

A second consideration is labour markets. Nonprofits operate in the same labour markets as other organizations, but there are national differences to be noted. In English-speaking Canada, there is only one major national newspaper, The Globe and Mail. Only management jobs, or very uniquely skilled ones, are advertised in The Globe and Mail. Part of the reason is that the country is so large, if a job is nationally advertised it would most certainly involve a move for the candidate. Other jobs are advertised in the local newspaper, which caters to the city or immediate region or the province. In the UK, virtually all jobs are advertised in the "quality" national press. The local newspapers are reserved for bottom-end clerical or support jobs.

We'll first turn to advertising in UK nonprofits. Critical to their advertising strategy was casting the net as wide as possible to give every applicant the same opportunity for the job. British human resources managers stressed that giving priority to internal candidates who applied for a promotion or a transfer would compromise equality. As the HR manager of AIDs Hospice UK said,

"Every job is advertised externally. People don't get preferential treatment because they work here. ...I'm looking for indirect discrimination: making sure groups aren't being treated less fairly."

So what did this mean practically?

First, UK organizations advertised: professional positions in Wednesday's "Society" section of The Guardian, one of the major quality daily newspapers. Secretarial jobs were frequently advertised in the London Standard. and professional accounting or computer journals. Some organizations had a policy of advertising in at least one 'alternative' newspaper, such as The Pink (a gay and lesbian publication), or The Voice (for the black community).

But for some nonprofits, advertising in the national press was already a big enough expense. Advertising in the ethnic press, according to some, was not warranted because every serious job-hunter looked in The Guardian, according to the personnel manager of Environment UK.

Nonprofits seldom went to the expense of advertising in The Guardian for lower level and secretarial jobs. Instead they advertised in local free advertising sheets, local community newspapers, and by word of mouth, or posting notices at [government] Job Centres. Human

resource managers believed clerical jobs were not significantly different in the nonprofit sector from those in other sectors and so were not as choosy about applicants.

There were two problems in casting a wide net. First, the sheer volume of replies meant several nonprofits were forced to hire agencies which placed the ads then collected and sorted through the responses. Second, despite placing the ads in the national press, the labour market was still quite small. As the human resources director of Refugee UK said,

“We operate in a self-perpetuating segment, in a small labour market. We are not looking purely for skills. It’s very, very important to have the right attitudes and commitment to the cause.”

When questioned about advertising internally, to their own employees, all UK nonprofits said they posted the jobs on bulletin boards and sometimes sent the details around the organization and fraternal organizations by e-mail. However no one received special treatment because they were internal applicants.

This is completely different from the situation in Canada. Every organization studied gave preference to internal applicants. Five of the 13 nonprofits were unionized and the collective agreement called for jobs to be posted on the union/management bulletin boards for a period of time before being publicly advertised. The key criteria for an internal candidate landing the job (or promotion or transfer) was his or her seniority.

The Canadian obligation to hire from within is not restricted to unionized employers. The idea is that once someone has already been hired and become permanent staff (usually by passing a probationary period), equal opportunities are best served by narrowing the competition, rather than by expanding it. So what in the UK is seen as preferential treatment and thwarting equal opportunities, is seen in Canada as a way of helping staff to advance a career. In British organizations, seniority is a comparatively minor consideration. But in any unionized workplace in Canada, even in nonprofits, most aspects of employment including promotion, training, discipline and even pay and benefits depend, to a degree, on seniority.

Conclusion

Having noted some of the differences in recruitment in both countries, how can they be explained? There are two overall points to make. In part, the presence of a trained human resources manager could account for it. Of the 13 British organizations studied, 10 had trained human resources managers or officers who had taken university level classes in human resource management and nine had the IPD (Institute of Personnel Development) designation. This is a professional designation; typically a candidate has to have taken a certain number of relevant courses along with at least two years of on-the-job human resources experience to receive the IPD designation. Canadian HR managers could not match nearly that level of HR experience or education. Only six had relevant university or post-secondary degrees and three of those had the Canadian equivalent, the CHRP (Canadian Human Resources Professional). One was enrolled in the CHRP classes at the time of the study. So, in comparison, Canadian organizations tended to “fly by the seat of their pants”.

Another factor in comparing British to Canadian voluntary organizations is their size. Taking account of the fact that Canada’s population is nearly one half that of the UK, in Canada the sector is marked by a smaller number of employees in a larger number of organizations, while

British organizations typically have larger employee numbers in a smaller number of organizations. At the small and the large ends, Canadian organizations in the study have about half as many employees as their British counterparts. However for the middle-size organizations, Canadian organizations do not come close to having a proportional number of staff. Canadian organizations do not have the critical mass to have trained human resources managers and dedicated HR departments.

Finally, because of the smallness of voluntary organizations in Canada, and because of the lack of trained human resources staff, Canadian organizations need to take short-cuts. As noted earlier, these short-cuts have considerable resonance in recruitment and also other aspects of human resource management. The short-cuts seem also to be a sort of short-hand or symbolize that the strategic interests of the organization are often sacrificed on the altar of service delivery and the day-to-day crunch many voluntary organizations face.

References

- Atkinson, J. (1984). "Manpower strategies for flexible organizations." Personnel management, August.
- Dickens, L. (1994). "Wasted resources? Equal opportunities in employment." In K. Sisson (Ed.), Personnel management. Oxford: Blackwell.
- Handy, C. (1988). Understanding voluntary organizations. London: Penguin Books.
- Landry, C., & Morley, D. (1985) What a way to run a railroad: an analysis of radical failure. London: Comedia.
- Livesey, B. (1992). "Staying the night: Stan Dalton and Seaton House." Our times: Canada's independent labour magazine, 11, 5, September.
- O'Neill, M. (1989). The third America: the emergence of the nonprofit sector in the United States. San Francisco: Jossey-Bass.
- Salamon, L. and Anheier, H. (1992). "In search of the non-profit sector II: the problem of classification." Voluntas, 3:3.
- Smith, S. R. and Lipsky, M. (1993). Nonprofits for hire: the welfare state in the age of contracting. Cambridge, Mass.: Harvard University Press.
- Torrington, D. and Hall, L. (1995). Personnel management: HRM in action (3rd edition). London: Prentice Hall.
- Werther, W.B. and Davies, K. (1990). Canadian human resource management (3rd edition). Toronto: McGraw-Hill Ryerson.

**Organizational Learning: What have we learned so far?
by Amy Thurlow (Acadia University)**

Abstract

Organizational Learning represents one of the most hopeful and yet nebulous areas of human resource management literature. The term itself is used to represent a variety of meanings, and no one definition of organizational learning has been adopted by OL theorists. After over 25 years of attention by management gurus and the academic community, definitions remain unclear, evaluation remains problematic, and success stories are few and far between.

This paper provides a review of the OL literature including some of the debate around the potential for Organizational Learning as an effective management practice. In conclusion the author suggests that before OL initiatives can transform organizations into empowered workplaces, there must be a more complete analysis of the context in which learning happens. This includes a discussion of the issues of power and empowerment within organizations, the diversity of employee experiences that inform their learning, and the role of gender in power and learning within organizations.

Introduction

This paper will provide a review of the OL literature and a discussion of some of the debate around the potential for Organizational Learning. The first section of the paper will discuss the definition of 'organizational learning'. This term is used to represent a variety of meanings in the literature, and no one definition of organizational learning has been adopted by OL theorists.

The second section looks at assumptions in the literature. These include an unquestioning acceptance of learning as beneficial to the organization; a definition of learning that is limited to problem solving; a definition of learning environment that is informed solely by work processes and culture; and an assumption that employees and organizations share a unified purpose. Critical theory offers some insight into the impact of these assumptions, most notably the tendency of OL theorists to assume that employees are a homogeneous group who learn in similar ways, without consideration for the individual experiences or interests of those involved.

A definition of organizational learning

Most descriptions of organizational learning imply empowerment. Workplace democracy, open communication, and the development of the individual as an investment in the company are common aspirations of modern learning organizations (Garratt 1987; Senge 1994). Proponents of the concept of the learning organization have put forward the idea

of learning cultures which encourage the development of individuals and the transformation of the organization by “nurturing a questioning spirit, experimentation, differences, openness and tolerance” (Coopey 1995: 193). Watkins and Marsick (1993) suggest that learning organizations must provide a culture of empowerment.

To this end, learning organizations are encouraged to create “learning climates” (Pedlar, Burgoyne et al. 1991) where mistakes are met with development rather than retribution. Employees are encouraged to participate in policy-making and individual needs and work – life balance are respected and enabled.

One problem with this acceptance of empowerment as part of the definition of organizational learning is that the term “empowerment” is used in essentially two different ways throughout the literature. The first meaning of the term is used to describe a process by which management gives power to employees; the other describes a process by which employees assume power (Field 1997). These two understandings of the term empowerment are often confused within the literature, and are used interchangeably or without clarification.

Mainstream OL theory tends to focus much more on the need to “allow” employees to experience more power within the organization. Plunket and Fournier(1991:93) describe empowerment as “a mechanism for investing responsibility in individuals and teams”. Miller(1993) and Field (1997) both point out that any process of empowerment that is based on management patronage must be inherently disempowering. Their view is that the organization must create an environment where employees can assume power for themselves within the organizational structure.

However, Coopey (1995) doubts that learning organizations will turn out to be the egalitarian, cooperatively-minded enterprises described in earlier definitions. The organizational decision makers still hold power and control over resources and information. In Snell’s (1998:337) research into empowerment and the learning organization, evidence supports the idea “that a ‘learning organization’ will enhance only the power of the ‘ruling court’ unless democratic arrangements are explicitly laid down.”

The critical perspective in organizational theory offers researchers important opportunities to address the questions of power and organizational values. The essential “learning culture” referred to above is based on shared organizational values and beliefs that define this culture. From this perspective, empowerment initiatives in organizations can be seen not as processes that reduce conflict within organizations and promote a cohesive “unified” value system, but as processes of control and repression which manipulate employees through a hegemony of corporate culture that is described through values, mission and vision (Ogbor 2001).

In order to fully explore the literature on Organizational Learning, one must also take into consideration theories of empowerment and disempowerment, as well as organizational culture. Critical theorists point to the fact that management theorists have failed to address the concepts of power and disempowerment in their discussion of employee

empowerment, choosing to use language that promises power without addressing the practices that limit the devolution of power within organizations. As Hardy and Leiba-O'Sullivan(1998:472) point out, "Rather than avoid power, it would appear that it is, perhaps, time for mainstream management research to address it more directly."

Although empowerment provides an underlying theme in the literature, there is great diversity in the many definitions of organizational learning that have emerged in the past twenty or so years. As Crossan, Lane et al.(1999) point out, "little convergence or consensus on what is meant by the term has emerged" (Ibid: 522). Snyder and Cummings (1998:875) argue that the term "organizational learning" is ambiguous and used in a variety of ways. They point to this lack of definitional clarity as one barrier to the development of clear models of organizational learning.

Crossan (1999, p.522) conceptualizes organizational learning as "a principal means of achieving the strategic renewal of an enterprise." This definition is very much in line with those theorists who see OL as a management strategy aimed at improving organizational problem solving and facilitating change. This is quite compatible with the definition of OL put forward in Argyris and Schon's(1978) Organizational Learning. Their theory defined learning as the detection and correction of error. Fiol and Lyles (1985:808) defines organizational learning as "the process of improving actions through better knowledge and understanding".

Although there is diversity among theorists on the definition of organizational learning, there does seem to be general agreement on the process (Arthur, 2001). The work of Argyris and Schon (1978) is perhaps the most widely used model of learning. It describes two types of organizational learning, single-loop and double-loop. Single-loop learning (also referred to as first-order learning by Hedberg, Nystrom et al. (1976) occurs when individuals identify a gap in organizational performance. This type of learning typically results in adaptation or change that will further exploit technologies or improve existing routines in a way that does not question deeper organizational values and assumptions (Argyris & Schon, 1996).

On another level, a more effective and transformative learning process may emerge. This is referred to as double-loop learning (Argyris & Schon, 1978), higher-level learning (Fiol & Lyles, 1985) or second-order learning (Hedberg, 1976). This process involves a questioning of the deeper organizational goals and purposes and allows learners to break out of "existing patterns of thoughts or behaviours by exploring qualitatively different ways of thinking and doing things" (Arthur and Airman-Smith 2001: 741). Most OL theorists focus on the need for this higher level, systemic learning as a vehicle for organizational change.

Assumptions in the literature

Within the mainstream literature on Organizational Learning, there are a number of assumptions about the nature of organizational learning and power. These include an acceptance of learning as always beneficial to the organization; a narrow definition of

learning limited to problem solving and informed solely by work processes and culture; and an assumption that employees and organizations share a unified purpose.

Learning as beneficial: The OL literature accepts “learning” as beneficial to the organization. Field (1997) points out that learning may not be in the organization’s interests. For example, employees may learn strategies to avoid responsibility or circumvent organizational policies and procedures. And, in cases where employees do learn new skills, they may not choose to apply these to organizationally defined goals. Field (1997:151) cites several studies where employees have applied their knowledge and learning to endeavours that were not beneficial to their organizations. These examples included the deliberate underutilization of technology, undermining of management goals, and avoidance of work responsibility.

Levitt and March (1988:335) point out that “Learning does not always lead to intelligent behaviour. The same processes that yield experiential wisdom produce superstitious learning, competency traps and erroneous inferences.” They suggest that there are strategies to overcome these, but indicate that ordinary organizational practices alone do not address barriers to beneficial learning.

Learning is narrowly defined as ‘problem solving’ and only work related: Throughout the OL literature, “learning” has essentially equated to problem-solving as the underlying assumption is to improve organizational efficiency (Senge, 1994). Learning is described by many theorists as a technical process that is work-specific and focuses on problem solving.

Alternatively, Weick’s (1995) work on the social construction of learning suggests that making sense of knowledge and/or learning is part of the social construction of knowledge within the organization. The context in which individual employees develop their understanding of organizational learning will depend upon the broad social structures, including gender roles, in which they operate every day.

Employees have a unified purpose: The OL literature also tends to assume that employees and organizational leadership have a unified purpose. The literature refers to a “unitary” perspective of common goals and a shared vision of productive organizational functioning (Field 1997: 151).

Individual versus Organizational Learning

Another debate continues within the OL literature, that of individual versus organizational learning. Cook and Yannow (1996) outline the “cognitive perspective” of individual learning that often defines organizational learning. This perspective essentially examines how individuals learn in organizational contexts, or applies theories of individual learning to organizations (Cook and Yannow 1996). They argue that this perspective “tends to blur the useful distinction between learning *in* organizations and learning *by* organizations” (Ibid, p. 452). At the same time, they question the cognitive perspective of

organizational learning that tends to associate learning with behaviour change; as well as the idea that organizations “learn” the way that individuals do.

Hendry (1996:628) addresses the concept of collective learning through communities of practice. These are the “relationships people strike up to solve problems (though they may be influenced by formal role relationships as well)”. Through these formal or informal groups, individuals share knowledge, exchange ideas, and develop innovations. This concept of relationships is reflected in the discussion of organizational culture found in the OL literature. Cook and Yarrow (1996: 454) suggest that organizations should be described in the context of culture – and that learning may occur as a result of cultural interaction and socialization. This cultural perspective of OL focuses on learning that would enable the mutual creation of compatible and shared meanings among members of the organization.

Gender and Organizational Learning

As indicated in the discussion on assumptions above, the OL literature, for the most part, assumes that organizations learn like individuals do – and that individuals learn in a homogenous manner. There is also an assumption that “valuable” learning would be constituted by learning which allowed the organization to work more efficiently. As a result, differences in the valuation of learning, and the impact of individual beliefs, values and experiences, are largely ignored. The lack of acknowledgement of a broader learning environment also means that issues such as diversity and gender have not factored significantly into the OL debate.

A gender analysis of organizational learning would allow theorists to explore the inconsistencies between how power is distributed formally and informally in organizations. As well, different ways of knowing and the value of learning would be explored. Differences in learning styles may also influence the potential for organizational learning from a gender perspective.

Although the debate on learning styles is inconclusive, what does appear to make a difference in the success of organizational learning initiatives among male and female employees is the corresponding organizational power structures. Abrahamsson’s (2001) study of organizational change across several industries in Sweden during the late 1990s concluded that “gender exerts an influence on the existing work organization and on the organizational change. The learning organization, with its focus on integration and decentralization, challenges gender order, which is a strong system, built on segregation and hierarchy” (Abrahamsson 2001:298).

Evaluating Organizational Learning

One of the difficulties in assessing the effectiveness of organizational learning initiatives is the inability to pin point what “organizational learning” looks like. As previously

discussed, the ambiguity of operational definitions within the literature and the lack of acknowledgement of the broader context of how learning happens limit the potential for clear evaluation.

Also, the number of empirical studies of OL available in the literature is limited. The nature of evaluation in OL is largely anecdotal, providing case studies of best practices and organizational pilot projects. Perhaps due in part to the lack of clarity around definitions within the literature, there are few reliable measures of learning

Senge (1995) and (Garvin 2000) offer case study examples as evaluation of best practices. And Senge cautions against adopting a rigid system of empirical measurement as he suggests that OL is a long term process that does not lend itself to typical management evaluation processes.

Beer and Eisenstat (1996) provided another example with research on the success of one organization's attempt to implement strategy and learning. This study indicated that the intervention developed by the authors, "Strategic Human Resource Management Profiling (SHRM)," resulted in the attainment of all short term goals. However, it did not appear to have increased the client's underlying capability for organizational learning (Ibid, p.597). The authors point to a lack of management commitment to a continuous learning process as the reason for this lack of success (Ibid, p.612). Again, this research may provide useful direction for further study, but it does not provide evidence of long term potential of OL. Likewise, Badger et al. (1998) and Chaston et al. (2001) have developed and implemented a nine-item scale to measure the effectiveness of organizational learning based on employees' perceptions of open communication, risk taking, etc. in the organization. This scale was used to compare the outcomes of learning initiatives among small firms in the UK. It has not translated, as of yet, to a broader scale measurement of organizational learning in general. It has also not addressed the issues of power mentioned previously in this paper, or the demand for organizational efficiency advocated by many OL theorists.

The barriers to successful organizational learning have received considerable discussion in the literature. Barriers to effective learning have been identified as organizational learning disorders by Snyder and Cummings (1998) and also as learning obstacles (Slocum, McGill et al. 1994) and knowledge-inhibiting activities, incomplete learning cycles, and a number of other terms meant to represent failed learning processes. Although the specific nature of these barriers differs to some degree, the underlying theme portrays a lack of understanding of the learning process, and a lack of commitment to continuous learning.

The Potential of Organizational Learning

With so few concrete examples of successful organizational learning, one might wonder why OL continues to interest managers and theorists alike. Fundamentally, many

management theorists believe, as Pace(2002:463) so clearly states; "Focusing on organizational learning and the learning organization has the potential for identifying ways to make organizations more effective." Although the empirical evidence to prove this point is limited and narrow in scope, there does seem to be a logic to the argument that employees will not take risks at work unless they are confident that they will be rewarded and supported by the organization. These concepts are the foundation of organizational learning, and it seems to just make sense to develop an organizational culture that supports learning.

So why are success stories so difficult to find? In a 25 year retrospective on organizational learning, Mary Crossan(2003:38) says that the ideas presented in Argyris and Schon's (1978) *Organizational Learning* are deep and complex, challenging both researchers and management. "Consequently, their impact on research and practice, though unmistakable, is less than one might expect from such an original work." And Senge (2003:47) in the same feature, suggests that although 25 years have passed since the book was published, "it still may be ahead of *this* time." He also points to lack of management support and an unwillingness on the part of organizations to go beneath the surface of learning as reasons why organizations still aren't "learning".

Conclusions

The literature on Organizational Learning has not included an analysis of the issues of power, empowerment or gender. It has focussed on a narrow definition of learning limited only to the work place environment. At the same time, the definition of "learning" in the OL literature refers almost exclusively to problem-solving as it relates to work processes. A broader scope of analysis is necessary if actual "learning" at either a collective or individual level is to be assessed. And, the discussion of employee empowerment – presented as an essential element in organizational learning – must include an analysis of both power and disempowerment within the organization if it is to provide a complete picture of a "learning culture".

Bibliography

- Abrahamsson, L. (2001). "Gender-based learning dilemmas in organizations." Journal of Workplace Learning 13(7): 298.
- Argyris, C. and D. Schon (1978). Organizational Learning: A Theory of Action Perspective. Reading, MA, Addison-Wesley.
- Arthur, J. and L. Airman-Smith (2001). "Gainsharing and organizational learning: An analysis of employee suggestions over time." Academy of Management Journal: 737-754.
- Badger, B., I. Chaston, et al. (1998). "Developing small firms through managerial competence and organisational learning." Proceedings of the British Academy of Management Annual Conference. University of Nottingham, Nottingham: 27-39.
- Beer, M. and R. Eisenstat (1996). "Developing an organizational capable of implementing strategy and learning." Human Relations 49(5): 597.

- Chaston, I., B. Badger, et al. (2001). "Organizational Learning: an empirical assessment of process in small U.K. Manufacturing Firms." Journal of Small Business Management 39(2): 139-151.
- Cook, S. and D. Yarrow (1996). "Culture and Organizational Learning." in Cohen, Micheal and Lee Sproull (Eds.) Organizational Learning. Sage Publications: 430-460.
- Coopey, J. (1995). "The Learning Organization: Power, Politics and Ideology." Management Learning 26(2): 193-213.
- Crossan, M. (2003). "Altering theories of learning and action: an interview with Chris Argyris." The Academy of Management Executive 17(2).
- Crossan, M., H. Lane, et al. (1999). "An organizational learning framework; from intuition to institution." Academy of Management Journal 24(3): 522-537.
- Field, L. (1997). "Impediments to empowerment and learning within organizations." The Learning Organization 4(4): 149.
- Fiol, M. and M. A. Lyles (1985). "Organizational Learning." Academy of Management Review 10(4): 803-814.
- Garratt, B. (1987). The Learning Organization. London, Fontana.
- Garvin, D. (2000). "Learning to Lead." CIO 13(15): 192.
- Hardy, C. and S. Leiba-O'Sullivan (1998). "The power behind empowerment: Implications for research and practice." Human Relations 51(4): 451.
- Hedberg, B. L., P. C. Nystrom, et al. (1976). "Camping on seesaws: Prescription for a self-designing organization." Administrative Sciences Quarterly 21: 41-65.
- Hendry, C. (1996). "Understanding and creating whole organizational change through learning theory." Human Relations 49(5): 621.
- Levitt, B. and J. G. March (1988). "Organizational Learning." Annual Review of Sociology 14: 319-340.
- Martin, L. (2001). "Are women better at organizational learning? An SME perspective." Women in Management Review 16(6): 287.
- Miller, E. (1993). From Dependency to Autonomy: Studies in Organization and Change. London, Free Association Press.
- Ogbor, J. O. (2001). "Critical theory and the hegemony of corporate culture." Journal of Organizational Change Management 14(6): 590-608.
- Pace, W. (2002). "The organizational learning audit." Management Communication Quarterly 15(3): 458.
- Pedlar, M., J. Burgoyne, et al. (1991). The learning company: a strategy for sustainable development. London; New York, McGraw-Hill.
- Plunket, J. and R. Fournier (1991). The Learning Company. London, McGraw-Hill.
- Sadler-Smith, E., W. Christopher, et al. (2000). "Learning Preferences and Cognitive Style." Management Learning 31(2): 239.
- Senge, P. (1994). The Fifth Discipline: The art and practice of the learning organization. New York.
- Senge, P. (1995). "Learning Infrastructures." Executive Excellence 12(2): 7.
- Senge, P. (2003). "Taking personal change seriously." The Academy of Management Executive 17(2).
- Slocum, J., M. McGill, et al. (1994). "The new learning strategy: anytime, anything, anywhere." Organizational Dynamics 23(2): 33-48.

- Snell, R. and M.-K. C. Almaz (1998). "The learning organization: learning and empowerment for whom?" Management Learning 29(3): 337-365.
- Snyder, W. and T. Cummings (1998). "Organization Learning Disorders: conceptual model and intervention hypotheses." Human Relations 51(7): 873.
- Watkins, K. and V. Marsick (1993). Sculpting the Learning Organization. San Francisco, Jossey-Bass.
- Weick, K. E. (1995). Sensemaking in organizations. Thousand Oaks, Sage Publications.

**Understanding Investor Relations and Business Processes:
Towards Closing an Organizational Gap
in Non-Financial Performance Measurement and Reporting
by Kim Myrick (MBA Student – Memorial University of Newfoundland)**

This paper identifies the propensity for an organizational or management gap to exist in non-financial performance measurement and reporting and suggests minimizing this gap by applying communication-based paradigms of customer relationship management to investor relations. Companies need to integrate cross-functional activities of non-financial measurement and reporting and infuse a non-traditional investor-relationship focus. Otherwise, non-financial measurement and reporting could have an erroneous influence on shareholder value. Further research conceptualizing this approach linked to cash flow can facilitate the development of theoretical constructs on the role of investor relationship management in shareholder value.

Introduction

The issue of measuring and reporting non-financial aspects of business performance was conceived in the late 1980s against the backdrop of globalization, information technology and knowledge-based companies. Although the discipline is still in its nascent stage lacking governing rules, several heuristic frameworks and models have been formulated for practical use. However, few companies are practicing non-financial reporting, and those that are, are not yet fully realizing the benefits despite the attention it has received from financial institutions, academics, industry officials, policy formulators and the media, to name a few interested parties.

Discussion on the issue [Boyne et.al. (2002), Dilenschneider, (2004), Ittner and Larcker (2003), Sayther (2004, March/April)] has raised speculation of a communication breakdown between companies and investors, causing companies to fail to meet information needs. A necessary condition for performance measurement and reporting is to identify investor needs and to subsequently embed those needs into a company's internal processes and systems. The paramount need is a continuous two-way process of communication, whereby investor views are understood by management. Companies practicing non-financial reporting have covered the issue by adopting a framework or model and developing it from a company perspective.

Ironically, the term communication implies a process that involves dialogue between two or more parties. This process is intended to build trust, commitment and relationships. These concepts orient the investor as a customer to be serviced through information. This study postulates that investors, like customers, evaluate interactions according to situational cues that influence trust and commitment. Furthermore, it is observed that investor-relationships are, perhaps, the most significant of relationships because shareholders are, of course, the owners of the company.

Although investors and customers are understood to be different, communication-based paradigms of customer relationship management are found useful for bridging a gap in

meeting the information needs of investors. While rigorously examining these paradigms is outside the scope of the current study, direction is offered for further fruitful research in this area. The paper is organized as follows: the next section reviews developments in performance measurement and reporting; section three provides a theoretical discussion on relevant concepts in customer relationship management and communications; section four concludes the study by drawing parallels between the preceding discussion and performance measurement and reporting.

Review of Performance Measurement and Reporting

In today's global economy some industries have evolved into knowledge-based businesses without traditional capital and assets. Companies consist more of collaborations and alliances with a complex network of employees, customers and suppliers all facilitated by information technology towards economic gains. This structure places emphasis on non-financial aspects of performance such as brand development, organizational knowledge, business processes, as well as internal and external relationships. Ulrich and Smallwood (2004) conclude that value is created through the ways these aspects of business are coordinated and managed. Shareholder value encompasses this paradigm by indicating the belief about long-term value.

Lev (2004) observes that companies cannot build their networks of relationships and information technologies without the necessary capital investment of investors. Thus, business reporting must follow the changes in organizational structures by providing information relevant to stock valuation. Traditional financial reporting does not sufficiently show how a company allocates resources in a way that accurately indicates current and future shareholder value. Rather, traditional reporting provides historic information on earnings and physical assets that is often dated. Also, balance sheets in "asset-free" companies may distort a picture of performance.

Lev (2001) suggests that information deficiencies of traditional reporting led to increased cost of capital, decreased employee compensation, loss of competitiveness and even takeovers due to low valuation of stock prices. Nally and PricewaterhouseCoopers (2000) see that the main benefits of enhanced reporting, including financial and non-financial measures, are: 1) the availability of information for precise valuation; 2) an increase in company credibility and competitiveness; and 3) an increase in the potential to attract prospective investors.

Based on a survey of 120 senior executives, PricewaterhouseCoopers (2003) reports that a majority of company executives believe that investors undervalue company shares. Backed by the same survey, Kelly (2004) specifically reports that 49 percent of the executives said that non-financial aspects of business are the primary source of value creation. However, reporting on non-financial performance still lags, as 33 percent of companies take no initiative to deal with the issue and over 60 percent that do, conduct their activities irregularly, informally and non-systematically. Only five percent of executives claimed to have an organized system for non-financial reporting, but no benefits are being realized. Kleiner (2004) contends that many companies place emphasis on non-financial aspects of performance for purposes of internal decision making, but they are not reporting relevant information to investors.

The significance is that even with evidence of the value of non-financial performance reporting, companies still fail to practice this task, and the small number that do, fail to benefit. Nally and PricewaterhouseCoopers (2000) claim that companies do not practice non-financial reporting because there are no set benchmarks to use. Moreover, benchmarks can vary among industries and companies, suggesting that companies could look to reports of competitors, trade associations and accounting services. Likewise, Chambers (2003) views the problem as a lack of reliable and valid methods to provide information that investors find most important.

The reality is that the discipline of non-financial reporting is still in its nascent stage lacking governing rules and guidelines. However, academics, professional associations and industry organizations have designed models and frameworks of practical use. The question that remains is: Why are companies failing to either adopt or benefit from models of non-financial reporting? It is the contention of this study that the problem is in understanding the investor relationship and resonating that understanding throughout the organization as source knowledge for effective development of models of performance measurement and reporting.

Frameworks and Models for Measurement and Reporting

Since the late 1980s, Kennerley and Neely (2003) observe, there have been several conceptual frameworks developed to address the issue of non-financial measurement and reporting. Some more recent ones include: 1) Value Chain Scoreboard by Baruch Lev; 2) Enhanced Business Reporting by the American Institute of Certified Public Accountants; and 3) the GAPs model and the ValueReporting™ framework by PricewaterhouseCoopers.

Lev (2001) developed the Value Chain Scoreboard that identified stages of business innovation: 1) discovery and learning via internal initiatives, external acquisition, and networking; 2) implementation through intellectual property and technology; and 3) commercialization through performance, customers, and growth. The underlying principle is that ideas, knowledge and value develop through the integration of employees, suppliers and customers to provide information for improvement of products, services and processes.

In 2002, the American Institute of Certified Public Accountants (AICPA) created a committee of stakeholders on the issue of reporting on business performance. The purpose was to promote development and acceptance of Enhanced Business Reporting. This framework centers around five required elements: 1) reliable support systems; 2) methods of disseminating information; 3) industry-specific financial and non-financial data; 4) corporate accountability; and, 5) understandable information disclosures. This framework is to present measurement of business performance, from a managerial perspective, through metrics linked to corporate strategy that are real-time, forward-looking, comprehensive, and customizable.

Eccles et al. (2001) explain how PricewaterhouseCoopers describe the deficiencies in information reporting through the GAPs model consisting of five gaps: 1) information gap; 2) reporting gap; 3) quality gap; 4) understanding gap; and 5) perception gap. The information gap is defined as the difference between how important a measure is to an investor and how satisfied the investor is with the information provided on that measure. The reporting gap is the difference

between the importance a company places on a measure and how the company reports on that measure. The quality gap is the difference between the importance a company places on a measure and how reliable the company's systems are in providing the needed information. The understanding gap is the difference between the importance a company and investors place on a measure. Lastly, the perception gap is the difference between how a company perceives its actions in reporting and how investors perceive the information they receive.

It is important to note that the GAPs model was not designed to assist companies to understand how investors think. Rather, the model indicates significant differences between the measures that a company views as important and the measures that an investor views as important. Furthermore, the GAPs model concludes that the problem with the deficiency in non-financial reporting is that the quality gap affects the reporting gap, which in turn affects the information gap. PricewaterhouseCoopers perceives that the critical element of performance measurement and reporting is the internal systems of a company used to produce information.

In addition, PricewaterhouseCoopers (2003) designed a framework for reporting linking information from both the internal and external environments. Eccles (2003) presents the ValueReporting™ framework with four main elements: 1) market overview including the competitive environment, regulatory environment and macro-economic environment; 2) strategy covering company goals and objectives, as well as organizational and governance structures; 3) value creating activities, such as innovation, branding and relationship development with customers, employees and suppliers; and 4) financials involving earnings, financial position, and risk management. PricewaterhouseCoopers (2003) contends it is essential for companies to assess the underlying processes and activities of the elements to identify specific factors of performance and further to develop systems of measurement and reporting. Kaplan and Norton (2004) indicate that measures of performance are embedded in the processes of business.

The significance of this discussion is to show the propensity of frameworks for non-financial performance measurement and reporting to be developed from a company or managerial perspective. It is important to note that Eccles et al. (2001) comment that investors have characteristics similar to those of customers, and companies should understand investors in order to target them with information. This is the emerging role of investor relations.

Investor Relations

In July 2002, the Toronto Stock Exchange reported that there was a general downturn in capital markets with widespread losses and increased volatility due to world events. Furthermore, there was a collapse of major organizations, such as Enron, along with reports of questionable accounting practice, insider trading and irresponsible corporate governance. These events have damaged investor trust and confidence and left a greater demand for information on business performance. Hanley (2002) observes that investors want to *know* a company.

The 21st century has ushered in a need for companies to increase the role of investor relations in their organizations. According to Coyne and Witter (2002), the majority of companies have limited knowledge about their investors. For the most part, investor relations normally focuses on what a company wants to report rather than on what investors need or want to know.

Information is typically presented in a corporate information package with one message. The principal reason for this, perhaps, is that there is an understanding that the markets are efficient meaning all information is reflected in the stock price. Thus, companies generally do not perceive investors to be a diverse audience for targeted communication.

Coyne and Witter (2002) view investors as a non-homogenous group having different wants and needs for information. By knowing these differences companies can make better decisions predicting how investors will react to certain news and thus carefully targeting information. Harbart (2002) argues that companies can no longer afford to follow the efficient market hypothesis because decisions of shareholders impact the decisions of a company. A company would be more effective and efficient in its own decision making by identifying, segmenting and targeting investors, thereby affecting the market of the company's shares.

The Canadian Investor Relations Institute (2004) observes that the marketing function plays a role in investor relations. Investor relations require concepts of customer relationship management. Millar (2004) explains that investor relationship management utilizes database systems and other technologies to gather and analyze information on investors. The systems and technologies provide the ability to profile and target investors. As the marketing function shifted to segmenting and targeting customers, investor relations can do likewise with investors. Once a company approaches investors as customers, it can issue stock more effectively.

Sophisticated companies view investors as customers. These companies are operating their investor relations departments like marketing research departments by collecting, storing and using information on investors primarily to follow reactions to company news. However, the information is also used to generate company awareness and target sales programs. Accordingly, if investor relations departments perform such strategic activities, they too should measure their performance and demonstrate their contribution to shareholder value (Millar, 2004).

According to the article, *New Rules Elevate IR Function* (2003), the role of investor relations is evolving whereby Investor Relations Officers attend board meetings and brief directors on performance, stock ownership and disclosure issues. Often Investor Relations Officers believe that non-financial measurement and reporting are critical to shareholder value, but they do not speak on this to investors or management. Investor relations await company development of non-financial measures to report. The significance of this is two-fold. First, the function of investor relations operates independently of non-financial performance measurement and reporting. Second, the function is conforming to the practice of customer relationship management. Meanwhile, customer relationship management is under scrutiny by the discipline.

Theoretical Discussion

Marketing and Customer Relationship Management

In this paper, investors are customers in a metaphoric sense. Paradigms of marketing and customer relationship management are thereby applied to investor relations. Important to this is that marketing and customer relationship management are advancing in ways that may be

embarking on a paradigm shift. Srivastava et al (1999) envisioned that customer relationships could be considered investments with claim to capital allocation. They perceived marketing and customer relationship management in a role that crosses all processes of business and thus affects performance and shareholder value in ways that should be measured. This is achieved by focusing customer relationship management exclusively on understanding the customer and infusing marketing activities, with that customer understanding, into other business processes.

Although this argument is cogent, a question that arises is: If understanding the customer is central to the idea, what does understanding the customer entail? Customer relationship management has evolved to focus on database management, data mining and decision support systems. Nelson (2003) comments that organizations are more about managing databases and integrating systems than about developing customer relationships. Managing databases and integrating systems only achieve the ability to collect, store and analyze data to profile customers. Furthermore, the information collected can be inadequate. Understanding customers is affected by how they are asked questions and the purpose behind the questions. The danger is that customers tend to respond in normative ways in marketing research (Barnes, 2003).

Companies seem to believe that “relationship building” involves any effort that encourages transactions with customers. Barnes (2003) believes that the understanding of relationship building is distorted because the objectives of customer relationship management are defined in terms of technologies and efficiencies. The focus is transactional, meaning customer relationship management is not conducted from a customer perspective but from an organization perspective. Wetsch (2003) contends that companies have increased their systems for collection and management of customer data in an effort to provide customized products and services. The motive is self-serving focused on generating revenue as technology shifts the focus to short-term profitability. The gap is that companies think functionally while customers think emotionally.

There is evidence that companies are damaging customer trust though their concept of relationship management. A transaction-specific approach is good for short-term satisfaction rather than long-term relationship. Consequently, customer satisfaction has been increasing, but customer loyalty has been declining. The irony is that relationship building requires that the parties involved know each other and mutually perceive the relationship to exist. Organizations have largely overlooked this personal aspect (Ekelund and Sharma, 2003).

In rethinking customer relationship management, the goal should be to establish ongoing relationships rather than influence discrete transactions. Customer relationship management has the potential for long-term success but requires a different knowledge and approach. The practice must embrace the concept of human relationships influenced by emotion. Further, customer interactions must be viewed as times to bond with customers and build genuine relationships (Barnes, 2003). The significance is that companies need to understand and practice bonding processes as they involve and generate communication, trust, and commitment.

Communication, Trust & Commitment

Frow (1996) finds that commitment is an important aspect of successful market relationships giving rise to cooperative behaviors. A relationship characterized by cooperation is more likely to be long term. It is important to determine the processes that influence commitment and how they affect relationships. Overall, Wetsch (2003) sees that customer satisfaction, commitment and long-term relationships are nurtured by trust. Walter et al. (2000, 3) define trust, "trust constitutes the belief, attitude or expectation of a party that the relationship partner's behavior or its outcomes will be for the trusting party's own benefit...trust decreases perceived risk and leads to higher commitment to a relationship." Similarly, Ekelund and Sharma (2003, 4) quote, "trust is a state involving confident positive expectation about another's motives with respect to oneself in situations entailing risk." Thus, trust and commitment govern relationships.

Companies need to attend to the normative, trust building elements of their interactions with customers in order to develop relationship-building strategies. Trust is critical and is often jeopardized when adequate information is not provided in terms of the relationship. This means that companies must also disclose information relevant to the relationship. Customers develop trust by evaluating an organization's actions on the basis of fairness (Wetsch, 2003). They must trust that their information will be used and reciprocated within the confines of the relationship. Further, commitment is built in this process of signaling and reciprocity, and each interaction offers an opportunity to assess the commitment followed by a stage of bonding (Frow, 1996).

Customers typically make use of information collected from their environment. They tacitly search situational cues, which are all the factors particular to an interaction using them to reinforce or destroy normative beliefs, thereby creating or destroying trust and commitment. Within this process, a customer decides to further the relationship. It is important to note that while normative processes of disclosure are in operation across different customer interactions, variations in the structure of interaction sequences and disclosure strategies can be correlated with functional differences in the specific activities that the interactions serve to coordinate.

Discussion and Conclusions

Companies consist of collaborations and alliances with a network of relationships all facilitated by information technology towards economic gains. Companies are oriented towards building relationships with employees, customers and suppliers and rely on a few close relationships to enhance competitive advantage. Shareholder value encompasses this and indicates the potential for long-term value. Significant is that strategic relationships cannot be developed without capital investment of shareholders. The development of relationships with investors is

imperative to the development of other relationships. Investor relationships should be considered first among equals in the network of a business. However, a majority of companies are found to have limited knowledge of their investors. The reason is that investors traditionally have been perceived as an external entity to report standard information to periodically.

Today's business environment has witnessed a decline in investor confidence. Investors are demanding even more information on business performance to effectively value company stock prices. Because shareholders impact the strategic decisions of a company, companies must understand paradigms of communication-based relationship management to shape their future. The significance is that the role of the investor in the internal dimensions of the company is increasing. Companies can no longer afford to follow traditional reporting models. Frameworks of non-financial measurement and reporting have been developed. Some sophisticated companies are expanding the role of investor relations.

The attributes of the models and frameworks of non-financial measurement and reporting emphasize the assessment of company operational processes and environments to determine measures of performance and development of internal systems and technologies to produce quality information on those measures. Some models provide for a survey or input of investor information in the initial stage of development. However, the danger in this is that the information collected can be inadequate. Understanding the needs of investors is affected by their normative responses to questions asked of them and the purpose behind the questions.

Investor relations are largely developed on the practice of customer relationship and sales management using systems and technologies to collect and utilize information on investors. The purpose is to gauge the reactions of investors to company news and sell stock more effectively by targeting the most valuable investors. Investor Relations Officers attend board meetings and brief directors on performance, stock ownership, and disclosure issues. Significant, though, is that Investor Relations Officers believe that non-financial measurement and reporting are critical to shareholder value, but they do not speak on this to investors or management. Investor relations await company development of non-financial measures to report to investors.

The significance is that there is no link between non-financial performance measurement and investor relations. The two areas appear to be independent emphasizing the importance of systems and technologies to their own separate functions. This paper has put forward significant gaps in the development of performance measurement and reporting. There is a need to integrate cross-functional activities of non-financial measurement and reporting and infuse a non-traditional investor-relationship focus. Otherwise, non-financial measurement and reporting could have an erroneous influence on shareholder value.

To successfully implement this approach, investor relations must change its relationship management focus. Currently, the focus is on database management, data mining and decision support systems although this only serves to collect, store and analyze data to give a profile of the investor. Investor relations have the potential to further damage investor trust when organizations overlook the personal aspects of relationships. In rethinking investor relationship management, the concept has the potential for long-term success but requires a different knowledge and approach. Companies must redirect strategies towards bonding with investors and building genuine

relationships. Companies need to practice bonding processes as they generate communication, trust, and commitment. They need to specifically attend to the normative, trust building elements of interaction from the perspective of the investor.

Investors will typically use information collected from the environment. Investors tacitly search situational cues, which are the relevant factors to an interaction with a company. They will use such situational cues to reinforce or destroy normative beliefs, thereby affecting trust and commitment. The decision is whether to further a relationship. While normative processes of disclosure are in operation across different interactions of investor relations, variations in the structure of interaction sequences and disclosure strategies can be correlated with functional differences in the specific activities that the interactions serve to coordinate.

Currently, companies are impeding the process of relationship building by not disclosing information on non-financial performance. It is proposed that only through understanding relationship management, however, companies can develop the systems and models of performance measurement and reporting to best meet investor needs. Overall, it is concluded that organizations must move from separate internal capabilities to managing and integrating activities of business infused with a focus of relationship management. As business processes affect shareholder value, companies should develop internal relationships, which guide their processes, to function with a level of investor intelligence gained through successive bonding. Further research conceptualizing this approach linked to cash flow can facilitate the development of theoretical constructs on the role of investor relationship management in shareholder value.

Acknowledgements

This author gratefully acknowledges the support of Memorial University of Newfoundland, particularly the Faculty of Business Administration. Special mention of Alex Faseruk for his valuable input and guidance as well as Peggy Coady for creating the opportunity to receive the expertise of Alex Faseruk.

References

- American Institute of Certified Public Accountants. (2002). *Enhanced Business Reporting*. Retrieved April 2004 from <http://www.aicpa.org>.
- Barnes, James. (2003). *The Role of Customer Insight in Building Your CRM Strategy*. *A CustomerThink White Paper*. Retrieved May 2004 from <http://www.crmguru.com>.
- Boyne, G., Goulds-William, J., Law, J., & Walker, R. (2002). Plans, performance information and accountability: the case of Best Value. *Public Administration*, 80(4), 691.
- Canadian Investor Relations Institute. (2004). *Investor Relations*. Retrieved July 2004 from <http://www.ciri.org>.
- Chambers, Tom. (2003). Value Reporting: A bigger, more accurate picture than traditional financial reporting. *Ivey Business Journal*. Ontario: Ivey Publishing.
- Coyne, Kevin R. and Witter, Jonathan W. (2002, September). Taking the Mystery Out of Investor Behavior. *Harvard Business Review*, 80(9).
- Dilenschneider, Robert L. (2004, February). The Transparency Paradox. *Vital Speeches of the Day*, 70(9), 280.

- Eccles, Robert G. (2003, February 26). *Increasing Transparency: Challenges and Benefits in Improving Corporate Reporting*. Retrieved April 2004 from <http://www.pwcglobal.com>.
- Eccles, Robert G., Herz, Robert H., Keegan, Mary E., & Phillips, David M.H. (2001). *The Value Reporting Revolution*. United States: John Wiley & Sons, Inc.
- Ekelund, Christer & Sharma, Deo D. (2003, February). *The Impact of Trust on Relationship Commitment: A Study of Standardized Products in Mature Industrial Market*. Paper presented at the ISBM/CBIM Academic Workshop, Orlando, Florida.
- Frow, Penelope. (2000, September). *The Meaning of Commitment in Professional Service Relationships*. Submission to paper competition for 16th Annual Industrial Marketing and Purchasing Group Conference, Cardiff, UK.
- Hanley Jr., Claude A. (2002, June). Give Investors Your Side of the Story. *American Banker* 167(171).
- Harbart, Tam. (2002, May). Corporate America: Know Thy Investor. *Electronic Business*, 28(5).
- Investor Relations Business. (2003, March). New Rules Elevate IR Function. *Investor Relations Business*, 8(5), 1.
- Ittner, Christopher D. & Larcker, David F. (2003, November). Coming Up Short on Non-financial Measurement. *Harvard Business Review*, 00178012, 81(11).
- Kaplan, Robert S. & Norton, David P. (2004, February). Measuring the Strategic Readiness of Intangible Assets. *Harvard Business Review*, 82(2).
- Kelly, Susan. (2004, March). Getting the Measure of Intangibles. *Treasury & Risk Management*, 14(3), 8.
- Kennerley, Mike & Neely, Andy. (2003). *Performance Measurement Frameworks – A Review*. United Kingdom: Centre for Business Performance, Cranfield School of Management.
- Kleiner, Art. (2004, Summer). The World's Most Exciting Accountant. *Strategy + Business*, 35.
- Lev, Baruch. (2004, June). Sharpening the Intangibles Edge. *Harvard Business Review*, 109-116.
- Lev, Baruch. (2001). *Intangibles: Management, Measurement and Reporting*. Washington, D.C.: Brookings Institution Press.
- Millar, Bill. (2004) The New Era of Shareholder Relationship Management (SRM). Retrieved July 2004 from www.bigdough.com/TheNewEraofSRM.pdf
- Nally, Dennis M. & PricewaterhouseCoopers. (2000, May). *Reinventing Corporate Reporting*. Retrieved April 2004 from <http://www.pwcglobal.com>.
- Nelson, Michael D. (2003, October). RM needs to shift focus back to customers. *Marketing News*, 37(22).
- PricewaterhouseCoopers. (2003). *The ValueReporting Review 2003 - The Path to Transparency: Evolution Not Revolution*. Retrieved March 2004 from <http://www.pwcglobal.com>.
- PricewaterhouseCoopers. (2003). *The ValueReporting Review 2003 – A Framework for Building Trust*. Retrieved March 2004 from <http://www.pwcglobal.com>.
- PricewaterhouseCoopers. (2003). *Transparency in Corporate Reporting ValueReporting*. Retrieved March 2004 from <http://www.pwcglobal.com>.
- Sayther, Colleen. (2004, March/April). Fair Value Accounting: Fair for Whom? *Financial Executive*, 20(2).
- Srivastava, Rajendra K., Shervani, Tasadduq A., and Fahey, Liam. (1999, October). Marketing, Business Processes, and Shareholder Value: An Organizationally Embedded View of Marketing Activities and the Discipline of Marketing. *Journal of Marketing, Special Issue*, 63(4), 168.

- Toronto Stock Exchange. (2002, July). *Canadian Shareowners Study*. Toronto: Market Probe Canada.
- Ulrich, Dave and Smallwood, Norm. (2004, June). Capitalizing on Capabilities. *Harvard Business Review*, 119 – 127.
- Walter, Achim, Müller, Thilo A., and Helfert, Gabi. (2000, September). The Impact of Satisfaction, Trust, and Relationship Value on Commitment: Theoretical Considerations and Empirical Results. *Proceedings of the 16th Annual IMP Conference*, Bath, England.
- Wetsch, Lyle. (2003). Trust, Satisfaction and Loyalty in Customer Relationship Management: An Application of Justice Theory. . Forthcoming in *Journal of Relationship Marketing* (2005), Hawthorn Press.

Promoting Performance: An Employee Initiative Paradigm by Shripad G Pendse (Saint Mary's University)

Abstract

The conventional approach to performance appraisal and promotion has been widely criticized, often with good justification. Baron and Kreps (1999, p. 407), for example, note that promotion systems based on performance appraisals have ‘unhappy consequences’, while Coens and Jenkins (2000, p. 18) argue that appraisals should be abolished altogether because they are ‘ineffective and cause a spate of undesirable, unintended effects’. This paper reviews various problems associated with the conventional approach, and suggests that these problems stem from the faulty, questionable or outdated premises underlying the approach. It then outlines an alternative paradigm. This alternative paradigm has many attractive features: it is fair and objective; reduces intra-group conflict; identifies individuals with initiative and leadership skills; helps the organization to benefit from otherwise unrecognized opportunities; and is easy for managers to administer. It also helps to identify which departments are well managed. The paradigm will require a change in the organizational culture, which some organizations may have difficulty making.

Shortcomings of the conventional approach

Many research studies have shown that the conventional approach to performance appraisal and promotion fails to please any of the three groups of people who are directly involved with it – the supervisors (bosses) doing the appraisals, the employees being appraised, and the human resources professionals.

Supervisors: Unlike Santa Claus who can easily determine who is nice and who is naughty, real life supervisors find great difficulty in making such distinctions among their subordinates’ performance, and they display considerable resistance to doing so. One of the early writers who described this resistance was Douglas McGregor. McGregor (1957/1972, p.3) suggested that the “conventional approach ... constitutes something dangerously close to a violation of the integrity of the personality. Managers are uncomfortable when they are put in the position of ‘playing God’”.

McGregor was by no means the first person to write about the difficulties involved in appraising and rewarding performance fairly and objectively. We see references to such difficulties going as far back as the Bible. Thus a well-known passage from Ecclesiastes (9:11) reads: “I returned, and saw under the sun, that the race is not to the swift, nor the battle to the strong, neither yet bread to the wise, nor yet riches to men of understanding, nor yet favor to men of skill; but time and chance happeneth to them all”.

Researchers in more recent years have continued to express views similar to those of McGregor and the biblical authors. They contend that the difficulty in making accurate appraisals of individual performance is not an incidental aspect of management that can be corrected with better

tools or training. For example, Bolman and Deal (1997) argue that “assessing performance in managerial jobs is fraught with ambiguity. There are multiple criteria, some of which can be assessed only through subjective judgment (particularly by bosses and other superiors). It is often hard to separate individual performance from the group’s or a host of external factors” (p. 174). Following in the same vein, Pfeffer (1998) suggests that “If you could reliably and easily measure and reward individual contributions, you probably would not need an organization at all as everyone would enter markets solely as individuals”. (p. 117).

Not surprisingly, when supervisors are required to conduct a task that they consider to be essentially impossible to carry out fairly, they try to avoid it if possible, or pay lip service to it, or manipulate it in a way that meets their own objectives. The supervisors are also aware that their subordinates react negatively when given negative performance appraisals, and take this into account when doing the appraising. They may try to achieve other objectives as well, such as ensuring that their own subordinates are not disadvantaged in comparison to the more generous appraisals given by supervisors in some other departments in the company. These types of supervisory behaviors are reflected in the data gathered by Longnecker, Gioia and Sims (1987). The researchers interviewed a large number of executives to explore how the executives carried out their role as appraisers. They discovered that the appraisers did not see the performance appraisals as an objective exercise in measurement, but one in which they often purposely tried to distort and manipulate the measurement. The following quotation gives a flavor of many of the comments made by executives:

“Of course, I fine tune the guy's rating because I have to live with him and I'm not going to rate a person without thinking about the fallout. There are a lot of games played in the rating process whether we admit it or not”.

This type of supervisory behavior has not changed since the 1987 study by Longnecker, Gioia and Sims. A more recent study by Longnecker (1998) found that these political factors continue to distort the appraisals made by managers.

Subordinates: As anticipated by the superiors, most subordinates do not take kindly to appraisals, especially being told that their performance has been judged as inadequate for a promotion, or indeed so inferior as to merit dismissal. At best they grumble among themselves or file a grievance. At worst they take more drastic actions as indicated in a Canadian incident where a tree cutter was denied promotion. The incident is described in the following quotations from a news story.

“The City of Moncton thinks that showing up drunk at work toting a loaded, sawed-off shotgun in search of the boss is a firing offence. The city's union disagrees. ...Seven days after George Pavlovsky was fired from his job as a senior tree cutter with the City of Moncton, the Canadian Union of Public Employees Local 51 filed a grievance to his employer challenging the dismissal...”

The 44-year-old arrived at the Moncton Public Works Operation Centre on April 10 extremely intoxicated and carrying a sawed-off shotgun and a handgun. He was looking for two senior managers. Mr. Pavlovsky is now serving a two-year sentence in Dorchester Penitentiary. During his trial, court heard that Mr. Pavlovsky was angry with his superiors after being passed up for a

promotion". (Richer, 2003). (This story illustrates how some unions also oppose organizational performance appraisal procedures. This opposition, in turn, affects how supervisors carry out appraisals, and the overall effectiveness of the process).

There have been many other cases in which employees have assaulted their supervisors, sometimes fatally, in retaliation for a negative performance review, including one case in Miami in which an employee attacked his high-rise office building with an airplane soon after the September 11 terrorist attacks.

Human resource professionals: Human Resource professionals are trained to be experts in the subject of appraisal and are expected to train other managers to carry out the process. But surprisingly they also express negative sentiments towards performance appraisals, similar to those of supervisors and subordinates. For example, the Conference Board conducted its Pulse survey at the Board's Human Resources Conference in New York in October 1999. According to Dell (1999), about 100 top human resources executives participated in the survey. Almost 90 percent of these executives said that they would modify, "totally revise" or even eliminate their current performance appraisal processes. The survey also found that the "human resources professionals polled were only slightly more tolerant of their current systems than employees. Only 5 percent said that [their] employees would leave the appraisal process as is while employees in one sixth of their companies would do away with the process entirely" (Dell, 1999). Das (2003, pp. 164-165) has collated findings from a number of other surveys describing similar dissatisfaction with performance appraisals by employees, managers, as well as HR professionals.

Damaging effects on the organization

The conventional approach to performance appraisal is not only unpopular among supervisors, employees and HR professionals, but it also damages the functioning of the organization as a whole. Most organizations are pyramid-shaped, and usually only one promotion opportunity may occur every few years for which a group of eight or so people may compete. As Baron and Kreps (1999) note, this 'tournament' type of competition "can strongly discourage cooperative efforts among the rivals for a particular promotion. Moreover, the competitors... may take actions that are intended to make themselves look better (and their rivals worse). But worse than that, employees may suppress important information that reflects poorly on themselves or that reflects well on rivals..." (1999, p. 408). Similarly, Deming (1982/2000, p. 102) argues that a typical performance appraisal system "nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, [and] nourishes rivalry and politics".

What causes the problems?

When problems such as these are raised, the response of many writers has been to argue that they can be solved by improving the training of line managers in the task of carrying out appraisals. Longnecker (1998, p. 31), for example suggests that “organizations must be prepared to help their managers to develop the skills needed to operate in this rapidly changing environment. Formal and well-executed performance appraisals can help to bring this about”. This is also the advice given in many textbooks on human resource management (for example, Dessler, Cole and Sutherland, 2002, pp. 412-413). Others have raised questions, however, about whether any amount of training can make performance appraisals ‘well-executed’.

For example, McGregor (1957/1972, p.3) argues that a supervisor’s resistance to ‘play God’ does not “reflect anything so simple as resistance to change, or dislike for personnel technique, or lack of skill, or mistrust for rating scales”. Similarly, Bolman and Deal (1997, p. 174) contend that the ‘question is not whether organizations will have politics but rather what kind of politics they will have’. Indeed, taking the view that performance appraisals are doomed to fail regardless of how well they are carried out, some authors such as Coens and Jenkins (2000) have argued that performance appraisals should be abolished altogether.

It is surprising that in spite of the major problems summarized above, most organizations continue to use the conventional performance appraisal process with only minor changes. The point of view taken in this paper is that the conventional approach needs to be substantially redesigned. Such a redesign can minimize the ill effects of the conventional approach and generate many positive benefits for the employees, supervisors, and the organization. The key is to first bring to surface and examine several premises that underlie the conventional approach and to see that many of these premises are faulty, applicable only in limited circumstances or outdated. Only when the premises are changed, as a result of surfacing and questioning them, can a better paradigm be created. I will therefore briefly describe the conventional approach and the premises underlying it.

An outline of the conventional approach

The conventional approach, used in most organizations and recommended by most textbooks, has three phases. (See, for example, Daley, 2002; Dessler, Cole and Sutherland, 2002; Das, 2003).

These phases can be described briefly as follows:

Phase 1 Job analysis, selection and training: A detailed job analysis is used to create a job description and performance standards. The best available candidate is selected, and training is offered to that candidate if considered necessary.

Phase 2 Performance appraisal: The superior carries out performance appraisals frequently, at least once a year, comparing the performance standards for the job with each employee’s performance. The appraisal may also be carried out by peers, subordinates, customers, suppliers and others dealing with the individual if the organization utilizes a 360° performance appraisal process. The appraisers are given training to minimize the usual sources of bias, such as halo, recency, leniency, etc. Performance is usually appraised, at least in part, by using a multi-item Likert-type scale. A copy of the appraisal is provided to the appraisee who has the opportunity to make comments. After the appraisee’s comments have been reviewed and included as necessary, the appraisal becomes part of the appraisee’s official file.

Phase 3 Rewards, such as a promotion, based on performance ranking: Once appraisals have been carried out on all members of a group being supervised by a superior, the supervisor places the appraisees in rank order, or within groups such as 'Needs improvement', 'Meets expectations', 'Exceeds expectations', and 'Outstanding'. Depending on the company policy, the top appraisees receive a bonus, raise, promotion or some other significant reward. The appraisees at the bottom may be given counseling, a warning, or specialized training. If necessary they may be dismissed from the job.

In General Electric Company, for example, former CEO Jack Welch grouped his subordinates as the top 20%, vital 70% and bottom 10%. The bottom 10%, the 'underperformers', were given a warning and eventually dismissed from the job if they continued to perform in the bottom 10%. (Welch, 2001, p. 158). A similar approach was later used at the top level of the company - Welch describes how there were three finalists for succeeding him as the CEO and how one of them got the job while the other two resigned and found jobs elsewhere (Welch, 2001, page 423).

Thus some of the key premises underlying the conventional approach described above are: That it is possible and desirable to create a job description with performance standards for each position; that a person's performance should be assessed against that job description and the associated performance standards; that it should be carried out primarily by the supervisor; that the boss should evaluate the performance of all subordinates, using the same standards for each; and that the best performer thus identified should be given a promotion or similar other significant recognition. Let us consider each of these premises.

Premise 1: Each job should have a job description:

The current approach, using performance standards based on job analyses and job descriptions is indeed appropriate in a limited context: namely for employees who are (a) quite inexperienced and (b) who are carrying out relatively routine tasks. Examples of these kinds of jobs are blue-collar work such as on an assembly line, and white-collar work of a clerical nature. It is (relatively) easy to create a job description for such jobs, assuming that they are relatively stable in their technology. New employees do indeed need to be shown the 'ropes' in such situations, because the ropes are easy to specify and are not known to the employees as they begin the job.

The situation changes when employees have been on a job for some time (such as a year) because by this time they have understood the basic requirements of the job. So a performance appraisal based on their ability to understand and carry out the job as described may well be reasonable for such jobs in the first year or so. After this time, it is likely that some employees would be able to start making suggestions on how the job could be designed and performed in a better way, and thus have a say in creating their job description. This is particularly the case in the 'rapidly changing environment' mentioned by Longnecker (1998) above, where job descriptions will tend to change rapidly. In such a situation the organization must find a way to move away from the job description as the primary criterion for performance appraisal.

This changing reality is experienced in many organizations. For example, the head of the Human Resources department at British Petroleum states:

“A job, as we have been trained to think of it, is a set of static, predetermined duties created by management and evaluated by the human resources department.... People are hired or promoted according to how well they fit this job description. This, unfortunately, is an old industrial-engineering construct.... It also ignores the fluidity of business and technology needs... If we want to unlock the potential of both individuals and the organization, we need to change the way we design, allocate, and talk about work. Organizations that fail to do this are in danger of following the dinosaur into oblivion” (cited in Baron and Kreps, 1999, p. 313).

By moving away from the ‘industrial-engineering construct’ of job descriptions, companies can begin to get the benefit of employee involvement in job redesign. This can improve not only employee satisfaction but also productivity as indicated in Ford Motor Company’s experience. Faced with the competition of Japanese car manufacturers, Ford, among other companies, began to utilize employee involvement in the 1980s. Waterman (1987) quotes Philip Caldwell, former CEO of Ford, as saying: “A survey last year of more than 750 EI [employee involvement] participants at seven facilities found that a full 82 percent felt they now had a chance to accomplish something worthwhile, compared with only 27 percent before EI was initiated. ... People develop in themselves pride in workmanship, self-respect, self-reliance, and a heightened sense of responsibilities” (1987, p. 85).

Interestingly, McGregor had already made a similar suggestion about deemphasizing job descriptions in his 1957 article. According to him “The first step in this process is to arrive at a clear statement of the major features of the job. Rather than a formal job description, this is a document drawn up *by the subordinate* after studying the company-approved statement. It defines the broad areas of his responsibility as they actually work out in practice”. (p. 4). McGregor argued that the “conventional approach ... makes the assumption that the superior can know enough about the subordinate to decide what is best for him. No available methods can provide the superior with the knowledge he needs to make such decisions.” (p. 5).

Only a handful of companies have moved significantly in the direction of de-emphasizing detailed job descriptions and allowing employees wide discretion to decide what they need to do. For example, Nordstrom Department Stores has the following rule.

“Rule #1. Use your good judgment in all situations. There will be no additional rules”. (Cited in Pfeffer, 1994, p. 42).

As another example, Maritime Life Assurance Company, a Canadian subsidiary of the John Hancock Insurance Company, has this rule for its employees:

“If it is good for your customer and you know it makes sense, then do it”.

Not surprisingly, both of these companies have won numerous awards for their service levels and employee policies.

Premise 2: Each job should have specified performance standards:

As the environment changes rapidly, it becomes increasingly difficult to maintain up to date performance standards by which to judge employee performance. The conventional approach, requiring such standards, however, leads to a situation in which a company is forced to use standards which are out of date and which most employees know as being inaccurate.

The classic ‘Lewis Equipment Company’ case (Glover, Hower and Tagiuri, 1973) provides a good example. In this case Mr. Merton, the CEO, does not recognize that standard labor costs cannot be reliably calculated since the ‘factory operated on a job order basis, and most of the products were produced to customer specifications’, which changed rapidly (p. 560). The CEO insisted, however, on measuring everyone’s performance using the ‘labor utilization report’ which was always based

on out of date standards. This created enormous conflict among employees of various departments, instead of encouraging cooperation among them.

A rapidly changing situation such as this ideally needs employees who have some tolerance for ambiguity, and sufficient imagination and creativity to see what needs to be done and to do it without the superior being available for guidance. The misguided emphasis on performance standards drives this type of employee away, or at least frustrates them. It would be far better to recognize that reliable standards cannot be obtained in a dynamic environment (which is becoming increasingly common to organizations), and find better substitutes to appraise the quality of work being done. Some of these substitutes would involve measurement of teamwork rather than individual work, and team based rewards such as cost reduction bonuses or profit sharing. Another important substitute will be to improve the process rather than engaging in a futile attempt to measure the quality of individual performance, a point made by authors such as Deming (1982/2000), and illustrated by the use of measures such as 'Six Sigma' adopted so successfully by companies such as General Electric (Welch, 2001, pp. 325-340).

Premise 3: Performance of all employees should be measured, using identical standards for all employees in a group.

The conventional approach calls on the superior to measure the performance of all subordinates using identical standards. This has a laudable aim of ensuring fairness. The underlying premise, however, is that all employees are equally interested in moving ahead by achieving a promotion, and thus all must be given an equal opportunity to compete for it against each other. This premise needs to be questioned. It is likely that many employees will be content to remain where they are, doing what they have grown accustomed to doing, rather than taking on new challenges and new responsibilities implicit in a promotion. A survey by Glendinning (2002, p. 165) found, for example, that about 80% of employees seem willing to "accept that they are in the middle category, perceived as 'fully competent' ...but neither 'outstanding' nor 'unsatisfactory'".

As mentioned earlier, the notion that everyone's performance must be appraised and rank-ordered, in order to find the best performer, leads to intra-group conflict. Those who are not seen as the winners in this competition are left with bruised feelings or worse, and tend to complain of the appraisal as being subjective, biased or political in nature. Much of this dysfunctional outcome can be avoided if people who do not wish to be promoted can be given an honorable way to opt out of the competition without having to lose face. It is commonly observed, for example, that in universities only a small fraction of faculty members put their names forward for positions such as dean or university president. This is considered entirely acceptable, with many professors expressing the view that they have no wish to take on administrative responsibilities. The question then is how to achieve a similar climate in other types of organizations.

Premise 4: The supervisor should be the appraiser

This premise may well be appropriate for the purpose of identifying the bottom 10% or so of the employees performing at a less than satisfactory level, and who need to be trained, counseled, warned or dismissed. But when it comes to identifying the best performers who deserve to be promoted, the role of the supervisor could be diminished considerably. The onus of proving that one is an outstanding performer who wishes and deserves a promotion (or similar other special

recognition) could be placed substantially on that employee. The supervisor's role in this case would be to administer the process by which the deserving performer can demonstrate his or her merit. The creation of that process or mechanism would be done not by the immediate supervisor but by the top management of the organization. The following is an outline of how such a process could be set up.

A promotion process based on employee initiative

The process starts by conceptually loosening the conventional connection between performance appraisals and promotions. It is the supervisor's role to identify those who are not meeting expectations, and to take appropriate steps such as training, counseling or dismissing those individuals. Everyone else is considered to be performing at a satisfactory level. This process is thus a further simplification of the process used at companies such as Intel, and Merck (Baron and Kreps, 1999, p. 231). Merck began with a 13-fold classification, found it too difficult to administer and changed to a system using four classifications. Intel uses a three-fold classification with 10% in each of the top and bottom categories and 80% in the middle, similar to General Electric's 20%, 70% and 10%.

In this approach it is assumed that people seeking promotions have already demonstrated that they have satisfactorily carried out the responsibilities inherent in their current jobs – that is they are not in the bottom group.

For convenience, the individuals wishing to obtain promotion will henceforth be referred to as candidates (for promotion).

The candidates are expected to demonstrate that they are well qualified for a promotion by carrying out a series of steps, an example of which is outlined below.

a. An ability to see problems and opportunities facing the organization:

An important characteristic expected from a candidate is the ability to independently spot problems or opportunities facing the organization, rather than their supervisor having to point these out to them. Indeed in many cases the supervisor might not have been aware of either the problem or the opportunity. Ordinarily a problem would create just frustrations to complain about, but here the candidate is expected to see how to turn it into an opportunity. Thus the candidate must possess creativity and initiative.

In the employee initiative (EI) paradigm the candidate discusses the problem or opportunity with the supervisor and formulates a project to manage it. The project must be such that it has the potential, when successful, to produce measurable results – such as reduced costs, fewer defects, increased sales, or the development of new markets. If the supervisor sees no negative effects for the organization in the proposed project, the candidate would be given the go-ahead to start work on the project. A tentative timetable for the successful conclusion of the project would also be agreed on between the supervisor and the candidate.

An important feature of the EI paradigm is that the company would offer the candidate no additional hierarchical authority to carry out the project, and very few if any additional resources.

b. Creating and executing a project:

After securing the go-ahead from the supervisor, the candidate would be next expected to demonstrate qualities of leadership using a collaborative style. A person with leadership qualities is one who can both see what needs to be done to implement a project and be able to work in collaboration with others whose cooperation is needed. Furthermore, such a leader is able to obtain this cooperation through persuasion, rather than through hierarchical command or use of other extrinsic inducements. This is why it is important that the candidate be given no additional authority and very few additional resources.

It is likely that most significant projects would cross departmental and indeed organizational boundaries. The candidate would thus need to secure willing cooperation and contributions from many individuals inside and outside the organization such as customers and suppliers. These individuals are themselves likely to be creative and talented. When persuading these other individuals to cooperate, the candidate would need to draw on superior interpersonal skills in communication and negotiation. It is likely that the nature of the project might gradually change for the better as the ideas of a small group of thoughtful people are brought to bear on it.

The general spirit of this second step is similar to what is known in some companies as 'skunk works'. (See, for example, <http://www.astesch-engineering.com/systems/avionics/aircraft/skunkworks.html> which describes Lockheed's skunk works, and <http://skunkworks.blog-city.com/readblog.cfm?BID=84186>, which suggests ways of generalizing the approach to other organizations).

The well-known example of the development of Post-It notes in 3M illustrates many aspects of the system proposed here, including how someone can identify an opportunity and bring it to fruition even when it is not in that person's job description. As Waterman (1987) summarizes the story, Art Fry was an employee eager to develop a new kind of paper that would mark the hymns he was singing in a choir. This paper needed to stick temporarily, but not so much that it would damage the book when removed. In a different part of 3M, Spence Silver had found a glue that he considered unsatisfactory because it did not stick as strongly as required. These two 3M employees from different departments worked together to create a highly successful product. The two in turn had to show considerable persistence, creativity and persuasion to convince the Board of Directors that this was an attractive opportunity. Eventually the project led to the creation of an entirely new product and sales worth several hundred million dollars.

c. Writing a report

When the project is completed, preferably within the timeframe tentatively agreed on at the outset, the candidate would be expected to write a report describing the nature of the project, how it was implemented and the measurable results it produced. An important part of this report would describe in detail the contributions made by individuals from various parts of the organization (and sometimes outside the organization). The written report has two primary purposes. First, it becomes part of an organization's knowledge database to be used by others who may wish to consult it when working on their own projects. Second, it is a way to give formal and enduring recognition to those who offered their cooperation without any extrinsic motivation such as

money. Being given such recognition may become part of the motivation for those whose collaboration is sought in projects and would also contribute to the creation of a cohesive culture in the organization. This is in sharp contrast to the divisive nature of the conventional appraisal scheme where colleagues try to make themselves look good at the expense of others and thus compete rather than cooperate with each other.

The purpose of the three steps outlined above is to make it possible for the deserving candidates to show, through actual achievement, that they have the qualities needed to obtain a higher-level position in the organization. The process also ensures that everyone has an equal opportunity to demonstrate their merit if they wish to do so, without the supervisor having to make seemingly arbitrary decisions to decide who in a group is most deserving. A secondary purpose, at the same time, is to increase the likelihood that the number of candidates seeking promotion is approximately the same as the number of promotion opportunities, because this makes the promotion decision easy to make.

Depending on a company's culture, industry, and other factors, these three steps may result in equalizing the number of the promotion opportunities with the number of candidates. But if it should happen that there are still several candidates for each position (a happy problem to have), then further steps may be added to the process, such as the following. (These further steps are also more likely to be necessary when the promotion is at or near the highest level of management).

d. A second self-initiated project:

The candidate may be expected to carry out more than one such project in the current department before being considered ready for a promotion. Just how many projects would need to be carried out in this way would depend on the specifics of a company's situation.

e. A lateral transfer:

An individual to be promoted towards higher levels of management needs to develop knowledge and contacts beyond their current area of functional expertise such as finance or marketing. One way to acquire the additional experience is through job rotation. Normally an organization arranges for job rotation through transfers of employees. In the approach suggested here the candidate could be expected to obtain a lateral transfer as part of the preparation for a promotion. Here too the candidate should take the initiative in managing their own career progression - by considering various departments as potential transfer sites, making contacts with managers of some departments where the candidate believes a transfer would be most beneficial, and persuading one of those managers to accept the candidate in that department. The current supervisor would be kept informed of the candidate's interest in obtaining a transfer, but would not be expected to actively help in achieving it. (It is assumed that the supervisor would also not hinder the candidate in achieving the transfer. This assumption may not hold in some cases as mentioned near the end of this paper).

If the candidate has carried out successful projects in the original department, this reputation would have filtered through to other departments. This might occur through the individuals in other departments whose cooperation the candidate was able to obtain. It could also happen

through the circulation of the project report. Managers of other departments will, therefore, generally see the candidate as an asset and be happy to accept him or her on transfer. (Some managers, may, however, see the candidate as a threat to themselves and their department, and would thus resist accepting them. I will return to this point later).

f. Repeat and extend the process:

Having obtained a lateral transfer, the candidate will (if necessary) repeat the process – that is, in addition to fulfilling the routine responsibilities of the new job satisfactorily, they would spot problems and opportunities in the new department and carry out one or two projects to deal with them.

g. Transfer to a new region:

In some companies it is important for a manager to have experience not only in various departments, but also in other regions or countries. In such a case, the organization could let it be known that candidates need to seek out transfers to other regions. Here the candidates may need some help since they might not have the personal contacts with managers in other regions to be able to obtain a transfer independently. Some organizations, such as the Armed Forces and banks, routinely transfer employees to different locations. Such transfers are increasingly seen as highly disruptive by many employees who find that their children's schooling and their spouse's employment are adversely affected. Some of these employees use various devices to avoid the transfer, and may even resign. Under the paradigm proposed here, employees not seeking promotions need not be transferred (unless required for other reasons such as preventing collusion or fraud).

As with the number of projects required to be completed within one department, the number of required lateral transfers could also vary based on the specifics of an organization.

h. The Promotion Decision:

By this time the promotion decision has become very easy to make for two reasons. First, the candidate who has successfully completed projects as described above, including the projects following lateral transfers, has produced objective proof that they deserve the promotion. They have demonstrated all the qualities that an organization could wish for – initiative, creativity, collaborative leadership, ability to solve problems and utilize opportunities, persistence, and a proven ability to produce measurable results. Secondly, it is likely that in a group of 10 or so employees in a department, only one individual would attempt to complete all the requirements needed for the promotion, and thus be the obvious candidate for it.

What about a situation where there are somewhat more candidates at the end of the process than there are promotion opportunities? This is a nice problem to have since the organization has obviously attracted an unusually high proportion of talented employees. In such situations the organization could adjust the requirements so that the number of candidates matches the number of promotional positions, for example, by requiring transfers outside the region, or by requiring three projects in each stage rather than two.

Advantages to the organization

In addition to reducing many of the problems noted earlier that bedevil the conventional performance and promotion system, the organization as a whole would also benefit from the proposed approach. Companies need to remain flexible and adapt to the fast changing environment. Instead of relying on just a handful of members of management to achieve this adaptability, they would be able to count on many others who have the ability to see problems and solve them. The system also improves employee morale because people are empowered to seek out challenges and to cooperate with each other to meet them. They are not subjected to the critical feedback inherent in the competitive culture of the traditional appraisal system. Thus the paradigm increases what Kanter (2002, p. 61) has called the “Three Ms – Mastery, Membership and Meaning” that they value in addition to an income. It also offers ‘employability security’ to the employees. As Kanter notes, “[The job] may not last but whatever you do here will make you more employable, more desirable to somebody else ...” The supervisor’s task is also made easier because they do not have to measure abstract notions such as ‘ability to communicate’, but can rely on measurable achievements reflecting those abilities.

Although I have described the employee initiative paradigm in the specific context of promotion, it could also be used in varying proportions in other performance appraisal situations. Once an employee has been with a company for a period of about a year, the supervisor could encourage them to go beyond their job description and to show creativity and initiative in improving the way the job is carried out. This would further reduce the emphasis on job descriptions and performance standards in current performance appraisals. Not all employees need to be required to show the initiative – but those who do would have the opportunity to contribute their creativity even when they do not necessarily seek a promotion.

Although not explicitly designed to do so, the EI paradigm also indirectly gives some indication as to which managers are doing a good job of running their department and which are not. If most of the promotion candidates seek out a particular set of departments for lateral transfers, this is a good indication that those departments are seen as positive, stimulating places to work in. If other departments do not have candidates applying to them for transfers, it is an indication that they are seen as unexciting places, perhaps because the managers in charge lack confidence in their own abilities and try to prevent their subordinates from exercising creativity and initiative. This could give valuable information to the top management of the organization. In addition, to the extent that the transfer-seeking is used as a measure of departmental performance, the managers of the laggard departments would have an incentive to change their managerial style in order to attract prospective promotion candidates.

Some obstacles to the adoption of the system

The employee initiative paradigm described here is more than just a different way of looking at performance appraisal and promotion. It requires the adoption of a different kind of a ‘corporate culture’, as suggested by Dell (1999). Based on surveys carried out by the Conference Board, Dell, the research director at the Board, has argued that dissatisfaction with performance appraisals is hitting companies from a number of directions. “Changes in strategy mean you must realign the

performance appraisal process to keep up with the goals and directions of the enterprise. Flattening the organization structures and moves to more cross-functional work environments mean that top-down performance appraisal is no longer appropriate. When you change the performance appraisal system, you are really talking about dealing with change in the corporate culture."

This change in 'corporate culture', moving away from 'top-down performance appraisal', is likely to generate resistance in many organizations. At present many managers derive their identity from the power they exercise over their subordinates, and from being able to make important decisions that will affect their departments. This power is derived in part from their ability to do performance appraisals, and to give rewards to certain subordinates. To allow, indeed to expect, subordinates to come up with solutions or new opportunities, and to implement them successfully without much help from their superiors, could be threatening to the superiors. If promotions and other rewards are given based on obvious achievements rather than at the supervisor's discretion, this too might be seen as loss of power and thus undesirable. The employee initiative paradigm suggested here is likely to be beneficial to organizations. It would also benefit many subordinates who currently dislike being arbitrarily appraised, and many supervisors who do not like to 'play God'. Whether these advantages will overcome the perceived loss of power by some managers will be determined greatly by the culture of each organization, and its ability to change that culture.

References

Baron, James N and Kreps, David M. (1999). *Strategic human resources: frameworks for general managers*. New York: Wiley.

Bolman, Lee G. and Deal, Terrence E. (1997). *Reframing organizations: artistry, choice, and leadership* (second edition). San Francisco: Jossey-Bass.

Coens, Tom, and Jenkins, Mary. (2000). *Abolishing performance appraisals*. San Francisco: Berrett-Kohler Publishers, Inc.

Daley, Dennis M. (2002). *Strategic human resource management: people and performance management in the public sector*. Upper Saddle River (NJ): Prentice-Hall.

Das, Hari. (2003). *Performance management*. Toronto, Prentice-Hall.

Dell, David J. "Performance appraisal processes scorned". . Cited in *American Metal Market*, Oct 26, 1999.

Deming, W. Edwards (2000). *Out of the crisis*, Cambridge, MA: MIT Press. (Originally published in 1982).

Dessler, Gary, Cole, Nina D., and Sutherland, Virginia L. (2002). *Human resource management in Canada*. Toronto: Prentice-Hall.

Glendinning, Peter M. (2002) "Performance management: Pariah or Messiah"

Public Personnel Management. Washington: Vol. 31, # 2.

Glover, J.D., Hower, R. M., and Tagiuri, R. (Eds.) (1973). *The Administrator: Cases on Human Aspects of Management*. Fifth Edition. Homewood, IL: Irwin.

Kanter, Rosabeth M. (2002) "Transcending academia: the professor as business leader". *Ivey Business Journal*, May-June.

Longnecker, C.O, Gioia, D.A. and Sims, H.P. (1987) "Behind the Mask: The Politics of Employee Appraisal," *Academy of Management Executive* 1987, Vol. 1, No. 3, pp. 183-194.

Longnecker, C. O. (1998). "Does your firm fail the performance-appraisal test?" *Human Resource Management International Digest*. Vol. 6, Issue. 2.

McGregor, Douglas (1957). "An uneasy look at performance appraisal". *Harvard Business Review*, May-June. (Reprinted in *Harvard Business Review*, September-October 1972. The page references are from the 1972 issue).

Pfeffer, Jeffrey. (1994). *Competitive advantage through people*. Boston: Harvard Business School Press.

Pfeffer, Jeffrey (1996) "Six dangerous myths about pay", *Harvard Business Review*, May-June

Richer, Shawna. (2003). "So, what do you have to do to be fired in Moncton?" *Globe and Mail*, Toronto, Nov. 28, 2003, page 1.

Waterman, Robert H. Jr. (1987). *The renewal factor: how the best get and keep the competitive edge*. New York: Bantam.

Welch, Jack. (With Byrne, John A.). (2001). *Jack: straight from the gut*. New York: Warner Business Books.

Understanding the Potential for Duplicity to Undermine Legitimacy by Edith Callaghan and Ian Hutchinson (Acadia University)

Literature on impressions management and organizational identity suggests that in order to gain legitimacy with a variety of constituents many organizations must manage impressions of organizational constituents such that different organizational identities develop. What has not been well thought out, however, is the potential for differing or divergent organizational identities to be perceived by constituents as an attempt by the organization to be duplicitous. This paper builds and elaborates on a model for understanding the potential for such duplicity to decouple the functions of substantive management from symbolic management thereby undermining organizational legitimacy.

Introduction, purpose and motivation

The need for a unifying theory of impressions management and legitimacy that explains the potential for duplicitous behaviours to undermine legitimacy has never been more acute. The advent of the Internet has allowed for an increased volume and diversity of communications among organizations and their external constituents. Information about organizational performance, commitments, goals, planned actions, and stakeholder interactions is available on most public company (and many private company) web sites. Meetings with key stakeholders are being video streamed (and archived) and chat rooms for hosting and monitoring discussions on a wide array of topics are increasingly prevalent. Given this trend, it is important that as scholars and citizens we understand: 1) the impact different forms of impressions management have on constituents, 2) the relation between the symbolic representation of behaviour and performance, and 3) the perceived gap between actions and espousals and this gap's impact on the legitimacy of the organization.

This paper begins by briefly considering the potential for duplicitous activity to undermine organizational legitimacy. Next we review the determinants of legitimacy. The paper continues with a review of the process of identity construction as it relates to legitimacy determination, including an analysis of decoupling and duplicity. We conclude by developing a model that explains the relationship among legitimacy, decoupling and duplicity and by identifying some opportunities for future research in this area.

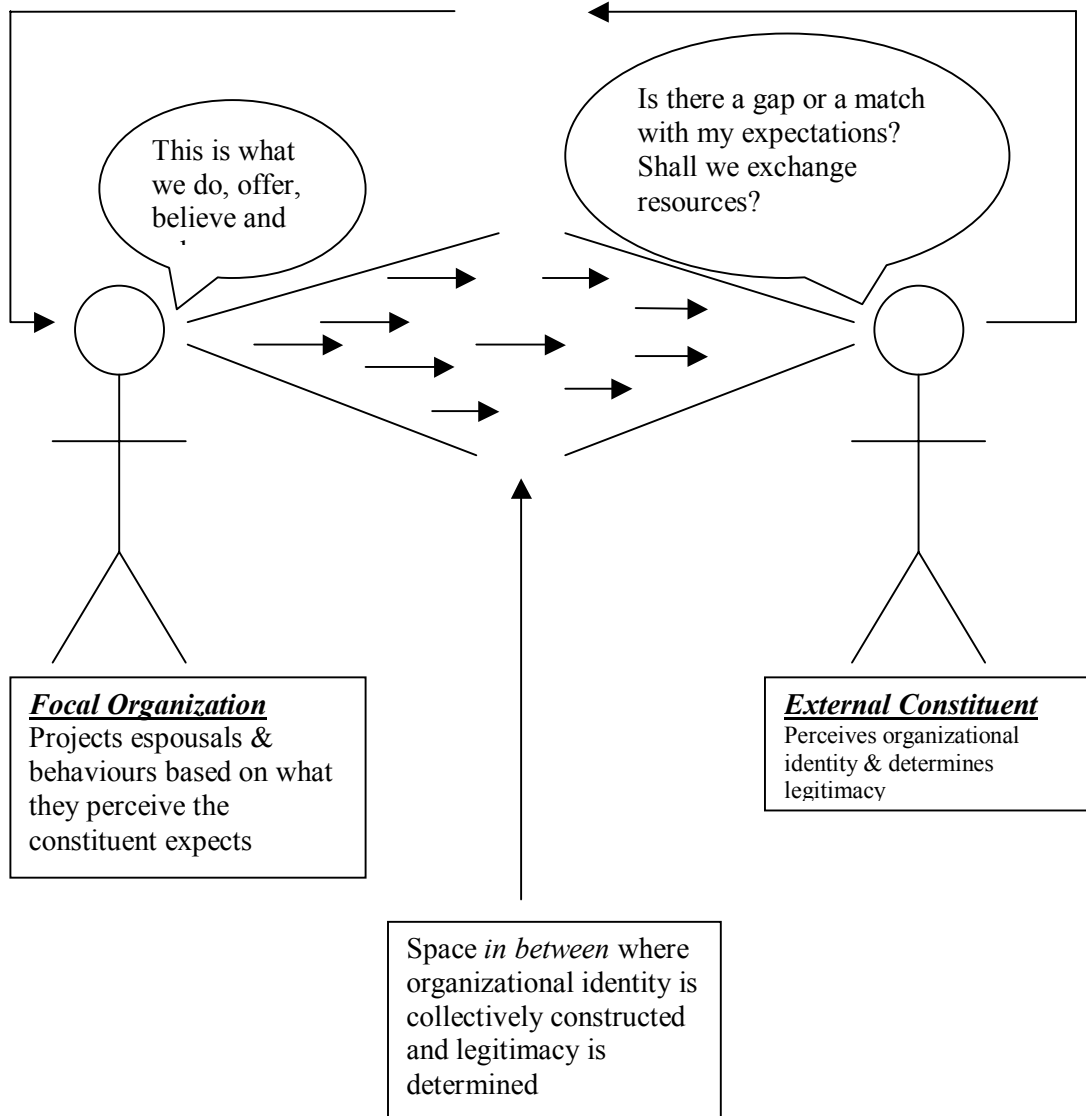
The Potential for Duplicity

Organizational legitimacy is a result of an intermingling of expectations, perceptions, behaviours, and espousals that takes place between an organization and its external constituents (Scott & Lane, 2000; Zimmerman & Zeitz, 2002). This dynamic identity-legitimacy dance between an organization and its stakeholders unfolds as follows. First the focal organization scans its external environment. Next based on its perception of the needs and wants of its external constituents, an organization plans its behaviour and espousals so as to appropriately manage the impressions its constituents hold of it and to address their needs (Aldrich & Fiol, 1994; Neu, Warsame & Pedwell, 1998; Adler & Kwon, 2002). In turn, external constituents (or stakeholders) judge whether there is a gap or a match between an organization's behaviour and espousals and their own conception of legitimate behaviour and espousals (Gioia, et al, 2000; Scott & Lane, 2000). Figure #1 below depicts this dynamic interaction between an organization and its external constituents and highlights the "in between" space within which organizational identity is constructed and legitimacy is determined.

Figure 1: Depiction of the *in between space* where legitimacy and organizational identity are created.

Focal Organization - This is what I think they want/expect.

External Constituent - This is what I want/expect.



The construction of organizational identity and the related determination of organizational legitimacy will inform external constituents' decisions as to whether, and to what extent, they are prepared to exchange resources with, and/or confer power upon, the focal organization (Ashforth & Gibbs, 1990; Greening & Gray, 1994). At least this is how things should work in the perfect organizational world - the better an organization's interpretation of its constituents' needs and wants, and the better its communication of its behaviours and intents, the better chance the organization has for its actions and espousals to be perceived as legitimate. The real organizational world is not so neat however, with complicating factors existing for both organizations and their constituents.

From the perspective of the organization there are at least two distinct problems. First, organizations are collections of individuals (Barnard, 1968) who may or may not all follow the intended organizational strategy (Mintzberg & Waters, 1985). Unintended strategies emerge as do unexpected behaviours - each of which impacts the external environment. Second, organizations face competing and often conflicting demands from various stakeholders (Dutton & Dukerich, 1991). Organizational identity theorists suggest that these conflicting demands be dealt with by maintaining multiple organizational identities (Glynn, et al, 2000; Pratt & Foreman, 2000), or what amounts to *multiple legitimacies*. Such

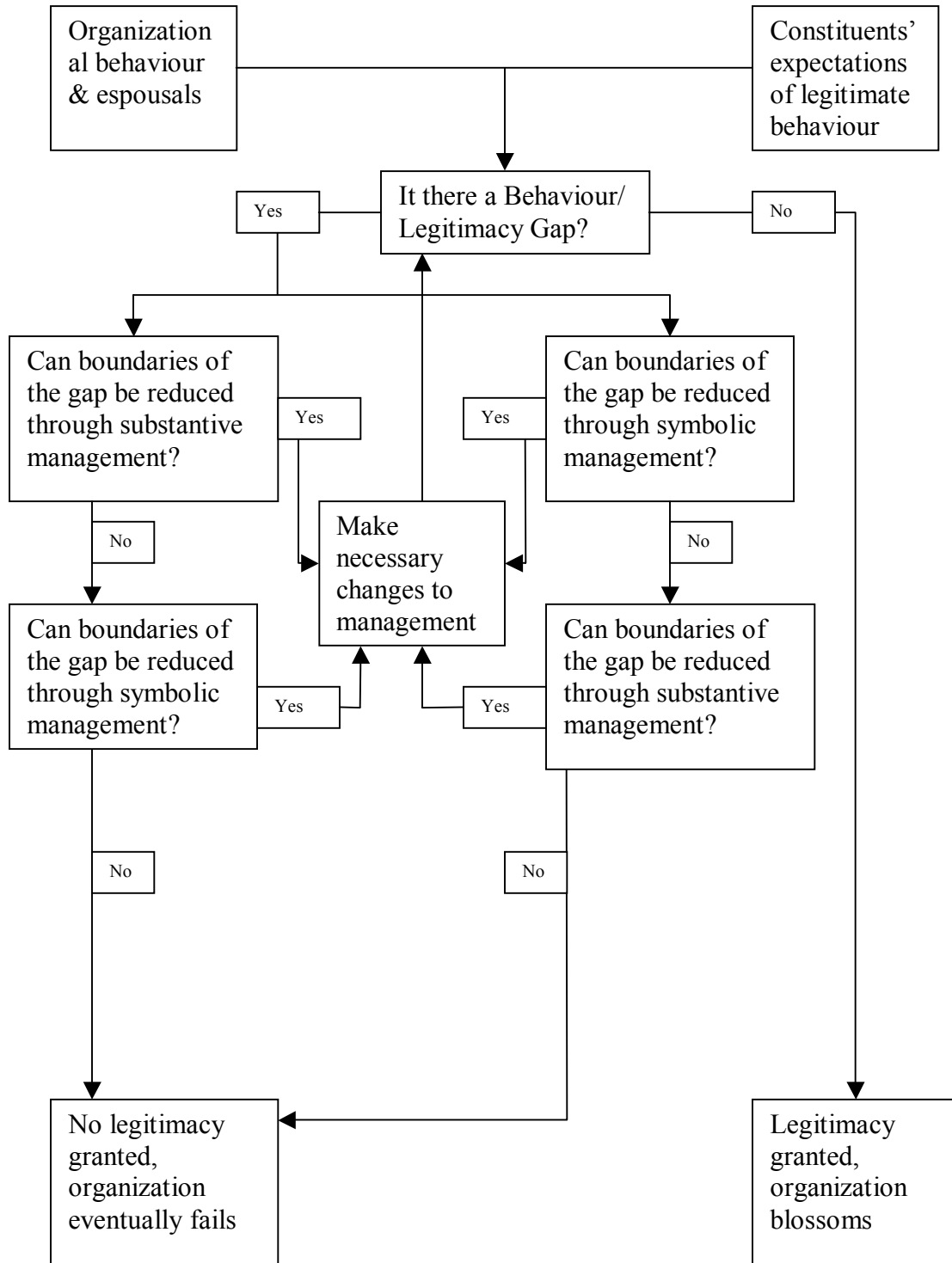
a response can, however, lead to legitimacy gaps depending on the extent to which these multiple legitimacies are in consonance.

From the perspective of constituents other problems emerge. Just as managers of business organizations are not imbued with unfettered ability to make strategic choice (Child, 1972) or unbounded rationality (Simon, 1976), neither are leaders of legitimacy-granting institutions imbued with such ability (Dimaggio & Powell, 1983; Oliver, 1991; Lubell, 2003). It therefore follows that in common with their focal organization counterparts, managers of constituent institutions face limits in their skills, values, and knowledge (Simon, 1976). Constituents, therefore, may not always be capable of making perfect determinations of when a focal organization's behaviour and/or espousals actually matches their conception of legitimate behaviour and/or espousals.

The gap between business performance and social expectations (Sethi, 1979) is therefore not readily measurable by objective criteria because the boundaries of this gap are not always clear. Further confounding issues for constituents, is the question of distinguishing between substantive management and symbolic management of the organization. In order to gain favour with constituents, a focal organization may espouse certain commitments or beliefs, but not actually alter its behaviour to complement these espousals (Ashforth & Gibbs, 1990).

The complicating factors above suggest that the question of a legitimacy gap can be a subjective problem with potentially malleable boundaries. If a legitimacy gap is perceived by a focal organization it is in the interest of that organization to attempt to close this gap through altering substantive management and/or symbolic management. Figure 2 below, shows a behaviour/legitimacy gap flow chart. Readers may note the similarity between this figure and one used by Gioia, Schultz, and Corley (2000) to explain the interdependence of organizational image and identity. Our model is different in that it highlights the options of substantive management change versus symbolic management change.

Atlan **Figure 2:** Behaviour/Legitimacy Gap Flow Chart



Whether an organization chooses to manage impressions of constituents through substantive or symbolic changes will be of significance to its external constituents and, in turn, to the focal organization. Specifically, if management makes changes to the messages they send out to constituents without backing them up with substantive changes and this is discovered by the constituents, constituents may feel that they are being manipulated. In such a case, symbolic changes would ultimately have the reverse of intended effect; i.e. the gap between espousal and behaviour would be

construed as duplicitous thereby negatively affecting organizational identity and undermining organizational legitimacy.

Determinants of Legitimacy

An organization's legitimacy evolves over time and is comprised of a variety of assessments and expectations. Most fundamentally, a constituent's assessment of an organization's legitimacy will be dependent upon current performance assessments, previous performance assessments and performance expectations.

Performance assessments

Performance is important (Lenz, 1981; Venkatraman & Ramanujam, 1986; 1987). Constituents confer legitimacy on those organizations that they feel behave and perform in a manner consistent with their own expectations, values, and frames of reference (Pfeffer & Salancik, 1978). Although legitimacy is "resilient to particular events" (Suchman, 1995, p. 574), it is dependent on the pattern of events and their subsequent impact/performance over time.

In order to assess performance in a particular domain, there should be some relatively reliable measure of performance. Unfortunately, performance measures suffer from a number of limitations. First, performance measures are not always easy to quantify (Georgopoulos & Tannenbaum, 1957; Steers, 1975; Hansen & Wernerfelt, 1989; Ilinitch *et.al.*, 1998). Second, by definition objective measures are determinable without bias and are therefore construed as reliable, however evidence has shown some objective measures to be subject to manipulation and distortion (e.g. the financial reports of Enron, Tyco, WorldCom) (Chakravarthy, 1986). Third, the appropriateness of performance measures will be highly dependent upon the context of, and expectations for, the focal organization (Cameron, 1986; Prescott, Kohli & Venkatraman, 1986; Fryxell & Barton, 1990). This context dependency creates problems for comparing legitimacy across industries, company size, etc. Finally, constituents who have conflicting needs and interests will likely have different, divergent, or conflicting opinions as to which measures of performance are appropriate and differing expectations with respect to these measures.

Given this rather intractable set of limitations, constituents are left to either a) work very hard to ensure that their performance measures of choice are as reliable and comprehensive as possible, or b) ignore these issues and use criteria that are relatively convenient and perceived as "good enough" (Camron, 1986; Steers, 1975). In this digital age of multiple distractions, time pressures, and easy access to online information, it is likely that the second option may be chosen more often than the first (Camron, 1986).

Previous performance assessments

The proposition that performance leads to legitimacy has been noted as tautological (Hybels, 1995). For organizations to obtain the status of "legitimate" they must perform within the expectation boundaries of their constituents. However, in order for organizations to perform they must have already achieved a certain level of legitimacy from their constituents, given that constituents are willing to exchange resources with them (Stone & Brush, 1996; Zimmerman & Zeitz, 2002). This tautology can be unravelled by understanding legitimacy as being conferred in stages (or levels) over time and as being reinforced by persistent patterns of behaviour (Hybels, 1995; Suchman, 1995). Barring any crisis or unanticipated downturn in performance, legitimacy will tend to perpetuate itself. Although scanning of the environment and organization by constituents is continuous, there are disincentives for stakeholders to continuously engage in thorough reinvestigations of organizational legitimacy. Researching the legitimacy of an already "accepted" organization can be time consuming and potentially disruptive (Meyer & Rowan, 1991). Thus, the longer an organization has been in existence, the more deep rooted and engrained its legitimacy (Ashforth & Gibbs, 1990; Hybels, 1995). Further, as performance is enhanced additional legitimacy is conferred and the cycle is perpetuated.

Performance expectations

The transition from performance assessments to assessments of legitimacy is not immediate or direct, but is moderated by expectations for performance. Expectations are created in two ways. First, historical evidence shows whether or not the organization is meeting expectations in a given performance domain. Evidence relative to past performance will inform expectations about future performance. Second, assessments and expectations from one performance domain will influence expectations and assessments in other domains. For example, there is a strong tendency for financial measures to influence perceptions of other measures such as quality or social responsibility (Fryxell & Wang, 1994).

A positive assessment of legitimacy can result in continuity and credibility for the organization, each of which lead to support for the organization (Suchman, 1995). These assessments, however, can be a double-edged sword as they will determine future demands on and expectations of the organization by constituents. If an organization is assessed as performing well on a host of performance domains and legitimacy is continually being enhanced, then, on the one hand, constituents will see the organization as more meaningful, more predictable, and more trustworthy (Suchman, 1995). As a result constituents will be more likely to allow the organization leeway when minor performance expectations are not met and they will be more likely to follow the organization into new areas of exploration (such as new products or new markets). Finally, given a positive assessment of legitimacy, constituents are less likely to entertain intervening discordant messages from constituents hoping to discredit the organization (Meyer & Rowan, 1991).

On the other hand, continuous improvement along performance lines can result in the heightening of expectations. For example, in the late 1980s and early 1990s, Nike was the leader in athletic shoes and apparel. Constituents *expected* Nike to be leaders in other performance domains such as human rights and environmental integrity as well. When this proved not to be the case, various constituents turned against Nike (Everatt, 1999). Thus, as legitimacy builds, organizations must closely monitor and manage related performance expectations so that such expectations are not: 1) out of alignment with future performance possibilities, and/or 2) overshadowed by other requirements and signals in the external and internal environments.

Identity Construction

Environmental scanning

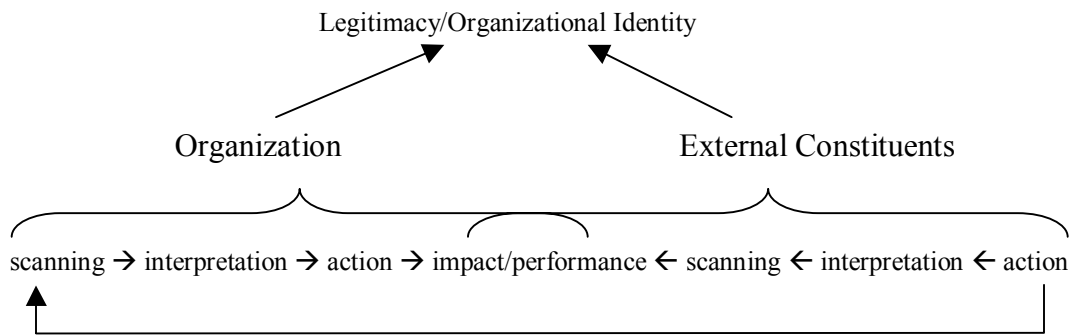
Organizations are interpretive systems (Daft & Weick, 1984). Whether environmental scanning is actively engaged in as part of a formal strategy formulation process, or whether managers make decisions based on unstructured and informal interpretations, the way in which organizational managers perceive the external environment will influence how and to what extent they engage in impressions management (Thomas et al., 1993).

In simplistic terms, organizational perceptions, decisions, actions, and reactions operate in a feedback loop (Bateman & Zeithaml, 1989). In phase one, organizations scan and interpret the environment and base their actions on these interpretations (Daft & Weick, 1984). In phase two, organizations again scan and interpret the environment. What they see in this phase will, in part, be a function of other organization's reactions to phase one scanning and interpreting (Scott & Lane, 2000). Thus, Thomas, Clark, and Gioia (1993) propose and test a model based on the framework:

scanning → interpretation → action → performance.

The model we use in this paper (see Figure #3 below) expands on Thomas, Clark and Gioia's model to include feedback from the external environment where organizational constituents also scan, interpret and act:

Figure 3: A Model Outlining the Determination of Legitimacy and Construction of Identity

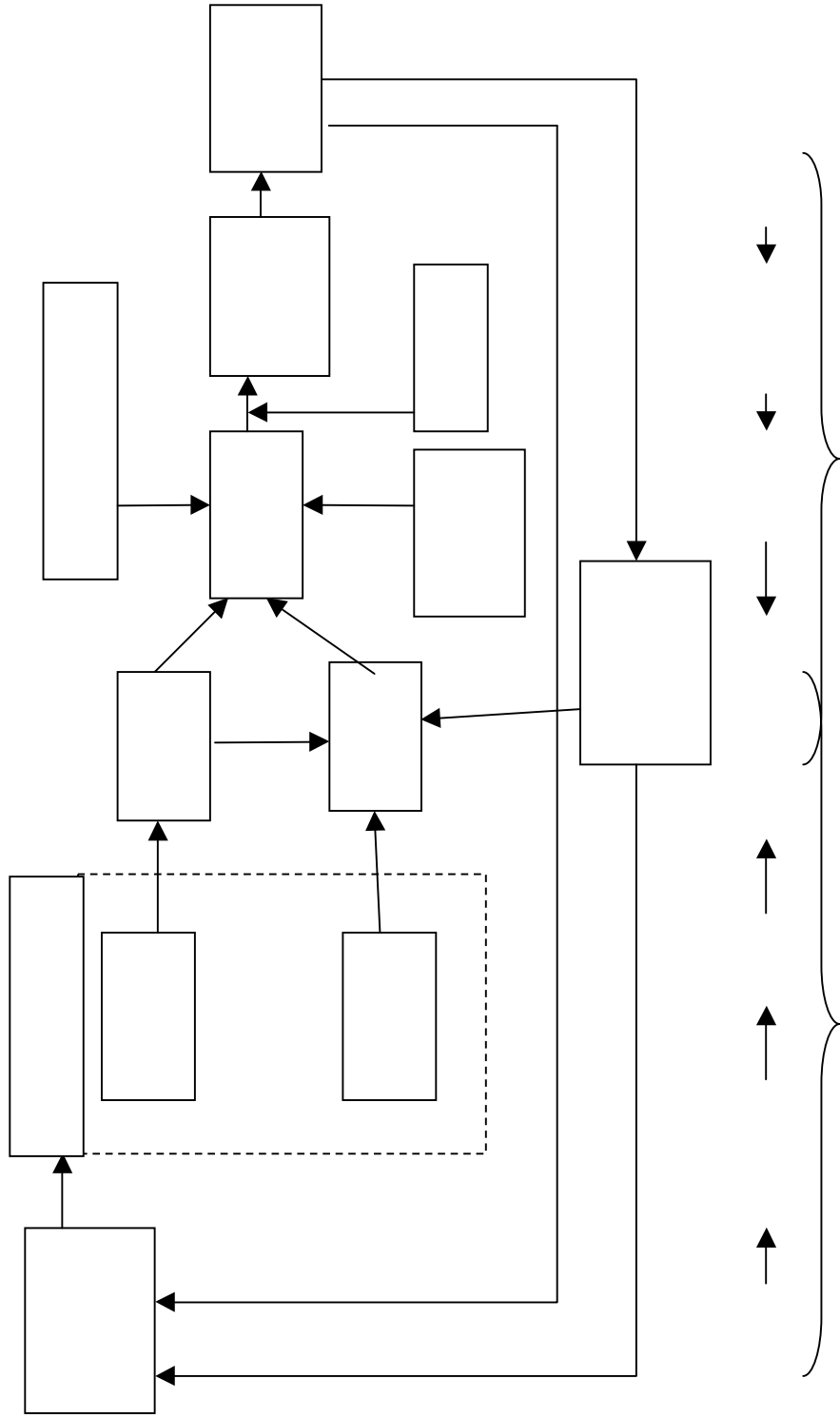


This extension of the scanning/interpretation/action/performance framework fits nicely with ideas concerning legitimacy theory and organizational identity. For example, Suchman (1995) argues that:

Legitimacy is a *perception* or *assumption* in that it represents a reaction of the observers to the organization as they see it; thus legitimacy is possessed objectively, yet created subjectively. (Suchman, 1995: 574) (Italics in original).

Thus, for our understanding of the establishment of legitimacy and creation of organizational identity, scanning happens in two places or instances.⁷ Figure #4 below sets out a feedback model of organizational identity. The model reflects the relationship between impression management and legitimacy. That relationship and the effect that a decoupling of symbolic and substantive management activities has on organizational legitimacy are discussed further below.

⁷ For a start-up organization, it can be argued that the scanning by the organization that leads to organizational interpretation and action is the first instance of scanning in this relationship. However, once an organization is established it becomes difficult to separate the sequences of scanning interpretation, action and reaction between the organization and various constituents. Nevertheless, in order to create an organizational identity and establish legitimacy, scanning and interpretation by both parties must take place first.



Symbolic and substantive impression management

In managing the impressions of constituents toward the goals of gaining legitimacy, and creating desired organizational identity, organizations must signal commitments to behave and perform in a manner that constituents perceive will satisfy their interests (Rindova & Fombrun, 1999). Signalling commitments can be done either through symbolic management or through substantive management. Symbolic management constitutes the espousal of commitments, values, and intents to behave in specific ways communicated via use of symbols, images, and language. The goal of symbolic management is to transform the meaning of behaviour and actions (Richardson, 1985) through emotional and/or cognitive impact on constituents. Substantive management “involves real, material change in organizational goals, structures, and processes or socially institutionalized practices” (Ashforth & Gibbs, 1990). Thus, instead of being directly aimed at emotion or cognition, the primary goal of substantive management is to have physical impact. While both symbolic and substantive management constitute taking action and engaging in certain behaviours they are targeted toward different impacts.

Although espousals of commitment and values are arguably a lower level commitment than direct physical action (Salancik, 1977), it does not necessarily follow that one type of commitment is perceived by constituents as more convincing than another. Action can have physical impact that leads to measurable performance: a new machine is purchased, employees are trained, and production increases. Symbols do not have such direct physical impacts; they can however, have emotional and cognitive impacts. The use of a baby or a puppy in an advertisement can make us “feel good” about a company and its products. The use of symbols indicating no animal testing was conducted in the development of a product, or that a product can be recycled can lead people to think positively about a company’s entire environmental record (Davis, 1994; Shrum, *et.al.* 1995).

In a world where people suffer from information overload and conflicting information, emotional appeals through use of symbols and images can be an efficient and effective way for organizations to transmit information to constituents. People generally do not have the time, the interest, or the knowledge to understand the details of organizational reality such as testing a product for safety or creating a superior product. In fact, too much information can distract and confuse consumers (Dorner, 1996). However, the effective use of symbols can convince an audience of the existence of certain organizational actions and behaviours without giving the details or “proof” of such behaviours. Symbolic management, therefore, is useful for both constituents and the organization when information relative to a particular domain of performance and legitimacy is: 1) difficult to obtain and measure, 2) difficult to convey, 3) not standardized among competitors and 4) is highly subjective.

As noted above, substantive management leads to physical impacts, and more so than with cognitive or emotional impacts, physical impacts are often directly observable. Examples of substantive management practices that result in physical impacts that can be observed, measured, and tracked over time might include: 1) a new policy that promotes the giving of contracts to organizations owned and operated by minorities leads to the subsequent increase in such contracts; 2) mismanagement of the waste stream from a factory results in increase in effluent that flows into a local water table and results in increased e-coli counts and algae blooms and 3) a redesigned employee performance system that rewards employees for customer service results in greater customer satisfaction and retention.

Some physical impacts, however, are not so easy to observe, measure, and track – especially by an external observer. Certain chemical emissions from a factory may be difficult to track; the effect of employee benefits on employee satisfaction may be difficult to measure especially in a time of transition or in organizations that have captive labour markets; the impact of lobbyists and political donations on legislation and regulatory behaviours can be difficult to trace. Complicating matters further is the fact that, although substantive management results in physical impacts that can be objectively measured, most constituents still rely on communications from the organization (symbolic management) for information relating to physical impacts.

For example, one does not usually *see* increase in market share, they read about it in the annual report; most customers do not *see* that there is no animal testing, they read it on the label of the product. There is, therefore, an overlap between substantive and symbolic management. Generally, constituents must rely on communications, effective management of words, symbols, ideas, concepts, etc., to gain an understanding of the real substantive management of the organization. When these two types of management work in consonance, then the physical, cognitive, and emotional impacts will tend to be aligned. Alignment of these impacts will make it more difficult for constituents with competing interests to discredit or interfere with the claims on legitimacy of the focal organization. Substantive

management is more likely to occur before symbolic management when information relative to a particular domain of performance and legitimacy is: 1) easy to obtain and measure, 2) simple to convey and understand, 3) standardized among competitors, and 4) is highly objective.

Decoupling, Duplicity and Legitimacy

Decoupling externally oriented actions and behaviours from internal technical operations helps to buffer the technical core from the inconsistencies or conflicts presented by various constituents (Thompson, 1967; Meyer & Rowan, 1991; Ashforth & Gibbs, 1990; Oliver, 1991; Scott & Lane, 2000). In the face of criticism, organizations can thus continue to operate without making substantive operational changes and still maintain legitimacy in the face of their constituents. A number of excellent articles have already detailed possible antecedents to organizational decoupling and various methods of decoupling behaviour.

Ashforth and Gibbs (1990) argue for six types of symbolic management techniques each of which effectively decouple organizational communications from operational activities. The authors argue (*al la* Pfeffer and Salancik, 1978) that “the greater the power, motivation, and political skill of the constituents, and the more consistent the constituent’s preferences are with those of other key constituents and with management’s own agenda, the more likely management is to offer a substantive rather than symbolic response” (1990: 182). Further, the authors argue that organizations may be limited in their ability to respond substantively to constituents’ challenges due to lack of time, money, or other valuable resources. Oliver (1991) explains that whether organizations resist or acquiesce to institutional pressure will be a function of ten dimensions of the organization/constituent relationship: (1) the degree of social legitimacy perceived to be attained from conformity to pressure, (2) the degree of economic gain perceived to be attainable from conformity, (3) the degree of constituent multiplicity, (4) level of external dependence on constituents, (5) the degree to which external pressures are compatible with internal goals, (6) the degree of discretionary constraints imposed on the organization, (7) level of legal or legislative coercion behind institutional requirements, (8) degree of voluntary diffusion of institutional norms, values, or practices, (9) the level of uncertainty in the external environment, and (10) the level of interconnectedness in the institutional environment (1991: 160-170).

All totalled, these and other descriptions of organizational decoupling constitute a comprehensive account of the triggers for decoupling, and recreating propositions here to summarize them is not necessary. However, an additional antecedent to decoupling that has not received much attention is worth exploring. If symbolic performance measures can become a surrogate for substantive performance measures, then the temptation for management to decouple their public relations communications and other attempts to pacify stakeholders from operational activities increases. This is particularly true if management knows that the measures by which they will be judged with respect to specific goals or orientations are easy to manipulate, and/or difficult for external constituents to obtain.

Ideally, at least ideally from an external constituent’s perspective, the symbolic management of an organization should be in congruence with its substantive management. The reality, however, is that the decoupling of symbolic and substantive management activities occurs both intentionally and unintentionally. An organization may *intentionally decouple* words from deeds when the expected potential negative consequences of making espousals that are inconsistent with behaviour are less than the negative consequences associated with not doing so. For example, a company in a large industrial park may state publicly that it is an environmentally conscious organization. It does this because it believes that its customers, its competitors, and society in general expect this. Yet, every now and then, it disposes of chemical waste by pouring it down the drain. Although such an act would not be seen as “environmentally friendly,” this intentional decoupling is undertaken because it is unlikely anyone will discover the source of the spill and by avoiding high disposal fees the manager is satisfying the needs of other constituents, mainly top management and the shareholders, who are interested in keeping expenses down. *Unintentional decoupling* may occur when: 1) organizations have poor enough internal communications that those engaging in symbolic management and espousing the commitments do not understand the operational realities of the organization or 2) management misjudge the consequences of their actions or of rogue actions of others within the organization.

Certainly, within an environment where the substance of legitimacy is clearly understood and agreed to by all constituents, and various performance criteria are easily measured, there would be little motivation to be intentionally inconsistent and great motivation to avoid unintentional inconsistencies. Yet, just as there are constituents with conflicting needs and wants (Yuchtman & Seashore, 1967; Zammuto, 1984) there are constituents with conflicting expectations for legitimacy. Accordingly, an organization may find it useful to profess commitment to one set of distinctive aims, but to act in a way that supports commitment to a different, possibly conflicting, set of aims. This

behaviour, if well conceived and executed, may have the effect of creating two (or more) distinct legitimacy caricatures, or organizational identities, for the same organization. However, should such behaviour be ill conceived (or poorly executed), stakeholders will uncover this decoupling and may interpret it as duplicitous.

Consequently, while decoupling may be a natural response to certain institutional pressures, it can be risky behaviour, particularly if perceived as duplicitous. A perception of duplicity is likely to disrupt the organization's ability to manage its legitimacy into the future. If duplicity exists: 1) a focal organization's constituents' perceptions of historic legitimacy are likely to be replaced with mistrust, 2) performance measures once accepted as objective will be more closely scrutinized, and 3) future subjective symbolic management activities will be met with cynicism. All of which leads us to the following related propositions:

PROPOSITION 1A: *If decoupling of substantive management from symbolic management is discovered by constituents, regardless of the type of decoupling activity, constituents will perceive a high level of duplicity on the part of the organization.*

PROPOSITION 1B: *Perceived duplicity will moderate the relationships between performance and legitimacy; symbolic management and legitimacy; and historic legitimacy and future legitimacy. The impact will be negative.*

Conclusion

One may cite anecdotal evidence to argue whether there is a long term positive or negative impact of decoupling substantive from symbolic behaviour. In this paper, we develop a model and rationalization to argue that there would be a negative impact on the perceptions constituents hold of organizations, and ultimately organizational legitimacy. This is, however, an area that needs empirical research to further develop and test the model. A more in depth understanding of this issue would be of significance to organizations trying to manage multiple constituents with varying needs that introduces the potential for engaging in duplicitous decoupling behaviour. Constituents in the business of understanding the behaviour and impacts of organizations (e.g. fund managers, corporate watch-dog groups, government regulators, and academics) should also be interested in such research. Finally, citizens have a stake in being able to understand the actions and behaviour of organizations and to have faith in the communications from those organizations.

It would be helpful to have a clear understanding of the extent to which companies do indeed decouple symbolic from substantive management, and the extent to which this is intended or unintended. Ideally, to investigate this, a researcher would have access to the internal workings of an organization, particularly the decision making processes within a number of the organization's departments. From this research, one should be able to discern whether, and the extent to which, departments are in consonance or dissonance with one another. If dissonance between departments is discovered, it is possible that this information could be presented to top managers in such a fashion as to uncover whether dissonance is intended or unintended. Obviously this method of data collection would be very time consuming and difficult to accomplish. Further, it does not tell us about the perceptions of constituents.

To begin to understand constituents' perceptions, an historical case study of instances where organizational constituents have perceived a gap in an organization's actual behaviour versus the expectations for legitimate organizational behaviour would be instructive. With close examination, these cases could reveal the antecedents to the perceived gap and the extent to which these perceptions lead to new demands on the organization, and how the organization, in turn, manages these new demands.

These are just two of the many ways that the model in this paper could begin to be tested. We look forward to further exploration and expansion of this model, as we believe that understanding of the potential for perceived duplicity to undermine legitimacy is an increasingly critical phenomenon for organizational theorists and practitioners to understand.

References

Abbott, W.F. & Monsen, R.J. 1979. On measurement of corporate social responsibility: Self-reported disclosures as a method of measuring corporate social involvement. *Academy of Management Journal*, 22(3): 501-515.

- Adler, P.S. & Kwon, S.W. 2002. Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1): 17-40.
- Aldrich, H.E. & Fiol, C.M. 1994. Fools rush in? The institutional context of industry creation. *Academy of Management Review*, 19(4): 645-670.
- Ashforth, B.E. & Gibbs, B.W. 1990. The double-edge of organizational legitimating. *Organizational Science*, 1(2): 177-194.
- Barnard, C.I. 1968. *The functions of the executive*. (30th anniversary ed.) Cambridge, MA, Harvard University Press.
- Bateman, T.S. & Zeithaml, C.P. 1989. The psychological context of strategic decisions: A model and convergent experimental findings. *Strategic Management Journal*, 10(1): 59-74.
- Callaghan, E.G.J. 2002. *Organizational Espoused Environmental Commitment and its Relation to Environmental Performance*, Doctor of Business Administration dissertation, Boston University.
- Cameron, K.S. 1986. Effectiveness as paradox, consensus and conflict in conceptions of organizational effectiveness. *Management Science*, 32(5) 539-553.
- Chakravarthy, B.S. 1986. Measuring strategic performance. *Strategic Management Journal*, 7: 437-458.
- Child, J. 1972. Organizational structure, environment, and performance: The role of strategic choice. *Sociology*, 6: 1-22.
- Daft, R.L. & Weick, K.E. 1984. Toward a model of organizations as interpretation systems. *Academy of Management Review*, 9(2): 284-239.
- Davis, J.J. 1994. Good ethics is good for business: Ethical attributions and response to environmental advertising. *Journal of Business Ethics*, 13: 873-885.
- DiMaggio, P.J. & Powell, W.W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48 (April): 147-160.
- Dorner, D. 1996. On the difficulties of decision making in complex and uncertain domains of reality. *Marketing and Research Today*, 24(1): 51-61.
- Dutton, J.E. & Dukerich, J.M. 1991. Keeping an eye on the mirror: Image and identity in organizational adaptation. *Academy of Management Journal*, 34(3): 517-554.
- Everatt, D. 1999. *Nike Inc.: Developing an effective public relations strategy*. Richard Ivey School of Business, University of Western Ontario.
- Fryxell, G.E. & Barton, S.L. 1990. Temporal and contextual change in the measurement structure of financial performance: Implications for strategy research. *Journal of Management*, 16(3): 553-569.
- Fryxell, G.E. & Wang, J. 1994. The Fortune corporate 'reputation' index: Reputation for what? *Journal of Management*, 20(1): 1-14.
- Gioia, D.A., Schultz, M., & Corley, K.G. 2000. Organizational identity, image, and adaptive instability. *Academy of Management Review*, 25(1) 63-81.
- Glynn, M.A., Barr, P.S., & Dacin, M.T. 2000. Editorial team essay: Pluralism and the problem of variety. *Academy of Management Review*, 25(4): 726-734.

- Georgopoulos, B.S. & Tannenbaum, A.S. 1957. A study of organizational effectiveness. *American Sociological Review*, 22: 534-540.
- Greening, D.W. & Gray, B. 1994. Testing a model of organizational response to social and political issues. *Academy of Management Journal*, 37(3): 467-498.
- Hansen, G.S. & Wernerfelt, B. 1989. Determinants of firm performance: The relative importance of economic and organizational factors. *Strategic Management Journal*, 10: 399-411.
- Hooghiemstra, R. 2000. Corporate communication and impression management – New perspective why companies engage in corporate social reporting. *Journal of Business Ethics*, 27: 55-68.
- Hybels, R.C. 1995. On legitimacy, legitimating, and organizations: A critical review and integrative theoretical model. *Academy of Management Journal*, Best paper proceedings: 241-245.
- Ilinitch, A.Y., Soderstrom, N.S. & Thomas, T.E. 1998. Measuring corporate environmental performance. *Journal of Accounting and Public Policy*, 17: 383-408.
- Lenz, R.T. 1981. “Determinants” of organizational performance: An interdisciplinary review. *Strategic Management Journal*, 2: 131-154.
- Lubell, M. 2003. Collaborative institutions, belief-systems, and perceived policy effectiveness. *Political Research Quarterly*, 56(3): 309-323.
- Meyer, J.W. & Rowan, B. 1991. Institutionalized organizations: Formal structure as myth and ceremony. In *The New Institutionalism in Organizational Analysis*, Eds W.W. Powell and P.J. DiMaggio, Chicago, IL, The University of Chicago Press.
- Milliken, F.J. 1990. Perceiving and interpreting environmental change: An examination of college administrators’ interpretation of changing demographics. *Academy of Management Journal*, 33(1): 42-63.
- Mintzberg, H. & Waters, J.A. 1985. Of strategies, deliberate and emergent. *Strategic Management Journal*, 6: 257-272.
- Moss Kanter, R. & Brinkerhoff, D. 1981. Organizational performance: Recent developments in measurement. *Annual Review Sociology*, 7: 321-349.
- Neu, D., Warsame, H., & Pedwell, K. 1998. Managing public impressions: Environmental disclosures in annual reports. *Accounting, Organizations and Society*, 23(3): 265-282.
- Oliver, C. 1991. Strategic responses to institutional processes. *Academy of Management Review*, 16(1): 145-179.
- Pfeffer, J. & Salancik, G.R. 1978. *The external control of organizations: A resource dependence perspective*, New York, Harper & Row.
- Pratt, M.G. & Foreman, P.O. 2000. Classifying managerial responses to multiple organizational identities. *Academy of Management Review*, 25(1): 18-42.
- Prescott, J.E., Kohil, A. K., & Venkatraman, N. 1986. The market share-profitability relationship: An empirical assessment of major assertions and contradictions. *Strategic Management Review*, 7: 377-394.
- Richardson, A.J. 1985. Symbolic and substantive legitimating in professional practice. *Canadian Journal of Sociology*, 10(2): 139-152.
- Rindova, V.P. & Fombrun, C.J. 1999. Constructing competitive advantage: The role of firm-constituent interactions. *Strategic Management Journal*, 20: 691-710.

Salancik, G. R. 1977. Commitment and the control of organizational behavior and belief. In *New Directions in Organizational Behavior*, Eds B.M. Straw and G. R. Salancik, Chicago, IL, St. Clair Press.

Scott, S. G. & Lane, V.R. 2000. A stakeholder approach to organizational identity. *Academy of Management Review*, 25(1): 43-62.

Sethi, S.P. 1979. A conceptual framework for environmental analysis of social issues and evaluation of business response patterns. *Academy of Management Journal*, 4(1): 63-74.

Shrum, L., McCarty, J., & Lowrey, T. 1995. Buyer characteristics of the green consumer and their implications for advertising strategy. *Journal of Advertising*, 24(2): 71-83.

Simon, H.A. (1976). *Administrative behavior: A study of decision-making processes in administrative organizations*. New York, NY: The Free Press.

Steers, R. M. 1975. Problems in measurement of organizational effectiveness. *Administrative Science Quarterly*, 20: 546-558.

Stone, M.M. & Brush, C.G. 1996. Planning in ambiguous contexts: The dilemma of meeting needs for commitment and demands for legitimacy. *Strategic Management Journal*, 17: 633-652.

Suchman, M.C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3): 571-610.

Thomas, J.B., Clark, S.M., & Gioia, D.A. 1993. Strategic sensemaking and organizational performance: Linkages among scanning, interpretation, action, and outcome. *Academy of Management Journal*, 36(2): 239-270.

Venkatraman, N. & Ramanujam, V. 1986. Measurement of business performance in strategy research: A comparison of approaches. *Academy of Management Review*, 11(4): 801-814.

Venkatraman, N. & Ramanujam, V. 1987. Measurement of business economic performance: An examination of method convergence. *Journal of Management*, 13(1): 109-122.

Yuchman, E. & Seashore, S.E. 1967. A system resource approach to organizational effectiveness. *American Sociological Review*, 32: 891-903.

Zammuto, R.F. 1984. A comparison of multiple constituency models of organizational effectiveness. *Academy of Management Review*, 9(4): 606-616.

Zimmerman, M.A. & Zeitz, G.J. 2002. Beyond survival: Achieving new venture growth by building legitimacy. *Academy of Management Review*, 27(3): 414-431.

Management Education

A partnership university: Cape Breton's University College by Keith Brown (University College of Cape Breton)

Abstract

The economy of Cape Breton Island has undergone a massive restructuring from heavy industry to service and knowledge based companies. In the sixties and early seventies, while steel and coal were in rapid decline, the various levels of government and the community at large had to deal with the economic transformation without the benefit of a local, post secondary institution. The University College of Cape Breton (UCCB) was born following decades of community activism and immediately was seen as a keystone to the "new economy" of Cape Breton. The paper draws upon the literature of "partnership universities", explores their role in economic restructuring and develops the case of UCCB as a partnership university. A time line is developed which illustrates the investment in research centers and industry specific programming at UCCB, particular to the support of information technology and a nascent technology cluster.

Cape Breton Island - Historical Economic Perspective

During the mid-nineteenth century, Cape Breton Island entered the industrial revolution with rapid development of the heavy industries of coal and steel, while mainland Nova Scotia remained, by and large, a rural, agricultural Province.

The ensuing economic development, rise of trade unionism, and demands for independence from the British industrialists who controlled the economy of the Island, continued through the first half of the twentieth century, finally culminating in the formation of a Federal Crown Corporation in 1967, the Cape Breton Development Corporation (DEVCO) (Donald, 1966). Following Parliamentary review and approval, the Cape Breton Development Corporation Act was given Royal Assent on July 7, 1967 and came into force on October 1, 1967. The legislation made provision for two divisions in the Corporation, coal and industrial development. The Act centered on legislative powers that were the most broad regional economic powers of that day and for the next three decades. Essentially the Corporation was founded to ensure the orderly closure of the coal mines while attempting to diversify the economic base of the region.

The corporation played a major role in the economic redevelopment of Cape Breton. Though initially established for an orderly closure of the coal mines, the oil crisis of the early seventies increased demand for coal internationally and the Nova Scotia Power Corporation embarked upon a plan to convert its oil based power generation to coal (Brown, 1998). DEVCO began a modernization program that included closing several mines. Its Industrial Development Division invested in tourism infrastructure, industrial parks, aquaculture, agriculture, and forestry (Cape Breton Development Corporation, 1973, 1974, 1975, 1985, 1986, 1987).

During the same time frame, the Sydney Steel Corporation (SYSCO) was purchased by the Province of Nova Scotia, which embarked upon a major modernization program. The end result saw the termination of a coke oven based blast furnace and the implementation of electric arc furnaces.

The two industries that drove the industrial revolution in Cape Breton, coal and steel, had been modernized at great capital cost and with tremendous reduction in workforce. The combined industries that once had fifteen thousand employees had less than two thousand by the end of the twentieth century and in 2004, less than 25 people work directly in these once vibrant industries.

In 2004, coal and steel are no longer produced on Cape Breton Island. Coal had been exploited since the eighteenth century and steel produced for approximately one hundred years. In the mid-twentieth century, one in two worked in these sectors. The transition from an industrialized to a knowledge and service based economy has been traumatic.

Cape Breton Island - Its University College

Though the second most populous region of the province, Cape Breton did not have its own postsecondary institution during the tumultuous times of downsizing of its traditional industrial base and the decision to “nationalize” coal and steel. At that time, Cape Breton was home to Xavier College, a satellite of St. Francis Xavier University (St. F.X.) of Antigonish, and had a student and staff complement numbering in the hundreds.

The formation of the University College of Cape Breton (UCCB) in 1982 was spawned from decades of intensive community lobbying to bring degree granting status to the Island. DEVCO officials felt so strongly about the relationship between prospective economic renewal and higher education that the federal development corporation provided money for the development of the new institution. DEVCO was offered two seats on the Board of Governors of the new institution. The two seats continue to be held by the corporation. The linkage and commitment to the community saw the formation of community based research institutes, a community research bachelors degree and a myriad of advisory groups guiding the development of several of the institutions programs. This combination with a strong technology and innovation focus in the early nineties saw the emergence of UCCB as a “catalyst for economic development” on Cape Breton Island. The three levels of government began to increasingly turn to the institution for direct input into development planning (Morgan, 2004).

Federal Strategic Partnership : Memorandum of Understanding

Historically, the approach to innovation at UCCB had, strategically, not been a centrally coordinated function. Services and centres developed as faculty members particular research interests mirrored those interests of funding agencies. With the signing of a Memorandum of Understanding (MOU) between the Federal Crown Corporation,

Enterprise Cape Breton Corporation (ECBC) and UCCB, in 1990, the focus on innovation became more intensive (Enterprise Cape Breton Corporation, 1991).

This MOU was the first formal recognition of the role UCCB had to play in economic growth in the region. Higgins (1994) notes that the transition from a resource based economy to one based on information and knowledge suggests the fate of Cape Breton and its university are conjoined. In February of 1994, The Conference Board of Canada announced that the MOU was the Nova Scotian, then national winner, for Excellence in Business-Education Partnerships.

Regional Strategic Partnership

In 1994, eight municipalities signed an agreement to form the Cape Breton County Economic Development Authority (CBCEDA). CBCEDA was empowered by the eight municipalities to be their sole voice in economic development issues. Shortly after the announcement of CBCEDA by the local politicians, the Province of Nova Scotia announced that it would amalgamate the eight municipalities to form the third largest city in the Maritimes. One of the principal reasons put forth by the provincial government for the amalgamation was to support development of long-term economic growth through reduction in bureaucracies, harmonization of tax structure and the development of one central focus for economic development policy. CBCEDA turned to UCCB for help. A senior administrator was seconded by the Development Authority to coordinate and develop a five-year economic development strategy for the new regional municipality.

As the strategic plan developed, it was clear that UCCB would play an integral part in future economic development of the region. The plan recommended that a knowledge based cluster be developed with UCCB at its core. The plan also made specific recommendations about the "governance" of economic development strategies for the region. It was recommended, to avoid duplication of effort, that a multipartite agreement be developed that would clearly establish the role of all levels of government and the University College and their respective responsibilities (Cape Breton County Economic Development Authority, 1994).

On April 8, 1995, the Government of Canada, the Province of Nova Scotia, Regional Municipality, University College of Cape Breton and the Cape Breton County Economic Development Authority signed a four year agreement that established a central focus for economic development in the region through the formal adoption of the Strategic Economic Development Plan. UCCB was to provide technical and services support to the Development Authority and sit as a voting member on its Board of Directors. This was the first inclusion of a Canadian University as a voting member of a development authority in Canada.

Cluster growth and universities

The guiding research for the development of the strategic plan was that of Dr. Michael Porter of Harvard University. Porter (1990, 1998) discusses clustering within the local, regional or national economy. His foundational research of clusters is simply a search for competitive advantage. Whether by quirk of geography, history, culture or indigenous and/or imported expertise, regions of the world have developed internationally competitive products or services. Porter argues that the cluster engine is driven by strict adherence to competitiveness at all levels within the industries in the clusters, and by continuous innovation. He also illustrates in his research that at the centre of most dynamic clusters in the world is a first class technical university. The role of the university in the Porter Diamond Model is to introduce and support the development of innovation in product and service; in essence to be a conduit for information that may be commercialized by the private sector. Additional research in examination of innovative clusters in the United States cite "proximity to prestigious technical universities" as an integral part in the development of high-tech clusters in California and Massachusetts (Herbig and Golden 1993).

The model of university as economic engine is well documented (Engelking, 1992; Foster, 1993; Herbig and Golden, 1993; Higgins, 1994; Johnson, 1994; MacCormack, 1987 and Stauffer, 1990).

One Canadian example of this form of knowledge transfer can be found at the University of Saskatchewan. The University of Saskatchewan has recognized the critical link between university resources and economic prosperity: more than 60 Saskatchewan companies have roots in University of Saskatchewan research. Of these, more than 25 have based their products in university technology. University of Saskatchewan Technologies Inc. (UST), the university's technology transfer company, has filed more than 35 patents and licensed 13 technologies developed by university researchers. It is estimated that four to six spin-off companies will develop in each of the next five years. Many of these companies are located at Innovation Place, a 30 hectare research and development park on campus. It is one of the largest and most successful development parks in Canada with 100 organizations and more than 2000 employees. Companies are involved in areas as diverse as agriculture biotechnology, telecommunications, animal vaccines, pharmaceuticals, and environmental sciences (www.innovationplace.com).

Two of the largest university based clusters in the world began in the early 1980's when the development of fiber optics was in its infancy. Silicon Valley in California and Route 128 in Massachusetts, home of Massachusetts Institute of Technology, (MIT) created enormous industries in computing, software and hardware development, and internet based commerce by enabling inventors and researchers with the tools and resources to develop large scale sectors in knowledge based industries, and both had universities with strong technical, engineering and science departments.

Herbig and Golden (1993) identified several similarities between Silicon Valley and Route 128, one of which was timing: in each innovation hot spot the founding of the innovative

firm and the rise to full-blown hot spot is somewhere between 15 and 20 years. Similarly, the Innovation Centre at University of Saskatchewan (announced in 1977) was first occupied in 1983 and reached full capacity of 100 firms in fourteen years. Another point that Herbig has made is the "agglomeration" or clustering to create critical mass with others involved in closely related activities. Herbig and Golden (1993) have attributed clustering as one of the points that capture the essence of Route 128's success.

Each of these innovation hot spots were linked to a basic industry that provided a foundation for research. The boom of high tech in the Silicon Valley revitalized the defense industry, and to some extent, the agriculture industry. Route 128 developed high tech manufacturing components and Highly Qualified Personnel (HQP) following the downfall of the textile manufacturing and machine industry; and, Saskatoon sprang from research and development needs directly related to the agriculture industry.

Cape Breton Cluster Development

The Cape Breton approach to the development of requisite infrastructure to support cluster development can trace its roots to the vision that was embodied in the 1990 MOU. The MOU established a framework of cooperation with the recognition that UCCB applied research capacity must be strengthened to support industrial growth (Enterprise Cape Breton Corporation, 1991,1993). During the same timeframe, ECBC established a Technology Innovation Unit and embarked upon a series of commissioned studies to assess the ability of the Cape Breton economy to grow knowledge-based companies, as well as an infusion of consultant knowledge to facilitate knowledge transfer.⁸ One project that emerged in the early days of the MOU was the Technology Advisory Group which became known simply as TAG and the establishment of a Chair in the Management of Technological Change. TAG, under the auspices of the Chair and ECBC brought together local entrepreneurs for discussion and networking, invited guest speakers to tell of their successes and failures, and began a public relations campaign that continuously informed Cape Breton about a possible new future economy (Morgan, 1995). The Chair holder, with evangelical zeal, excited audience after audience with his vision of a new Cape Breton, wired, connected, and globally competitive.⁹

Consultations that emanated from the TAG process identified several gaps in the Cape Breton economy that were preventing the development of a vibrant cluster which included access to venture capital, an insufficient labour pool to meet staffing requirements at the intermediate and local levels, out-migration of highly trained youth, communications infrastructure and lack of local research and development.

⁷Bates, P. Past Vice President. ECBC. Personal Interview. 2001; Kelly, M. Past Director of ECBC Technology Unit. Personal interview. 2001; Rudderham, D. Past ECBC Technology Unit. Personal Interview. 2001.

⁹ Patterson, P. Chair. Management of Technological Change. UCCB. Personal Interview. 2001.

ECBC established a program of assistance to encourage small business “start-ups,” which in the early years essentially provided the lacking venture capital. UCCB embarked upon the development of several new diploma and bachelor programs, many that can be tied directly to the provision of human capital for the growth sectors of the Cape Breton, Atlantic, and Canadian economy.¹⁰ The national fiber optic research network, CA Net*3, which links the principal research centers and universities in Canada, was established at UCCB in 2000. The National Research Council (NRC), following approximately two years of consultation with local industry, has established a research facility that specializes in wireless communications and smart embedded microchip technology.

While the growth from zero businesses recording their principal activity as information technology in 1990 had grown to 57 businesses by 1996, the activity was not without criticism. Some industry representatives questioned whether the current growth matches the original vision of a multi-media and informational education cluster, or whether this original vision had been abandoned by government.¹¹ Others criticize the federal government for abandoning the original programs which helped their businesses develop. These critics are of the view that small business development has been abandoned in favour of attracting call-centres and that the government had not followed through with the findings of its earlier studies.

Does the 2002 emergent information technology cluster match the vision of its progenitors? No. Are there highly trained personnel working in technology related business that did not exist in 1990? Absolutely. There are some who see the failure of the original vision as a failure of regional economic development while others see the rapidly diversifying knowledge sector as a true success. Whether true to the original vision or not, one cannot argue the fact that substantially more Cape Bretoners are now working in information technology businesses than a decade ago.

The Government of Canada made the decision to begin the orderly closure of coal mining on Cape Breton in 1967. It took until 2000 for the last mine to be closed. Many would argue that a hastier closure would have necessitated a more vigorous diversification of the economy. An examination of the developmental time line illustrates the chronological interdependence of expansion of knowledge based industry on Cape Breton Island and expansion of research and teaching programming at UCCB as well as a recognition of the time frame required to build a cluster.

¹⁰ Addicott, J. Past ECBC Senior Development Officer. Personal Interview. 2001.

¹¹ Giorghiou, M. President, Mediaspark. Personal Interview. 2001; Lorway, R. General Manager. Helix Digital Inc. Personal Interview. 2001.

Developmental Time Line

1. Government of Canada establishes the Cape Breton Development Corporation (DEVCO) in 1967.
2. Industrial Development Division legislation is transferred to new federal Crown Corporation, Enterprise Cape Breton Corporation (ECBC) in 1989.
3. ECBC establishes Technology Unit in 1989.
4. ECBC signs MOU with UCCB in 1990.
5. Chair in the Management of Technological Change established at UCCB in 1991.
6. Technology Advisory Group established by ECBC and UCCB in 1992.
7. ECBC begins investment in dual-purpose laboratories at UCCB.
8. Federal, provincial and municipal governments accept a strategic economic development plan based upon Porter's Cluster Theory in 1994.
9. UCCB begins development of new cluster related programs in 1994.
10. MOU wins national award for partnerships in 1994.
11. Technology Enterprise Centre established in 1997.
12. Bachelor of Technology Information degree established in 1998.
13. Significant investment in Call-Centres in 1999.
14. MOU signed with Aliant in 2000.
15. MUN and UCCB launch Master of Education in Information Technology in 2000.
16. Microelectronics Laboratories focusing on smart embedded micro-chips established at UCCB in 2001.
17. National Research Council establishes research center in wireless communication at UCCB in 2001.
18. Atlantic Innovation Fund supports Petroleum Applications of Wireless Technology in 2003.
19. UCCB nominates a Canada Research Chair in Information Technology in 2004.
20. UCCB prepares nomination of NSERC Industrial Chair in Information Technology in 2004.

Conclusion

The MOU and CBCEDA strategic plan were partnerships. Researchers have explored the trend towards "partnership universities". Stauffer (1990) argues the term partnership is appropriate as it best describes how these institutions relate to their external communities. He looks to the five traditional institutional categories and includes an applied research focus, breadth of programmatic offerings, emphasis on excellence in teaching, and a recognition of the economic and cultural needs of a local community.

By this definition of partnership, is UCCB a "partnership institution"? Morgan (1995) addresses many of the institutional structural changes and changes in focus that occurred at UCCB to move the institution toward this goal. Applied research is encouraged. Discussions of excellence in teaching are core to programmatic offerings. The institution has developed degrees that target community-based research and address human

resource shortages in key sectors of the economy. Several technical laboratories to provide support or to indeed help create newly emerging sectors in the local economy have been established. According to Stauffer's definition, UCCB is a "partnership university".

UCCB, born of an outcry from the residents of Cape Breton, is forging new alliances with government and private sector. Dr. David Johnson summarizes the situation:

Success is contingent upon a dynamic private sector of high tech firms that gets ever stronger. The approach of ECBC to promote the technological and entrepreneurial caliber of Cape Breton businesspeople is clearly valuable in this regard- but despite the laudable efforts made by ECBC and UCCB in the past years, the question remains whether Industrial Cape Breton has a research, application and entrepreneurial base sufficient to enable it to succeed in the challenging world of high technology. The question is haunting but the response from ECBC, the leadership of UCCB, the Brown report as well as the line of analysis flowing from the works of Porter and Reich is, in turn, striking. High technology and related services represent the economic future and either locations such as Cape Breton become players in this future or they will economically stagnate and decline.'

The partnership university has become a prominent leader for regional dynamism and development. A further refinement of Stauffer's definition would suggest that UCCB has come of age as a partnership university. It has formed strategic alliances with communities, governments, and interest groups. It is providing its expertise to the community and three levels of government to aid in the diversification of the Cape Breton economy. One of the youngest post-secondary institutions in Canada is illustrating that there are new models for universities in Canada. This model is one where the community at large, and its future, are inextricably linked to its University College.

'Dr. David Johnson, Past Problems and Future Possibilities: Regional Development in Cape Breton, Sydney, Nova Scotia, October 1994, pg. 21.

References

Brown, Keith G. (1994) Strategic Economic Action Plan. Cape Breton County Economic Development Authority. Sydney.

Brown, Keith. (1998) Enterprise Cape Breton Corporation: Where Top Down Meets Bottom-Up. Chapter in *Perspectives On Communities*. Ed., Gertrude MacIntyre. Sydney, N.S.: University College of Cape Breton Press.

Cape Breton County Economic Development Authority, *Strategic Economic Development Plan*, Sydney, N.S. 1994.

- Cape Breton Development Corporation, *Annual Report*, Sydney, N.S. 1973
- Cape Breton Development Corporation, *Annual Report*, Sydney, N.S. 1974.
- Cape Breton Development Corporation, *Annual Report*, Sydney, N.S. 1975.
- Cape Breton Development Corporation, *Annual Report*, Sydney, N.S. 1985.
- Cape Breton Development Corporation, *Annual Report*, Sydney, N.S. 1986.
- Cape Breton Development Corporation, *Annual Report*, Sydney, N.S. 1987.
- Donald, J.R.(1966) *The Cape Breton Coal Problem*. Montreal.
- Engelking, Susan. "Brains and Jobs: The Role of Universities in Economic Development and Industrial Recruitment". Economic Development Review. (Winter 1992): 36-40.
- Enterprise Cape Breton Corporation, *Annual Report* , Sydney, N.S. 1991.
- Enterprise Cape Breton Corporation, *Annual Report* , Sydney, N.S. 1993.
- Foster, Michael E. (1993) Creating a Winning Economic Development Strategy for Cape Breton: A Preliminary View. Sydney.
- Herbig, Paul A., and James E. Golden. "The Rise of Innovative Hot Spots: Silicon Valley and Route 128." International Marketing". vl.1n3 1993: 36,50.
- Higgins, Benjamin. (1994) Cape Breton and its University College: A symbiotic Development. Moncton: the Canadian Institute for Research on Regional Development.
- Johnson, David. (1994) Past Problems and Future Possibilities; Regional development in Cape Breton, Sydney.
- MacCormac, Earl R. "Economic Development Through Research". Forum for Applied Research and Public Policy. Knoxville, Tennessee: (Summer 1987): 39-47.
- Morgan, Robert. (1995) The Role of UCCB In Economic Development of Cape Breton. Sydney.
- Morgan, Robert. (2004) Perseverance. University College of Cape Breton Press. Sydney, N.S.
- Porter, Michael E. (1990) The Competitive Advantage of Nations. The Free Press. New York.
- Porter, Michael E. (1998)On Competition. Harvard Business School Press. Boston.

Stauffer, Thomas M. "A University Model for the 1990's". New Directions for Higher Education. No. 70, (Summer 1990): 19-24.

www.innovationplace.com.

Knowledge Applicability Versus Knowledge Application: A Way to Visualize the Relevance of Management Education to the Real World

by M.D. Skipton and R.K. Gupta (Memorial University of Newfoundland)

A framework is described, based on three levels of management knowledge and its applicability versus three stages of knowledge application to some real-world situation during classroom learning. Nine teaching and learning Types are characterized and described.

Introduction

Concerns for the real-world relevance of Master of Business Administration (MBA) programs have been voiced since at least the early 1980s. These concerns have not mattered, however, in the employer marketplace for MBA graduates, and neither in the business school marketplace for prospective students. This may be because the jobs that MBA graduates generally have been offered by recruiters have been business functional technical, rather than business and organization management, in nature, and because MBA graduates have been entirely relevant to such jobs. In 1987, the then American Assembly of Collegiate Schools of Business, now the Association to Advance Collegiate Schools of Business International (AACSB), acknowledged and investigated concerns for real-world relevance (Porter and McKibbin, 1987). Although changes to MBA programs were instituted by the mid-1990s, especially at top-ranked schools, concerns for real-world relevant higher-level business and organizational managerial cross-functional and integrative skills have continued.

Now, at the start of the 21st century, there are increased dynamics in the business competitive environment, and fast responses by flatter, slimmer organizations are required. To be competitive, business functions and processes must be maximally effective and efficient, and must be coupled with increased product and process innovation. MBA graduates are now expected to have more than just business functional technical knowledge and abilities – they are expected to have real-world relevant and applicable higher-level business and organization management knowledge and skills.

Continuing concerns for relevance were acknowledged by the AACSB in its report, *Management Education at Risk* (2002) (abbreviated from now on as *MER*, 2002). This report recommended that the AACSB should define commonalities regarding basic management skills, such as, communications, interpersonal, multicultural, negotiation, leadership development, and change management, and place greater emphasis on skill development for global assignments.

As well, the Canadian Association of Career Educators and Employers (CACEE) included in its *Campus Recruitment Outlook 2003* the attributes that employers are looking for when recruiting for graduate positions. Employers place a strong emphasis on work experience, and rate the following “soft skills” as most desired but hard to find: Interpersonal, Teamwork, Oral communication, Flexibility, Analytical, Leadership, Written communication, and Computer

proficiency. Other traits and skills that are valued include: creativity, positive attitude, innovative thinking, motivation, dependability, sales skills, and ability to speak two or more languages.

Through its *AACSB* *Eligibility Procedures and Standards for Business Accreditation*, (2003) (abbreviated from now on as *A-EPSBA*, 2003) the AACSB is encouraging, and perhaps even requiring, its member schools and their programs to become more “relevant”. On *A-EPSBA* pages 57 and 64, business programs are perceived as likely including two separate kinds of learning: **general** knowledge and skills, and business **management-specific** knowledge and skills, which should both be current and relevant to the needs of business and management positions.

We have not been able to find concepts or definitions of either “management” or “relevance” in either *MER* (2002) or *A-EPSBA* (2003). It is also not clear to us what exactly are concepts and definitions of “management skills.” For example, *MER* (2002, page 27) describes “management skills” that we perceive are largely similar to the “general knowledge and skills” described in the *A-EPSBA* (2003, page 57). The “management-specific” items listed in the *A-EPSBA* (2003, page 57) are perceived by us to be largely a list of business functional technical skills with some organizational management skills.

It seems, therefore, that individual business schools are free to have their own particular perspectives on what management is, and what management knowledge and skills are relevant to real-world management practice. This freedom is encouraged (or perhaps exacerbated) by the business school mission-based nature of the AACSB’s accreditation standards (*A-EPSBA*, 2003). As established, common definitions and descriptions of management knowledge seem to be lacking, there may be no common ground for educational debate but much scope for program differentiation (real or cosmetic) in business schools’ promotional activities.

Past experience has shown that business schools and their MBA programs, in satisfying the immediate marketplace demands of company human resources recruiters and MBA graduates, have not produced the kind of real-world managerial relevance that corporate employers are really looking for. It seems to us, therefore, that this managerial relevance can only be found through real change in business schools’ educational programs, rather than differentiation in their promotional activities. We believe that management educational developments for the future can be facilitated by some common framework for describing management knowledge and resultant student learning as they may be relevant to the real world.

A Framework for Defining and Describing Received Management Knowledge Applicability, Its Application versus the Real-World, and Resultant Student Learning in the Classroom

For management education and student learning in the classroom, we conceive a matrix of defined levels of received management knowledge and its applicability versus defined types or categories of real-world contextual and situational application. We do not include business functional, process or task technical knowledge (and skills) in this concept of business management knowledge (and skills). Also, compared to technical knowledge, we conceive that “management, knowledge is meta-knowledge.” As management is based on abstract, general reasoning it can be seen as metaphysical – but also it must be relevant to the real world situation at

the time. This may be why it is hard to be at all times managing effectively in the changing reality of the situational here and now.

Three levels of received management knowledge in the classroom and its applicability are visualized as follows:

- Level 1: Abstracted from the real world, universally applicable at all times (Normative)
- Level 2: Linked to the real world, contextually applicable every time (Prescriptive or Directive)
- Level 3: Applied in the real world, situationally applicable at the time (Critically Derived)

The progression in received knowledge is: *abstracted from*, *linked to* and then, *applied in* the situation. Level 1 received knowledge that is *abstracted from* the real world (from whence it came) is not Level 2 knowledge that is *linked to* the real world, and neither of these levels of received knowledge are Level 3 received knowledge *applied in* some actual situational reality.

Three stages in the nature of the application of received management knowledge to the real world, at the time of student learning in the classroom, are visualized as follows:

- Stage 1: General Contextual and Non-Situational
- Stage 2: Specific Contextual and Type Situational
- Stage 3: In Context, in the Actual Situation, Here and Now

Based on the three defined levels of received management knowledge and its applicability, related to each of the three defined stages of its real-world application at the time of classroom instruction, nine Classroom Teaching and Learning Types can be characterized. These Types are illustrated in the following Exhibit 1 and are more fully described in the remainder of this paper.

From Exhibit 1, in any MBA program, learning progression ideally should be from Type 1 to Type 9 so that, in the end, graduates will be fully relevant to real-world management practice, and themselves be able to practise effectively in the changing situational here and now. Type 9 learning is therefore seen as containing all of the other Types, (and students will have these in mind in any particular situational here and now). During learning progression from Type 1 to Type 9, developing relevant applicable management knowledge in students, i.e., bringing them from Level 1 to Level 3, would be through application Stages 1, 2 and 3. Whether MBA students in any program will reach Type 9 learning by the time they graduate will depend on their particular routes of learning progression and on the learning Type destinations chosen by their schools and their teachers.

Level 1: Received Management Knowledge Is Abstracted From the Real World and Is Universally Applicable at All Times (Classroom Teaching and Learning Types 1 – 3)

This received management knowledge is abstracted from the real world and, because it is abstracted, it must be applicable to the real world at all times. It is normative knowledge about what “everyone knows” should be looked at, considered, implemented or done. This normative

knowledge, although universally applicable to the real world at all times, is neither directly linked to any specific real world context nor directly applied in any real world situation. This normative knowledge may be referred to as “theory” as in organization theory or management theory, although these theories are largely constituted by perspectives and concepts and are not theories in any scientific sense.

Normative received knowledge can also contain knowledge of general laws and government regulations, morals and ethics, and knowledge of cultural and social norms and etiquette. This normative knowledge may also include management ideology as taken-for-granted beliefs, and as societal/organizational “custom and practice.”

Teaching and Learning Type 1

(Knowledge Application in the Classroom: Stage 1 - General Contextual, Non-Situational)

Here, the Stage 1 knowledge application is congruent with the Level 1 applicability of normative knowledge. An example of perceived instructional language, and resultant student learning is, *“In the general context of managing people, in all types of situations, the kinds of things that should be looked at and considered include understanding the organization’s culture and employee motivations, and the kind of thing that should be done is to show true leadership.”* Unfortunately, for such normative knowledge to

Exhibit 1. A Framework of Management Knowledge and Its Applicability versus Its Application to Some Real-World Situation

MANAGEMENT KNOWLEDGE APPLICATION TO A PARTICULAR REAL-WORLD SITUATION (IN THE CLASSROOM LEARNING SITUATION)

	1. <u>General contextual</u> <u>Non-situational</u> “ <i>Related to this general context, and all (types of) Situations...</i> ”	2. <u>Specific contextual</u> <u>Type situational</u> “ <i>Relative to this specific Context, and this/these type(s) of situation(s)...</i> ”	3. <u>In context</u> <u>In the sit'n here & now</u> “ <i>In this context and in this actual situation, right now...</i> ”
NATURE OF RECEIVED MANAGEMENT KNOWLEDGE AND ITS APPLICABILITY TO ANY REAL-WORLD SITUATION			
1. <u>Received management knowledge is abstracted from</u> <u>The real world – Universally applicable at all times</u> (Normative) “ <i>The (kinds of) things * that should be looked at/ considered/implemented/done are...</i> ”	<u>Teach/Learn Type 1</u> Received knowledge: - Abstracted from Knowledge application at the time: - General contextual, - Non-situational	<u>Teach/Learn Type 2</u> Received knowledge: - Abstracted from Knowledge application at the time: - Specific contextual, - Type(s) of situation(s)	<u>Teach/Learn Type 3</u> Received knowledge: - Abstracted from Knowledge application at the time: - Real context - Actual situation
2. <u>Received management knowledge is linked to the real</u> <u>World – Contextually applicable every time (Prescriptive)</u> Passively: “ <i>The (kinds of) things * to be looked at/considered/ implemented/done are...</i> ” Actively: “ <i>The (kinds of) things * to look at/consider/ implement/do are...</i> ”	<u>Teach/Learn Type 4</u> Received knowledge: - Linked to Knowledge application at the time: - General contextual - Non-situational	<u>Teach/Learn Type 5</u> Received knowledge: - Linked to Knowledge application at the time: - Specific contextual - Type(s) of situation(s)	<u>Teach/Learn Type 6</u> Received knowledge: - Linked to Knowledge application at the time: - Real context - Actual situation
3. <u>Received management knowledge is applied in the real</u> <u>World – Situationally applicable at the time</u> (Critical Questions and Derived Answers) “ <i>What are the (kinds of) things* to look at/ consider/implement/do?</i> ”	<u>Teach/Learn Type 7</u> Received knowledge: - Applied in Knowledge application at the time: - General contextual - Non-situational	<u>Teach/Learn Type 8</u> Received knowledge: - Applied in Knowledge application at the time: - Specific contextual - Type(s) of situation(s)	<u>Teach/Learn Type 9</u> Received knowledge: - Applied in Knowledge application at the time: - Real context - Actual situation

Note: * For all three types of Received Knowledge, “Things” includes “Ways of looking at/considering/implementing/doing things.”

be applicable in all general contexts it is necessarily non-situational, so by itself it is of little use in understanding, deciding and acting in any specific situation, and in any situational here and now.

In Type 1 learning, students wishing to pass examinations can learn normative “facts” and apply them to all contexts and situations. As normative knowledge is non-situational, students will always be correct in what they say, provided that they are in context. Students can get high scores if they can regurgitate sufficient “facts”, but they do not learn to use what they know in any particular types of situations or in any situational here and now.

Teaching and Learning Type 2

(Knowledge Application in the Classroom: Stage 2 - Specific Contextual, Type(s) of Situations)

As students in the classroom will not have applicable Level 2 management knowledge that would be congruent with this Stage 2 application, they can be given some contextual typology without their being knowledgeable regarding how its constituent situation types are derived. Although the application context is more specific and some situational typology is provided, the applicability of the received knowledge remains normative. For example, in the context of any production management question or problem, students can simply write, “*The production manager should carry out business process reengineering and selective outsourcing, then institute continuous improvement supported by quality circles.*” During Type 2 learning, students will come to know a lot of specific contextual, but still non-situational, normative generalities, as facts, labels or imperatives for action – none of which they will know how to apply in any specific type of situation, or in any situational here and now. Type 2 students may come to believe (because they know no better) that, by making non-situational, normative statements in specific context and relative to some type of situation, they have given a management solution to the problem. This is even though they do not know what the situation is, and neither do they know how to analyze it to define the problem.

Teaching and Learning Type 3

(Knowledge Application in the Classroom: Stage 3 - Real Context, Actual Situation Here and Now)

Stage 3 knowledge application may be through using published case exercises, business games or students’ own real-world research and information gathering. As students will not have applicable Level 3 management knowledge that would be congruent with this situational application, they can be given some “fill-in-the-boxes” means of situation analysis that they can follow intuitively, without being knowledgeable about how to carry out a proper situation analysis. For example, it may be that the popularity of “SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis” in the classroom is because it lends itself to the unthinking production of “SWOT Lists” of whatever students intuitively decide to put under the SWOT headings.

Again, the applicability of the received knowledge is still normative – it will still be about what everyone knows should be looked at, considered, implemented or done. For example, students may believe that they have applied management knowledge situationally when they write: “*Based on (our view of) the Whatever Company’s market competitive situation, right now,*

strategic options that should be considered include market consolidation or penetration, product development, market development and innovation/diversification.” Unfortunately, even if students may have performed a proper strategic situation analysis, which under this Type 3 Learning we perceive to be unlikely, they have not said what is the actual problem, nor what to do, and neither have they specified why, how, how much, how well, how fast, who, when and where to do it! Type 3 students also may come to believe (again because they know no better) that they have learned to apply what they know in real-world situations. Sadly, this is not so. They have learned merely to pick out from some actual real-world situations items that can act as convenient hooks upon which to hang the normative knowledge that they know (and everyone else knows too).

Level 2: Received Management Knowledge is Linked to the Real World and Is Contextually Applicable Every Time (Classroom Teaching and Learning Types 4 – 6)

This received management knowledge is linked to the real world as prescriptive or directive factors, frameworks, or (sets of) choices. Because it is linked in a prescriptive or directive way it is contextually applicable to the real world every time that it is used. This linkage to the real world is in the sense that: “If you perceive things this way, then this is the way that you will perceive them.” This is some taken-for-granted, unquestioned, and perhaps unquestionable, frame of reference and framework for real-world contextual and situational perception and understanding. As such, it is the stuff of orthodox subject-area doctrine or fashionable discourse. This received knowledge may include specific contextual or type-situational laws and government regulations. Any company’s policies and procedures manual will contain this type of prescriptive knowledge, and following these prescriptions to the letter is “doing it by the book.”

Teaching and Learning Type 4

(Knowledge Application in the Classroom: Stage 1 - General Contextual, Non-Situational)

This Stage 1 application can lead the Level 2 received knowledge to be linked to the real world in a doctrinaire manner: at all times and in all circumstances, these are the things to be done, and things are to be done this way, or, more actively, do these things and do things this way. Instructional language, and resultant student learning (of the things to be done, or the things to do) is perceived to be, for example, *“In looking at competition between business firms the things to be considered are the five competitive forces, and then the generic strategies of cost leadership, differentiation, cost focus, and differentiation focus.”* More active language may be: *“In managing people, in all types of situations, the things to do are to pay the high performers well and fire the lowest performers.”* Type 4 students learn prescriptive “instructions” or “facts” and apply them in general contexts and non-situationally, where they will always be correct in what they say provided that they are in context. Students can get high scores in examinations if they can remember enough of these “facts”. Their little knowledge is, however, a dangerous thing, in that they know (because they know no better) what is to be done and what to do every time in all kinds of management situations. Students are likely to be full of this knowledge, and to make this fullness evident to others.

Organization theory (OT) and its related organization behaviour theory (OB), as established subject areas of management education, look at organizations and people largely, if not

exclusively, in terms of the functional systems approach. Students are usually given few, if any, other perspectives on organizations and people – even though there are many other points of view on organizations and management (e.g., Burrell and Morgan, 1979; Burrell, 1988; Cooper and Burrell, 1988; Saul, 1992; Pitcher, 1995). MBA graduates working as managers in organizations are likely to find that their subordinates, who have not done courses in OT and OB, have their own ways of looking at organizations and people, and in particular at the management group and individual managers. People can decide for themselves their motivations and behaviours – no matter what OT and OB may say.

Teaching and Learning Type 5

(Knowledge Application in the Classroom: Stage 2 - Specific Contextual, Type(s) of Situations)

Here, Stage 2 knowledge application is congruent with the Level 2 applicability of the received management knowledge that is prescriptive or directive and linked to the real world. This knowledge can be used to undertake type-analysis, or “typing” of the application situation(s) in context, within the limits of, and according to, the prescribed frameworks or typologies that are being used. Instructional language, and resultant student learning (of the things to be done, or the things to do) is perceived to be, for example, *“In the specific context of industry market competition and in characterizing various types of competitive situations, the product life cycle and the experience curve are the things to be looked at.”* More active language may be: *“Relative to industry market competition, use the five forces framework to identify the type of competitive situation, and the generic strategy framework to decide what to do.”* Some description of the application of the received, prescriptive knowledge framework can follow either of these statements – but this application can only be linked to the situation and not applied in the situation. It may provide one contextual view of the real world but it is not real-world situation analysis.

Type 5 learning provides students with answers without raising questions. Some particular way of looking at the world is taken for granted, and perceptions and understanding are in terms of and limited by this framework. Type 5 students are “framed” or “blinker” in the way they see the world – a world where everything must be “pigeonholed” and “done by the book.” Again, students may be left thinking that they are applying management knowledge in some real-world situation – but they have only learned to utilize real-world contextual information relative to their own taken-for-granted contextual typologies and situation typing.

Teaching and Learning Type 6

(Knowledge Application in the Classroom: Stage 3 - Real Context, Actual Situation Here and Now)

Knowledge application at the time of student learning is Stage 3, i.e., in some real context and in some actual situation, obtained through published case exercises, business games or students’ own real-world research and information gathering. As students do not have applicable Level 3 received management knowledge applied in real situations, they can be given some “fill-in-the-boxes” means of situation analysis that they can follow unthinkingly, without being knowledgeable about how to carry out a proper situation analysis. (This is similar to Type 3 learning described above.) In this Type 6 learning students can simply carry out “situation typing”

in an unthinking and perhaps intuitive manner, and so-called “SWOT Analysis” (see Type 3 above) can be used just as conveniently in this Type 6 learning by incorporating some prescribed frame(s) of reference.

Instructional language, and resultant student learning (of the things to be done, or the things to do) is perceived to be, for example, *“Based on (our view of) the Whatever Company’s market competitive situation, right now, the product life-cycle, the experience curve and the five competitive forces are the things that are to be looked at and considered.”* More active language may be: *“Based on (our view of) the Whatever Company’s competitive situation, at present, the things to do are, first, to look at the five competitive forces and, second, to implement an appropriate generic strategy, i.e., cost leadership, differentiation, cost focus or differentiation focus.”* Again, some description of the application of the received, prescriptive knowledge framework can follow either of these statements.

In Type 6 learning the knowledge application is Stage 3, in some particular real world situation, but students do not have in mind any Level 3 received management knowledge applied in situation. Even if students may perform a proper strategic situation analysis, which under this Type 6 learning we perceive to be unlikely, they have not said what is the actual problem, or what to do, and neither have they specified why, how, how much, how well, how fast, who, when and where to do it! The result of Type 6 learning, if left on its own, is similar to the result of Type 3 Learning described above. Students may come to believe that they have learned to apply what they know in real-world situations but, again, this is not so and they have learned merely to link received management knowledge to some prescribed types of real world situation(s).

Level 3: Received Management Knowledge is Applied In the Real World and Is Applicable At the Time (Classroom Teaching and Learning Types 7 – 9)

The received management knowledge is applied in the real world situational here and now as critical thinking, involving critical questioning and answers derived in some situation (Bagg 2002, 2003; Bragg & Hajek, 2001). As it is applied in some situational here and now, this received knowledge is applicable at the time it is used. This level of received knowledge both produces and is the product of the knowledge-able student who is able to carry out his or her own critical observing and thinking, and make his or her own decisions concerning received knowledge applied in the situational here and now. There is no external authoritative normative or prescriptive source of knowledge and rules of its applicability. There is only the student situation analyst and decision-maker in the situation at the time – who has his or her applied knowledge and who makes his or her own rules for its application. This is like playing a sport – practice is good, but in the reality of the competition it is all up to the individual player in the situation at the time.

Teaching and Learning Type 7 (Knowledge Application in the Classroom: Stage 1 - General Contextual, Non-Situational)

In this Stage 1 application, critical questions to be asked are conceived as related to all times and to general contexts in a non-situational manner, so that their corresponding detailed and situational answers are not considered. Instructional language, and resultant student learning of (the kinds of) questions to be asked, or the questions to ask, is perceived to be, for example,

“Relative to competition between business firms, the questions to be asked in this situation include what are the important characteristics of customers and markets, what is the nature of competition and of firms’ competitiveness, and how are industry competitors positioned? Similar to learning Types 1 and 4, students can get high scores in examinations if they can remember (or make-up) enough of these critical questions that can be asked generally. Students’ little knowledge is, however, another dangerous thing – because they know what questions are to be asked in general context and non-situationally they may come to think that they know what questions to ask in all situations, and what answers they need. Again, and similar to Type 4 learning, Type 7 can leave students full of doctrinaire knowledge, and this fullness will likely be evident to others.

Teaching and Learning Type 8

(Knowledge Application in the Classroom: Stage 2 - Specific Contextual, Type(s) of Situations)

Here, examples of critical questions to be asked may be described, but only in terms of specific contexts and defined, characteristic types of situations. An illustration of instructional language and resultant student learning is perceived to be, for example, from Thompson, Strickland and Gamble, (2005), in the general context of strategic management:

“...Thinking strategically about a company’s competitive environment entails using some well-

defined concepts and analytical tools to get clear answers to seven questions:

1. What are the dominant economic features of the industry in which the company operates?

2. What kinds of competitive forces are industry members facing, and how strong is each force?

3. What forces are driving changes in the industry, and what impact will these changes have on

competitive intensity and industry profitability?

4. What market positions do industry rival occupy – who is strongly positioned and who is not?

5. What strategic moves are rivals likely to make next?

6. What are the key factors for competitive success?

7. Does the outlook for the industry present the company with sufficiently attractive prospects for profitability? (pages 47-48)

Type 8 learning provides students with questions to be asked – but only relative to specific contexts and defined types of situations. To the extent that students are left dependent on some (learned or unthinking) context recognition and situation “typing,” this will determine how they will characterize the situations in which their received management knowledge may be applied, and any thinking undertaken. Students are left to a greater or lesser extent situationally framed or blinkered, even if they do not unquestioningly try to pigeonhole everything.

Teaching and Learning Type 9

(Knowledge Application in the Classroom: Stage 3 - Real Context, Actual Situation Here and Now)

In Type 9 learning, Stage 3 knowledge application is congruent with the Level 3 applicability of the received knowledge of critical thinking that is itself applied in the real world situational here and now. The Stage 3 application may be through using published case exercises based on business firms, business games or students' own real-world research and information gathering, to provide some particular real-world actual situation in real context. Critical thinking in the classroom has been discussed by Bagg (2002, 2003) and Bragg & Hajek (2001). In the particular situation at the time, critical thinking will include "situationalization" – situation analysis and synthesis, i.e., problem identification and solving, and evaluation. Evaluation is inherent in analysis and synthesis and includes making analytical, and strategic and action planning assessments and judgements with stated rationales and criteria. There are no set rules for critical thinking – except that the thinker must always take responsibility for his/her own perceptions of the world, and for his/her own thinking, including his/her imagination. Part of this responsibility includes continually questioning one's perceptions, one's thinking and one's imagination! Questions to be asked include: What? So what? Who cares? Why? Why not? How? How much? How well? How often? How fast? Who? When? Where?

It is only in Type 9 learning that students' applicable received management knowledge applied in the here and now is used in real context, in some actual situational here and now. Type 9 learning, especially, has to be developed by the student in his/her own mind, mostly through real (or reality-based) contextual, situational practice. This is similar to practicing a sport – except that there are no rules and this is where the student manager learns to make his/her own rules in and for the changing situational here and now.

Concluding Remarks

Space limitations mean that we are only able to briefly comment on the possible usefulness of the framework presented in this paper, and to indicate some directions for further research.

From Exhibit 1, in progressing through management learning in their MBA programs, students ideally need to move from Type 1 learning to Type 9. In which learning type do MBA students in different business schools end up by the time they graduate? If MBA graduates are not in Type 9, then they have not learned to be real-world relevant, i.e., they have not learned to practice effectively in the changing situational here and now. Mintzberg's continuing criticism of business school MBA programs and their graduates (Merritt, 2004; Mintzberg, 2004) is well known. In which learning Type in Exhibit 1 do graduates from Mintzberg's program end up by the time that they graduate? Do students in this program have more opportunities for Type 9 learning? (It can, of course, be questioned whether Type 9 learning can be accomplished in the classroom or whether it can only be potentiated and must be practiced in some real-world situational here and now to be fully accomplished.)

A question that may be applied to all schools is whether successful Type 9 management learning may be more to do with student selection rather than curriculum design and pedagogy. On the other hand, if students generally in MBA programs are not easily brought to Type 9 learning, then “add-on” programs to be taken after gaining more experience will need to be more generally considered.

We are hopeful that the framework described in this paper can be helpful in providing some common language for educational debate, for improving the real-world relevance of MBA programs and their graduates.

References

- AACSB Eligibility Procedures and Standards for Business Accreditation, Adopted April 25th, 2003*. From AACSB website: www.aacsb.edu, July 2003.
- Bagg, D.R., “Critical Thinking and Management Education: Some Observations,” Atlantic Schools of Business Conference, 2002, Antigonish, Nova Scotia; and in *ASB 2002 Conference Proceedings*, pages 203-213.
- Bagg, D.R., “Management Education and Critical Thinking: Why Does It Matter?” Atlantic Schools of Business Conference, 2003, Dartmouth, Nova Scotia; and in *ASB 2003 Conference Proceedings*, pages 236-246.
- Bragg, E., & Hajek, A., “Course objectives: Benefits for you, your students, and your academic unit,” *The News – Newsletter of the Centre for Academic and Media Services, Memorial University*, Vol.4, No.2, Winter 2001, pages 1-2.
- Burrell, G., “Modernism, Postmodernism and Organizational Analysis 2: The Contribution of Michel Foucault,” *Organization Studies*, Vol.9, No.2., (1988), 221-235.
- Burrell, G., & Morgan, G., *Sociological Paradigms and Organizational Analysis*, London, England: Heinemann, 1979.
- Campus Recruitment Outlook 2003*, Canadian Association of Career Educators and Employers. From website: www.cacee.com, accessed June 13, 2003.
- Cooper, R. & Burrell, G., "Modernism, Postmodernism and Organizational Analysis: An Introduction," *Organization Studies*, 9, (1), (1988), 91-112.
- Management Education at Risk*, Report of the Management Education Task Force to the AACSB International Board of Directors, August 2002. Available from the AACSB website: www.aacsb.edu accessed April 3rd, 2003.
- Merritt, J., “Masters of Barely Anything?” *Business Week*, (July 12, 2004), page 22.
- Mintzberg, H., *Managers Not MBAs: A Hard Look at the Soft Practice of Managing and Management Development*, Berrett Koehler, 2004
- Pitcher, P., *Artists, Craftsmen and Technocrats –The Dreams, Realities and Illusions of Leadership*, Toronto: Stoddart Publishing Co. Ltd., 1995.
- Porter, L. and McKibbin, L.E., *Management Education and Development: Drift or Thrust into the 21st Century*, New York: McGraw-Hill Inc., 1987.
- Saul, J.R., *Voltaire’s Bastards – The Dictatorship of Reason in the West*, Harmondsworth, England: Penguin Books Ltd., 1993.

Atlantic Schools of Business Conference - 2004

Thompson, A.A., Strickland, A.J., and Gamble, J.E., *Crafting and Executing Strategy – Text and Readings*, 14th Edition, Boston, MA: McGraw-Hill Irwin, 2005.

Marketing

**A Typology of CRM Systems
by Gordon Fullerton (Saint Mary's University)**

Abstract:

Customer relationship management is to the new millennium of marketing thought and practice what the marketing concept was to marketing thought and practice in the 1960's. This being said, CRM programs have lead to mixed results. This paper puts forward a typology of CRM programs that is based on the inherent commitment/control orientation present in the program. The success of customer relationship management efforts is largely determined by the commitment/control orientation present in the CRM program.

Customer commitment is a central construct in the study of marketing relationships (Morgan and Hunt, 1994). Many authors have argued that marketing relationships could be better understood by borrowing theory from the organizational behaviour literature using it to build a better theory of customer commitment (Bansal, Irving and Taylor, 2004; Fullerton, 2003; Gruen, Summers and Acito, 2000) The organizational behaviour literature has also presented a rich understanding of the nature of human resource management systems. This theory can be borrowed and applied to the study of customer resource management systems or CRMs. Some human resource management systems are designed to enhance employee commitment to the organization while other human resource management systems enhance organization control over the employee (Arthur, 1994; Barling and Hutchinson, 2000). Commitment based systems are designed to improve employee attitudes towards the organization. Specifically, they are designed to enhance trust, shared values and a sense of worth in the organization (Arthur, 1994). Control oriented systems employ rules and regulations which prescribe limits on the behaviour of employees. Although they are designed to promote organizational efficiency, they also undermine feelings of trust and commitment (Arthur, 1994).

Effective CRM efforts have a strong emphasis on building customer commitment, regardless of the formal nature of the CRM program. In addition, commitment based systems require that the organization believe in developing relationships with customers above all else. This stands in contrast with organizations using control based systems. Firms developing control based CRM systems may have developed a CRM in order to maximize the efficiency of product or service delivery or they may look to enhance consumer response to direct marketing effort. While control-based mechanism may provide value to the firm, they will not be successful unless they can also provide value to customers. Marketing scholars have recognized that customer commitment is a central concept to the development of an effective organizational-consumer relationship. CRM tools and loyalty programs are no substitute for the development of trust and shared values because in the absence of these constructs, there is no meaningful relationship between the consumer and the organization.

The Big Pictures: Sources of National Competitiveness in the Global Movie Industry **by Joseph W. R. Howse and Carolan McLarney (Dalhousie University)**

Abstract

The competitive dynamics of the global film industry are not frozen in time. The Motion Picture Association of America (MPAA) studios have pursued an utterly transparent strategy of buying out or otherwise dominating their domestic and international distribution chains, while generally avoiding cooperation with other nations' producers. This strategy has gone unchallenged largely because other nations and film production companies have lacked perspective on their own position and potential in the global film industry. With keener use of existing tools, including co-production, these countries can establish themselves. For instance, Canada, having co-production treaties with both mainland China and Hong Kong while no other nation has co-production treaties with either, has uniquely positioned its film industry to enter the Chinese mass market either directly or via Hong Kong's free trade without the crippling import expenses that other foreign producers face. However, Canada's producers to date have made less creative use of the co-production treaty with China, using it to more easily access low-cost animation inputs.

Introduction

The global feature motion picture industry generates end-sale revenues of about US\$60 billion annually. This market has grown rapidly via both of the main distribution channels: cinemas, which in 2002 continued to consolidate while realizing 16.4% global growth in the box office; and home video, which has been revitalized as a growth channel by the DVD format. About half of this global market value is concentrated in the United States, but growth rates in recent years have been greater in Europe, Asia Pacific and Canada. Last year, 2003, saw an interruption in this pattern of growth, with box offices stagnating or slipping in many major markets across the globe.

The seven US studios that constitute the Motion Picture Association of America (MPAA) have consistently maintained an oligopoly over about 75% of their domestic market – rising to 85% in 2003. However, the growth of production and marketing costs for these companies is outstripping the growth of the US market. Recent developments may even imply that the competitive success of the oligopoly is shrinking the US movie market as a whole. Since the MPAA studios moreover currently recover only slightly more than their costs domestically, their financial success is going to become increasingly contingent on their power to steer their movies consistently into lucrative foreign distribution channels.

Canada's market for movies is only about one-fifteenth the size of the US market, and its box office is only about 1.7% controlled by domestic productions. Part of the reason for this is that the most successful Canadian production companies can achieve greater access to inputs and markets by shifting operations into US subsidiaries instead. Canadian government action plans for boosting domestic production and sales suffer from an enormous yet probably unrecognized misfit between the budgets and the head-on competitive goals. A more promising avenue for enabling Canadians to produce high-budget, internationally competitive films is the nation's co-production treaty network, but the industry has continued to underutilize these opportunities.

China exerts appeal for producers as the home of the largest potential audience on earth. However, its regulatory regime drains most of the value out of this market for both foreign and domestic competitors, by means of imposing onerous import contracts and preferentially handing out subsidies and film production -distribution permits. The Hong Kong film production industry – perhaps the world's second strongest at the start of the 1990s – scaled down alarmingly and lost its strategic

capacity to compete with the US during the long wait for liberalization of trade with mainland China. Free trade with the mainland has finally been enacted under CEPA in June 2003.

Global industry structure

Working definitions of the “film industry” commonly encompass the entire value chain for motion pictures: production, reselling and end selling alike. Within each part of this value chain, there are many ways to segment competing firms by size or business model and their products or services by format or genre. To complicate matters further, advances in media and distribution have created substantial overlaps between the value chain of movies and those of other mass entertainment products.

To begin, a modern technical definition of the film industry’s core product helps clarify the boundaries. A motion picture is a long, continuous, non-interactive sequence of recorded audiovisual content, designed to be delivered to an audience. “Long” should usually imply at least 1.5 hours, and “continuous” should usually imply that the images and sound progress in a facsimile of real time. The exact means of delivering the content to the audience, importantly, is non-essential to this definition.

Under this definition fall three categories of films with largely distinct production processes: “photoplays” (camera-recorded performance drama), animated cartoons, and documentaries / educational films. (These categories are from MITI, 1998.) Animations are dissimilar from photoplays and documentaries in that their native image format is not photographic negatives; rather, it is illustrated slides or now more frequently vector-based computer graphics. Vector-based computer graphics, as opposed to raster-based, store a mathematical rather than a dot-by-dot description of the image. This allows the displayed image to be enlarged or shrunk without loss of information, and, in its most sophisticated form, allows objects, paths of motion, lighting effects and angles of view to be defined in three dimensions. Animations and photoplays are both dissimilar from documentary / educational films in that the latter follow the guiding principles of non-fictional media, and face a different distribution system and market accordingly.

Although documentary / educational films are more numerous than photoplays and animations combined, the latter two categories – together, sometimes referred to as “theatrical films,” as they are often designed for cinema – are the focus of this research. Their distribution channels are nearly identical, as the storage formats for photoplays and animations are interchangeable after production: audiovisual content of either source is readily transferable among film reel, VHS, DVD, computer CD or hard disk (Broadcast capacity is scarcer, though.) The advancement of the production business for theatrical films has coincided with the development of an international distribution system and a mass consumer demand for these films that sometimes exhibit surprisingly consistent dynamics across political, economic and cultural boundaries.

Classified as “medium tech”, the technical aspects of producing and distributing fiction films are not prohibitively complex. The business reality is – so much so that only a handful of firms worldwide are capable of producing films in volume and consistently ensuring that they are purchased by resellers and end sellers (even though many of these companies have low bargaining power too). The thin upper crust of film production companies that do have these mass production and distribution capabilities are known as studios. They are characterized by strong financial and relational assets, in such forms as public equity, large-scale bonds, crossholdings or long-term contracts with distributors, and broad access to artistic talent. By contrast, “independent filmmakers” – which might cover the entire spectrum of film production firms in some regions – may be forced to rely on private equity, small-scale loans, one-time contracts and local talent in order to produce any commercially viable project they may have.

The value chain functions differently for independents than for studios. A studio begins by seeking out, accepting or commissioning a script, then hires a director who can draw on the studio’s existing sources of financing to hire the cast and crew, produce the picture and outsource where useful. (The director may operate as a company in his or her own right.) An independent starts by finding or

writing a script, and often takes direct control of casting and producing. Before progressing to this directing stage, however, the independent would have to secure new financing and pre-sales (or else take a leap of faith on the project). Thus, “the pitch” to financiers and buyers alike stands in the middle of independents’ product development process. Downstream in the value chain, studios are usually capable of doing much of their distribution in-house. For foreign sales, they often operate through locally based resellers with whom they hold exclusive agreements. A few end sellers also have their own international distribution capabilities, which would be leveraged through more direct dealings with studios. The opportunities for independent filmmakers to deal with resellers and international end sellers are limited, unless the film has already demonstrated enough commercial viability to attract attention from one of the major studios’ acquisition divisions, which typically purchase the rights to co-brand and redistribute the production internationally. Even then, such agreements are usually one-time. Again, this means that independents may have difficulty building up their resource base from one project to the next.

The focus of this study is on major studios and on the ways in which independents can raise the resources to function as if they were studios. The existing mechanisms for doing so include co-ventures and co-productions. A co-venture is a joint venture entity established by two or more film production companies for the purpose of collaboratively producing one film. The founding firms of the co-venture need not be based in the same country, but the co-venture itself must have one country as its base. A co-production is an agreement between two or more film production companies of different nationalities to share ownership of a project to which each company contributes, subject to regulation by special international treaty. Most importantly, co-production treaties allow the film to be treated as a domestic product in the home country of each contributing firm. This not only improves market access but also makes the project eligible for more subsidies and tax-backs. Thus, where they are allowable by treaty, co-productions offer more benefits than international co-ventures do.

Figure 1 is another way of viewing the above information about the value chain and international distribution structure for motion pictures:

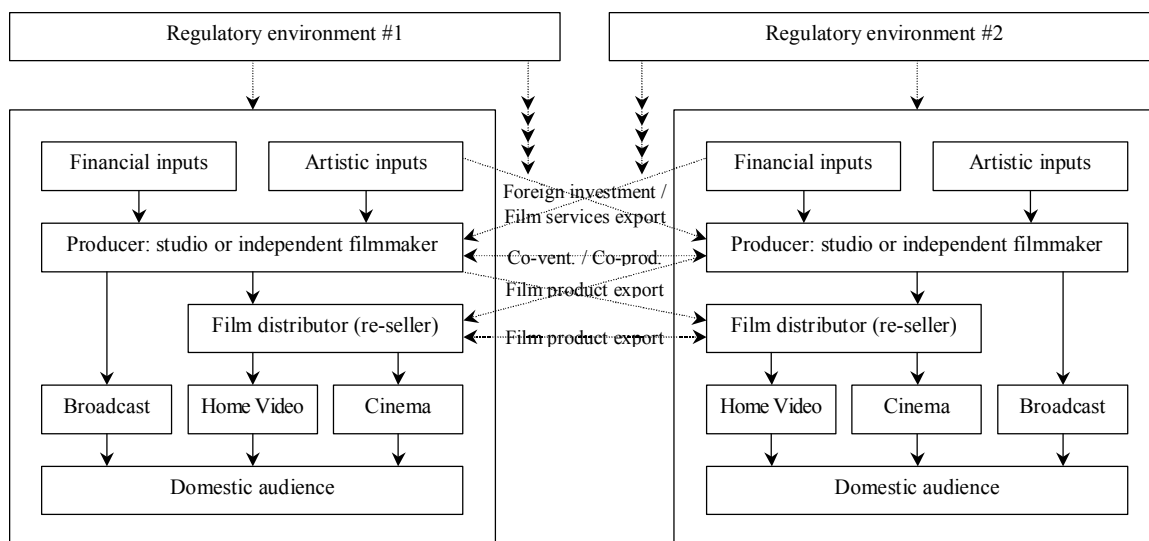


Figure 1: Global value and distribution chain for movies

Now, before analyses of several representative movie-producing countries are given, some key features of the global industry need to be quantified. First, the gross of the worldwide cinema box

office was measured at US\$20.53 billion by the MPA (Motion Picture Association) for year 2003. The MPA's regional breakdown and recent historical figures for this market segment are reproduced in Table 1:

Table 1: Regional breakdown of the global box office

	2003 (US\$ bln)	Growth (%)	2002	Growth	2001	Growth	2000
United States	9.49	← -0.3	9.52	← 13.2	8.41	← 9.8	7.66
Canada*	0.69	← 15.0	0.60	← 15.4	0.52	← 10.6	0.47
Europe, Middle East, Africa	5.58	← 12.7	4.95	← 21.0	4.09	← 1.7	4.02
Asia- Pacific	3.79	← 0.0	3.79	← 20.7	3.14	← 2.6	3.06
Latin America	0.80	← -11.1	0.90	← 12.5	0.80	← 12.7	0.71
World Total	20.53	← 3.9	19.76	← 16.4	16.96	← 6.4	15.92
*CDN\$ bln:	0.96	← 1.2	0.95	← 16.2	0.81	← 16.7	0.70

Box office receipts are the most common measure of films' commercial success, because they are the most readily available: the product's lifecycle in the theatre is much shorter than its lifecycle in the rental store. However, 60% of the movie industry's total revenue, according to one rental chain's intelligence, comes from video rentals and sales (VHQ, 2001). Suppose broadcasting (cable, satellite, pay-per-view) and ancillary goods account for another 5-10% of revenue; then total market size across segments would be about 3 times the amounts given in Table 1. This puts the global movie industry in the 60 billion dollar category – the same size as the global coffee industry, the global fitness / nutrition industry, the US tourism industry or the US bridal industry, and just over half the size of the US fast food industry (Google search, 2003).

United States of America

The United States, as has already been seen, sustains as much movie consumption in dollar terms as the rest of the world combined. The nation's film industry is also one of the world's most productive in terms of either number of movies produced annually or number of movies released annually. Two crucial trends are evident from the MPA data. First, from 1996 to date, the annual number of US film releases has finally been hitting levels comparable to those of pre-1960s heydays. (The coming of the television into the home was the worst thing that ever happened to the US film industry. By contrast, the Great Depression was the best, as the unemployed and impoverished flocked to cheap entertainment at cinemas.) The second trend is that the annual number of US movies produced has been dropping rapidly since 1999, while the number of movies released has fluctuated little. This suggests one or both of two things: (1) that film producers are implementing tighter "quality control systems" in order to identify non-starters before they are produced; or (2) producers who have been making non-starters are going out of business.

A breakdown of the films actually released and their revenues may cast further light on trends in the production sector. The MPA, in its 2003 market statistics, breaks down the volume of new releases¹² into those released by its own MPAA (Motion Picture Association of America) members and those of other distributors. The statistics also give average box office revenues for MPAA new releases and for new releases overall. Up to 2002, the trend appeared ambiguous. Over 1999-2001, MPAA member companies were generating growing per-film gross on decreasing film releases while other distributors were generating decreasing per-film gross on increasing film releases. Over 2001-2002, however, MPAA members generated lesser per-film gross on greater film releases while others generated greater per-film revenues on lesser film releases. The total box office consolidation under MPAA companies fluctuated over 1999-2002, but remained close each year to an average of 76.3%. However, in 2003 the MPAA box office share jumped to 84.9%, with total gross from MPAA films rising dramatically despite fewer MPAA releases. Nonetheless, the US box office shrank during this year, as an increased number of independent releases failed to offset a sharp drop in the per-film box office of independent films. Thus, up to 2002 the data did not indicate increasing consolidation under the oligopoly but did indicate increasing consolidation among the independents. Now, the opposite trend may be appearing, with the independent industry being severely diluted as MPAA studios produce bigger hits.

At this point, an obvious question is, "Who belongs to this MPAA oligopoly and who does not?" The answer is less obvious, due to the complexity of ownership patterns in the US film industry. For its statistical purposes, the MPA's criterion for an "MPAA film" seems to be not the production label, but the distribution label, which is more inclusive of affiliated studios. This way of viewing the US movie industry is instructive in two ways. First, it shows that many of the iconic "Hollywood" brands are in fact rather remote appendages of the global media conglomerates. Even Disney, as the world's third largest media conglomerate, derived just 24% of its FY 2000 revenues from its studios, compared to 27% from its theme parks and 17% from its broadcasting networks (Frontline, 2003). A second feature of these ownership structures is that they make for strange bedfellows: series of mergers and acquisitions have created many partnerships among studios with dissimilar backgrounds and genres – partnerships that might have been beyond the means or wishes of these studios to create themselves. Under the merged corporate structure, the physical "studio" – the workplace and equipment – may belong to one subsidiary, such as Sony Pictures Studios, while the libraries of finished films are divided up among other subsidiaries, such as Columbia TriStar companies (SPE, 2003). Thus, by design, some subsidiary studios are light on intangible assets; while others are light on tangibles, and only combined do they function to produce a movie.

The MPAA member studios usually produce high-budget films, while letting their subsidiaries and affiliates compete in the comparatively low-budget product segments. Specifically, total negative costs and marketing costs for MPAA affiliate- / subsidiary-produced films in 2003, 2002, 2001, 2000, 1999 and 1999, respectively, averaged 59.9%, 50.6%, 52.1%, 38.4%, 32.8% and 35.0% of these costs for MPAA member-produced films (MPA, 2004). The recent narrowing of this gap may be attributable to several major affiliate- / subsidiary-produced movies such as New Line's *Austin Powers* and *The Lord of the Rings* series. Rising production costs, for both MPAA members and affiliates / subsidiaries, are not necessarily healthy and the indications are unfavourable:

If the long-term trends are to persist, the MPAA members' US market position would appear to be economically untenable. The number of MPAA releases (production volume) is growing at a greater rate than US box office admissions (demand volume), and the average cost of each release is growing at a greater rate than the average ticket price. Meanwhile, as seen earlier, MPAA members' percentage share of the dollar box office is approximately level. Simply to recoup the US\$20 billion negative costs and marketing costs of their releases in 2002 (ignoring other costs, including those associated with any films produced but not released), the MPAA members required one-third of the

¹² Note that "new releases" are not total releases. A small proportion of releases and smaller proportion of box office come from "re-releases."

global market. Equivalently, if the MPAA members captured three-quarters of the whole US movie market in 2002 (the same as their percentage share as in the box office), then domestic sales did slightly more than cover their costs.

The unfeasibility of profiting from the box office alone is driving US studios to explore emerging, high-margin distribution formats. Most notably, these include DVDs, which cost substantially less to duplicate than VHS cassettes, while offering the same or greater value to consumers who own DVD players. As of 2002, 36.4% of US households with TVs also had DVD players, and DVD player ownership had grown by 56.5% over 2001. Furthermore, DVDs accounted for 59.2% by units of US video rentals and sales in 2002, and unit DVD rentals and sales had grown 84.0% over 2001, compared to a 24.2% drop for VHS (MPA, 2003). PPV (pay-per-view) and VOD (video on demand) are seen as important broadcast innovations affecting the movie industry, as they offer consumers more flexible selections of movies on television. (VOD even allows rewinding, pausing and fast forwarding.) However, household penetration rates for PPV have fluctuated over 2000-2002, while VOD is still in early stages of adoption, with 5.5% penetration in TV households after its 3 years of existence. Another new format, “digital screens” – essentially, big, high-definition digital projectors – are in the early stages of adoption in large cinemas. Though only 124 of the 35,280 US movie screens in 2002 were digital screens, the MPA is ready to hail this format as “the future of exhibition” because the US demand for conventional screens is over saturated. (The total number of screens dropped 4.0% between 2001 and 2002, while the number of cinemas dropped by an astounding 14.4% – the smallest of several consecutive year-to-year declines.) (MPA, 2003) The barrier to the proliferation of digital screens, though, is that studios have designed few films that benefit from this format (LeBoutillier, 2003).

To recap, here are the major features of the United States as a movie-producing and movie-consuming nation:

- The US contains about half of the world film market in dollar terms, and its film industry is the world’s largest by some measures.
- Over 75% of the US box office has been consistently controlled by the 7 MPAA members. This is not an extraordinary level of consolidation, but it may or may not be fully inclusive of MPAA affiliated / subsidiary studios. This measure of consolidation increased to about 85% over 2004.
- The 7 MPAA member companies are Metro-Goldwyn Meyer, Paramount, Sony Pictures Entertainment (known for Columbia TriStar), Twentieth Century Fox Film, Walt Disney and Warner Brothers. All of these companies or their parent companies can be classified as media conglomerates, and they have numerous sister companies or subsidiaries – some household names, some not – throughout the movie value chain.
- The growth rate of MPAA members’ costs is outstripping the growth rate of the US box office, while the MPAA members’ market share appears to be level. This will be economically untenable in the long term.
- The MPAA members’ share of the US market probably covered slightly more than their costs in 2002.
- The box office alone is ever-increasingly unprofitable, but firms in the US film industry are optimistic that newer movie formats can yield high margins. DVDs are now a sure bet; other new formats are not yet.

Canada & Co-production

The long-standing, overriding concern of Canadian film producers and public film financing agencies has been how to compete with US studios. As of 2001, the Canadian box office was about CDN\$800 million, of which CDN\$700 million came from English-language features and CDN\$100 million from French-language features. For 1998-2001, Canadian films captured, on average, CDN\$14 million annually or 1.7% of the 2001 box office, with English Canadian films accounting for CDN\$5 million or 0.7% of the 2001 English Canadian box office and French Canadian films accounting for

CDN\$9 million or 9.0% of the 2001 French Canadian box office (Telefilm, 2002). By comparison, the top-grossing movie in the 2002 US market – Sony’s *Spider Man* – brought in US\$114.8 million in its opening weekend – over 10 times the value of the average box office share Canadian-produced films capture domestically each year.

Subsequent to 2001 – as seen above in Table 1 – Canada has had the world’s fastest-growing box office in US\$ terms. However, for 2002-2003, this growth relative to other box offices was mainly due to the jump in the CDN\$-US\$ exchange rate. Other indicators in Canada’s 2003 box office were ominous. Table 6, below, based on MPAA data compiled in 2004, shows that a 37.4% price increase in Canadian cinema tickets barely compensated for a 26.3% decline in cinema attendance between 2002 and 2003. By comparison with data in Table 5A, year-to-year price and attendance changes of this scale are unprecedented in North American cinema. The MPAA suggests that the SARS virus affected Canadian cinema attendance in 2003, but this is an implausible explanation given that the outbreak occurred outside of peak cinema seasons, and given that SARS had limited economic impact on other non-tourism industries, except in Toronto. The strategic direction of the Canadian cinema industry – another topic unto itself – may need to be reassessed over the course of further trends in 2004.

Canada is home to one internationally recognized film corporation: Lion’s Gate Entertainment, which owns the Canadian-based studio and distributor of the same brand name, as well as the US-based studios Mandalay Pictures and Trimark Holdings, and US-based distributors Eaton Home Entertainment and Sterling Home Entertainment. Lion’s Gate has also recently finalized an agreement to acquire US-based distributor Artisans Entertainment. A success story that “has had its ups and downs” (LeBoutillier, 2003), Lion’s Gate is now recovering from crises in some of its core business units. Their financials show that one of the dilemmas that has faced Lion’s Gate – like other Canadian companies with film production capabilities – is that in-house production projects are financially much riskier than alternative sources of revenue (Lion’s Gate, FY 2003 report). While Lion’s Gate’s segment contributions for animation services, studio facilities and “management services” remained consistently positive over FY 1999-2003, its TV segment usually yielded negative returns, and its motion picture segment took an operating loss in FY 2002. This faltering of the core business in FY 2002, combined with escalating write-downs and write-offs of subsidiary operations, plunged the company’s net income deeper into red ink than ever before. However, in FY 2003 Lion’s Gate’s core business returned to greater profitability than before FY 2002, and the write-downs and write-offs ceased, resulting in positive net income.

Throughout its past five years of fluctuating financial viability, Lion’s Gate has been steadily shifting its assets out of Canada and into the United States. Similarly, the company’s Canadian and other non-US revenues have dropped since FY 2000, while US revenues have been climbing quickly. This underscores another dilemma of the entire Canadian film industry: that the most successful Canadian producers are not, primarily, producing films in Canada or for Canada. Consider this: in 2002, 58.9% of Lion’s Gate’s total revenues came from its motion picture segment, and the box office of its films might have amounted to about one-third of its motion picture revenues – making Lion’s Gate’s share of Canada’s box office about CDN\$15.7 million or 2.0%. The problem? This is more than the entire domestic (French and English) average share of the Canadian box office. How? Lion’s Gate films produced by its US subsidiaries would not be products of Canada. Thus, it is possible for the most successful Canadian-based film producer to contribute to eroding the domestic share of the market.

A reasonable rebuttal would be that this statistic – domestic share of the domestic market – is simply flawed as a measure of national competitiveness in this industry, as it fails to acknowledge the international success of firms such as Lion’s Gate. Nonetheless, this number is the one on which public Canadian film agencies have pegged their hopes. The federal feature film policy *From Script to Screen*, released in 2000, specified the prime goal of 5% domestic share of the domestic box office by 2006. On November 13, 2002, Telefilm Canada executive director Richard Stursberg took up this vision in his keynote address to the Academy of Canadian Cinema & Television. He added that the objective could be achieved by growing the domestic share of the French box office from 9% to 12%

and the domestic share of the English box office from 1% to 4%. To meet the English-Canadian box office goal, Stursberg hoped that Telefilm could use its CDN\$40 million budget for English-language film financing to support 7-8 films annually yielding CDN\$3-4 million each in box office receipts – or some other annual combination with box office receipts of CDN\$28 million. He noted that this would require box office yield of \$0.70 per \$1 of Telefilm investment (Telefilm, 2002).

How feasible is Telefilm Canada's goal of realizing 70% box office yield on its investment? The first consideration is the proportion of financing that will come from non-Telefilm sources. Suppose half of total financing for successful films comes from non-Telefilm sources; then the overall box office yield on investment need only be half of 70% – that is, comparable to the MPAA studios' US 2002 box office yield of US\$7,150.0 million on US\$19,668.0 million of negative costs and marketing costs, or 36.4%. This comparison, however, ignores the market size difference between the US and Canada. Because the negative costs and marketing costs of motion pictures are largely fixed costs with respect to unit sales volume, market size heavily influences the potential yield on investment. With their fixed investment of US\$19,668.0 million in 2002, the MPAA studios probably generated no more than CDN\$750 million in the Canadian box office, or 2.4% yield. At the same yield rate, sustaining a CDN\$28 million domestic share of the Canadian box office would require a fixed investment of CDN\$1,152 million annually. Telefilm's budget would provide only 3.5% of this sum. A proponent of the Telefilm plan might argue that the MPAA companies' box office yield for Canada is readily beatable because small, lean Canadian film production companies can save on negative costs, and because the marketing costs for the Canadian market alone should be small. Neither of these defences is valid. First, the Canadian producers that make films with domestic box office receipts of CDN\$3-4 million are not small, lean companies. One of the two such films that Telefilm supported during 1998-2002 – *The Red Violin* (2000), with domestic box office of CDN\$3.4 million – was produced by Lion's Gate, and the other – *Men With Brooms* (2002), with domestic box office of CDN\$3.7 million – was produced by the main film studio of Canadian media conglomerate Alliance Atlantis. The third highest-grossing Telefilm-supported cinema release during 1998-2002 – *eXistenZ* (1999), with domestic box office of CDN \$1.6 million – was also an Alliance Atlantis production (Telefilm, 2002). Second, saving on marketing costs by limiting the market to Canada would be (in British proverb) "pound foolish, penny wise": no studio would go to the expense of producing a film with \$3-4 million dollar box office potential in Canada without planning to produce proportionally similar results in larger markets such as the US or Europe.

Practically speaking, what Telefilm's new policy amounts to is a modest subsidy for keeping large Canadian producers' operations in Canada. This effort seems unlikely to prove effective, and even if it does, its goal is too narrowly defined to truly address Canada's competitive lag in the global film industry. By 2006 – the deadline for the federal government and Telefilm's challenge – other nations' film industries will have evolved dramatically. New producers in mature markets will have tested schemes to redefine the key success factors of the industry – as Pixar Animation Studios in the US has done in recent years by developing more innovative animation than Disney, then distributing through Disney on an ongoing basis to make up for its own lack of forward integration. New hubs for domestic and international film actors, artisans and directors will emerge in mass markets with excess demand – as has happened or begun to happen in several East Asian countries. Finally, from countries where the domestic share of the domestic market has already swelled, producers will seek new ways of reaching global audiences while avoiding other studios' distribution nets.

How will Canada interconnect with these broader developments in the global film industry? One means will be an extensive network of co-production treaties. As one of the pioneers of this type of partnership, Canada has signed co-production treaties with 53 countries (54 counting the defunct USSR) since 1978. The leverage available from co-productions in 2002 enabled Canadian producers to participate in feature film projects with budgets averaging over CDN\$7.1 million and ranging to over CDN\$32.2 million (for one of the Canada-France-UK partnerships). On average, these budgets were about half financed by the Canadian partner, even though the co-production treaties require only 20% or in some cases 30% contribution from any one partner. Notably, co-productions with the UK

or with Pacific Rim countries, on average, were over two-thirds financed by the Canadian end. The UK and France continued to be Canada's co-production partners of choice, involved in over four-fifths of the bipartite and multipartite proposals. Less predictably, more Canadian firms chose to co-produce with Mainland Chinese firms than with firms of South Africa, Australia or New Zealand. Outside Western Europe, the Commonwealth and the Pacific Rim, Canadians sought no new co-productions during 2002.

The total budget of CDN\$171,137,241 for co-productions in 2002 still leaves Canada far short of the actual financial requirements for Telefilm Canada's goal – even considering that the number of 2002 feature film co-productions account for only about half of Canada's average, annual, total number of feature film productions (CED, 2001). Nonetheless, the evidence of an international interest in partnering with Canadians to finance and produce films ranging from the upper end of low-budget to the lower end of high-budget is encouraging. The main shortcoming of Canada's co-production treaty network is that it excludes the US, and thus cannot nullify the motives for "offshore" film production in this market. However, companies such as Lion's Gate that already have artistic and business contacts in the US should be able to leverage both these and the advantages of co-production with other countries to produce movies with large budgets, internationally diversified top talent and technology, and special exemption from certain trade barriers. Canadians have the potential to move ubiquitously in this global industry by different means from those of the MPAA companies.

To summarize, the following features define the international competitive position and potential of the Canada's film production business:

- As of 2001, the size of the Canadian box office was about CDN\$800 million, of which CDN\$14 million was domestically held.
- Relative to other national markets and in light of the rising exchange value of the CDN\$, the Canadian box office continued to gain importance during 2003. At the same time, 2003's sharp drop in cinema attendance and rise in ticket prices should be cause for concern in the Canadian industry.
- One internationally-recognized studio, Lion's Gate, is Canadian-based. Lion's Gate has expanded aggressively through US acquisitions, and now does most of its business in the US. The company has experienced periods of unprofitability, as measured by both EBITA and net income.
- The Canadian federal government and Telefilm Canada aim to increase domestic share of the English domestic box office to at least CDN\$28 million by 2006. Based on comparable box office yield ratios of MPAA studios, this should require financing in excess of CDN\$1.1 billion annually, yet Telefilm's annual budget to support this objective is only CDN\$40 million.
- Canadian film co-productions with other countries – accounting for about half of Canada's average total number of film productions annually – amassed CDN\$171 million in financing for 24 features in 2002. Many co-production treaties were left unused in that year. There may be greater opportunities for large Canadian producers to leverage both their US connections and their home country's treaties to create a unique pool of filmmaking resources.

PR China & Hong Kong

The relationship between the United States and Canada in the international film industry is in some ways mirrored in the relationship between Mainland China and Hong Kong. Canada, a small-mid-sized motion picture market with a small-mid-sized motion picture industry, is overshadowed by its neighbour, a large motion picture market with a large motion picture industry. Meanwhile, China, a large motion picture market with a small-mid-sized motion picture industry, has historically been overshadowed in this field by Hong Kong, a small-mid-sized motion picture market with a large motion picture industry. Today, both these industries are struggling.

The playing field for the film industry in Mainland China is set almost entirely by government intervention. The CFC (China Film Corporation), which is state-owned, acts as the censoring body and sole importer for films. The CFC distributes foreign films in one of two ways: (1) by buying the

rights outright; or (2) by “revenue-sharing” with the foreign producer. Using the first method, the CFC is permitted to import up to one-third as many films as are domestically produced – or, about 50 foreign films, compared to 150 domestic films, annually (DFAIT, 2001). The combination of the CFC’s low budget and monopoly power means that these 50 films are chosen on the basis of which producers will swallow the lowest price for their copyright: the typical range as of year 2001 was CDN\$1,770 to CDN\$3,500 (DFAIT, 2001). Using revenue-sharing, the CFC may import up to 20 films annually, though in practice it imports only 10-13 – closer to the quota of 10 that was in effect before WTO negotiations (DFAIT, 2001). Under revenue-sharing agreements, the Chinese government’s share of foreign films’ box office, including taxes, fees and duties, averaged 87% as of 2000 (Rosen, 2000).

Over the domestic film industry, the Chinese government exerts equally tight control. All of the nation’s 30 film studios remain state-owned, despite long-standing predictions of privatization (Shanghai Star, 2003; DFAIT, 2001). Government intervention in the Chinese film industry extends not only to which movies reach the box office, but to which ones sell best in the box office as well. For so-called “main melody” films – ones that promote conservative views of modern Chinese history and politics – government bodies buy out almost the entire box office and give away the tickets. This meant, for example, that the leading domestic film in the box office in 1996 had its ticket sales 95% subsidized nationally, and 99.5% subsidized in Beijing (Rosen, 2000). There is currently some belief that the Chinese government is planning to scale back this intervention (Rosen, 2003). Meanwhile, unsubsidized domestic producers are wedged between Hollywood and their own government.

Thus, the Chinese audience has the option of attending some domestically-made features for free. By comparison, as of 2000, a ticket to a US-produced movie cost 30-60 Yuan, or over 10% of a typical family’s monthly income for one outing (Rosen, 2000). Despite this massive gap in the price to the viewer, the 10 or so revenue-sharing movies imported per year captured about 70% of the box office – and ticket prices for these films were rapidly dropping (Rosen, 2000). Another option available to Chinese consumers has been to purchase pirated movies on VCD (video compact disk) or now DVD. Pirated VCDs in 2000 cost only about 8 Yuan, substantially undercutting ticket prices for foreign movies (Rosen, 2000). Worse, the pirated versions of foreign productions or independent domestic productions often hit the market before the legitimate version can get past the approval process (Rosen, 2000; Shanghai Star, 2003).

From the combination of government intervention and rising popularity of US films in Mainland China, the film industry that has suffered most – besides the domestic one – is Hong Kong’s. Although officially part of the People’s Republic of China since 1997, Hong Kong has until June 2003 been subject to the same trade barriers as a foreign nation. Thus, to enter the Mainland Chinese market without having its copyright sold outright for a pittance, a Hong Kong film had to be co-produced with a Chinese company or had to compete for one of the 20 places theoretically allowed for revenue sharing. For several reasons, Hong Kong films had become less competitive with US films for these 20 or fewer places. One reason is that many of Hong Kong’s studios are seeking cheaper labour and land and easier mainland market access across the channel in Shenzhen, while many of its star actors are now pursuing careers in Hollywood (DFAIT, 2002; Rosen, 2000). Notably, actor / director Jackie Chan – who was the favourite actor of 18.6% of urban Chinese high school students as of 1999, with Arnold Schwarzenegger a distant second at 8.1% (Rosen, 2000) – had already left China and Hong Kong then, at the height of his career there. Golden Harvest, the studio for which Chan worked and the world’s largest distributor of Chinese-language films, has cut its number of in-house productions to about one-fifth peak (late-1980s) levels (GH, 2003).

More broadly, the troubles of Hong Kong’s domestic film industry are observable in the declining box office size and declining domestic share of the domestic box office. An increase in Hong Kong’s audiovisual exports is only partly compensating for these trends. Whereas in 1991 the domestic and international markets for Hong Kong films supported over 300 releases – more than any other country except the US – production levels had sunk to less than one-half of this by 2001 and less than one-

third by 2002 (DFAIT, 2002; TDC, 2003). Table 8, based on current data from the Hong Kong Trade Development Council, further describes the situation:

Like other nations' film industries, Hong Kong's now hopes for more liberalized trade with Mainland China. As of June 2003, CEPA (the Closer Economic Partnership Agreement between Hong Kong and the Mainland) has exempted Hong Kong films from the import quota of 20 and permitted Hong Kong companies to have majority ownership in cinema joint ventures (TDC, 2003). However, even assuming that these provisions do lead to greater official acceptance of Hong Kong film exports in practice, the competitive position of Hong Kong's film industry has drastically changed. More than ever, for its survival globally, the large Hong Kong film industry is intertwined with the large market and heavy regulations of the neighbouring mainland.

Of the foreign film industries that do not pose a competitive threat in Hong Kong or Mainland China, Canada's has been the most active in these regions. The Canadian government holds the only external co-production treaties with Hong Kong and Mainland China. Since the signing of the Chinese co-production treaty in 1997, there have been 21 Canada-China co-productions (7 in 2002), of which 20 were animations. Most of these projects have been majority-financed by the Canadian partner. The Canadian partner has usually been either Nelvana Limited (the animation subsidiary of media conglomerate Corus Entertainment) or CINAR (an independent animation company). The Chinese partners have been chosen on the basis of ability to perform pre-production, production and post-production services that are consistent with North American standards (China Cartoon Industry Forum, 2003).

This usage of Canada's co-production treaty with China – and the relative lack of usage of the treaty with Hong Kong – is disappointing. The opportunities afforded by co-production go beyond cheaper labour inputs. (Indeed, if the production company needs to rely on outsourced labour in order to be efficient in its core business, then its problems go beyond what co-production is designed to solve.) Rather, the uniqueness of Canada's co-production opportunities in China lies in the mass market and otherwise high import barriers there. The unresponsiveness of Canadian producers to these opportunities may stem in part from misgivings about the potential business partners. Specifically, in order to succeed in distributing this mass market, the partner on the Chinese end would almost certainly need to be one of the state-owned studios. This could expose the Canadian partner to far greater political / bureaucratic risk than what is experienced domestically. These risks are likely to vary with the content of the movie, so the trade-off should be assessed separately for each project, each producer.

Co-productions with Hong Kong companies provide an attractive alternative, especially since they should now be readily distributable to Mainland China under the terms of CEPA. Hong Kong studios such as Golden Harvest, which have been slowing down their own production, may be eager to invest surplus resources in new, outside sources of artistic talent, especially ones that can lend their movies an appeal in the North American market in addition to the Pacific Rim market.

Given the size of the Chinese market and of the private-sector film industry in Hong Kong, regulatory and competitive changes within these environments will have repercussions throughout the global film industry. If Canada or other nations are poised to pre-empt such changes, their film industries can forge alliances, establish market share and realize high returns while others are still struggling with import quotas, censorship and "revenue sharing." Ultimately, this audience can be expected to be opened up fully to US films as well, but there is time to get ahead first.

To sum up, China and Hong Kong, as key players in the global film industry, are distinguished by these features:

- The potential size of the Chinese film audience has long been attractive to other nations – particularly the US and Hong Kong.
- The Chinese government's monopoly over film imports, via the CFC, allows it to purchase the rights to a foreign film for a sliver of the real market value, or to levy the lion's share of the foreign film's revenue.

- Domestic success in the Chinese film industry is greatly determined by which directors the state sponsors through its official studios, and which box offices it buys out. Domestic independent producers are often denied access to the official film distribution channels.
- Despite the massive historical price gap between domestic and foreign movies, box office figures would suggest that Chinese audiences prefer the latter. Another popular option is cheap, pirated home versions.
- The Hong Kong film industry has suffered from China's import barriers. Many Hong Kong producers, directors and actors have chosen to attach themselves to the Mainland Chinese film industry or to Hollywood rather than face continued pressure from these sources.
- Hong Kong's box office size, domestic box office share and number of domestic productions have been decimated over the past decade. Now, as trade with the mainland liberalizes under CEPA, Hong Kong producers' main option is to find stronger opportunities there.
- Canada, being the only external co-production partner nation of China and Hong Kong, has in place the foundations for a powerful competitive position in these regions relative to other foreign entrants. The usage of the co-production treaty with China needs to be expanded beyond wage arbitrage and into distribution instead. If the prospect of partnering with the state-owned Chinese studios seems too risky to Canadian producers, they should consider entering the mainland via a Hong Kong studio co-pro partner, using CEPA.

Conclusion: The sources of competitiveness

As seen in the analyses of the US, Canada, China and Hong Kong, a competitive film industry has easy access to strong financial resources and large markets, while an uncompetitive one stays restricted to low budgets and narrow regions. Large studios and large distributors are also characteristic of an internationally competitive industry, even if these giants are not consistently efficient or profitable.

These manifestations of strong competitiveness are obvious, but what about their causes? The contributors or detriments to the global competitiveness of a national film industry fall into three types: (1) domestic structural factors, which are not proximately caused by the efforts of any one group; (2) regulatory factors, which are determined by the nation's government and its interactions with other governments; and (3) strategic factors, which are determined within the industry itself.

The US film industry is immensely advantaged by structural factors: its world-largest domestic market; its concentrated centres of filmmaking talent; and its abundant financial sources, including conglomerated parent companies. US regulatory factors are largely neutral, laissez-faire: the major studios would be among the stakeholders in US trade negotiations, but otherwise they do not particularly rely on intervention from their government. The strategy of the major, MPAA studios is to maintain their oligopoly over production and distribution in the US and other markets, to seek to more profitably break into new markets such as China, and largely to avoid collaboration with other nations' film industries (future competitors).

For the Canadian film industry, the structural factors are less attractive: a small-mid-sized domestic market; the close substitutability of Canadian film production inputs and outputs by US ones; and the lack of precedents for high-budget, top-star domestic productions. Regulatory factors, however, are much stronger in Canada than in the US: government funding, though often not allocated based on sound business goals, is widely sought in Canada; and the ambitious expansion of the Canadian co-production treaty network has created tremendous expansion possibilities for domestic producers. Typical strategies within the industry, though, are imperfectly aligned with these opportunities: many growth companies still focus on shifting operations to the US, while those that keep their main production facilities in Canada are often averse to the risks of fully exploiting the export potential of co-production.

The Chinese film industry is affected by mixed structural factors: on one hand, its potential domestic audience is the world's largest; on the other, the disposable income of this audience (by North

American standards) is low, giving rise to a mass market for cheap, pirated movies. The regulatory approach to this – subsidizing ticket prices for select domestic films – is scattershot and preferential. Regulation, indeed, is the greatest threat and basis of rivalry facing Chinese film producers, and it has largely prevented the private-sector film production competitors from developing viable national, let alone international, strategies of their own.

Post-CEPA, Hong Kong's film industry should be affected by many of the same factors as mainland China's, as Hong Kong producers may look to the mainland as their largest, most accessible market. What is still distinct about the situation of the Hong Kong industry, though, is its legacy as an inter-cultural film production hub, its liberal economic and regulatory environment, and the possibility that its competitively battered studios will soon be revitalizing their strategic direction.

Despite the impression that the MPAA studios or other powerful regional players are unbeatable in the global movie market, no nation's film industry is the world's most advantaged in every respect. (Also, no nation's film industry achieves consistent levels of efficiency and profitability.) Notably, what the US lacks and what Canada is ready to provide is a cooperative framework for undermining traditional barriers to the global distribution of motion pictures. Mainland China is one of the highest-potential markets for the new distribution dynamics that international co-production provides, and Hong Kong's industry stands to be another major beneficiary.

Further research in this field could include an analysis of co-productions within Europe, or of emerging co-production blocs across other regions. For instance, Canada is currently in the process of concluding a co-production treaty with India, which has the potential to clear barriers between the two powerful, yet traditionally quite segregated film industries of the Subcontinent and of North America. Such happenings give real reason to believe that both governments and movie industries are gaining power to change the picture of global competition in film.

References

- Canadian Economic Development for Quebec Regions: Groupe d'analyse des marchés internationaux. (2001) *New England Region: Film and Video Industry*. Retrieved 27 August 2003 from www.info-export.gc.ca.
- China Cartoon Industry Forum (2003) *International Treaty Co-productions Between China and Canada*. 2003 China Cartoon Industry Forum: 23-28 October 2003.
- Department of Foreign Affairs and International Trade: Junior Team Canada. (2002) "*Cultural Industries – Market Study – Hong Kong*". Retrieved 13 August 2003 from www.info-export.gc.ca.
- Department of Foreign Affairs and International Trade: The Market Research Centre. (2001) *The Cultural Industries Market in Hong Kong*. Retrieved 13 August 2003 from www.info-export.gc.ca.
- Department of Foreign Affairs and International Trade: The Market Research Centre, (1997) *A Market Guide for Canadian Filmmakers to Eight Upper Midwest, Plains and Rocky Mountain States*. Canada. from www.vhq.com.
- Golden Harvest. *32 years of Golden Harvest*. Retrieved 11 December 2003 from www.goldenharvest.com/eng/corporate/corp.htm#.
- Google search for "60 million dollar industry." www.google.ca Retrieved 31 October 2003.
- Hong Kong Trade Development Council. *Profiles of Hong Kong Major Service Industries: Film*. Retrieved 11 December 2003 from <http://www.tdctrade.com/main/si/spfilm.htm>.
- LeBoutillier, Geoff. Business interviews on the independent film industry. Halifax, Canada: July-November 2003.
- Lion's Gate Entertainment (2001). *2001 Annual Report*. Retrieved 22 November 2003 from www.lionsgatefilms.com.
- Lion's Gate Entertainment (2002). *2002 Annual Report*. Retrieved 22 November 2003 from www.lionsgatefilms.com.

- Lion's Gate Entertainment (2003). *2003 Annual Report*. Retrieved 22 November 2003 from www.lionsgatefilms.com.
- Ministry of International Trade and Industry: Research and Statistics Department. (1998) *Preliminary Report on the Survey of Selected Service Industries for 1998*. Retrieved 24 September 2003 from www.miti.go.jp.
- Motion Picture Association: Worldwide Market Research. (2002) *2001 US Economic Review*. Retrieved 13 September 2003 from www.mpa.org.
- Motion Picture Association: Worldwide Market Research. (2003) *MPA Snapshot Report: 2002 International Theatrical Market*. Retrieved 13 September 2003 from www.mpa.org.
- Motion Picture Association: Worldwide Market Research. (2003) *U.S. Entertainment Industry: 2002 MPA Statistics*. Retrieved 13 September 2003 from www.mpa.org.
- Motion Picture Association: Worldwide Market Research. (2004) *International Entertainment Industry: 2002 Market Statistics and Analysis*. Retrieved 8 April 2004 from www.mpa.org.
- Motion Picture Association: Worldwide Market Research. (2004) *U.S. Entertainment Industry: 2003 MPA Statistics*. Retrieved 8 April 2004 from www.mpa.org.
- Public Broadcasting Station: Frontline. *The Merchants of Cool: Media Giants*. Retrieved 31 October 2003 from www.pbs.org/wgbh/pages/frontline/shows/cool/giants/.
- Rosen, Stanley (2001). *The Wolf at the Door: Hollywood and the Film Market in China from 1994-2000*. Los Angeles: U of Southern California.
- Rosen, Stanley (2003). *Hollywood, Globalization and Film Markets in Asia: Lessons for China?* Los Angeles: U of Southern California.
- Sony Pictures Entertainment. *Corporate Fact Sheet*. Retrieved 31 October 2003 from www.sonypictures.com/corp/corporatefact.html.
- Telefilm Canada. "Accords" and "Coproduction en chiffres". Retrieved 22 November 2003 from www.telefilm.gc.ca.
- Telefilm Canada. *The ABC of Audience Building in Canada: Film: Can we do it?* Address by Richard Stursberg, Telefilm Canada Executive Director. Vancouver, Canada: 13 November 2002.
- Video Headquarters. *2001 Annual Report*. Canada: June 2001. Retrieved 19 September 2003.
- Zhang Kun. *Ready for change*. Shanghai Star, 10 July 2003.

The Influence of Individual Characteristics on Moviegoers' Satisfaction Ratings
by Riadh Ladhari (University of Moncton) and Miguel Morales (Saint Mary's University)

ABSTRACT

This study examined individual characteristics that could potentially influence moviegoers' satisfaction ratings. The study conducted among 470 moviegoers showed a significant but modest effect of age and need for emotions on satisfaction ratings. Based on a correlation analysis, involvement, mood and gender have no effect on moviegoers' satisfaction ratings. However, mixed results from a regression analysis call for further research to explore the potential effect of gender and involvement on moviegoers' satisfaction ratings.

INTRODUCTION

There is sizeable consumer market for entertainment-leisure services in North America. For example, in Canada, expenditure on entertainment services represents a sizeable proportion of the average household budget (Earl 1998). This proportion rose from 0.7% in 1986, to 1.1% in 1996, to 1.6% in 1999 (Earl 1998, Stafford 2002). Consumer in Canada spent approximately 5.8 billion on entertainment in 1996, an increase of 50% compared to the 1986 figures (Earl, 1998). Consumers in the United States spent approximately 113.5 billions in 1996 (Veronis et al. 1997)¹³.

The motion picture industry is growing rapidly. The consumer market for movie theatre admission continues to break records in North America, exceeding 9 billion dollars in 2002 (an increase of 10 % compared to 2001) (*La Presse*, January 3, 2003). At the same time, the production and marketing costs of movies are escalating. In 1997 the average production and marketing-distribution costs of a film were 50 and 30 millions dollars, respectively (Eliashberg et al. 2000). The same costs were 30 and 14 millions dollars in 1993 (Eliashberg and Shugan 1997).

The last decade has witnessed an increasing interest entertainment related research, particularly on movies. Several topics of research have been developed. Researchers have reported findings on: the commercial success of movies (Sawhney and Eliashberg, 1996, Eliashberg and Shugan 1997), the individuals' enjoyment with movies (Eliashberg and Sawhney 1994), the attributes of successful movies (Smith and Smith 1986), the timing of new film introduction (Kridler and Weinberg 1998), and the impact of marketing expenses on box-office performance of new films (Zufryden 1996). Other researchers have elaborated on the information sources (Cooper-Martin 1992), particularly critics (Boor 1992, Eliashberg and Shugan 1997, Vezina 1997, d'Astous 1999).

Movie is categorised as experiential product, which respond to cognitive and affective needs. It seems that consumer behavior for these products is different from that of functional products (Hirschman and Holbrook 1982, Cooper-Martin 1991).

¹³ Cited in Eliashberg et al. (2000).

This study attempts to further contribute in this research stream on movie management and moviegoers' behavior. It reports a study that examines the effects of demographic and psychologic characteristics of moviegoers on their satisfaction judgments. Specifically, this research explores the impacts of age, gender, involvement, mood and need for emotion on moviegoers satisfaction ratings.

The rest of this paper is organized as follows. First, the theoretical background and the hypothesized relationships are presented. Next, we describe the methodology and present the results of the empirical study realised to test the proposed relationships. The final section summarizes the results and explores further research opportunities.

SATISFACTION

Customer satisfaction has long been an area of research in marketing and consumer behaviour. This interest stems from the fact that satisfaction affects customer loyalty, complaining behaviour and positive/negative word-of-mouth communications. According to Moutinho and Goode (1995, p. 72):

“The concept of consumer satisfaction is an important one for theoretical and practical reasons. The understanding of how consumers develop positive or negative affect towards products and brands, and how this is reflected in actual buying behaviour is a central theoretical issue. For marketers, consumer satisfaction is one of the primary goals to strive for. Without satisfaction, brand loyalty-important for continuity reasons-is unlikely.”

The study of consumer satisfaction is characterized by the predominance of the confirmation/disconfirmation model. This traditional model states that satisfaction is the result of a comparison process between prior expectations and perceived performance (Oliver 1980). Numerous researches have given empirical support to this model (Oliver 1980, Oliver and Linda 1981, Bearden and Teel 1983, Westbrook and Oliver 1991) which has also been subject to several criticisms. A number of researchers questioned the exclusive use of predictive expectations as comparison standard and suggested alternative comparison standards such as values (Westbrook and Reilly 1983) or experience-based norms (Woodruff et al. 1983) and ideal (Miller 1977). Other researchers questioned the contribution of affect to the satisfaction process (Westbrook 1987, Dubé-Rioux 1990, Westbrook and Oliver 1991, Mano and Oliver 1993).

Recent developments suggest that satisfaction is a result of two components/process. The first component (a cognitive process), involves a rational evaluation of the performance of the product/service. The second component (an affective process), involves the emotional responses to the consumption of the product/service.

However, in the satisfaction literature, little attention has been given to the study of experiential services or products that have an affective meaning such as movies (contrary to goods which are more functionally oriented). Indeed, little attention has been given to the study of the relationship between individual characteristics and satisfaction ratings.

The purpose of this study is to examine the effect of moviegoers' individual characteristics on satisfaction ratings. Five individual characteristics were retained: gender, age, mood, involvement and need for emotion. These individual characteristics and the hypothesized relationships are discussed in the next section.

DEMOGRAPHIC CHARACTERISTICS: GENDER AND AGE

Few studies have examined the impact of demographic characteristics on satisfaction ratings (e.g., Ash 1978, Westbrook and Newman 1978, Kennedy and Thirkell 1983, Duhaime and Ash 1979). Findings concerning the impact of demographic characteristics on customer satisfaction are inconsistent (Moutinho and Goode 1995). Among the demographic variables, gender and age have attracted most of the research interest.

Some researchers (Duhaime and Ash 1979, Buller and Buller 1987, Singh 1990, Moutinho and Goode 1995, Ross et al. 1999, Bendall-Lyon and Power 2002) examined the difference in satisfaction between men and women. Bendall-Lyon and Power (2002) found satisfaction with specific health care encounter to be unrelated to gender. Moutinho and Goode (1995) reported that overall satisfaction with automobiles is independent of gender. In the study of Singh (1990), gender was found to be a weak discriminator between satisfied and dissatisfied patient groups. Ross et al. (1999) found no differences on satisfaction with employment and training services between men and women. Buller and Buller (1987) found that women reported greater overall satisfaction. In a national survey project research, Duhaime and Ash (1979) found that men were less satisfied than women with their purchase of cars and other transportation durables and with financial services and insurance.

Results concerning the impact of age on satisfaction are somewhat inconsistent. Wall et al. (1978) reported that mature feminine consumers were more satisfied with their clothing than young feminine consumers. Richins and Bloch (1991) report a small but significant linkage between age and car satisfaction ($r = 0.11$). Kennedy and Thirkell (1983) found that age had a positive significant impact on satisfaction with new automobiles ($r = 0.19$)¹⁴. Finkelstein et al (1998) found that older patients were more likely to be more satisfied with hospital care than younger patients. The same result was observed in the study of Clearly et al (1992). Westbrook and Newman (1978) proposed an inverse relationship between dissatisfaction and age, which was not supported in their study among shoppers of major household appliances. Finally, Pickle and Bruce (1972) reported a positive association between age and dissatisfaction¹⁵.

It seems that the influences of age and gender on satisfaction levels depend on product/service category. Ash (1978) evaluated the impact of demographic variables on satisfaction with 67 durable products. Several of the durable product categories they used exhibited important links between satisfaction scores and age or gender. For example, lamps, electric razor, typewriters, and bicycles exhibit links between satisfaction and age, and between satisfaction and gender. For other

¹⁴ The significant positive relationship was consistent across four specific car models: compact ($r=0.16$), intermediate ($r=0.21$), full size ($r=0.27$), and sports ($r=0.17$) (table 4, p. 22).

¹⁵ Cited in Duhaime and Ash (1979)

products (e.g., electric blankets, garbage disposers, pool tables, and airplane purchase), there is no link between satisfaction scores and age and between satisfaction scores and gender.

In this study, we propose that female moviegoers will report higher satisfaction ratings than male moviegoers. We also expect that older moviegoers will be less satisfied than younger moviegoers.

Hypothesis 1a: Women will be more satisfied than man with movies.

Hypothesis 1b: Age has a negative effect on moviegoers' satisfaction.

MOOD

Mood is a generalized affective state not associated with a stimulus object. Bagozzi et al. (1999) and Holbrook and Gardner (2000) differentiate mood from emotion in that mood do not have specific referents and tend to be lower in intensity than emotion. According to Holbrook and Gardner (2000, p. 166-167), "moods describe milder, more diffuse feeling states that both colour and reflect the overall pattern of ongoing activity. By contrast, emotions indicate more intense, object-specific feeling states that respond to particular consumption activities."

Westbrook (1980) examined the influence of optimism, pessimism, life satisfaction, consumer discontent, social desirability, mood, and realization of expectations on automobile and footwear satisfaction. The findings support the effects of realization of expectation, life satisfaction and consumer discontent on satisfaction with automobiles. However, only realization of expectation has shown to have an impact on satisfaction with footwear. Mood displayed no effect on satisfaction with automobiles or on satisfaction with footwear. Peterson and Wilson (1992) evaluated the relationship between life satisfaction, mood and satisfaction with automobiles. The results indicated a significant positive relationship between life satisfaction and automobile satisfaction, mood and automobile satisfaction, and life satisfaction and mood. Correlation between mood and satisfaction with automobiles was at 0.19. Brockman (1998) found that temporary affect unrelated to the product/service (or mood) and life satisfaction may sometimes influence satisfaction ratings. The results indicated no effect of temporary affect on satisfaction with restaurant experience. The effect of temporary affect on shoes satisfaction depends on the satisfaction scale used. Liljander and Mattsson (2002) found that preconsumption mood influences service encounter satisfaction. Babin et al. (1994) discover that mood influence satisfaction levels under low involvement only.

According to Eliashberg and Sawhney (1994), the individual's mood determines his receptivity to and desire to seek pleasure and arousal (or emotional states). Then mood tends to influence movie enjoyment. Thus, we propose:

Hypothesis 2. Mood has a positive effect on moviegoer's satisfaction ratings.

INVOLVEMENT

Zaichkowsky (1985, p. 342) define involvement as the “person’s perceived relevance of the object based on inherent needs, values and interests.” The involvement construct is divided in two forms: enduring involvement and situational involvement. Enduring involvement (EI) “represents the ongoing, baseline level of concern with the product independent of situational influences” whereas situational involvement “is a temporary elevation in concern for the product due to transient circumstances, such as purchase” (Richins and Bloch 1991, p. 146). In this study, we only consider the “enduring involvement” construct. Enduring Involvement appears as a central variable influencing consumer behavior in leisure services. According to Wakefield and Blodgett (1994, p. 70), “for leisure services, enduring involvement would seem to be a critical element in explaining why individuals respond more/less favourably to a leisure service offering and why people choose to continue/discontinue consuming particular leisure services”.

Involvement was found to influence satisfactions levels. Oliver and Bearden (1983) report that high involvement respondents with an ‘appetite suppressants’ express higher satisfaction. Richins and Bloch (1991) found that immediately after car purchase, consumers with high enduring involvement reported higher satisfaction evaluations than consumer with low enduring involvement. However, after two months, the satisfaction level of low enduring involvement consumers increased while that of high enduring consumers decreased. Evrard and Aurier (1994) found that emotions play a mediating role in the relationship between enduring (“generalized”) involvement and satisfaction with an specific movie (the authors do not indicate satisfaction levels of high and less involved moviegoers).

To the authors’ knowledge, only two studies have found that involvement has no effect on satisfaction. Mano and Oliver (1993) reported that satisfaction and dissatisfaction are unrelated to involvement. Shaffer and Sherrell (1997) did not found differences in satisfaction levels between high and less involved patients of a health care service. Then we propose that:

Hypothesis 3: Involvement has a positive effect on moviegoer’s satisfaction ratings.

NEED FOR EMOTION

Raman et al. (1995, p. 537) define need for emotion (NFE) as “the tendency or propensity for individuals to seek out emotional situations, enjoy emotional stimuli, and exhibit a preference to use emotion in interacting with the world”. Need for emotion indicates a preference to seek out and enjoy affective situations (Raman et al. 1995). No one has examined the impact of need for emotion on satisfaction.

In this study, we propose that an individual desire to enjoy emotion has a positive effect on the enjoyment of hedonic consumption experience. According to Hirschman and Holbrook (1982, p. 96), “products such as movies, concerts, plays and novels can evoke complex fantasies and fulfill deep-seated and salient emotional needs”. Therefore, we expect a positive relationship between moviegoer’s need for emotion level and satisfaction with a movie.

Hypothesis 4: Need for emotion has a positive effect on moviegoer's satisfaction ratings.

METHODOLOGY

Sample. Data were collected among moviegoers in two movie theatres in a French Canadian city. A sample of 491 moviegoers was obtained. After reviewing the completed questionnaires, 470 usable questionnaires were retained. Of the 470 participants, 46 per cent were men and 54 percent were women. The average age was 31.9 years ($SD = 13.7$). 39.6 percent had less than 25 years and 40.1 per cent had between 25 and 44 years, while 20.3 % had more than 44 years.

Measures. Satisfaction was measured using five unipolar items, three of which were adapted from Oliver (1980). The composite reliability index ρ computed from a confirmatory factor analysis was at 0.93 (> 0.7). The average variance extracted was 0.73 (> 0.5). All path estimates were significant at $p < 0.05$. These indicators support the convergent validity of the scale. Prior to watching the movie, subjects filled out a 4-item mood scale using a 7-point Likert scale (Peterson and Sauber 1983). Confirmatory factor analysis was used to assess the composition of the scale. One item was dropped out of the scale and the remaining three had a composite reliability index of 0.80. Their average variance extracted was 0.61 (> 0.50). All three path estimates were significant at $p < 0.05$. Thus, scale showed evidence of convergent validity.

Ten bipolar items (Zaichkowsky 1985, d'Astous 1999) were used to measure involvement. The composite reliability index ρ was 0.93 (> 0.7). The average variance extracted was 0.57. All path estimates were significant at $p < 0.05$. The scale showed evidence of convergent validity. Need for emotion was measured using the NFE scale developed by Raman et al. (1995). A component factor analysis followed by a confirmatory factor analysis suggested that a six-item scale¹⁶ was appropriate to measure the construct. The composite reliability index ρ was at 0.87 (> 0.7). The average variance extracted was 0.53. All path estimates are significant at $p < 0.05$, supporting the convergent validity of the scale.

RESULTS

We use t-tests and correlation analysis to verify the hypotheses. We first divided the sample into two groups: masculine and feminine moviegoers and then perform a t-test on the satisfaction ratings of each group. The t-test value showed no significant difference ($t = -1.234$, $p = .218$) on the satisfaction ratings of the two groups. Thus, gender has no effect on moviegoers' satisfaction ratings. H1a is not supported.

The results of the correlation analysis presented in table 1 showed that there is a significant relationship between satisfaction and need for emotion and between satisfaction and the age of moviegoers.

¹⁶ Items 2, 3, 4, 5, 7, and 10 were retained from the original scale (see Raman et al., 1995).

The relationship is positive in the case of need for emotion indicating that moviegoers who express higher need for emotion report higher satisfaction ratings. H4 is supported.

Table 1: Correlations among variables

	Mood	Emotion	Involvement	Age	Satisfaction
Mood	1	-,046 (,320)	,034 (,456)	-,002 (,970)	,010 (,832)
Emotion		1	,051 (,269)	-,268** (,000)	,109* (,018)
Involvement			1	,028 (,540)	-,052 (,262)
Age				1	-,182** (,000)
Satisfaction					1

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

** Correlation is significant at the 0.01 level (2-tailed).

The relationship is negative in the case of the variable age indicating that satisfaction ratings decrease with the age of the consumer. In fact young moviegoers have higher satisfaction ratings than older moviegoers. H1b is supported.

The correlation was non significant in the other cases indicating that there is no relationship between mood and satisfaction (H2 is not supported), and involvement and satisfaction (H3 is not supported).

These results contrary to our expectations motivated us to further explore the potential impact of gender on satisfaction as it had been explored in the past (Buller and Buller, 1987; Duhaime and Ash, 1979). We divide again the sample in two groups: men and women, and run a regression analysis having satisfaction as the dependent variable and need for emotion, mood, age, and involvement as independent variables. The results of the multiple regression (see table 2) show that the variables that affect satisfaction may differ from one group to the other. In the feminine group, involvement and emotions are the variables contributing to explain the variation in satisfaction ratings. Involvement was significant at the 5% level ($t = -2.193$, sig. = 0.029) and need for emotion was significant at the more conservative 10% level ($t = 1.68$, sig. = 0.094).

Table 2: Regression coefficients with t values for each group

Feminine group:	SAT = 0.05 MOD – 0.138 INV + 0.11 EMT – 0.097 AGE			
	(0.8)	(-2.193)	(1.68)	(-1.479)
	0.424	0.029	0.094	0.14
Masculine group:	SAT = –0.035 MOD + 0.029 INV + 0.033 EMT – 0.220 AGE			
	(-0.519)	(0.435)	(0.474)	(-3.193)
	0.604	0.664	0.636	0.002

SAT=Satisfaction, MOD=Mood, EMT=Need for emotion, AGE=Age
T-values are in parenthesis

In the group of men, the only significant variable explaining satisfaction was age ($t = -3.193$, $\text{sig.} = 0.002$). These exploratory findings indicate that gender may have an effect on moviegoers' satisfaction ratings and the mixed results call for more research to uncover the real role of gender on moviegoers' satisfaction formation and ratings. A negative sign on the standardized coefficient of the variable age shows that there is an inverse relationship with satisfaction, indicating that satisfaction with a film decreases as masculine moviegoers grow older. The standard coefficients of the other three variables (mood, involvement, and need for emotion) were non significant and thus do not have any impact on satisfaction ratings for masculine moviegoers.

CONCLUSION

The current study extends prior research efforts on satisfaction area by considering product, which is affective in nature. In addition, this research extends stream of recent works on leisure and movie consumption context.

The potential effects of demographic characteristics, mood, involvement and need for emotion on satisfaction were examined. The findings indicate that moviegoers' satisfaction ratings depend on need for emotion and age. We found that mood, involvement and gender do not influence moviegoers' satisfaction. The lack of relationship between gender and satisfaction seems to support the findings of Moutinho and Goode (1995). The mixed results of this study add to the inconsistent findings regarding the relationship between gender and satisfaction. One explanation is that the relationship depends on the type of products or services that were studied. Another explanation is that the role of gender in the satisfaction process could be more complex. Thus, researchers should evaluate the effect of gender on the satisfaction process and not only on satisfaction ratings. In this way, future studies should evaluate the role of gender as moderator of the relationship between satisfaction and its determinants.

Prior research found that involvement increase postpurchase evaluations (Oliver and Bearden 1983, Richins and Bloch 1991). However, this study shows that involvement do not influence satisfaction ratings, which support the results of Mano and Oliver (1993). Clearly more research is needed to better understand the role of involvement in the satisfaction formation process as well as its impact on satisfaction responses. Explanations to these results could include that satisfaction with a specific consumption experience may not depend on generalized or enduring involvement, which represents a more stable relationship with the product class (Mano and Oliver 1993). A second explanation is that the role of enduring involvement may be more complex. Involvement has also been found to influence the consumer satisfaction process (Richins and Bloch 1991, Shaffer and Sherrell 1997). Further research should also examine the effect of involvement on the antecedents of moviegoers' satisfaction (e.g., consumption emotions, Evrard and Aurier 1994).

Mood was unrelated to moviegoers' satisfaction. This could be the result of high scores on the mood scale. Further studies should manipulate temporary mood state before movie watching experience (see also Brockman 1998).

As expected, the results indicate that moviegoers that express higher need for emotion report higher satisfaction ratings. The next step is to evaluate the impact of need for emotion on the satisfaction process. Need for emotion may have an indirect effect on satisfaction via the pleasure experienced and the arousal felt during the movie viewing experience. Further research should also evaluate if the impact of emotion on satisfaction (affective process) is greater than the impact of expectancy disconfirmation on satisfaction (cognitive process) for moviegoers who report a higher need for emotion.

Finally, additional evaluation would enhance our understanding of the impact of individual characteristics on satisfaction. Further studies assessing other psychological characteristics would enhance the scope of understanding of moviegoers' satisfaction.

BIBLIOGRAPHY

- Ash S.B. (1978), A comprehensive study of consumer satisfaction with durable products, *Advances in Consumer research*, 254-262.
- Babin B.J., Griffin M. and Darden W.R. (1994), An empirical comparison of alternative conceptualizations of postconsumption reactions, *Journal of Consumer Satisfaction/Dissatisfaction and Complaining Behavior*, 7, 172-183.
- Bagozzi R.P., Gopinath M. and Nyer P.U. (1999), The role of emotions in marketing, *Journal of the Academy of Marketing Science*, 27, 2, 184-206.
- Bearden W. and Teel J.E. (1983), Selected Determinants of Consumer Satisfaction and Complaint Reports, *Journal of Marketing Research*, 20, 21-28.
- Bendall-Lyon D. and Powers T.L. (2003), The impact of gender differences on change in satisfaction over time, *Journal of Consumer Marketing*, 19, 1, 12-21.
- Boor M. (1992), Relationships among ratings of motion pictures by viewers and six professional movie critics, *Psychological Reports*, 70, 1011-1021.
- Brockman B.K. (1998), The influence of affective state on satisfaction ratings, *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*, 11, 40-50.
- Buller M.K. and Buller D.B. (1987), Physicians' communication style and patient satisfaction, *Journal of Health and Social Behavior*, 25, 375-388.
- Clearly P., Edgmen-Levitan S., McMullen W. and Delbanco T. (1992), The relationship between reported problems and patient summary evaluations of hospital care, *Quality Review Bulletin*, 53-59.
- Cooper-Martin E. (1991), Consumer and movies: some findings on experiential products, *Advances in Consumer Research*, 18, 372-378.
- Cooper-Martin E. (1992), Consumers and movies: information sources for experiential products, *Advances in Consumer Research*, 19, 756-61.

- d'Astous A. (1999), A study of individual factors explaining movie goers' consultation of film critics, *European Advances in Consumer Research*, 4, 201-207.
- Dubé-Rioux L. (1990), The power of affective reports in predicting satisfaction judgments, *Advances in Consumer Research*, 17, 571-576.
- Duhaime C. and Ash S.B. (1979), Satisfaction and dissatisfaction and complaining behavior: A comparison of male and female consumers, In *Refining Concepts and measure of Consumer Satisfaction and Complaining Behavior*, Hunt H.K. and Day R.L. (editors), Bloomington: Bureau of Business Research, 102-111.
- Earl L. (1998), Entertainment services: A growing consumer market, *Services Indicators*, 5 (3), *Statistics Canada*, Cat. No. 63-016-XPB.
- Evrard Y. and Aurier P. (1994), The influence of emotions on satisfaction with movie consumption, *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*, 7, 119-125.
- Eliashberg J. and Sawhney M.S. (1994), Modeling goes to hollywood: Predicting individual differences in movie enjoyment, *Management Science*, 40, 9, 1151-1173.
- Eliashberg J. and Shugan S. (1997), Film critics: Influencers or predictors? *Journal of Marketing*, 61 (April), 68-78.
- Eliashberg J., Jonker J.-J., Sawhney M.S. and Wierenga B. (2000), Moviemod: An implementable decision-support system for prerelease market evaluation of motion pictures, *Marketing Science*, 19 (3), 226-243.
- Finkelstein B., Singh J., Silvers J., Neuhauser D. and Rosenthal G. (1998), Patient and hospital characteristics associated with patient assessments of hospital obstetrical care, *Medical Care*, 36, 68-78.
- Hirschman E.C. and Holbrook M.B. (1982), Hedonic consumption : Emerging concepts, methods and propositions, *Journal of Marketing*, 46 (Summer), 92-101.
- Holbrook M.B. and Hirschman E.C. (1982), The experiential aspects of consumption: Consumer fantasies, feelings, and fun, *Journal of Consumer Research*, 9 (September), 132-140.
- Holbrook M.B. and Gardner M.P. (2000), Illustrating a dynamic model of the mood-updating process in consumer behavior, *Psychology & Marketing*, 17 (3), 165-194.
- Kennedy J.R. and Thirkell P.C. (1983), Consumer satisfaction as a function of search, experience, individual differences and circumstances of use, In *Consumer Satisfaction and Complaining Behavior*, Hunt H.K. and Day R.L. (editors), Bloomington: Bureau of Business Research, 17-25.
- Krider R.E. and Weinberg C.B. (1998), Competitive dynamics and the introduction of new products: the motion picture timing game, *Journal of Marketing Research*, 35 (February), 1-15.
- Liljander V. & Mattsson J. (2002), Impact of customer preconsumption mood on the evaluation of employee behavior in service encounters, *Psychology & Marketing*, 19 (10), 837-860..

- Mano H. and Oliver R.L. (1993), Assessing the dimensionality and structure of the consumption experience: Evaluation, feeling, and satisfaction, *Journal of Consumer Research*, 20 (December), 451-466.
- Miller J.A. (1977), Studying satisfaction, modifying models, eliciting expectations, posing problems, and making meaningful measurements, in *Conceptualization and Measurement of Consumer Satisfaction and Dissatisfaction*, Hunt K.H.(editor), Cambridge, MA: Marketing Science Institute, 72-91.
- Moutinho L. and Goode M. (1995), Gender effects to the formation of overall product satisfaction: A multivariate approach, *Journal of International Consumer Marketing*, 8, 1, 71-91.
- Muller T.E., Tse D.K. and Venkatasubramaniam R. (1991), Post-consumption emotions: Exploring their emergence and determinants, *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 4, 13-20.
- Oliver R.L. (1980), A cognitive model of the antecedents and consequences of satisfaction decisions, *Journal of Marketing Research*, 17 (November), 460-469.
- Oliver R.L. and Bearden W.O. (1983), The role of involvement in satisfaction processes, in *Advances in Consumer Research*, Provo, UT: Association for Consumer Research, 10, 250-255.
- Oliver R.L. and Linda G. (1981), Effect of satisfaction and its antecedents on consumer preference and intention, in *Advances in Consumer Research*, Monroe K.B. (editor), Ann Arbor, MI: Association for Consumer Research, 8, 88-93.
- Peterson R.A. and Sauber M. (1983), A mood scale for survey research, in *American Marketing Association Educators Proceedings*, Murphy P. (editor), Chicago: American Marketing Association, 409-414.
- Peterson R.A. and Wilson W.R. (1992), Measuring customer satisfaction: Fact and artefact, *Journal of the Academy of Marketing Science*, 20 (1), 61-71.
- Pickle H.B. and Bruce R. (1972), Consumerism, product satisfaction/dissatisfaction: An empirical investigation, *Southern Journal of Business*, 7, 87-100.
- Raman N.V., Chattopadhyay P., Hoyer W.D. (1995), Do consumers seek emotional situations: The need for emotion scale, in *Advances in Consumer Research*, Kardes F.R. and Sujan M. (editors), Provo, UT: Association for Consumer Research, 22, 537-542.
- Richins M.L. (1983), Negative word-of-mouth by dissatisfied consumers: A pilot study, *Journal of Marketing*, 47 (Winter), 68-78.
- Richins M.L. and Bloch P.H. (1991), Post-Purchase Product Satisfaction: Incorporating the Effects of Involvement and Time, *Journal of Business Research*, 23 (September), 145-158.
- Ross L.W., Fleming R.S., Fabes K.J., Frankl R. (1999), Gender Effects on Customer Satisfaction with Employment Services, Career Development, *International*, 4, 5, 270
- Sawhney M.S. and Eliahberg J. (1996), A Parsimonious model for forecasting gross box office revenues of motion pictures, *Marketing Science*, 15 (2), 113-131.

- Shaffer T.R. and Sherrell D.L. (1997), Consumer satisfaction with health-care services: the influence of involvement, *Psychology & Marketing*, 14 (3), 261-285.
- Singh J. (1990), A Multifacet typology of patient satisfaction with a hospital, *Journal of Health Care Marketing*, 10 (December), 8-21.
- Smith, S.P. and Smith V.K. (1986), Successful movies: A preliminary empirical analysis. *Applied Economics*, 18, 5, 501-507.
- Stafford J. (2002), Consumer demand for entertainment services, *Services Indicators*, 9 (2), 17-28, *Statistics Canada*, Cat. No. 63-016-XPB.
- Wakefield K.L. and Blodgett J.G. (1994), The importance of servicescapes in leisure service settings, *Journal of Services Marketing*, 8 (3), 66-76.
- Wall M., Dickey L.E. and Talarzyk W.W. (1978), Correlates of satisfaction and dissatisfaction with clothing performance, *Journal of Consumer Affairs*, 12, 1, 104-115.
- Westbrook R.A. (1980), Intrapersonal affective influences upon consumer satisfaction with products, *Journal of Consumer Research*, 7 (June), 49-54.
- Westbrook R.A. (1987), Product/consumption-based affective responses and postpurchase processes, *Journal of Marketing Research*, 24 (August), 258-270.
- Westbrook R.A. and Newman J.W (1978), An analysis of shopper dissatisfaction for major household appliances, *Journal of Marketing Research*, 15 (August), 456-466.
- Westbrook R.A. and Reilly M.D. (1983), Value-percept disparity: An alternative of the disconfirmation of expectations theory of consumer satisfaction, in *Advances in Consumer Research*, Bagozzi R.P. and Tybout A.M. (editors), Provo, UT: Association for Consumer Research, 10, 256-262.
- Westbrook R.A. and Oliver R.L. (1991), The dimensionality of consumption emotion patterns and consumer satisfaction, *Journal of Consumer Research*, 18 (June), 84-91.
- Woodruff R.B., Cadotte E.R. and Jenkins R.L. (1983), Modeling consumer satisfaction processes using experience-based norms, *Journal of Marketing Research*, 20 (August), 296-304.
- Veronis S. and Associates (1997), *The VS & A Communications Industry Transactions Report*.
- Vézina R. (1997), One of the best movies of the year !: An experiment on the influence of critics' recommendations on consumers, In *Proceedings of the XXVIth annual conference of the European Marketing Academy*, 3, 1300-1312, D. Arnott, D. Doyle, V. Shaw and R. Wensley (editors), Warwick, Great Britain.
- Zaichkowsky J.L. (1985), A Measuring the involvement construct, *Journal of Consumer Research*, 12 (December), 341-352.
- Zufryden F.S. (1996), Linking advertising to Box Office performance of new film releases - A marketing planning model, *Journal of Advertising Research*, 36 (July-August), 29-41.

Cues Used in the Formation of Corporate Reputation: An Empirical Study of Department Stores

by Nha Nguyen and Souad H'Mida (Université de Moncton)

The present study seeks to highlight elements of information that impact the perception of corporate reputation of department stores. For the purposes of this study, 174 undergraduate and graduate students of a business school in a medium-sized Canadian university were randomly selected to respond to a questionnaire. The data analyzed shows four significant elements that contribute to corporate reputation: (1) quality of service, (2) capacity of innovation, (3) policy of staff management, and social and environmental responsibility, and (4) physical environment. The results emphasized the capacity of department stores to adapt to the changing needs of their environments through innovation and enhancement of services, and improve their corporate reputation within target groups.

Introduction

The reputation of a company is frequently used as a corporate strategy because of its acknowledged impact on the behavioral intentions of its patrons. For instance, company reputation influences the buying decisions of its customers (Brown 1995; Yoon *et al.* 1993) and contributes to consumer loyalty to a brand or store (Robertson 1993). Economists and researchers in organizational theory and marketing have extensively studied the phenomenon of corporate reputation. In economics, reputation is defined in relation to comparison between a product's price and its quality (Shapiro 1983; Wilson 1985). Research in organizational theory analyzes reputation as a factor of social identity and defines it as an intangible resource that has a significant impact on the performance and even the survival of the company (Fombrun 1996; Rao 1994). Marketing scholars examine reputation under the conceptual term of *brand equity* (Aaker 1996) and associate it with the credibility of the firm (Herbig *et al.* 1994). This research aims to understand the process that determines the formation of corporate reputation in the mind of the consumer. It grounds theory in an empirical study by identifying elements of information that a consumer uses to perceive the reputation of a department store (a service firm). A survey of the existing literature reveals that few empirical studies have been conducted on the indicators of the reputation of a service firm, particularly as it is perceived by the consumer. Thus this study hopes to fill a gap in existing scholarship on the subject. In addition, knowledge of explanatory factors of reputation would help managers to communicate successfully with target groups and better influence their behavior with regard to the company.

Corporate Reputation

Even if corporate reputation is studied from various angles within a variety of disciplines like economics, organizational theory, and marketing, there is a consensus regarding what constitutes the essence of the concept of reputation. The reputation of a company is considered as a reflection of its history, its decisions, and its former actions. As a consequence, the same company can have multiple reputations, one for each of the attributes on which it establishes its strategies e.g. quality of service, capacity of innovation, and environmental responsibility. The company can also have a kind of global reputation, representing its capacity to honor its commitments to its customers. From this point of view, corporate reputation can be seen as the constancy of the actions of a

firm observed through time and evaluated on given attributes (Herbig *et al.* 1994). To some extent, it represents the perception of the company's capacity to satisfy the expectations of all its partners (Wartick 1992). This concept of corporate reputation assumes that it is not necessary for all groups to have identical views about the same firm. Thus global reputation corresponds to a combination of attributes evaluated by consumers. Corporate reputation is regarded as an effective tool of strategy, particularly the strategy of communication with the target groups to encourage favorable attitudes towards the company. For the purposes of this argument, it is assumed that customers with positive attitudes towards the company will translate their perceptions into concrete actions, e.g. buying decisions.

Elements of information contributing to the perception of corporate reputation

Two fundamental questions should be addressed when studying customer perception of corporate reputation. (1) What is the process by which this perception is produced? (2) What are the factors that are likely to explain this perception? The present research is exclusively focused on the second question. Existing literature suggests several factors that affect the perception of the reputation of service firms. These include quality of service, a firm's capacity of innovation, its policy of staff management, its social and environmental responsibility, its physical environment, its policy of communication, and its financial performance (Bitner 1992; Fombrun 1996; Fombrun *et al.* 2000; Yoon *et al.* 1993).

Quality of service

The perception of quality of service is based on a process of evaluation and experience over a sufficiently long period of time. Many studies try to identify the elements of information used by the customer in this process (Bolton and Drew 1991; LeBlanc and Nguyen 1988; Parasuraman *et al.* 1988). According to Dabholkar *et al.* (1996), the following factors are seen as determinants of service quality: reliability of transactions, customer-employee interaction, resolution of problems, procedures and policies relating to the buying process, and physical aspects of the store. In certain situations, the relation between service quality and corporate reputation can appear ambiguous, because of the apparent reciprocity of these two concepts. In certain scenarios, consumers use corporate reputation as an indicator of service quality, especially if they do not possess sound information about the company (Yoon *et al.*, 1993). In other situations, service quality is unquestionably seen as one of the key elements in the process of the formation of corporate reputation (Wilson 1985).

Capacity for innovation

A service firm must adapt to the fast changes of its environment in order to survive and thrive. It must call upon its capacity for innovation, without which its services will become obsolete, its productivity will be reduced and, consequently, its competitiveness ruined (Johnson *et al.* 2001). Innovation can take place on three levels: the service, the process, and the organization (Neely *et al.*, 2001). Concerning service, innovation can relate to change or expansion of its offers and markets. A second form of innovation involves designing and installing new methods of delivering services. A third form deals with introducing changes in different aspects of the organization, like business management, working conditions, competence and capacities of the personnel etc. The

capacity to innovate is a crucial element in the evaluation of corporate reputation (Caruana and Chircop 2000; Fombrun *et al.* 2000). It can interest a wide array of the public and can be interpreted in various manners. For example, in the eyes of investors and shareholders, innovation can represent the company's capacity to manage changes in its environment and its strength in defending its competitive position in the market. The consumer perceives innovation as concrete action to improve his satisfaction and needs, give him more value, enhance quality of services, improve the physical environment, and other aspects. Both theoretical and empirical research suggests that capacity for innovation is a factor in measuring reputation. For example, basing their findings on the American magazine Fortune scale, Fombrun *et al.* (2000) outlined six relevant dimensions, which can affect the perception of corporate reputation.

Policy of staff management

Employees of service firms (retail stores) play a dominant role in the production and distribution of services. This is especially true of employees who have direct contact with customers, because they come to embody a firm's customer-employee interaction. It has been acknowledged that performance of personnel significantly affects customer perception of a company, in particular the quality of its services (Gronroos 1983; LeBlanc and Nguyen 1988; Parasuraman *et al.* 1988). This fact must encourage managers to establish distinct policies of staff management involving training, motivation, supervision, and other aspects of working conditions, in order to create and sustain employees' sense of belonging with the company. The policy of staff management is translated into reality by organizational actions and decisions which define the working conditions of employees, like competing salaries, resources placed at their disposal in execution of their tasks, and an equitable plan of recruitment and promotion. This policy of staff management constitutes the internal dimension of what can be called "institutional behavior". A sound policy of staff management can help the service company to reinforce both the technical and behavioral competence of its employees and to retain them in the service of the company. Moreover, it makes it possible to create a distinctive and inimitable character of the company (Collis 1996). Such a policy also contributes to the building of a better corporate reputation, at least within the two most significant target groups, namely company customers and personnel.

Social and environmental responsibility

A company's social and environmental responsibility represents the external dimension of its "institutional behavior". Both researchers in organizational field and corporate managers have recognized the importance of communicating a company's commitment and responsibility to the community and its "good citizenship" to the public (Becker and Potter 2002; Caruana and Chircop 2000; Fombrun and Shanley 1990). Even investors and shareholders, who are more concerned about economic profitability, are increasingly acknowledging the significance of this dimension (Pruzan 2001; Verschoor 2002). They are more sensitive to the ethical aspects of a company, which creates "ethical investors". Moreover, consumers are also beginning to give greater importance to a company's social and environmental responsibilities and support the establishment of guidelines and standards for this purpose.

Physical environment

A department store requires the presence of the customer inside its premises, therefore, its physical environment is one of the essential elements in the production and delivery of its service. The customer-employee interaction, the central element of service, generally takes place in this environment, which is created and controlled by the company. The physical environment comprises three components: the aggregate environment inside the store, installations and decorations, and directions to the customer for the fulfillment of service (Bitner 1992).

Decorations and directions consist of visual elements, signs that augment the atmosphere and communicate codes of conduct to the user. The importance of the physical environment is accentuated in services, where perception of this environment leads to cognitive, physiological, and emotional responses that will translate into decisions with regard to the company. The existing literature on the subject has not investigated the relationship between physical environment and corporate reputation. However, since certain authors affirm that physical environment exerts a strong influence on the image of a company (Bitner 1992), it can be deduced that the same components of the environment can affect corporate reputation.

Communication policy

From a social point of view, communication is an essential tool in the development of beliefs and attitudes with regard to an organization (Johnson, *et al.*, 2001; Prabhu and Stewart 2001).

Although communication generally comprises two categories, communication within the organization and communication with the market, this analysis will only consider the latter which concerns consumers who correspond to the target group of this research. In the context of services, communication with the market remains difficult because of the multiple and immaterial characteristics of the service. As a result, it is not easy for the service firm to communicate the exact nature of offered services to the customer. To evaluate the impact of communication on consumer perception of corporate reputation, only two major forms of communication are discussed here, which are relevant to the operations of department stores. These two forms include advertising and communications by word of mouth. The effect of advertising on the attitudes and behaviors of consumers throughout consumption process has been well documented by research. Word of mouth communication is considered an informal channel between customers regarding their evaluation of products and services. Its influence on customer perceptions of the company seems significant in certain situations (Anderson 1998).

Financial performance

In general, financial performance reflects the company's capacity to ensure its long-term growth and reach a specific level of profitability. However, it should be emphasized that, as an indicator of corporate reputation, financial performance is of more interest to potential shareholders and investors than consumers (Pruzan 2001). The relationship between financial performance and corporate reputation seems to be one of reciprocity. According to several studies, the reputation of a company is one of the determining factors of the perceptions of risk by the market (Gendron and Genest 1993). For instance, a company with a good reputation would be perceived as less risky by investors and would benefit in the stocks market, which in turn would increase its financial performance. On the other hand, this reputation would be based on former actions and decisions

made by the company and on a set of attributes, including financial performance. This research acknowledges financial performance as a source that influences customer perception of corporate reputation.

Methodology

Sampling

This evaluation of corporate reputation was carried out in the field of retail trade, focusing on four well-known department stores in Canada. Data was collected from 174 students, selected randomly and comprising undergraduate and graduate, full-time and part-time students, attending a medium-sized business school in a Canadian university. The participants in the investigation answered a questionnaire about the store they generally use among the four identified. The sample group, whose majority are male (57%), is made up of three age groups: 18-24 years (58%), 25-34 years (26%), and 35-44 years (12%). Approximately 70% of the respondents visit the department store they selected at least twice every month.

Measure

In the present research, we privilege the approach “*attribute*” to identify elements of information used by consumers to evaluate corporate reputation. This approach allows us to independently evaluate each characteristic contributing to perception of reputation, and to evaluate global reputation by combining all the characteristics. Nevertheless, it should be stressed that this approach is not likely to reveal the true information used by the consumer, while making it possible to obtain an evaluation of global reputation. To address this problem, we decided to start with a focus group of eight consumers. They were randomly selected and were required to identify aspects of corporate reputation, and information that was likely to influence their perceptions of that reputation. The results of the focus group, combined with the review of relevant literature, allowed us to retain 28 dimensions, which were presented in 28 statements established on a bipolar scale of seven points (1 = strongly disagree, 7 = strongly agree). This type of scale is considered as one of the best predictive scales and can reduce risk of asymmetrical distribution. In addition, it allows a measure of customer perception of reputation about specific characteristics of the company, as well as its global reputation (Dowling 1988; Oliver 1981). Besides, to reduce the bias of answers during the investigation, some statements are established on a reversed scale. Three statements, also established on a bipolar scale of seven points, were used to evaluate global corporate reputation. The first aims to evaluate the capacity of the company to respect its commitments towards the customer. The second measures the global perception of the department store’s reputation. The third and last statement measures the reputation of the department store relative to its competitors. Subsequently, an index defined as the sum of these three statements, was used. This method of calculation was chosen because there is no way to quantify the relative importance of each statement, compared to the others. Spearman’s coefficients of correlation, between the index and each of these three measurements, are respectively, 0.83, 0.87 and 0.84. In addition, Cronbach’s coefficient alpha of the index is equal to 0.82. In the light of these results, it is safely concluded that the partial convergent validity and internal coherence of the index are satisfactory.

Results Analysis

The first step in data analysis consists of regrouping the elements of information by an analysis of the principal components. At the second step, analysis aims to evaluate the effect of these elements of information on corporate reputation by using an analysis of regression on the identified factors. A first factorial analysis with varimax rotation, including all (28) variables identified by the focus group, shows seven orthogonal factors, explaining 68.1% of the total variance. The examination of these results led us to eliminate three variables, whose load factors are lower than 0.45 (Tabachnick and Fidell 1989). Seven other variables were eliminated because of the absence of concurrence with the intrinsic significance of the factor on which they load, despite the fact that their factor loading is higher than 0.45. A second factorial analysis on 18 remaining variables reveals four factors, representing 65.37% of the total variance. The structure of the factors appears quite clear to us. The variables composing each factor seem concordant with its significance. In addition, results of Bartlett's tests (1374.78; $p < 0.00001$) and the KMO (0.86) lead us to conclude that the data is appropriate for factorial analysis. Table 1 represents the results of the factorial analysis, as well as the coefficients of fidelity alpha of Cronbach for the reserved four factors.

The factor F_1 , termed "quality of the service", explains 30.67% of the total variance. Five variables compose this factor and four of them are dimensions of the SERVQUAL scale (Parasuraman et al. 1988): kindness (fast service and company's good treatment of its customers and the public in general), reliability (employees are always obliging), empathy (employees give detailed attention to customer needs), and insurance (the customer feels reassured by the work of the employees). The fifth dimension of SERVQUAL, tangible elements, does not appear in F_1 . The variables connected to this aspect constitute another factor (F_4). In addition, it is significant to note that the five variables of F_1 can be seen to represent the performance of the front line personnel. They clearly express functional quality as defined by Gronroos (1983). The factor F_2 , "institutional behaviours", showing 13.11% of the original variance, is also made up of five variables, including two for institutional behaviours outside the company: caring about significant social causes and preserving the environment. The other three variables concern internal institutional behaviours: offering competitive wages to employees, treating employees well, and providing them all they need to handle the process of service, production, and delivery. The factor F_3 symbolizes the store's capacity of innovation and is composed of four variables: (1) the leadership role of the store within its sector, (2) its capacity to adapt to changing needs of customers, (3) use of new technologies to improve its offers, and (4) its prospects for growth in the future. The fourth and last factor, F_4 , "physical environment", explains 7.23% of the original variance and is composed of four variables related to the physical environment: store layout, attractive installations, signs and atmosphere. It should be noted that in addition to the elements of information that constitute the dimension of tangibility of SERVQUAL scale, this factor includes elements connected to the psychological representation of the store environment, namely its ambience. On the other hand, all the tangible elements relating to the personnel of contact are not present. The structure of this factor, in spite of the confusion, which it can generate, compared to the SERVQUAL scale, remains very interesting because it captures one significant factor in the perception about department stores – the psychological effect that its physical environment has on the consumer (Lewison and Balderson 1999). In addition, the results of the tests of fidelity show that the internal

coherence of the factors is satisfactory with the Cronbach coefficients, alpha varies between 0.81 and 0.86 (Nunnally, 1978).

Table 1
Results of the factor analysis

Variables	Factor loading	Factor	Eigen value	% of explained variance	Total % of explained variance	Cronbach alpha Coefficient
At the time of my visits, the employees were always obliging	0.86	F ₁ : Quality of service	6.36	35.36	35.36	0.86
The employees of this store are recognized to ensure fast service	0.80					
The employees give detailed attention to my needs	0.76					
By making the purchases, I feel reassured by the work of the employees	0.74					
This store treats its customers and the public in general well	0.53					
This store shows commitment to significant social causes	0.78	F ₂ : Institutional Behavior	2.36	13.11	48.47	0.81
This store offers competitive wages	0.73					
This store treats its employees well	0.73					
This store provides all things necessary to the employees	0.67	F ₃ : Capacity of innovation	1.75	9.67	58.14	0.81
This store invests the efforts necessary to preserve the environment	0.61					
This store is considered as a leader in the retail trade	0.80					
This store uses new technologies for better answering the needs of the market	0.79					
This store is able to meet the changing needs changing for its customers	0.76	F ₄ : Physical environment	1.30	7.23	65.37	0.82
This store would be able to increase its sales turnover in the future	0.75					
The store is very well arranged	0.79					
The installations of this store are visually attractive	0.75					
Indications and panels of indication inside the store are easy to follow	0.70					
The environment of this store is pleasant	0.68					

An analysis of regression with ordinary least squares method was performed to evaluate the effect of the elements of information on corporate reputation. The independent variables are these four orthogonal factors. The index of reputation constitutes the dependent variable. The results of the regression, presented in Table 2, show a statistically significant relation, with a coefficient of determination (R^2) of 0.541 ($F = 48.87$ and $p < 0.001$).

Table 2
Results of the regression analysis

Dependent variable: Index representing the corporate reputation

Independent variables (4 factors)	Betas	F	Significant
Quality of the services (F_1)	0.310	34.74	$p < 0.001$
Institutional behaviors (F_2)	0.217	17.02	$p < 0.001$
Innovation (F_3)	0.493	87.83	$p < 0.001$
Physical environment (F_4)	0.393	55.89	$p < 0.001$
$R^2 = 0.541$ $F = 48.87$ $p < 0.001$			

All the four factors are significant and seem to positively affect the perceived reputation of the department stores. Capacity for innovation emerges as the factor, which contributes more to this reputation (beta = 0.493). After innovation, the following variables have succeeding order of importance: physical environment of the retailing store (beta = 0.393), quality of services (beta = 0.310), and institutional behaviour (beta = 0.217). Moreover, the assumption of normality of the residuals of the regression model was confirmed by a goodness test of χ^2 ($\chi^2 = 3.27$, whereas $\chi^2_{0.05, 6} = 12.59$).

Discussion and conclusion

In the light of the results of the factorial and regression analyses, we can note four great sources of information, which influence the consumer in his perception of the reputation of a department store. These are, by order of importance, as follows: the company's capacity for innovation, the physical environment of the store, quality of service, and institutional behaviours. Statistically speaking, the regression analysis reveals that the department store's capacity for innovation is the most important factor (beta = 0.493). This result is fully consistent with the conclusions of previous studies, which portray innovation as a crucial element in the evaluation of corporate reputation (Fombrun *et al.* 2000). On a strategic level, this underlines the key role of innovation in ensuring the competitive advantage of the company, and as an effective tool to influence the perceptions of target groups. Since capacity to innovate allows the company to introduce changes to achieve its performance goals, it is significant to make sure that the process of competence acquisition is efficient.

The results of this study also highlight the particular role of the physical environment (beta = 0.393) in the formation of corporative reputation. This confirms that physical environment can

enhance abstract concepts like corporative reputation, a fact also suggested by certain authors (Baker 1987; Bitner 1992). In the retail sector, physical environment becomes a real attraction for the consumer, because it contributes to develop or maintain an emotional bonding. For example, if the environment is pleasant, it encourages the consumer to remain in the store longer and spend more money. On the other hand, consumers tend to avoid unpleasant environments and premises with high levels of unpleasant sounds (Donovan and Rossiter 1982). It is thus vital for a department store to create a pleasing environment in order to favourably reinforce the consumer's perception of the company. The design of the physical environment should primarily answer two types of needs: (1) operational needs to ensure maximization of organisational efficiency, and (2) marketing needs to create an environment that nurtures positive customer attitudes and beliefs towards the store, and consequently his perception of corporate reputation.

The results of the current study also suggest that quality of service is a significant factor in the formation of corporative reputation ($\beta = 0.310$). This result does not in itself constitute a surprising revelation. It simply underlines the central role of service, which can be exploited by a department store as a strategy to influence or modify the beliefs and attitudes of target groups. An offer of services is composed of two aspects: the service, and the process. Service results from interaction between the customer, the employees, and the physical environment, whereas the process lies in the meeting between customers and employees. Department stores should emphasize service and behaviour of employees in their interaction with customers in order to influence their perception of the company. The results of this study are consistent with Gronroos' concept of service quality (1983), which proposes that contents of service represent technical quality, whereas the behaviour of persons serving customers is the key element of the functional quality of the service.

Institutional behaviours were also shown to significantly affect perception of company reputation ($\beta = 0.217$). Institutional behaviours consist of two components: the internal component connected to the staff management of the department store, and the external component associated with its social and environmental responsibility. This reveals the importance of the conduct of the company in the role of a "corporative citizen" both inside and outside its walls. It is significant for a department store to invest in its reputation by undertaking good relations with its employees and contributing to the collective well-being of society. In addition to competitive wages and career advancement, employees seek an environment of work that allows the promotion of values similar to theirs, in order to improve their personal development (Pruzan 2001). Internal marketing helps the department store to have better employees, motivate them, lead them to provide high level of output, and to retain them within the company for the long term. The central idea of this approach, which considers the employee as an internal customer, lies in the will of the company to satisfy the needs of its personnel in order to ensure satisfaction of its customers, and consequently to reinforce its corporative reputation. In short, employees prefer to work for a company, which has a good reputation and allows them to derive some pride from it (Levering *et al.* 1994).

Finally, it is necessary to underline certain limitations of this study. Its results cannot be applied conclusively to the whole retail trade sector and all types of services, because of the variable nature and different characteristics of one sector from another. The limited representation of the sample and the uncertainty of its validity of measurements also point to the limitations of this

research. Moreover, it should be noted that the approach "attribute", used here to evaluate corporative reputation, tends more to assess the objective reality of reputation, defined by easily measurable characteristics. This approach can be suitable for new decisions, or those of high implications, like buying certain products of great value at a retail store, which require a sustained effort in data processing. However, it may be unable to fully explain the process of inference used by a consumer in developing his perception of reputation. A possible bias in the measurement of reputation cautions us to be careful with the interpretation of the results.

We hope that this paper will open a window for further avenues of research. It is necessary to carry out similar analyses in other service sectors because of the great diversity of the services industry. Also, it would be interesting to explore, among other things, the development of a scale for measuring the reputation of service firms, and to empirically evaluate the effects of this reputation on the customer's behavioural intentions.

References

- Aaker, D.A. (1996), *Managing Brand Equity*, The Free Press, New York.
- Anderson, E.W. (1998), "Customer Satisfaction and Word of Mouth", *Journal of Service Research*, 1(1), 5-17.
- Baker, J. (1987), "The role of the environment in marketing services: The consumer perspective" in J. A. Czepiel, C.A. Congram, et J. Shanahan (eds), *The services challenge: Integrating for Competitive Advantage* (pp. 79-84). Chicago, IL: American Marketing Association.
- Becker, E.R. et Potter, S.J. (2002), "Organizational Rationality, Performance, and Social Responsibility: Results from Hospital Industry", *Journal of Health Care Finance*, 29(1), 23-48.
- Bitner, M.J. (1992), "Servicescapes: The Impact of Physical Surroundings on Customers and Employees", *Journal of Marketing*, 56 (April), 57-71.
- Bolton, R. et Drew, J.H. (1991), "A Longitudinal Analysis of the Impact of Service Changes on Customer Attitudes", *Journal of Marketing*, 55 (January), 1-9.
- Brown, S.P. (1995), "The Moderating Effects of Insuppliers/Outsuppliers Status on Organizational Buyer Attitudes", *Journal of the Academy of Marketing Science*, 23 (3), 170-181.
- Caruana, A. et Chircop S. (2000), "Measuring Corporate Reputation: A case Example", *Corporate Reputation Review*, 3(1), 43-57.
- Collis, D. (1996), "Organizational Capability as a Source of Profit", dans Moingeon, B. et Edmonson, A. (Eds.), *Organizational Learning and Competitive Advantage*, Sage, Londres.
- Dabholkar, P.A., Thorpe, D.I. et Rentz, J.O. (1996), "A Measure of Service Quality for Retail Stores: Scale Development and Validation", *Journal of the Academy of Marketing Science*, 24 (1), 3-16.
- Donovan, R. et Rossiter, J. (1982), "Store Atmosphere: An Environmental Psychology Approach", *Journal of Retailing*, 58 (Spring), 34-57.
- Dowling, G.R. (1988), "Measuring Corporate Images: A Review of Alternative Approaches", *Journal of Business Research*, 17, 27-34.
- Fombrun, C. J. (1996), *Reputation: Realizing Value from the Corporate Image*, Harvard Business School Press, Boston, MA.
- Fombrun, C. J., Gardberg, N. et Sever, J. (2000), "The reputation Quotient: A Multi Stakeholder Measure of Corporate Reputation", *Journal of Brand Management*, 7, 241-255.
- Fombrun, C. et Shanley, M. (1990), "What's in a Name? Reputation Building and Corporate Strategy", *Academy of Management Journal*, 33 (2), 233-248.

- Gemser, G. et Wijnberg, N.M. (2001), "Effects of Reputational Sanctions on the Competitive Imitation of Design Innovations", *Organization Studies*, 22(4), 563-591.
- Gendron, M. et Genest, C. (1993), « La perception du risque de titres financiers : l'importance relative et l'influence de certains facteurs de risque », *L'Actualité économique*, 69, 143-170.
- Gronroos, C. (1983), "*Strategic Management and Marketing in the Service Sector*", rapport no 83-104, Marketing Science Institute, Cambridge, Ma.
- Herbig, P., Milewicz, J. et Golden, J. (1994), "A Model of Reputation Building and Destruction", *Journal of Business Research*, 31, 23-31.
- Johnson, J. D., Donohue, W. A., Atkin, C. K. et Johnson, S. (2001), "Communication, Involvement, and Perceived Innovativeness", *Group and Organization Management*, 26(1), 24-52.
- LeBlanc, G. & Nguyen, N. (1988), "Customers' Perceptions of Service Quality in Financial Institutions", *The International of Bank Marketing*, 6 (4), 7-18.
- Levering, R. et Moskowitz, M. (1994), *The 100 Best Companies to Work for in America*, Doubleday, New York.
- Lewison, D.M. et Balderson, D.W. (1999), *Retailing*, Canadian Ed., Prentice Hall, Ontario.
- Neely, A., Filippini, R., Forsa, A., Vinelli, A. et Hii, J. (2001), "A Framework for Analysing Business Performance, Firm Innovation and Related Contextual Factors: Perceptions of Managers and Policy Makers in two European Regions", *IMS*, 12(2), 114-124.
- Nunnally, J.C. (1978), *Psychometric Theory*, 2nd edition, New York: McGraw-Hill.
- Oliver, R.L. (1981), "Measurement and Evaluation of Satisfaction Processes in Retail Settings", *Journal of Retailing*, 57 (3), 25-47.
- Parasuraman, A., Zeithaml, V.A. et Berry, L.L. (1988), "SERVQUAL: A Multiple-Item Scale for Measuring Customer Perceptions of Service Quality", *Journal of Retailing*, 64 (Spring), 12-40.
- Prabhu, J. et Stewart, D.W. (2001), "Signaling Strategies in Competitive Interaction : Building Reputations and Hiding the Truth", *Journal of Marketing Research*, 38 (February), 62-72.
- Pruzan, P. (2001), "Corporate Reputation: Image and Identity", *Corporate Reputation Review*, 4 (1), 50-64.
- Rao, H. (1994), "The Social Construction of Reputation: Certification Contests, Legitimation, and the Survival of Organizations in the American Automobile Industry: 1895-1912", *Strategic Management Journal*, 15, 29-44.
- Robertson, T.S. (1993), "How to Reduce Market Penetration Cycle Times", *Sloan Management Review*, 35 (1), 87-96.
- Shapiro, C. (1983), "Premiums for High Quality Products as Returns to Reputations", *Quarterly Journal of Economics*, 98, 659-679.
- Tabachnick, B.G. et Fidell, L.S. (1989), *Using Multivariate Statistics*, 2nd edition, New York: HarperCollins Publishers.
- Verschoor, C.C. (2002), "Canadian Study Shows Wide Support for Corporate Responsibility", *Strategic Finance*, April, 20-22.
- Wartick, S.L. (1992), "The Relationship Between Intense Media Exposure and Change in Corporate Reputation", *Business and Society*, 31, 33-49.
- Wilson, H.W. (1985), "Reputations in Games and Markets", in A.E. Roth (Ed.), *Game-Theoretic Models of Bargaining*, 65-84, Cambridge University Press, New York.
- Yoon, E., Guffey, H.G. et Kijewski, V. (1993), "The Effects of Information and Company Reputation on Intentions to Buy a Business Service", *Journal of Business Research*, 27, 215-228.

Publish or Perish!
by Shelley Rinehart and Wendy Wilson
(University of New Brunswick – Saint John)

ABSTRACT

New academics are unsure of where they should be publishing in order to advance their careers. This future research will not rank journals, but will compare them in order to determine the factors that impact the rankings of journals in terms of quality according to two perspectives: 1) for the purposes of promotion and tenure and 2) according to personal perceptions of quality in terms of accuracy and timeliness of research results. It is important to understand if there is a difference between these perspectives, why journals are ranked as the best, which journals are important to publish in for promotion and tenure decisions, and which journals are most useful to academics. Obtaining this understanding will help assessment committees and those facing employment consideration and/or promotion and tenure opportunities to publish in the right places and review the right journals. The purpose of this research project is to develop a pilot survey instrument to investigate the answers to these questions. The results of this pilot project will then be used to develop a more broad based research agenda.

Developing a Market Orientation in Atlantic Canada's Seasonal Industry Sector: Evidence from New Brunswick

by Reginald G. Sheppard (University of New Brunswick)

Abstract

In the past decade, market orientation (MO) development has been at the fore for many researchers and practitioners. It has been argued that MO leads to improved firm performance and profitability. Many gaps remain in the literature base. This paper examines market orientation development in seasonal industry settings, focusing on the primary industry sector (fishing) in New Brunswick. To legitimize this study, a discussion of the economic value and importance of seasonal industries is presented. Using the Parsimonious Modelling Approach (Gray et al.,1998), a seasonal market orientation model (MO) has been developed.

Seasonally-Based Industries in Atlantic Canada: Characteristics and Value Importance.

Seasonally-based industries are generally characterized by the presence and level of seasonal work, the nature of that work, and the percentage of people employed in those industries. Such industries operate only a portion of the year, for reasons specific to that industry. A key problem is the lack of continuity from one year or season to the next. The effects are seen in periods of unemployment for workers, revenues are lower in down times, employee retention (due to frequent layoff) can often be a problem, infrastructure maintenance can be an issue, and market development can be a more difficult task as compared to those industries that operate year round. Furthermore, to fully appreciate the nature of seasonal work, and seasonal industry in general, it is necessary to understand that it can be highly concentrated in certain communities, most often as a result of a dependence on one particular industry present in the community (Strategic Policy, HRDC, 2001). Taken a step further, the Canadian Out-of-Employment Panel (COEP) Survey (1996) found that there is a striking variation in seasonal work among communities, with Atlantic Canadian communities having a rate approximately three times that of other areas of Canada, most notably the Western Prairies and British Columbia. The survey also found that in communities where there is a higher concentration of seasonal work, a primary industry was found to dominate such, as opposed to communities with low concentrations of seasonal employment driven by the construction industry (Strategic Policy, HRDC, 2001). In addition, seasonal workers in the higher concentration communities were more likely to expect to return to work following job layoff, while those in the lower concentration communities did not. Furthermore, if we examine the characteristics of seasonal jobs compared to those that are not seasonal, we find significant differences between the two. Consider Table 1 below.

Table 1: Job Characteristics in Seasonally-Based Industries in Canada.

Seasonal	Yes	No
Weekly wages of last job	486	571
Actual earnings in previous year	12,303	20,114
% Union Membership	24.7	32.3
% Have medical benefits	19.6	45.0
% Have pension	14.1	29.6
Hours	44.2	38.0

Source: COEP 96: Cohorts 1-8

An examination of seasonal employment by province and industry also shows major differences (See Table 2 below). This table shows the extent to which seasonal work tends to be concentrated in particular

industries and regions. Each of the four Atlantic Provinces have percentages that are significantly higher than the national average of 15.5% (Strategic Policy, HRDC, 2001; COEP, 1996). These findings suggest a distinctly different industrial structure than that for the rest of the country. Furthermore, variations in seasonality are more pronounced by industry, with high levels of seasonality found in industries that have not been growing as quickly (Strategic Policy, HRDC, 2001). This has also contributed to an overall fall in the concentration of seasonal work in our economy.

Table 2: Seasonal Employment by Province and Industry.

% Seasonal within province		% Seasonal within industry	
Newfoundland	31.0	Agriculture	59.0
Prince Edward Island	42.4	Primary	45.2
Nova Scotia	25.7	Manufacturing	11.6
New Brunswick	31.1	Construction	29.1
Quebec	17.0	Transportation	21.6
Ontario	11.4	Communications	4.8
Manitoba	15.8	Utilities	18.3
Saskatchewan	17.1	Trade	7.4
Alberta	13.0	Finance, Insurance	3.7
British Columbia	12.2	And Real Estate	
		Education	9.5
		Business Services	13.5
		Government Services	14.8
		Public Administration	16.6

Source: COEP 96: Cohorts 1-8

As this data shows, the industry base in Atlantic Canada can be largely characterized as being seasonal. Despite the tremendous growth in the service and knowledge-based sectors and continued efforts at narrowing the trade gap with the Eastern United States (Crowley, 1995), Atlantic Canadians continue to rely on the primary seasonal industry sectors – fishing, forestry, agriculture, and mining. Given this, conservation and resource management has been at the fore. This is of major importance when we consider that renewable resources are seen as natural capital and are intended to contribute in a meaningful way to economic development (Goff, Sheppard, and Saunders, 2002).

It can also be argued that seasonally-based industries probably go through a longer business cycle (Askanas, 2003) which will make it easier to measure economic indicators directly, but are often subject to having to use seasonally adjusted data when preparing financial documents or when seeking monetary assistance from lending institutions. The indexing process used allows companies to “flatten” any of the seasonal peaks so that data is representative of the year in total. To further explain indexing of the data, or seasonal adjustment, seasonal factors are estimated and then applied to a time series to remove the seasonal variations. These variations represent the composite effect of climatic and institutional factors that repeat with a certain regularity within the year (Statistics Canada, 2003). An argument here is that this may be more of a problem than a benefit.

If we consider a company's S-Curve in such an industry setting, we will find that companies generally have product available for the marketplace at the end of their cycle and then start receiving revenue, a time when they are actually in a decline. It is almost as if their S-curve has been reversed. Based on this we may argue that firms actually should start their marketing of products before their cycle begins so that they will have everything done when a product becomes available. So the idea behind using adjusted data is probably a fruitless endeavour.

Given this discussion, we must consider the economic value of seasonally based industries. The economic impact and benefits that are generated are of particular importance on a regional level, with significant contributions to overall GDP. Table 3 below provides a more complete picture.

Table 3: Economic Importance of Seasonally Based Industries in Atlantic Canada.

Province	% Σ companies	% Σ work-force	% Σ value added	% Σ exports
Newfoundland & Labrador	54	31	36	34
Nova Scotia	23	25.7	19	16
Prince Edward Island	55	42.4	46	45
New Brunswick	36	31.1	31	35

Table Adapted from P. Reigner, "The Dynamics of Small and Medium Sized Enterprises in Korea and Other NIE's. *Small Business Economics*, Vol. 5, No. 1, March 1993, p. 24. Data Source: Statistics Canada 2003.

These indicators provide a good illustration of why this industry base is worthy of study and research. Please be mindful that they do not necessarily provide a complete picture of the overall importance. This is because economic indicators usually measure an industry in isolation, whereas in reality seasonally-based industries are highly interlinked with the rest of the economy. The complex relationships resulting from such linkages may be examined through use of input-output tables and economic multipliers, should anyone want to do this. Use of these techniques also allows us to estimate, or forecast, the level of flow-on activity to other areas of the economy that can be linked back to a particular industry base. But this may be problematic in areas that have a small population base in small communities that are spread over large geographic areas. In such cases the Input-Output analysis does not capture the important economic and social dependencies. In short, this type of situation may lend itself to research that is company specific within a given industry, or be industry-specific in particular communities. In such cases an exploration of market orientation development may be appropriate, especially when we examine customer, competitor and profit oriented constructs.

Market Orientation – What is it?

Although there is no consensus regarding a standard definition of market orientation (Gray, Matear, Boshoff, and Matheson, 1998), early formulations provided by Narver and Slater (1990) and Kohli and Jaworski (1990) have received wide-spread acceptance. The latter definition says that market orientation is the implementation of the marketing concept, and comprises three activities – generating market intelligence, the dissemination/transfer of market intelligence throughout the firm, and an organizations degree of responsiveness to this information. The definition provided by Narver and Slater (1990) is more complete in that it provides three behavioural components – competitor orientation, customer orientation, and inter-functional co-ordination, as well as two decision criteria – long-term focus and profit objective (Gray et al., 1998). Deng and Dart (1994), defined market orientation as the implementation of a particular business philosophy, i.e. the marketing concept. More precisely:

Market orientation is the generation of appropriate market intelligence pertaining to current and future customer needs and the relative abilities of competitive entities to satisfy these needs; the integration and dissemination of such intelligence across departments; and the co-ordinated design and execution of the organizations strategic response to market opportunities.

This is a more complete and robust definition than those provided by earlier researchers, and when followed, provides a clearer picture (Gray et al., 1998).

The early formulations have provided the framework we now use in market orientation, especially when implementing market orientation practices. It also highlights some of the debate, or maybe realities, surrounding MO – is it a business philosophy, something which is to be implemented, or is it a set of accepted business practices/activities? Either way, it suggests that MO initiatives (to become more market oriented) can be, and probably should be, unique to the firm. This is of particular importance when we need to make allowance for the situational and contextual factors found in every setting, also a key ingredient in economic development initiatives. Furthermore, it may also suggest that we need to be aware of our own views of what the marketing concept is. For instance, if we adhere to the American view – marketing’s role is co-ordinating and managing the 4-P’s to make companies more responsive to customer needs, while the Nordic view (Gronroos, 1989) says that marketing’s aim is to develop long-term customer relationships through the fulfillment of mutual promises (Gray et al., 1998). Both are similar in that they focus on the needs of the customer, yet unique in how this is to be done. The American view is more concerned with dealing with the marketing program, a set of controllable factors that can be changed according to changes in the market place. The Nordic view, by contrast, is not as rigid, has the potential to be more open to factors and variables of the location. Again, we need to be mindful of the situational and contextual factors of the organizational setting.

While the debate may continue over how MO is to be defined, several things have emerged out of the research over the past decade. Perhaps the most notable of these, and there has been intense debate, is that the majority of studies conclude that there is a positive relationship between firm performance (increased ROA and sales growth) and profitability and implementing market orientation (Narver and Slater, 1990; Slater and Narver, 1994a; Pelham and Wilson, 1996). Jaworski and Kohli (1992) also found a positive relationship between market orientation and a “judgemental” measure of business performance – that is, a measure based on respondent’s assessments of their performance and their performance relative to competitors (Deshpande, 1999). They did not, however, find any significant relationship at that time between market orientation and either of their “objective” measures of business performance – market share and return on equity (Deshpande, 1999). It should be noted at this point that firms which do not implement MO behaviour will not necessarily suffer from poorer performance and profitability, as some of the findings of Jaworski and Kohli (1992) and those of Deshpande, Farley, and Webster (1993) indicate.

In addition to improved performance and profitability, Slater and Narver (1994a) go on to say that further rewards appear for firms when they implement MO. These rewards include, but are not limited to, improved core competencies/capabilities and competitive advantage, arising when a business creates more value for its customers than any of its competitors. Hence, building strong customer relationships is key if we are to know the products they want and need. If we are able to provide the extra value – either through differentiation or lower costs, this will potentially provide the sustainable competitive advantage we need, thus leading to superior business performance (Deshpande, 1999).

While the literature base on MO is limited it has still provided a strong framework for researchers and managers alike when trying to improve an organizations performance and profitability. Part of the value in this picture is that we still have much debate surrounding the benefits of MO. This has helped researchers to identify factors in the MO arena that affect firm performance – firm size, value, goals; influence of external market environment (Greenley, 1995a, 1995b); presence or absence of market competitors, increasing knowledge and management thereof (Delbaere, Sivaramakrishnan, and Bruning, 2003), to name a few. I would kindly welcome anyone to engage in a rigorous reading of these findings. For the purposes of this paper I simply want to position MO for what it has been accepted as, knowing that the debate surrounding a suitable standard definition may continue for some time to come, just as it will when trying to determine the objective tangible benefits of MO.

Given the title and focus of this paper, it is appropriate to bring the discussion around to how we can help firms become more market oriented. A basic assumption, one which is supported by Kohli and Jaworski’s (1990) definition of MO, is that the marketing concept be implemented first. Given the historical difficulty of an acceptable standard definition and of developing a valid measure of MO, Gray

et al.(1998) developed a better measure of MO. Their model (or approach as some may call it) combines the earlier MO scales developed by Narver and Slater (1990), Jaworski and Kohli (1993), and Deng and Dart (1994) into a single scale which is then taken and used in a particular setting. Through use of reliability analysis, exploratory factor analysis, and finally confirmatory factor analysis they have been able to arrive at what they call a parsimonious market orientation scale. The testing ground used to arrive at such a scale was New Zealand, where they had tested the combined scales in a broad range of industries in various settings. The resultant scale, a workable purified MO scale suitable for the New Zealand context. Such an approach can be used elsewhere, with the advantage that we now have a way to account for the various situational and contextual factors unique to a particular setting. In this regard, seasonal industries are worthy of study.

Given that much of what is done in economic development is community centered, application of a tool such as this may prove useful when trying to formulate strategies for firm renewal and community rejuvenation. Since communities with a seasonal industry base probably face more difficulties than those with industries that operate year round, combined with a variety of environmental constraints(Goff, Sheppard, and Saunders, 2002), it makes good managerial sense to at least explore the application of this set of tools. It also provides the added advantages of i. helping alleviate the problems surrounding the generalization of findings in studies from other areas, and ii. dealing with the limitations imposed on us from the use of cross-sectional data. Using this approach, we are better able to solidify a long-term data base in one setting, provided proper environmental controls are accounted for. Finally, and to conclude an earlier point, this approach allows for exploration of MO and performance relationships in a wider variety of country-market contexts (Gray et al., 1998), thus providing a future base for comparative analyses of regions with similar dynamics.

Methodology

I. Sampling Frame

This study employ's use of an exploratory design to address two primary questions – what management and marketing strategies should be employed in a primary seasonal industry setting, and what is the economic importance of market orientation in such settings. The primary industry under consideration is the Atlantic Coast fishery, specifically that of New Brunswick. Using the Canada Business ZipCom Directory, Volume 4, 2001 combined with a “size-sampling” technique, commonly used in industrial marketing research due to its higher efficiency (Lee and Cohen, 1999), the sample frame was reduced to 18 fish processing companies representing 18 rural communities, with two individuals being interviewed from each (at this point the exact number of companies operating in such a capacity in Atlantic Canada has not been determined). All companies were independently owned and operated, and all exported its finished product. All 18 communities had fewer than 5000 people. Collectively, the 18 companies employed just over 2000 people, and each company played an active role in community affairs. All 18 companies operated on a seasonal basis in a commodity-based industry.

II. Questionnaire Design

The questionnaire designed for this study is based largely on the scales used by Gray et al. (1998) A total of 44 items were used to measure market orientation, and were selected using Cronbach Alpha scores from the original studies of Deng and Dart (1994), Jaworski and Kohli (1993), and Narver and Slater (1990). Each of the original studies were conducted in both a Canadian and American context. To remain consistent, the MO scale items used a 5-point Likert Scale. Additional questions focused on the demographics and constraints of this region, specific company dynamics, and import/export behaviour.

III. Data Collection

The personal structured interview was the method of choice to gather data in this study. Given the technical nature of the questions in the MO scale, the geographic size of the region under study, and the

volatility associated with data gathering in Atlantic Canada (Askanas, 2003) this method was deemed most appropriate to ensure a high response rate.

A total of 36 people had been interviewed, 2 from each of the local fish processing companies identified earlier. All respondents were contacted by telephone and an interview time had been scheduled. Exactly one day prior to the interview each respondent was faxed a copy of the questionnaire in preparation for the interview. All were considered to be owner/operators/managers and shop foreperson, with 18 respondents in the former group and 18 respondents in the latter group. All grew up in the respective communities, and all openly declared an active involvement in community affairs – municipal politics, sponsorship of local sports teams, and so on.

A major short-coming of using a size-sampling technique with personal interview is that it bears the risks of having higher bias on sensitive questions and having a higher sampling error caused by the restriction of applying simple random sampling (Lee and Cohen, 1999). However, a comparison of the different biases that exist among the different interview processes, a lower response rate has the most influence on the accuracy of the final analysis (Tull and Hawkins, 1993).

Data Analysis and Discussion

This study is strictly exploratory in nature, and is part of a much larger comparative international study examining market orientation in seasonal industry settings in Atlantic Canada and South West England. The data for this specific study is restricted to the province of New Brunswick only. Data pertaining to each of the other three provinces (Newfoundland and Labrador, Nova Scotia, and Prince Edward Island) and that from the six counties of South West England are not yet ready for full analysis.

The preliminary findings in this study have proven to be quite interesting and useful. Limited it may be, however it will generate much discussion and debate and help establish the framework for future studies in this area.

Analytical Techniques

Once gathered, data were entered into SPSS for Windows, Version 11.0. Cronbach alphas were computed and unreliable questions dropped. Item reduction within the scale resulted for items with $\alpha < 0.70$. An alpha level of 0.70 is generally accepted to be the minimum threshold for reliability (Nunnally, 1978). Other researchers such as Devillis (1991) and Robinson et al. (1991) have considered lower levels of reliability acceptable in the early stages of scale development (Babin, 1994). Jackson (1991) supports this lower threshold by saying that “a rule of thumb would be to have a minimum coefficient of 0.60.” At this early stage I want the parsimonious model to be as tight as possible and will therefore use alpha scores at least equal to 0.70. It must be noted, however, that once all the data arrives for the larger study it may be necessary to adjust alpha toward the lower level of 0.60.

Scale Development and Refinement

The first stage of data analysis is to assess the reliability of the eight constructs proposed by Deng and Dart (1994), Jaworski and Kohli (1993), and Narver and Slater (1990) – see Table 4 below. Due to low reliability measures, the constructs for Customer orientation, Inter-functional Co-ordination, and Intelligence Dissemination were deleted, along with eight other questions, leaving five constructs with alpha's greater than 0.70. A total of 17 questions were retained for exploratory factor analysis.

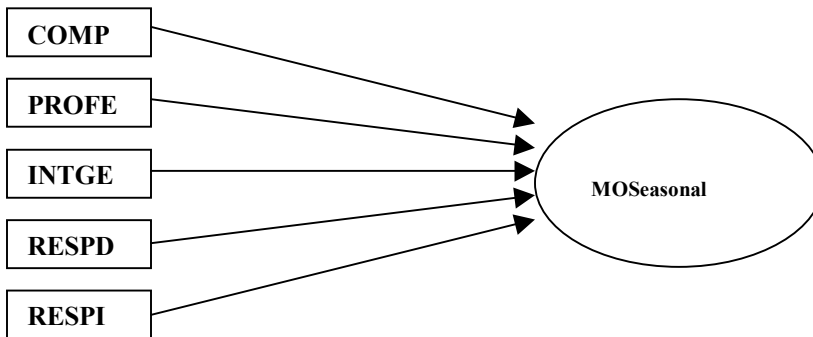
Table 4: Reliability Analysis

Variable Name	Label	Initial α	Final α	Items retained
Customer Orientation	Custo	0.4180	0.4266	None
Competitor Orientation	Compo	0.8862	0.8862	All
Inter-functional Co-ordination	Funco	0.2261	0.3994	None
Profit Emphasis	Profe	0.7122	0.7122	All
Intelligence Generation	Intge	0.6997	0.7106	1, 3-5
Intelligence Dissemination	Intdi	0.3346	0.4392	None
Response Design	Respd	0.4218	0.7367	1
Response Implementation	Respi	0.7218	0.7602	1, 4

Like Gray et al.(1998), EFA was used to determine which items appear to best measure the dimensions of market orientation. These measures would be retained and used in constructing an interpretable MO model (MO_{Seasonal}).

The 17 questions were factor analyzed, followed by a discontinuity analysis. The results showed that the five constructs identified in the reliability analysis should be retained for inclusion in a MO_{Seasonal} scale, with all 17 items remaining. Hence, the following interpretable model:

Figure 1: Seasonal Market Orientation Scale for New Brunswick.



The dimensions of market orientation that are suggested by this model appear to weight a little heavier on the original constructs proposed by Jaworski and Kohli (1993), than it does on the earlier constructs proposed by Narver and Slater (1990) and Deng and Dart (1994). The results of this analysis, yet very limited at this early stage, seem to suggest that market orientation in an Atlantic Canada context consists of five dimensions which can probably be best measured using 17 scale items with a 5-point Likert Scale. At this point, however, it is not clear whether the results obtained are due to the seasonal nature of the industry and companies surveyed, or if it has more to do with the products manufactured and sold by these companies, in which case market destination may play a strong role in determining the MO model arrived at.

It should be noted that a confirmatory factor analysis (CFA) had not been conducted on this data at this point in time. Normally, a CFA is conducted to see whether the dimensions arrived at in the exploratory factor analysis is a good representation of market orientation. Some argue that CFA may not be necessary because if EFA finds the underlying structure that is hypothesized, then this is a much stronger test than constraining the model to the one hypothesized (Babin, 1994; DeVillis, 1991). CFA simply removes items with low

reliabilities, non-significant t-values, and any pattern of high normalized residuals, helping reveal indicators that should have been deleted in the earlier EFA. The general picture is most likely to remain unchanged.

Discussion

In the proposed model competitive orientation is measured by responses to six questions. The first question determines whether or not companies actively monitor the marketing efforts of its competitors. The second question tells us whether or not market data about competitors plays any role in the construction of a firm's marketing plan, hence subsequent course of action. The third question deals with the role played by salespeople and how closely they monitor competitor activity and how they report on such. The fourth question discovers how quickly companies respond to competitors' actions, and gives the company an indication of how flexible they are, and should be, in regards to changes in market intelligence. The fifth question addresses the behaviour of top managers in relation to the actions of competitors. The sixth question discovers how companies develop their own competitive advantage, how they take advantage of market opportunities, and how well they do in the market place. For this construct, and given the nature of the seasonal industry base in the communities surveyed, it is no surprise that all items remain after EFA had been conducted.

Profit orientation is measured using responses from four questions. All four questions try to discover the profitability of a company's major customers, its own product lines, its own sales territories, and its distribution channels. The emphasis here, from a managerial point-of-view, is to make sure that proper management information systems have been set up and carefully maintained.

Intelligence generation is measured using responses from four questions. The first question determines if frontline staff interact directly with customers and how they can be better served. It must be noted that for each of the companies surveyed front-line staff consisted of a secretary/administrative assistant and/or plant supervisor. The second question discovers how keen companies are in detecting changes in customer wants and needs. The third question determines how frequently companies gather industry data on an informal basis. The appearance of this question is of particular importance because none of the companies surveyed had any formal marketing department to take care of marketing activities, nor did they have anyone specifically designated as a marketing manager, or of similar title. Perhaps a company's marketing efforts are relegated to nothing more than an informal set of activities. The fourth question discovers how well companies monitor the external environment for changes that may impact their customers and ultimately their own performance and profitability. This item is of particular interest because it is the one single item in the MO questions directly related to customers that all companies in the survey rated as very high. This is confusing to some extent when you consider that the construct for customer orientation was dropped from the model following the reliability analysis.

Response design is measured using a single question. This question determines the time it takes for companies to respond to competitor price changes. All 18 companies in the survey strongly disagreed on this item, suggesting that their response is immediate and complete. Worthy of note here is question number four from the original scale. This particular question did not survive after the reliability analysis, but during the interviews a total of twenty-one individuals felt that new technology (processing and manufacturing) was probably the major driving force behind new product development, as opposed to what market research findings were saying. Given that products are the bridges that connect markets and the process technology used to produce them, it is fair to assume that improvements in technology will increase market competitiveness by producing higher quality products (Lee and Cohen, 1999). For companies with the financial capabilities technological advancement is critical.

Finally, response implementation is measured using two questions. The first question determines whether or not companies will react to competitors when they launch new programs targeted at their customers. The second determines how long it takes to respond to competitors' price changes.

In summary, New Brunswick companies located in rural community settings that have a primary seasonal industry base (fishing) need to be aware of the capabilities and activities of its current and potential competitors, they need to emphasize long-term profitability and take steps to ensure that management

information systems are properly set up and maintained, and they need to ensure that proper mechanisms are in place to gather market intelligence about competitors and consumers and do so on a continuous basis. This will allow companies to remain flexible in the market space they operate in.

Conclusion

Given that this study is exploratory in nature along with the fact that the data base is limited, no attempts have been made to establish content, criterion, or construct validity regarding the responses from this survey. This will be done when a sufficiently large data base has been assembled. Instead, the model is developed through use of the scales indicated as well as the process developed by Gray et al. (1998). The original scale items had been tested for such in a Canadian, American, and British context. In this study the items loaded as predicted, and there is sufficient managerial value in the findings. Furthermore, we now have the beginnings of a framework to start a more rigorous study into how companies in similar circumstances do business. From an economic development point of view this is very important. It is one additional tool that can be used to help companies improve performance and profitability, and ultimately improve its own market orientation. The spin-offs will be seen through increased employment and spending, development of new technology and infrastructure, and hopefully improved partnerships in this region.

At this point in time the results of this survey suggest a valid instrument for measuring market orientation within the context identified. The scale arrived at can be used as a checklist to pinpoint areas of strength and weakness, and also help companies improve their marketing performance (Gray et al., 1998). Since the customer orientation construct did not appear in the MO_{Seasonal} model this is obviously an area of concern. It may mean that companies need to have a formal marketing department, or at the very least designate an individual to take care of marketing activities, to help ensure that the marketing concept is properly implemented, and that customers are properly taken care of. These things are essential for successful market orientation development. On this point it may be arguable as to whether companies in this survey are market oriented at all. Given the keen focus on competition and profit, companies are obviously concerned with moving and selling their products. It may be argued that they are as much product and sales oriented as they are market oriented. In the absence of a larger data base this may be a valid point-of-view. Furthermore, it may be necessary to interview more than just a two people at each site. This will provide more relevant data, and certainly help in identifying differences in perceived levels of market orientation within the firm (Gray et al., 1998), thus allowing for more in-depth analyses at the firm level while at the same time generating more support for the situational and contextual arguments. Given the dynamics of rural settings with a seasonal industry base it may be easier to establish longitudinal research projects. This will help to assess problems inherent in developing a market orientation and identifying any lags between implementation and observable gains in marketing and financial performance (Gray et al., 1998). Finally, it will help strengthen the link to economic development by identifying specific company and community things which can be done to help create and generate wealth and the preservation thereof.

References

Askanas, W. (2003). Interview with Dr. Wiktor Askanas, Recipient of The Order Poland and Professor of International Business and Strategic Management, Faculty of Administration, The University of New Brunswick, Fredericton, NB, Canada. September.

Babin, L. (1994). Guidelines for State-of-the-Art Scale Development, Southern Marketing Association Proceedings: New Orleans, 198-201.

Canadian Business ZipCom Directory (2001), Vol. 4, Tamec Inc., Quebec.

Canadian Out-of-Employment Panel (COEP) (1996): Cohorts 1-8.

- Delbaere, M., Sivaramakrishnan, and Bruning, E. (2003). The Role of Knowledge Management in the Market Orientation-Business Performance Linkage. Paper presented at the 31st Annual Administrative Sciences Association of Canada Conference, Halifax, Nova Scotia.
- Deng, S. and Dart, J. (1994). Measuring Market Orientation: A Multi-factor, Multi-Item Approach. *Journal of Marketing Management*, Vol. 10, No. 8, 725-742.
- Deshpande, R. (Ed.) (1999). *Developing a Market Orientation*. London: Sage Publications Ltd.
- Deshpande, R., Farley, J. U., and Webster, F. E., Jr.(1993). Corporate Culture, Customer Orientation and Innovativeness in Japanese Firms: A Quadrad Analysis. *Journal of Marketing*, 57(1), 23-37.
- DeVellis, R. F. (1991). *Scale Development Theory and Applications*, Newbury Park: Sage Publications.
- Goff, G., Sheppard, R. G., and Saunders, G. W. (2002). Marine Plant Feasibility Study For Western Hudson Bay. Department of Sustainable Development, Fisheries and Sealing Division, Government of Nunuvut, Iqaluit, Nunuvut, 1-76.
- Gray, B., Matear, S., Boshoff, C. and Matheson, P. (1998). Developing a Better Measure of Market Orientation. *European Journal of Marketing*, 32, 9/10, 884-903
- Greenley, G. E. (1995a). Market orientation and company performance: empirical Evidence from UK companies. *British Journal of Management*, Vol. 6, 1-13.
- Greenley, G. E. (1995b). Forms of Market Orientation in U.K. Companies. *Journal Of Management Studies*, 32(1), 47-66.
- Gronroos, C. (1989). Defining Marketing: A Market-Oriented Approach. *European Journal of Marketing*, Vol. 23, No. 1, 52-60.
- Jaworski, B. J. and Kohli, A. K. (1992). *Market Orientation: Antecedents and Consequences* (Report No. 92-104). Cambridge, MA: Marketing Science Institute.
- Jaworski, B. J. and Kohli, A. K. (1993). *Market Orientation: Antecedents and Consequences*. *Journal of Marketing*, Vol. 57, July, 53-70.
- Jackson, W. (1999). *Methods: Doing Social Research*, 2nd Edition. Prentice-Hall, Toronto.
- Kohli, A. K. & Jaworski, B. J. (1990). Market Orientation: The Construct, Research Propositions, and Managerial Implications, *Journal of Marketing*, Vol. 54 (April), 1-18.
- Lee, L. and Cohen, D. (1999). Markets and Technology in Western Canadian Sawmills. *Forest Products Journal*, Vol. 49, Issue 7/8, 36-51.
- Narver, J. C. and Slater, S. F.(1990). The Effect of Market Orientation on Business Profitability. *Journal of Marketing*, Vol. 54, October, 20-35.
- Nunnally, J. C. (1978). *Psychometric Theory*, New York: McGraw-Hill.

Pelham, A. M., and Wilson, D. T. (1996). A Longitudinal Study of the Impact of Market Structure, Firm Structure, Strategy, and Market Orientation Culture on Dimensions of Small- Firm Performance. *Journal of The Academy of Marketing Science*, 24(1), 27-43.

Reigner, P. (1993). The Dynamics of Small and Medium Sized Enterprises in Korea and Other NIE's. *Small Business Economics*, Vol. 5, No. 1, p. 24.

Slater, S. F., and Narver, J. C. (1994a). Does competitive environment moderate the Market orientation-performance relationship? *Journal of Marketing*, Vol. 58, January, 46-55.

Statistics Canada 2003.

Strategic Policy, Human Resources Development Canada (HRDC) 2001.

Tull, D. S. and Hawkins, D. I. (1993). *Marketing Research – Measurement and Method*, 6th Edition. MacMillan Publishing Co., New York.

Information Systems

Determinants of the Usage of Public Computer Lab Facilities in Rural Communities

By Kent MacIsaac and Todd A. Boyle (St. Francis Xavier University)

For those without information technology in the household, the importance of public computer lab facilities which can offer access to such technology free of charge is very great. However, the sustainability of such facilities is a difficult challenge for rural communities which do not have a large population to uphold such an endeavour. This research examines those factors influencing the usage of public computer lab facilities in rural communities. This research objective is achieved by examining such a facility located in a small rural community in Nova Scotia. Interviews with various stakeholders indicate that the lack of computer technology within the home, desire for social interaction, desire to increase knowledge of information technology, accessibility of the site, sophistication of the site, services offered, and technical support all influence the perceived usefulness of the facility, which in turn, influences the intention to use the facility and ultimately self-reported system usage.

Introduction

The importance of information technology (IT) extends not only to large organizations, but also to individual households, becoming increasingly important in the education of children and daily personal use. Despite decreases in the cost of IT, not everyone can afford having a personal computer and related technology (e.g., scanners, printers, sophisticated software packages) in their home. Those without IT at home are at a severe disadvantage, whether it be in their ability to educate themselves or familiarize themselves with a tool so common-place in today's work environment. It is primarily for these people that public computer lab facilities have been developed. These lab facilities are open to the general public and provide free computer access and technical support to individuals without IT in the household; as well as to those wishing to use software packages (e.g., web design software, database software) or hardware (e.g., scanners, fax, internet access) not available with their computer at home.

With the evolution of such facilities, it has become apparent that while these labs are able to survive in urban areas, it is difficult to sustain such facilities in rural communities where the population is much smaller. Yet, the need and success of such facilities in rural areas is no less significant. This research identifies the major determinants of the usage of public computer lab facilities in rural areas. To identify these determinants, a facility located in the small rural community of Judique, Nova Scotia is examined. Results of interviewing the major stakeholders of this facility indicate that the lack of computer technology within the home, desire for social interaction, desire to increase knowledge of information technology, accessibility of the site, sophistication of the site, services offered, and technical support all significantly influence the perceived usefulness of the facility, which in turn, influences the intention to use the facility and ultimately self reported system usage.

Understanding the factors which lead to the usage of public computer lab facilities in rural areas is important. The financial resources injected into these projects are meant to bring economic

and educational opportunities to the residents of rural communities. One of the major success criteria of this type of initiative is the extent that the facility is being used by community members. Studies into the determinants of the usage of public computer lab facilities in rural areas could help those implementing such a facility. Implementers would be more informed of the factors influencing usage and could therefore try to mimic positive factors and avoid negative ones, thus improving the success of the facility and its importance to the community. Examining the usage of existing facilities and their motivating factors, may also help identify issues that should be addressed when deciding whether or not to locate a public computer lab facility in a specific rural community, thus increasing the chances of success long before the project begins.

Determinants of the Usage of Information Technology

There is a great need for the knowledge to predict the acceptance of information systems. Understanding the factors involved in the acceptance or rejection of an information system can lead to more appropriately designed systems resulting in higher rates of acceptance and usage. Organizations are continually investing resources into the development of information systems that improve efficiency. With increased ability to predict user acceptance of a new technology, managers would have a better understanding of factors that lead to success or failure, and thus address these factors in the planning stages of information systems development. One basic model for studying the acceptance of information systems is the Technology Acceptance Model (TAM) developed by Davis *et al.* (1989). The TAM explains how the attitudes and specific actions of users of an information system influence their intention and actual use of the system. Using the TAM, data can be collected about individual users of an information system after only a short time using the system, thus enabling researchers to identify early whether the information system will be accepted or rejected. It is external forces that start the chain of acceptance and usage of an information system. Factors such as the personalities of the users, the tasks to be affected by the new system, factors within the organization, political influences, and the development process of the information system, all influence what people think of the new information system. They influence users' thoughts on how easy the switch to the new system will be, specifically the perceived ease of use. The ease of use describes whether users think a transition will be smooth and gentle, or rough and stressful. These external variables also help decide how the users will perceive the usefulness of the system, as the system has to work within the confines of the environment in which it exists.

Perceived usefulness is also influenced by the users' perception of the ease of using the information system. A system is thought to be useful to users if it helps them conduct their job or task better than could otherwise be the case. Perceived ease of use and usefulness will together initiate attitudes in users toward using the information system. Individuals act upon attitudes in the sense that the user's actual behaviour or actions associated with using the information system will be a result of both their attitudes and their perceived usefulness of the IS. If someone's attitude towards the new information system is poor and they do not believe that it is worth their while to use the new information system, their behaviour will reflect that attitude. Their behaviour is the essence of their acceptance. Empirical testing of this model by Davis *et al.* (1989), however, did not fully support this model. As a result, a revised TAM was developed comprising of pre- and post-implementation versions and highlighting different

relationships between the perceived usefulness of an information system, its perceived ease of usage, the user's intention to use the system, and actual system usage.

The pre-implementation TAM is used to predict the actual system usage of those users who have had only a mild introduction to the functionality of the system or possess very limited experience with the system. In this model, Davis *et al.* (1989) suggest that the perceived usefulness of the information system and the perceived ease of usage both positively influence the user's intention to use the system, which in turn influences actual system usage. The post-implementation TAM predicts user acceptance after the users have had time to gain valuable experience with the information system. In this version of the TAM, perceived ease of use is predicted by Davis *et al.* (1989) to have no direct influence on intentions to use the IS, but instead, directly influences perceived usefulness. The perceived usefulness determines users' intentions, which in turn influences actual system usage.

Since its initial development, the Technology Acceptance Model has been replicated, tested, and revised by various researchers, including for example Adams *et al.* (1992), Dasgupta *et al.* (2002), Hendrickson *et al.* (1994), and Koufaris (2002). Variations of the initial TAM include, for example, the addition of new variables such as self reported system usage (Szajna, 1996), perceived near term usefulness (Chau, 1996), perceived long term usefulness (Chau, 1996), and behavioural intention to use (Jackson *et al.*, 1997). The model has been used to examine the adoption of a wide variety of technologies, ranging from voice-mail, word-processing, spreadsheet, and presentation software (Adams *et al.*, 1992) to e-mail (Adams *et al.*, 1992), e-banking (Chan and Lu, 2004) and internet trust (Keat and Mohan, 2004).

Research Method

A review of the literature failed to identify empirical studies examining the factors influencing the usage of public computer lab facilities in rural communities. It is here that the technology acceptance model becomes important. As the TAM is focused on the usage of information systems in general, it provides a very good starting point for developing a model of the determinants of the usage of public computer lab facilities. Specifically, it provides a means of linking the relationship between the perceived usefulness of such a facility, the user's intention to use the facility, and ultimately its actual usage. The TAM, as it is very general in nature, does not state the specific variables that may influence the perceived usefulness of a public computer lab facility in a rural community. Identifying these important variables is the focus of this research study.

The version of the TAM used to help guide this research is the post-implementation component of the revised TAM, as the users in our study have had more than a simple introduction to the site. However, in the case of the TAM, careful steps must be taken in its application. Many different revised models have come up with somewhat different results, and while still a productive and successful tool in user acceptance prediction, criticism and counter-evidence does exist. The more testing the revised TAM or one of its variations receives, the more weight it will carry, but for now it is still our best tool. As a result, modifications to the post-implementation component of the revised TAM will be made as the data warrants.

To identify the factors influencing the usage of public computer lab facilities, this research examines a Community Access Program (CAP) site. In 1994, the Canadian Government, under the “Connecting Canadians” initiative, made the initial steps in its goal to make Canada the most Internet connected nation in the world. The CAP program is a key component in achieving the objectives of this initiative, with the goal of providing information technology services to communities having fewer than 50,000 residents (CAP Sites, 2004). The initial goal of the CAP program was to have 5000 rural CAP sites in operation by May 31, 2000. Communities were given the support they needed to create a CAP site through application to the Canadian Government. CAP sites are computer labs which provide Internet access as well as access to productivity software such as word processing, spreadsheet, graphics, presentation, and web design software. In many cases genealogical and tourism information is also tied into the theme of the facility. Most CAP sites exist within community centres, schools or libraries. These are establishments that already exist and thus host a CAP site as an addition to their facility. It is the responsibility of the community to make the CAP site work. Because of this, the CAP sites rely heavily on volunteer labour. In most cases volunteers manage the physical space in which the CAP sites are run and help introduce users to the computing and Internet environment (CAP Sites, 2004).

With the success of introducing CAP sites in rural Canada, the next step was to move to urban Canada. This new branch of the program began in 1999. The participation goals were set just as high as with the rural areas and the program succeeded in reaching its objective of 10,000 CAP sites in rural and urban Canadian communities by March 31, 2001 (CAP Sites, 2004). Following the initial drive to produce these facilities, comes the ongoing challenge of keeping them feasible and worth-while for the community. To help in this challenge, it is important to understand those factors that facilitate or hamper the usage of these facilities. To accomplish this goal, this research employs an interview-based methodology with a single CAP site as the research setting. The CAP site selected is located in the small fishing community (i.e., approximately 800 residents) of Judique, Cape Breton, Nova Scotia. This site has been operating since 1996, but has since moved from the community’s consolidated P-12 school to a new location, when the school closed due to amalgamation. The Judique facility is currently comprised of 10 computers with internet access as well as printing and scanning capabilities. To identify the determinants of the Judique CAP site usage, 23 CAP stakeholders, specifically 20 users and 3 implementers, were interviewed by telephone or in person in 2003.

Implementers were those either involved in the initial drive to establish the local CAP site or those who worked at the CAP site for any period of time as a volunteer or paid employee. The user group consisted of individuals who lived within or surrounding the community of Judique. Individuals in this group ranged from those who use the CAP site on a regular basis, to those who used it only a limited number of times. Interviews were constructed differently for implementers and users. Implementers were asked questions which aimed to gain an understanding of the current status of the CAP site in relation to expectations. Questions asked of the users aimed to gain an understanding of their perception of the ease of use and overall usefulness of the CAP site. The data was analyzed using content analysis, with the theme as the content unit counted.

Determinants of Usage of Public Computer Lab Facilities

Three individuals associated with the initial implementation and current operation of the facility were interviewed to determine, from a systems implementer's perspective, the major issues and challenges surrounding the operation of the CAP site. All three implementers felt that the CAP site was not being used to its fullest potential. To enable the site to reach its full potential, implementers felt that more technical support of the systems and aggressive advertising was needed, as well as user seminars on tasks such as word processing, email, and web-browsing. One implementer also highlighted that the biggest issues facing the CAP site was identifying new ways to ensure sustainability. To improve the sustainability of the CAP site, a number initiatives have been developed, including placing the location of CAP sites on provincial tourist maps, developing an incorporated body where all CAP sites in the area were made members, and obtaining support from various provincial and commercial groups.

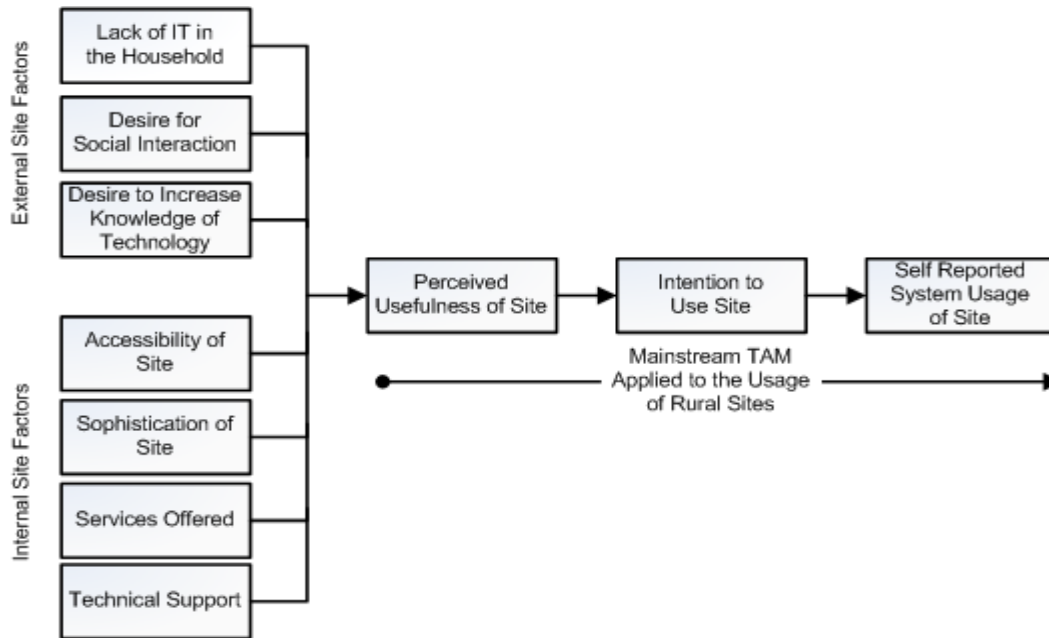
Interviews with 20 users of the CAP site highlighted a number of positive and negative aspects of the facility. The major strengths of the site, with the percentage of users that highlighted that individual strength shown in parentheses, include the availability of FAX and printer services (50%), no charge for computer usage (40%), enjoyable social atmosphere (35%), good facility for students when working on school projects (30%), good selection of software programs (25%), freedom to do as you please (20%), and computers are networked for gaming (15%). The major weaknesses of the site included aging hardware (50%), no one present to assist with technical computer problems (45%), and the CAP site must share space with other events (35%).

These results highlight various steps that implementers of a public computer lab facility can take to improve the appeal of their site. Major steps include, implementing hardware, such as FAX machines and scanners, that are commonplace in organizations but are still limited in the household, implementing a wide variety of business, personal productivity, and educational software, ensuring the information technology at the site remains relatively current, highlighting a social and relaxed environment, ensuring that ample technical support exists, and highlighting to schools and parents the advantages of the site for their children's education.

Based on detailed interviews with 20 users, a number of factors influenced the usage of the Judique CAP site. Internal factors, those found at the CAP site, include the accessibility of the site, services offered, technical support, and technological sophistication of the site. Factors external to the CAP site include the lack of computer technology within the home, desire for social interaction, and users' desire to increase their knowledge of technology. Following the post-implementation component of the revised TAM, each of these factors positively influences the perceived usefulness of the CAP site, which in turn influences intention to use the site, and ultimately self-repeated system usage. A model summarizing the major factors influencing the usage of public computer lab facilities in rural areas is illustrated in Figure I.

Figure I

Determinants of the Usage of Public Computer Lab Facilities in Rural Communities



The single greatest reason for using the CAP site is the *lack of information technology in the household* (45%). Inversely, as would be expected, the single most brought up topic for low CAP site usage was the presence of computer technology in the household (30%). As a result, 75% of the users sited the lack/presence of technology in the household as a major factor for high/low usage of the CAP site. This relationship is to be expected. A public computer lab facility should intuitively be more attractive to an individual who does not have computer resources at home. An individual who has a computer at home has less of a need for what is offered at the CAP site. This however does not mean that a CAP site has nothing to offer this group of potential users. Several interviews brought up scenarios where computers existed within the household but the CAP site was still used. Reasons for these individuals' decision to use the CAP site stemmed from the computer at home being used by other individuals and not having the technological tools desired, such as the internet access or specific software packages.

Another issue that frequently appeared in the interviews was the social aspect (35%) and relaxed atmosphere (20%) of the CAP site. This issue came up most often with frequent users of the CAP site, and was also identified to be one of the CAP sites major strengths by numerous people. Most CAP sites are run by volunteers and hosted in facilities where the CAP site is not the primary function of the building. The pressure on end users to become proficient in the technology as quickly a possible is not as high as in a business environment. With this being the case, the atmosphere surrounding the use of CAP sites is more relaxed and social. During interviews, several individuals stated the reason that they use the CAP site is to run into other community members that may be at the CAP site as well. The social and relaxed environment of the site is labelled in the research model as the *desire for social interaction*.

This desire to socialize at a common area within the community relates closely to another issue that frequented interviews, specifically the centralized location of the CAP site. Seventy-five percent of users highlighted that the location of the CAP site, accessibility within their daily routine, or safe environment had a major impact on their using the site. The Judique CAP site is located in the Judique Community Centre, located in the heart of the community. The central positioning of the CAP site makes it visible in the conducting of ones day, thus increasing the chances of using the site. This factor is labelled as *accessibility of site* in the research model.

Another issue identified during interviews was the users' desire to expand their current knowledge of information technology (30%). One of the reasons cited by heavy users for using the CAP site was to learn how to perform simple computer tasks such as email and Internet browsing. Other, more advanced, users took the initiative to teach themselves the basics of using database software or how to create a web page. If users have no desire to increase their knowledge of computers, than they are less likely to take advantage of the benefits that a CAP site has to offer and thus find it of lower usefulness.

The ease of use of the technology is an important variable addressed by the TAM and its many revisions. Our data shows that those who believe the CAP site technology to be difficult to use, or a moderate difficulty are those who use it heavily. The majority of individuals that perceive the CAP site as easy to use are those who use it only moderately to very little. This trend is the direct opposite of what the TAM would have us expect. The TAM would lead us to suspect that those who find the technology easy to use to be those who would use it more often.

There is a reason for this discrepancy in the CAP site scenario when compared to the acceptance of information systems in business. CAP sites exist to provide those with limited access to computers a facility to which they can go to gain experience using information technology. As was noted earlier, those individuals that use the CAP site most often are those who do not have a computer in their home. It makes sense that those individuals experience with computers is more limited than those who do have a computer at home. It is this lack of experience and limited computer skill which prompts some individuals to begin using the CAP site. In interviews with users, more than half of the heavy users stated that part of the reason they use the CAP site was to improve their computer technology knowledge. Likewise, it also makes sense that those who have a computer at home have stronger computer skills, and have less need to go to the CAP site to meet their computing needs.

Although the ease of use does not directly impact our model, a related issue, specifically the *sophistication of the site* does. Although the users' desire to increase their knowledge of technology outweighs their perceptions that the information systems is hard to use, one of the reasons limiting the use by some individuals (20%) were views that the technology they were using was dated. It is therefore expected that the more sophisticated the site, the more likely individuals with computers at home will use the CAP site, especially if their household computer is dated. It is also expected that the more sophisticated the site, the more likely users with limited computer experience will use the site; as they will be more motivated to learn newer versus dated technology and software.

Another issue related to the sophistication of the information technology at the site that was addressed by respondents was the *variety of services* offered at the CAP site. Many interviewees commented that the availability of printing and fax services (50%) were important reasons why they use the CAP site. In addition, 30% of users highlighted that a major reason why they used the CAP site was to learn new computer skills. Therefore, sites such as these can improve their perception of usefulness by offering a wide variety of services not found on most household computers, as well as carefully selecting software which is commonly found in business organizations or those which members of the community may be willing to learn. For example, one implementer highlighted that to make the site more useful, the Judique CAP site has changed over time to better match the demographics of the area, such as providing services to senior citizens and fishers.

One major characteristic of the Judique CAP site that stuck out as a downfall of the facility and a potential characteristic to associate with failure to use the site is the *technical support* available. Many who used the CAP site were discouraged by the lack of technical support offered (45%). This issue was also highlighted by the implementers of the site as a major problem. It is common place for users of the Judique CAP site to use the computers provided at the CAP site without anyone in the room to provide assistance. Although, a CAP site may have the latest and most relevant hardware and software, a lack of technical support may frustrate users and prevent them from effectively using such technology, and returning to the CAP site. If ample technical support exists at the CAP site, the greater the chances of users accomplishing their goals, therefore increasing their perception of the usefulness of the site. The post-implementation component of the revised TAM indicates that the perceived usefulness of an information system directly influences the user's intention to use the system, which in turn directly influences usage as reported by the user. Based on the interview data, those who praised the CAP site as very useful, where those who used it the most. Those using the site infrequently commented on it being less useful. Although most users did think the CAP site to be useful to some degree, those who thought it to be the most useful were those who used the site the most often. This pattern closely follows the structure of the TAM, where the more users view the CAP site as useful, the more they are willing to use it. As a result, following the post-implementation component of the revised TAM, the research model developed in this study suggests that the lack of computer technology within the home, desire for social interaction, desire to increase knowledge of information technology, accessibility of the site, sophistication of the site, services offered, and technical support all influence the perceived usefulness of the CAP site. This level of perceived usefulness influences the user's intention to use the system, which ultimately influences the actual usage of the system as reported by the user. The relationship between perceived usefulness, intention to use, and self-reported system usage is found in many versions of the TAM and is labelled in the research model as the *Mainstream TAM*.

Conclusion

This study has major implications to both researchers and implementers of public computer lab facilities. The major benefit of this study to researchers is that it examines the usage of a facility very different from business organizations and one rarely examined by researchers, specially a free publicly accessible computer lab facility. This study used the TAM as a starting point for developing the final model. As a result, this research represents an extension of the TAM to

public computer lab facilities. To the implementers of these or similar facilities, this study highlights the major internal and external factors that may hamper or promote its usage, one of the most important criteria for success. In addition, based on interviews with implementers and users, this research highlights a number of “lessons learned” that should be addressed in future IT projects of this nature, including: i.) Ensuring that the technology remains current is one of the best steps to improve the usefulness of the site, ii.) Adding functionality common in business organizations (e.g., FAX services, photocopying) but not found in most households will dramatically improve the usefulness of the site, iii.) Careful planning of the location of the site is critical when implementing. Simply choosing the lowest cost facility, without considering the centrality and visibility of the site within the community will have a significant impact on the success of the facility, iv.) Each site should carefully target the specific needs of the community. A successful array of services at one site, does not necessarily mean that those same services will be successful at another, v.) Although these sites are primarily operated on volunteer labour, implementers must ensure that such labour is adequately trained and readily available. The primary users of these sites are those with limited computer knowledge. A lack of technical support will frustrate users and prevent them from returning, vi.) There is a large social aspect of using such facilities. As a result, implementers should identify ways to improve the social atmosphere of the sites and make them more welcoming to the public.

The model provided by this research study can also be applied to rural communities which have implemented a public computer lab facility, in the form of a CAP site or otherwise, and have had the project fail. With this model, implementers can review the factors important to the success of such a facility and determine which factors were potential causes or contributors to failure. With such information, it may be possible to redesign the implementation plan and carry out the project again with a different approach which takes into account the factors addressed by this research.

Future research should focus on investigating CAP sites in additional rural communities, thus enabling researchers to support or deconstruct the determinants addressed in this study and identify additional factors not addressed. Using a quantitative technique, such as path analysis, would enable researchers to identify the variance explained (i.e., r^2) by each variable, thus statistically determining their relative importance in the model. Such future research would produce a clearer road map for the implementation of these facilities in rural communities by enabling implementers put more resources into factors that greatly influence usefulness and prevent wasting valuable time and resources on factors that only marginally influence usage.

References

Adams, D., Nelson, R., Ryan, T, and Peter, A. (1992) “Perceived usefulness, ease of use, and usage of information technology: a replication”, *MIS Quarterly*, Vol. 16, No. 2, pp. 227-247.

Cap Sites (2004) <http://cap.ic.gc.ca/english/3000.shtml>, Accessed June, 2004.

Chan, S., and Lu, M. (2004) “Understanding internet banking adoption and use behavior: A Hong Kong perspective”, *Journal of Global Information Management*, Vol. 12, No. 3, pp.21-44.

- Chau, P. (1996) "An empirical assessment of a modified technology acceptance model", *Journal of Management Information Systems*, Vol. 13, No. 2, pp. 185-204.
- Dasgupta, S., Granger, M., and McGarry, N. (2002) "User acceptance of e-collaboration technology: An extension of the technology acceptance model", *Group Decision and Negotiation*. Vol. 11, No. 2, pp. 87-100.
- Davis, F., Bagozzi, R., and Warshaw, P. (1989) "User acceptance of computer technology: A comparison of two theoretical models", *Management Science*, Vol. 35, No. 8, pp. 982-1004.
- Hendrickson, A., Glorfeld, K, and Cronan, T. (1994) "On the repeated test-retest reliability of the end-user computing satisfaction instrument: A comment", *Decision Sciences*, Vol. 25, No. 4, pp. 655-667.
- Jackson, C., Crow, S., and Leitch, R. (1997) "Toward an understanding of the behavioral intention to use an information system", *Decision Sciences*, Vol. 28, No. 2. pp. 357-389.
- Keat, T., and Mohan, A. (2004) "Integration of TAM based electronic commerce models for trust", *Journal of American Academy of Business, Cambridge*. Vol.5, No. 1/2, pp. 404 – 411.
- Koufaris, M. (2002) "Applying the technology acceptance model and flow theory to online consumer behavior", *Information Systems Research*, Vol. 13, No. 2, pp 205 – 225.
- Szajna, B. (1996) "Empirical evaluation of the revised technology acceptance model", *Management Science*, Vol. 42, No. 1, pp. 85-93.

Where in the World versus What's on the Web: An Examination of Web-Based Locational Information for Selected Firms in the Hospitality Sector
by James E. Wyse and Christine L. Strong (Alumna)
(Memorial University of Newfoundland)

Abstract

Transactions between hospitality service providers and their customers are often facilitated by locational information obtained from web-based, map-serving business directories. This article reports the results of an examination of web-based locational information for a convenience sample of small hospitality service providers. To illustrate the transaction-jeopardizing potential of locational *mis*-information, the article juxtaposes assessments of the 'importance of place' with the state of web-based locational information for four of the service providers in the larger sample. Results suggest that directory-provided locational information often mis-informs and potentially mis-directs prospective customers.

Placement in the World – Misplacement on the Web

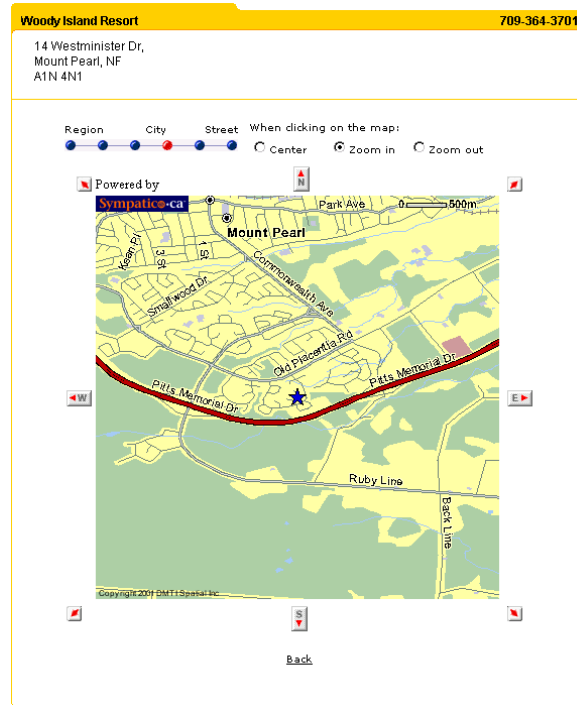
Woody Island Resort is situated on Woody Island in the northern reaches of Placentia Bay, Newfoundland. The Resort provides 22 rooms for tourists who come to experience the history, environment, and cultural life of the communities that once existed on the Island. Historical records place inhabitants on Woody Island in the early 1800's and by the mid-1960's the Island's population reached its peak of 341 inhabitants. Declines in the fishery, the Island's primary source of economic activity, led to depopulation to the point where Woody Island now has only one permanent resident. In the wake of the economic misfortune that swept the population from the Island lies the natural and historical setting to which Woody Island Resort attracts tourists with a variety of outdoor, social, and cultural activities. Hiking, boating, fishing, whale watching, and bicycling are available to Resort guests as well as live entertainment, interactions with visiting fishers, and a museum with artifacts typical of the social and industrial life of the Island's former communities. The Resort's guests are brought to the Island by the Resort's boat from a rendezvous/departure location on the northern shore of Placentia Bay.

The Resort and the themes it uses to attract guests are firmly tied to a highly circumscribed geographic area. Information on the Resort's whereabouts would likely be valued by prospective guests when planning a visit, especially for out-of-province guests and others unfamiliar with the Resort's general location. Although there is a web site for the Resort (www.woodyi.com), it provides no locational information in the form of maps or detailed 'How to get there' instructions. Contact information on the Resort's web site provides an address that is associated with the Resort but corresponds to a suburban location that is 108 km southeast of Woody Island. Apart from mentioning that boat transportation for the Resort departs from a community "at the bottom" of Placentia Bay, there is no mention, and no depiction, of the departure point's specific location. A prospective Resort guest could attempt to address the deficiency in locational information by consulting an Internet-accessible, map-serving, business directory. Figure 1 illustrates the outcomes produced from consulting two map-serving directories about Woody Island Resort: YellowPages.ca (YPC) and Destination Newfoundland and Labrador (DNL). A prospective guest's query to YPC results in a map centered on the

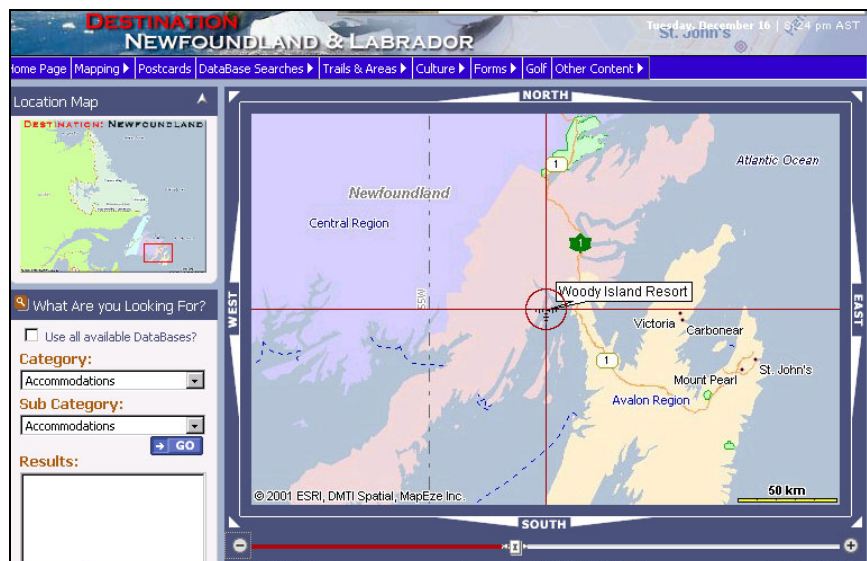
Figure 1

Locational Information from Two Map-Serving Business Directories

Woody Island Resort - YellowPages.ca



Woody Island Resort - Destination Newfoundland and Labrador



Resort's suburban address (108 km away) while a query to DNL reveals two listings each with different maps: one map is centered on the Resort's actual location (shown in the lower plate of Figure 1) while the other map is essentially the same as that provided by YPC. Neither directory indicates the location of Resort's boat departure point and neither directory provides a link to the Resort's web site. Although both directories respond with locational information that is indeed associated with the Resort, the information provided may be less than adequate: the YPC response could potentially mislead prospective guests on where they would be located while visiting the Resort while the DNL response may not only confuse prospective guests by showing two highly disparate locations but also be insufficient in assisting first-time guests with locating transportation to the Resort.

Oceanview Efficiency Units is located in the shadow of the Castle Hill National Historic Site on the western side of the Newfoundland's Avalon Peninsula. It is 5 km from the ferry service connecting the island of Newfoundland to mainland Nova Scotia and a few minutes by car from the construction site of a nickel refinery. Oceanview offers four housekeeping units to tourists, construction site visitors, ferry travelers, and other guests visiting the dozen or so nearby communities. Its promotional material notes the beautiful sunsets that may be viewed from its accommodations overlooking a westward ocean expanse. In many respects, Oceanview is tied to a specific geographical location. At the time of writing, no web site could be located for Oceanview; however, it was listed in several web-based directories. Figure 2 compares Oceanview's actual location with the location shown on a map generated by one of the map-serving directories.¹⁷ The (●) on Figure 2 indicates the actual location of Oceanview while the (★) indicates the location of Oceanview that is reported by the directory. Oceanview's directory-reported location is approximately 9 km east of its actual location.

The difference between actual and reported locations when combined with the fairly complex geography of the area (hills, fiords) may be large enough to partially, or even completely, frustrate a customer's efforts in finding the way to Oceanview's location. A potential transaction may be further jeopardized by the availability of several competing service providers in the vicinity of Oceanview's reported position. The availability of alternative accommodations results in a circumstance that could easily deter a weary traveler from expending the effort required to seek out Oceanview's actual location, especially when finding Oceanview must now be done *without* information on Oceanview's whereabouts. An examination of the area around Oceanview's directory-reported (★) position in Figure 2 reveals roadways that go off in many different directions, a circumstance that could further attract the traveler to accommodation alternatives that are more readily available. All of this suggests that the impact of inaccurate locational information could range anywhere from being a minor customer inconvenience to delivering a service provider's customers to its competitors.

The Brittoner is a small (three-room) bed and breakfast operated from a 160 year old home in the historic town of Brigus in eastern Newfoundland. The settlement of Brigus dates from the early 1600's and the town has seen much throughout its long history: French-English military conflict, boom and bust fishery cycles, World War II espionage activity, and even a minor gold

¹⁷ The coordinates of directory-reported location for Oceanview are those reported by Destination Newfoundland and Labrador (DNL); however, the map shown in Figure 2 is not a map generated by DNL. The map is actually a MapQuest map on which are indicated the Oceanview's actual location and its DNL-reported location.

Figure 2

Actual (●) and Directory-Reported (★) Locations for Oceanview Efficiency Units



rush. The town's most famous son is Captain Bob Bartlett, an Arctic explorer who guided many polar expeditions including Robert E. Peary's 1909 bid to reach the North Pole. Today, Bartlett's home, Hawthorne Cottage, is a National Historic Site celebrating the exploits and accomplishments of Captain Bartlett. The Brittoner's promotional material prominently mentions its proximity to Hawthorne Cottage as well as the Brittoner's placement at the centre of historic Brigus, indications that the Brittoner perceives much in the way of business value from the specifics of its geographical location. This being the case, the Brittoner's operator may not be pleased with the state of the Brittoner's locational information in the web-based directories that purport to cover the Brigus area. Two prominent directories, YellowPages.ca and SuperPages.ca, provide no locational information for the Brittoner while Destination Newfoundland and Labrador provides information that situates it 22 km north of its actual location. The erroneous placement not only places it in another town but also delivers the Brittoner's prospective customers to an area in which alternative accommodations are readily available, thereby creating a circumstance similar to that faced by Oceanview Efficiency Units wherein prospective customers may be lost to the Brittoner's competitors.¹⁸

¹⁸ At the time of writing, no 'stand alone' web site could be found for Brittoner; however, Bed and Breakfast Online provides a web page for the Brittoner at www.bbcanada.com/4385.html.

The Wilds at Salmonier River: Although it accommodates its guests in a 40-room hotel and in 18 self-contained cabins located in the centre of Newfoundland's Avalon Peninsula, The Wilds is best known for its 18-hole golf course. Few words are likely needed to make the case that golfing service providers are firmly tied to specific geographical locations. This locational reality is reflected on The Wild's web site (www.thewilds.nf.net) which provides locational information in the form of a highly abstracted map and driving directions to the golf course from the Province's capital city, approximately 50 minutes driving time to the northeast. The web site's locational information is likely to be adequate for prospective customers who specifically target 'The Wilds' in their search criteria and who will be traveling to The Wilds from a point in the vicinity of the capital city. However, if prospective golfers or guests are seeking information on golfing or hospitality services in the general area or if they will be traveling to The Wilds from a direction other than that depicted on its web site, then a map-serving directory (such as one of those shown in Figure 1) may be a more likely source of locational information than The Wilds' web site. A prospective customer's query to YellowPages.ca reveals that no map is available for The Wilds. A query to SuperPages.ca shows The Wilds on a mapped location that is 42 km northeast of its actual location. A query to Destination Newfoundland and Labrador shows The Wilds at a location that is 143 km west of its actual location. In sum, a query to YellowPages.ca produces a response that, although unhelpful, would not likely misdirect while queries to the other two directories produce transaction-jeopardizing locational information with considerable potential to misinform and misdirect prospective customers.

Locational Mis-information: The locational information provided on the four hospitality service providers reveals the variety of what is reported by web-based directories and is likely to raise concerns about its adequacy. The information shown for Woody Island Resort is reasonably accurate but may not correspond to what is required to support the successful conclusion of transactions between the Resort and its first-time visitors. The information for Oceanview Efficiency Units substantially misplaces Oceanview and jeopardizes its business by directing prospective customers to a competitor-infested locale. The information for The Brittoner removes it from the historical setting it relies upon to attract guests. The Wilds is misplaced to an extent that golfers and hotel guest could be seriously misdirected. These four service providers were specifically chosen to illustrate selected instances of locational information inadequacy. In what follows, the results of research on web-based locational information for a group of 111 small hospitality service providers is reported. Since the implications of locational *mis*-information may be more serious for small providers, the study excluded large providers (defined later in this report). Large providers would likely be relatively less reliant on web-based directories than smaller, typically more resource-contained, service providers. Although the study's subjects are small hospitality service providers, results suggest that the problem of locational information inadequacy may be a far reaching one affecting many, if not most, location-constrained business operations.

Methodology and Results

Directory-reported positional discrepancies like those for the four service providers discussed above were frequently observed in the course of other work by the authors on location-referent, web-based functionality. These observations motivated a more formal study of the discrepancies and their implications. A further motivation was the extensive use being made of web-based

directories: Krauss (2001) reports that the map-serving business directory SuperPages.com conducts “more than 20 million searches a month with more than 4.5 million unique visitors perusing content from 1.5 million small businesses.” YellowPages.ca (2004) reports that “in autumn 2003, searches on the Yellow Pages ... web sites generated 60 million page views from 3.2 million unique visitors.” An additional research motivator was the result of literature searches indicating an apparent lack of prior research that addressed the adequacy of locational information provided by map-serving, web-based business directories. Although no reports of formally conducted research emerged from the literature search, the problems associated with web-based maps have not gone unnoticed: Graham (2002) in a report on “Online Mapmakers” (many of whom are suppliers of mapping resources to web-based directories) notes that there are often substantial gaps in geographical coverage and significant inaccuracies in existing coverage.

The lack of prior research on web-based directory-reported locational information meant that methodological guidance was essentially unavailable and that any statement about expected results would be highly speculative. Thus an ‘exploratory’ methodology was devised consisting of five activities: (1) identification of businesses in an industrial setting for which business location could reasonably be assumed to be a material transactional concern, (2) selection of web-based, map-serving, business directories whose geographical coverage area includes the region containing the businesses, (3) acquisition of the geographical coordinate values for the actual location of each business, (4) extraction of the geographical coordinate values of the directory-reported location of each business, and (5) calculation of the positional differences between actual and directory-reported business locations. The 5-stage methodology resulted in the collection of data on 111 small service providers in the hospitality industry and the identification of three web-based, map-serving, business directories.

Service Provider Selection and Location Determination: As illustrated by the four vignettes at the beginning of the paper, businesses in the hospitality industry are often, if not always, highly location-constrained: customers wishing to use their services must do so at specific geographical locations. Furthermore, the use of various Internet-based facilities appears to be a widespread hospitality industry practice. Rail and Lituchy (2000) in a study of 114 small inns found that 89.2% of the inns in their sample could be associated in some way with web-based information. The combination of being both highly location-constrained and frequently associated with web-based resources makes businesses in this industrial setting appropriate subjects for assessing the quality of web-based locational information. Subjects for this study were selected from the “Accommodations” section of the *Travel Guide* published by Tourism Newfoundland and Labrador. The guide lists hospitality services in each of five geographical regions which collectively cover the entire Province. One of the regions, containing 120 hospitality service providers, was selected for the study based on the feasibility of traveling to all service provider sites to obtain locational measurements using global positioning satellite (GPS) instrumentation. Considerable variability exists among the 120 service providers within the selected region, with operations ranging from one-room B&Bs to a 301-room hotel. For purposes of the study, small hospitality service providers were taken to be those offering 75 accommodation units or less.¹⁹ The 75-unit limit was somewhat arbitrary; however, the

¹⁹ The accommodation unit value for each provider was determined by aggregating the capacities of all hospitality service offerings. For example, the number of accommodation units for the “40 rooms, 18 cabins” listed in the travel guide for The Wilds at Salmonier River would be 58.

Table 1: Directory Responses

	<u>YPC</u>	<u>DNL</u>	<u>SPC</u>
1. No listing provided.	25% (28)	5% (6)	35% (39)
2. Listing with no map-based locational information.	28% (31)	17% (19)	0% (0)
3. Listing with location explicitly shown.	47% (52)	77% (86)	65% (72)

Note: Rounding may result in percentages across the four response types not adding to 100.

imposition of this limit resulted in the exclusion of large hotel operations, operations that would likely place considerably less reliance than small operations on the availability and adequacy of web-based information. Of the 120 hospitality service providers listed in the *Travel Guide*, 111 provided fewer than 75 accommodations units. The locales of the 111 providers were visited and GPS measurements were taken of each provider's geographical position.

Directory Selection and Location Extraction: A web-based directory was selected for inclusion in the investigation if it met two conditions: (1) the directory's scope of geographical coverage includes the region containing the businesses of interest to the study, and (2) the directory offers map-serving functionality that reports a geographical position for a significant subset of its listed businesses. Internet-based searches revealed three directories that met the two conditions: (1) Destination Newfoundland and Labrador (DNL), a subdirectory of NewEdge Technologies Inc.'s Atlantic Canada Destinations, (2) YellowPages.ca/Canada411.ca (YPC), and (3) Superpages.ca/411.ca (SPC). All three directories were queried for locational information on each of the 111 hospitality service providers. Table 1 summarizes the directory responses that resulted from the 333 queries. Directory responses fell into three categories: (1) the directory yielded no listing for a service provider, a result that ranges from 5% (or 6 of the 111 service providers) for DNL to 35% (or 39 of the 111) for SPC, (2) the directory produced a listing but yielded no map-based locational information, a result that ranges from 0% for SPC to 28% for YPC, and (3) the directory produced a provider-centric map (like those seen in Figure 1) on which the location of the provider is explicitly indicated, a result that ranges from 47% (or 52 providers) for YPC to 77% (or 86 providers) for DNL. Whenever a directory produced a map for a service provider it also revealed the coordinates of the geographic position that is *assumed* by the directory to be the provider's location. The directory-reported coordinate values for the service providers in combination with the GPS coordinate values obtained for their respective actual locations formed the basis for the determination and analysis of discrepancies between actual and directory-reported locations. Table 2 summarizes an analysis in this respect for the providers with directory-reported locational information (i.e., those providers in Table 1's third directory response category).

The discrepancy between a provider's actual location and its directory-reported location was determined as the great circle distance between the two locations, a measure that is essentially the direct distance over the surface of the earth between two locations. As seen in Table 2,

discrepancies range from a metre or less to over 177 km, with average discrepancies ranging from about 2.5 km for SPC to almost 9.4 km for YPC. The 50th percentile values indicate that about one half of SPC's locational information is off by a full kilometre or more while the 90th percentile values reveal that about 10% of YPC's locational information is off by 9.6 km or more. The final row in Table 2 provides the percentages (and numbers) of directory-reported locations with locational discrepancies of more than one kilometre. These figures reveal material discrepancies for all directories. It should also be kept in mind that the analysis of locational discrepancies presented in Table 2 is based on 'as the crow flies' distances. These distances underestimate the extent to which a service provider is misplaced since any useable route between actual and reported locations would likely have to accommodate various intervening geographical impediments (mountains, bodies of water, circuitous roadways, etc.). The results shown in Tables 1 and 2 not only suggest the existence of a fairly pervasive information management problem but also indicate that there is considerable variability in locational information availability and adequacy among the 111 service providers. Table 3 explores this variability at the individual provider level by reporting how each directory treats the four service providers discussed at the beginning of this report. None of the directories provides a level of locational information quality that would likely be considered adequate. In all cases, locational information is either unavailable, confusing, or substantially inaccurate.

Information Management Recommendations

The results obtained suggest a level of locational information quality that may often be less than adequate to support the successful conclusion of transactions between location-constrained enterprises and their prospective customers. Although the results should be regarded as preliminary in nature, they provide a basis for some tentative recommendations on how a business operator may improve the quality (adequacy and availability) of the locational

Table 2
Selected Statistics on Locational Discrepancies

	<u>YPC</u>	<u>DNL</u>	<u>SPC</u>
N	52	86	72
Minimum (metres)	0	1	0
Maximum (metres)	177,303	142,569	42,211
Average (metres)	9,395	4,561	2,541
50 th Percentile (metres)	634	371	1,040
90 th Percentile (metres)	9,626	3,321	4,893
Percentage > 1 kilometer	42% (22)	35% (30)	51% (37)

Table 3
Locational Information for Selected Service Providers

	<u>YPC</u>	<u>DNL</u>	<u>SPC</u>
Woody Island Resort	Shown 108 km southeast of its actual location (see the upper panel of Figure 1).	Directory queries revealed two locations: one corresponds to the resort's actual location (seen in the lower panel of Figure 1) while the other shows the resort located 108 km east of its actual location.	No listing found.
Oceanview Efficiency Units	No listing found.	Shown 9 km east of its actual location (see Figure 2).	No listing found.
The Brittoner	Listed with no map-based locational information.	Shown 22 km north of its actual location.	No listing found.
The Wilds	Listed with no map-based locational information.	Shown 143 km west of its actual location.	Shown 42 km northeast of its actual location.

Note: Table 3 reflects the information for the four firms used in the results summary shown in Table 2. Directory content changes occur continuously: recent directory web site visits indicate that SPC's listing for The Brittoner has gone from 'No listing found' to 'Listed with no map-based locational information' while YPC's listing for Woody Island Resort has gone from 'Shown 108 km southeast of its actual location' to 'Listed with no map-based locational information.'

information provided by web-based directories. The first recommendation arises from the unexpected extent of the unavailability and inaccuracy of locational information provided by the directories. The poor quality of this information for so many of the providers suggests that many, if not most, are largely unaware of the information that web-based directories provide to directory users. While the level of awareness in this respect was not directly measured in the study, it seems improbable that high levels of awareness would be associated with the results observed. High levels of awareness would likely have motivated operators to avail of the invitation on each directory's web site to submit corrected listing information. Although firm conclusions on directory listing awareness must await further research, informal contact with some service providers provided a modicum of confirmation that operators are only vaguely aware of their listings in web-based directories. This is not surprising since a web-based directory listing is often a no-extra-cost service provided to businesses with a paid-for listing in a published print directory. Thus a service provider's appearance in the web-based version of the published print directory may occur without the knowledge of the service provider's operator. The essential recommendation here is that operators become, and remain, aware of the content of all the web-based directories in which their establishments are listed, a task that includes examining the services associated with published print directories as well as periodically conducting web searches on their businesses.

The second recommendation is that of undertaking an analysis of the service provider's locational circumstances in order to determine its transaction-supporting locational information requirements. Directory-provided information could then be examined and evaluated for a level of content and correctness consistent with that revealed by the analysis to adequately support transactions between the service provider and its customers. Content and correctness in this respect will generally be provider dependent: a 500-metre discrepancy may be a significant transactional impediment for a small inn in a dense, urban, competitor-infested area whereas the same discrepancy may not be a significant concern for a similar inn located in an open field on the side of a rural area's only roadway. The essential concern here is that an appropriate analysis of the provider's locational circumstances be conducted to reveal what is required and that the results of the analysis be used to evaluate the locational information provided by all directories in which the service provider is listed.

The third recommendation concerns actions that may be taken to correct or accommodate a service provider's directory-reported locational information. Two types of action may be taken in this respect: (1) actions not requiring a knowledge of service provider's location, and (2) actions based on the availability of positional data for the provider's location. Actions of the first type include those that involve either removing incorrect directory-provided locational information or accommodating it. On the basis that no information may be better than incorrect information, the operator could have incorrect locational information removed from a directory. Alternatively, the operator could accommodate incorrect information by placing signage at the incorrect location advising customers of the correct location. The service provider referred to in Figure 2 may be able to ameliorate the impact of the 9 km discrepancy by placing signage at the directory-reported location. Actions such as these may improve matters somewhat; however, information removal will leave prospective customers with less than they need or expect while the accommodation of incorrect information could potentially result in an undesirable level of customer inconvenience. Although such 'position-less' actions may be the only options in

certain circumstances, they are likely to be of limited value and should be taken only when reasonably correct positional data cannot be obtained. Actions based on the availability of correct positional data would be of considerably greater value in providing an improved level of transactional support. A necessary task in providing correct locational information is one of obtaining positional data with an acceptable level of accuracy. Position-determining technologies (e.g. GPS receivers) could be used to obtain such data. Although requiring a level of knowledge (about equipment operation, datum matching, coordinate systems, and so on) that the operator may not have, the increasingly prevalence of GPS technology makes it likely that some form of position-determining capability or service is readily available. ‘Off-location’ techniques may also be used to obtain positional data. Locating the service provider on published maps and accessing web-based functionality that reveals coordinate values for a ‘pointed-to’ location are two techniques that could yield positional data with an adequate level of locational accuracy. Once obtained, the data may be supplied to all directories with a listing for the provider. The directories included here all provide functionality that accommodates the provision of corrected locational information: YPC has a “My map is incorrect” category listed on its “Report an error” web page, SPC offers to make corrections “if your business location is mapped in the wrong spot in a location map” and DNL provides a “Report an error” web page with a form that may be used to supply corrected locational information.

Further Work

The recommendations above and the research on which they are based should be regarded as preliminary in nature. Further work is needed to confirm the results obtained and to more firmly delineate their information management implications. Given our current state of knowledge, the following tri-fold research agenda is proposed: (1) replication of similar studies in other geographical settings, (2) assessment of the level of service provider awareness of web-based, map-serving, business directories, and (3) identification of the reasons underlying the unexpected locational discrepancies. Further work in the first area will indicate whether the results obtained will hold in a wider range of circumstances, or whether what has been observed is simply an artifact of the geographical setting and/or the convenience sample used in the study. The second area would address the validity of the presumption made in this report that service providers are generally unaware of web-based business directories. Work in the third area would explore the causes of the observed discrepancies. A cursory examination of the study’s data suggests a variety of reasons that might account for a portion of the discrepancies: data-entry errors, geocoding approximations, address mis-designations (e.g., P. O. boxes, off-season addresses), nomenclature mis-interpretations, among others. It is suspected that **Woody Island Resort’s** positional discrepancy is attributable to the use of an off-season address; that **The Brittoner’s** positional discrepancy is a data entry error; that **The Wilds at Salmonier River’s** positional discrepancy is a nomenclature mis-interpretation (another Salmonier); and that **Oceanview Efficiency Unit’s** positional discrepancy is, at this point, a complete mystery. Further research work will resolve such mysteries, improve the availability and adequacy of directory-based locational information, and enhance the value of web-based locational information to location-constrained enterprises and their prospective customers.

References

Graham, Jefferson, "Online Mapmakers: Popular, Prolific, Not Perfect," *USA Today*, (Oct. 7, 2002.), pg. D.03.

Krauss, Michael, "Once-Stogy Yellow Pages Now Mark Digital Leading Edge," *Marketing News*, 35 (July 16, 2001), 8.

Rail, Anny and Terri Lituchy, "Bed and Breakfasts, Small Inns, and the Internet: The Impact of Technology on the Globalization of Small Business," *Journal of International Marketing*, 8 No. 2 (2000), 86-97.

YellowPages.ca, "Advertise with us." [web page]. <http://advertise.yellowpages.ca/yp-media-index.html>. [Accessed 28 August 2004].

Understanding the Adoption of E-Commerce by Small Retailers in Atlantic Canada: Literature Review & A Preliminary Model

by Randall Fisher (Mount Saint Vincent University)

ABSTRACT

This report begins with an outline of the literature search aspect of a project investigating the adoption of B2C E-Commerce by small retail businesses in Atlantic Canada. It examines two aspects of the literature: the background to our research topic and relevant conceptual models, beginning with those used to investigate EDI. The second part of the report describes the development of a preliminary model, based on the literature, to be used to create a data gathering instrument and to guide the data analysis.

“E-Business embodies the most pervasive, disruptive, and disconcerting form of change: it leaves no aspect of managing organizations untouched, it challenges long-accepted business models, and organization leaders have little to draw on from their past experience to manage its effects.” (Fahey et. al., 2001)

One of the greatest advantages of Electronic Commerce is the ability to service customers almost anywhere on earth. In a nation with a well developed telecommunications infrastructure, a solid educational system, a world renowned financial system and a total population of only 32,000,000 people it would seem obvious that many, perhaps most, Canadian businesses would use this technology to reach wider markets, both within and outside Canada. Yet in 2002, according to Statistics Canada (2003), only 24% of small businesses had a web site and only 6% were selling goods or services online. For medium sized businesses these figures rose to 57% and 12% and, for large businesses, 74% and 15%. Statistics Canada (2004) reported that, in 2003, 34% of businesses had Web sites but still only 7% were selling on the Internet. Since the firms which were selling on the Internet represented 28% of sales in Canada the E-Commerce activity was clearly skewed toward larger organizations. Another limitation reported by Statistics Canada was that, even including the largest businesses, 87% of online sales were within Canada (although 25.5% of Internet sales in retailing were international). The Statistics Canada report for 2003 (2004) observed that “one in three firms that did not sell online said e-commerce was incompatible with their current business model.” Other major concerns were security and the costs of creating and maintaining a web site.

In studying organizations in Canada small and medium sized businesses are usually lumped together. This means that firms with one or two employees can be included in analysis of firms with 400 employees (the Canadian Federation of Independent Business (Dulipovica, 2002)) or even 500 employees (Statistics Canada (2004)). The Atlantic Provinces represents less than 10% of the Canadian population and average incomes in the region are significantly below those of Canadians as a whole (Statistics Canada, 2001). In general businesses in this region tend to be much smaller than those in the more developed regions of Canada. According to ACOA in 1998 79% of businesses had fewer than 5 employees, 90.5% had fewer than 20 and only 5% had more

than 100 employees (ACOA, 1998). Although these figures are somewhat out of date, the national definitions of SMEs clearly have little relevance to this region. In addition, a number of researchers have pointed out that technical research carried on in large organizations have little relevance to small businesses, particularly considering their lack of technical support (Igbaria et. al., 1997; Venkatash et. al., 2003).

Based on these figures this research will focus on organizations which: are located only, or primarily, in Atlantic Canada; sell goods or services to end users (consumers) from one or more physical locations (bricks); made the E-Commerce adoption decision after the business had begun (a separate decision); have fewer than 20 FTE employees; and have the owner or owners as active participants in the management of the firm.

Research issues that arise from this situation include: How does Atlantic Canada compare to Canada as a whole in terms of adoption of B2C E-Commerce? Why have small organizations in this region adopted (or not adopted) E-Commerce? Is the influence of the owner (chief executive) demonstrably stronger than it would be in a larger organization? What is the perceived role of government in growing the use of E-Commerce in the region? In general, how can E-Commerce be used to strengthen the regional economy?

LITERATURE REVIEW

Background

The early research into the use of telecommunications focused on proprietary systems used between businesses, usually in the same industry. This application (Electronic Data Interchange or EDI) was the predecessor to B2B E-Commerce on the Internet. It has many characteristics in common with B2C E-Commerce although, as we will see, some modifications are required. A good review of EDI is found in Pfeiffer (1992), who summarized its four key characteristics: EDI involves at least two organizations in a business relationship as users; it uses independent application systems; it requires agreements concerning data coding; and it is based on sometimes complex and expensive telecommunication links.

As mentioned above, researching B2C E-Commerce requires modification of a number of these characteristics. First, the relationship is between the organization and perhaps thousands of individual and independent consumers rather than a limited set of professional managed organizations. This requires the firm to make two classes of decisions that were usually defined by the EDI “group”: technical (e.g., how to connect to the Web and how to design the Web site) and managerial (e.g., cost/benefit analysis and how to market a site and the related products). For many small organizations this can present a major barrier to entry. Second, the application systems (hardware and software) are no longer independent and proprietary. Standards and common programming languages within the Internet, the World Wide Web (WWW) and E-Commerce itself have lowered the barriers to entry significantly and have created a *de facto* standard for all users of E-Commerce. This has, in turn, removed the need for specific agreements concerning data encoding. On the other hand the public nature of the Internet has increased the potential for problems such as privacy, security and validation of identities. Finally, the utility nature of telecommunications has, again, reduced the barriers to entry

significantly. In spite of these differences much of the research into business and telecommunications based on EDI remains relevant to understanding B2C E-Commerce.

Choosing or creating the best model for data collection and analysis is, of course, a key factor in the success of any research. In the IS field this is becoming more complex as new theories and models are developed and testing is either lacking or produces conflicting results. For example Venkatesh, Morris, G.B. Davis and F. D. Davis (2003) reviewed eight such models. Of these we have reviewed the two most common streams of research – based on The Theory of Reasoned Action (TRA) and its “descendents” and Diffusion of Innovation theory. We then evaluate the “unified” model presented by Venkatesh et. al. Finally we examine a 3-Factor model of IS adoption developed by Iacovou, Benbasat & Dexter (1995).

Conceptual Models

TRA/TPB/TAM

Fishbein & Ajzen (1975), working from a social psychology point of view, developed the precursor of this stream with their Theory of Reasoned Action (TRA). They postulated that behavior was predictable from an individual’s intentions and the intentions in turn were determined by two factors: the individual’s attitude (evaluative effect) toward performing a behaviour; and her or his subjective norm (SN) (the perception of how those who are important feel about the behavior). This model consistently explained some variance in behavior but was felt by many to be inadequate. Ajzen (e.g., Ajzen, 1985, 1989) added a third factor to the TRA to create a model called the Theory of Planned Behaviour (TPB). The additional factor was Perceived Behavior Control (PBC) which was described by Taylor & Todd (1995) as “perceptions of internal and external constraints on behavior”. Users would be concerned with which external factors would support or inhibit their use of the tool; how strong each factor is and how much control the user has over the factor.

A third version of the “intentions-based” model was created by Davis (e.g., Davis, Bagozzi & Warshaw (1989)). The Technology Acceptance Model (TAM) was “specifically meant to explain computer usage behavior” (Davis et. al., p. 985). Davis proposed that, just as in TRA and TPB, behavior (the actual use of an IS) was driven by the individual’s Intention to Use (IU) which was, in turn, driven by her or his attitude toward such use. In Davis’ model the attitude was determined by two factors: perceived usefulness (PU) and Perceived Ease of Use (PEU). Both PU and PEU are determined by “External Variables”. Mathieson (1991) compared the TPB and TAM in an undergraduate laboratory setting. He found TAM to be slightly better for predicting intentions and much better for predicting attitudes toward a behavior. The TPB requires that a pilot study be done in each situation to determine which factors are salient while, in TAM, the factors are believed to be standard within all IS adoption situations. TPB therefore is better at measuring specific factors such as specific barriers to use or specific groups whose opinions might be salient in a particular situation but, because of the need for the pilot study to define the parameters of research, TPB is more expensive and time consuming to apply.

Diffusion of Innovations

One of the most useful early projects investigating EDI use was carried out by Moore and Benbasat (1991). This work was based on the Diffusion of Innovations model developed by Rogers (e.g., 1983). Diffusion Theory has two main foci: the characteristics of the innovation and the adoption process itself. Moore and Benbasat focused on the former, which is also the aspect of interest in our research. Rogers defined five attributes of an innovation that prior research had shown to consistently impact the adoption decision: relative advantage, compatibility, complexity, observability and trialability. Moore & Benbasat added two other attributes to the Rogers model. The first was the Image or, more exactly, the Perceived Image of using the innovation which they defined as “the degree to which use of an innovation is perceived to enhance one’s image or status in one’s social system.” (pg. 195) An interesting point arises here. What is the relevant social system for a small entrepreneur? Is it competitors, customers or some combination? The second attribute added was Voluntariness, which they defined as “the degree to which use of the innovation is perceived as being voluntary, or of free will.” (pg. 195). This attribute would also seem to be a component of the PBC factor from TPB.

Moore & Benbasat made two points that are relevant to the model developed below. The first is that they focused on the use of the innovation (see for example the definition of Voluntariness above) rather than on the innovation itself as Rogers (1983) did. The second is the stress they put on perception in evaluating characteristics of both the innovation and its use. They pointed out that even a characteristic such as cost which seems to be quite objective would be judged from the position of the potential adopter. What is inexpensive for one might be too costly for another. This would be particularly relevant in studying the very small retail businesses in the Atlantic Provinces. After repeated reviews and tests of their concepts Moore & Benbasat developed a 38-item questionnaire which evaluated eight factors related to the adoption of a new technology: voluntariness, image, relative advantage [equivalent to Usefulness in TAM?], compatibility, ease of use [from TAM], trialability, result demonstrability and visibility.

Sathye & Beal (2001) used the Diffusion of Innovation model directly in investigating the reasons behind adoption or non-adoption of E-Commerce by SMEs. They hypothesized that adoption would be directly proportional to the organization’s perceptions of: the relative advantage it provided; how well it would fit into their existing business processes (compatibility); how easy it is to understand and to use (complexity); its trialability; and its observability. They found compatibility and relative advantage to be the most significant factors in determining E-Commerce adoption.

An Integrated Model (UTAUT)

As was mentioned above, Venkatesh et. al. (2003) performed an extensive review of eight models that have been used to evaluate the intentions or actual use of an IS. They analyzed results of prior research using the following models: TRA, TPB, TAM, the motivational model (MM), the combined TAM/TPB model from Taylor & Todd (1995), Triandis’ model of PC utilization (MPCU), Diffusion Theory (IDU), and Social Cognitive Theory (SCT). After applying a questionnaire based on all eight models they found that four factors had significant effects on users’ intentions:

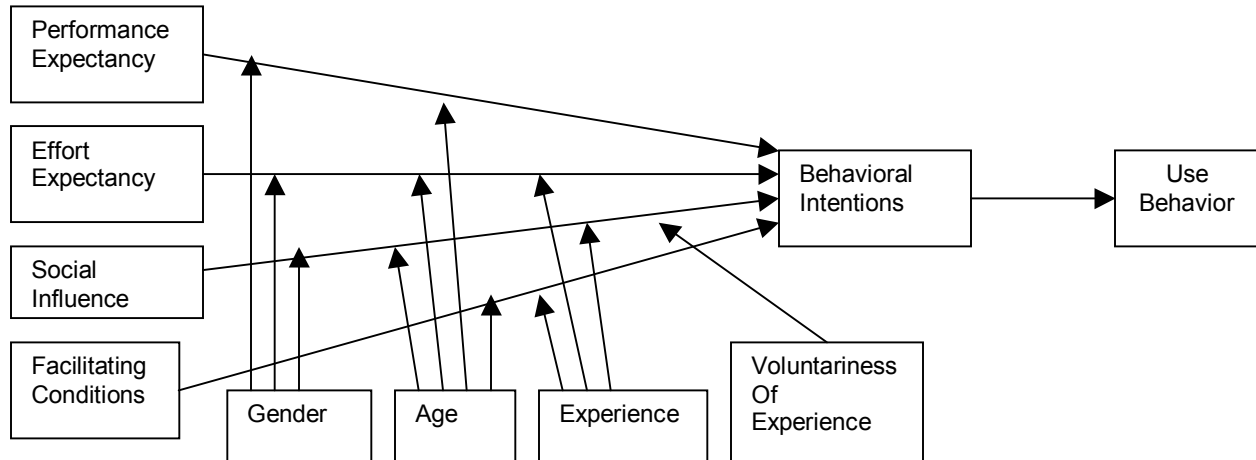
- ▶ Performance Expectancy – “the degree to which an individual believes that using the system will help him or her to attain gains in job performance.” (Venkatesh et. al., p. 447)
- ▶ Effort Expectance – “the degree of ease associated with the use of the system.” (Venkatesh et. al., p. 450)
- ▶ Social Influence – the degree to which an individual perceives that important others believe he or she should use the new system.” (Venkatesh et. al., p. 451)
- ▶ Facilitating Conditions – “the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system.” (Venkatesh et. al., p. 453)

And they also proposed four moderating variables:

- ▶ Age
- ▶ Gender
- ▶ Experience – this was not explicitly included in some models (e.g., TRA) but in most models the extent of experience was directly related to positive attitudes.
- ▶ Voluntariness of Use – was explicitly considered only in Diffusion Theory but was found to be significant in this model.

From these results they derived a combined model which they called the Unified Theory of Acceptance and Use of Technology (UTAUT). They then tested the unified model against each of the eight models and found that, while the individual models explained between 17 and 53% of the variance in users’ intentions to use IT, the unified model explained almost 70% of the variance.

Figure 1 - UTAUT (From Venkatesh et. al., pg. 447)



A 3-Factor Model

Iacovou, Benbasat & Dexter (1995) examined a traditional EDI situation using case studies. They identified three classes of factors which they believed influence the adoption of EDI by small businesses.

- ▶ Perceived Benefits – these could be direct (e.g., reduced transaction costs) or indirect (e.g., increased operational efficiency).
- ▶ Organizational Readiness – this refers to the financial and technological resources available to implement and maintain an IS.

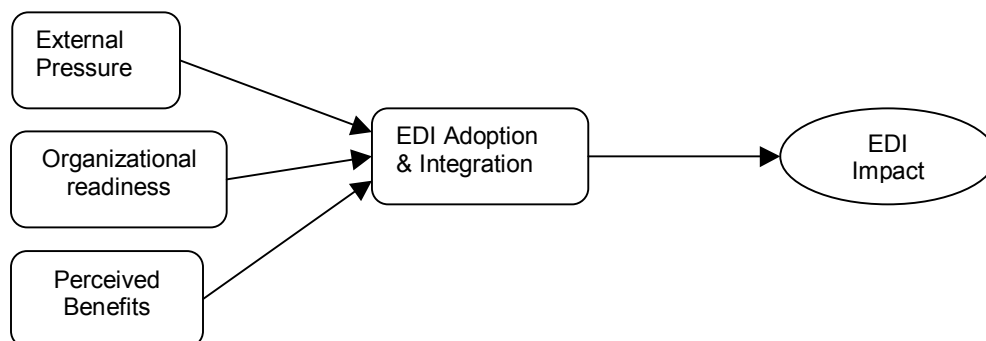
- ▶ External Pressure to adopt EDI – this was seen as coming from partners in the value chain and from competitors.

In B2C E-Commerce the first two factors would be major considerations, particularly considering the lack of management and technical skills available to most small businesses. The third factor would be driven mainly by customer demand and by the behavior of competitors.

Iacovou et. al. found an interesting correlation between an organization’s perception of benefits and its adoption of EDI. Non-adopters tended to focus mainly on the direct benefits while adopters saw the indirect benefits as the key to success. They also found that organizational readiness was not strongly linked to the adoption decision and they discovered that all firms with “low readiness” which they studied “indicated a desire to receive technical assistance from the BC government in implementing EDI.” (Iacovou et. al., pg. 477) This point could be useful in evaluating the willingness to adopt E-Commerce by small businesses in Atlantic Canada where a dependence on government support has a long history. Finally, they found that “the strongest explanatory variable in influencing firms to adopt EDI is the external pressure from EDI initiators.” (Iacovou et. al., pg. 477) Thus the perceived strength of demand from customers and the degree of adoption by competitors should be part of our model.

A follow-on project by Chwelos, Benbasat & Dexter (2001) developed and tested a model based on the case studies done by Iacovou et. al. After an extensive review of related research they identified three clusters of factors which they hypothesized would affect a small organization’s adoption of EDI: external pressure (competitive pressure, dependency on trading partner, enacted trading partner power and industry pressure); perceived benefits (those from Iacovou outlined above); and readiness (financial resources, IT sophistication and trading partner readiness). A 49-item questionnaire was developed and sent to 1772 purchasing managers across Canada. Using Partial Least Squares analysis they found that all three general classes of factors had strong effects on the organization’s intention to adopt EDI. All of the components of both Perceived Benefits and Readiness were statistically significant but, of the factors comprising External Pressure, only Competitive Pressure and Trading Partner Power were important. Since these would represent level of Adoption by Competitors and Consumer Power in B2C E-Commerce this support our inclusion of these factors in our model.

Figure 2 - The 3-Factor Model (from Iacovou et.al, pg. 467)



One of the difficulties of investigating the adoption of E-Commerce in very small businesses is that lack of research into this class of issues, although a number of relevant investigations have been done. One that has proven useful in developing the model below is Chau’s (2001) study of adoption of EDI by small exporters in Hong Kong. Like so many in the field it does not study

B2C E-Commerce directly but it offers some guidance for the development of our model. Chau points out that “a small business is not simply a scaled down version of a large Business.” (pg. 79) They are often missing entire functions that are taken for granted. He stresses that IT support is often one of these. He also points out that adoption of EDI or, in this research, B2C E-Commerce, represents the most complex form of IS development. This could have a significant effect on the adoption decision in a very small organization which is likely to have limited IT and management skills.

Chau’s final instrument consisted of 39 items focusing on: potential benefits; potential costs; internal knowledge and skills related to EDI technology; internal IT support; support provided by the vendor; attitude toward adopting EDI; influence from the government; influences from industry; promotion campaign by the vendor. Note that this model includes the influence of the government and “support provided by the vendor”. The findings indicated that the primary reason for non-adoption of EDI was the sense of not having sufficient knowledge and skills to implement and use EDI. Other significant inhibitors were lack of adequate internal IT skills and a negative attitude towards the adoption of EDI.

DEVELOPING OUR MODEL

Two issues arise from this review and analysis of the literature regarding adoption of EDI and E-Commerce: which classes of factors are relevant to the adoption decision by small businesses in an under-developed region and how to measure and evaluate each factor. In this preliminary report we focus on the first issue by developing a schematic model that outlines the relevant factors and their relationships. Our literature review evaluated four existing models: TPB and TAM which have been studied for more than a decade and two more recent models – those of Venkatesh et. al. (2003) and of Iacovou et. al. (1995). Because TPB and TAM are subsumed in the Venkatesh et. al. model we will discuss only the last two although factors from the others will be introduced where appropriate. In comparing the Venkatesh and Iacovou models the latter appears to be the more appropriate starting point for our model because it focuses primarily on the organizational level factors rather than those of an individual decision maker and because it goes more directly to the question of adoption.

Adoption

This is the only aspect of the model which can be evaluated objectively: either an organization has a Web site or it does not. However a second aspect of adoption can be more complex. This aspect of E-Commerce was addressed in the introduction but not in the literature search - the level of involvement with the Internet. Statistics Canada figures from 2003 listed above show that at least 95% of private businesses in Canada have a connection to the Internet. Our interest is in how that connection is being used. One of the simplest “stage models” is that of Rao, Metts & Mora Monge (2003). They distinguish among four levels of activity: (1) a presence - this is basically a “brochure” site, offering information on the organization and its products. This may include a catalogue and an e-mail function. Although it is a simple concept it represents the decision to move to E-Commerce, a major strategic change (2) A portal – this includes the use of customer order placing, profiles and cookies. An extensive database may also be created at this stage (3) Transaction integration – at this stage financial transactions between the merchant and

the customer take place. Implicit in this is a much more sophisticated software setup including credit card access and enhanced security (4) Enterprise integration – this “refers to complete integration of Business processes to the extent that old-line business is indistinguishable from online business.” (Rao et. al, p. 15) Because we are interested in capturing all stages of involvement with E-Commerce (Extent) our model will expand on this, offering the following classes: no connection to the internet; passive access to the internet (a Web Browser); a “brochure” Web site; a catalogue and sales site with separate financing; online financing; full integration on old-line and online aspects of the organization; other. In our model Non-adopters will be defined as organizations who report having one of the first two classes of connection to the Internet.

External Factors

The Iacovou et. al. model refers explicitly to two sources of External Pressure to adopt EDI: the level of EDI capability of the firm’s industry and pressure applied by the larger firms in the industry. For B2C E-Commerce the former will remain important (since it relates to both competition and resources available) but the latter will be replaced by Pressure from Consumers. As we have seen Chau (2001) pointed out two other factors in the environment which could have a positive effect on the small firm: support from vendors and from government (the latter also mentioned by Iacovou et. al.). These could be considered aspects of “Facilitating Conditions” from the UTAUT model.

Another factor which is not included in the 3-Factor model is social or cultural factors which the UTAUT (Venkatesh et. al.) recognizes as “social influence. Because of the lack of management support and perhaps the physical isolation of many small businesses in this region we believe that this should be considered in our model. Because we are taking a broader view of the environment that did Iacovou et. al. we have called this aspect of our model “External Factors” and have differentiated between three sources of possible effect: competition, customers and other (social, vendors and government). In many parts of the world infrastructure could also be an important external factor but, in Atlantic Canada, as in all areas studied in the literature we reviewed, it is assumed to be either neutral or a positive factor.

Organizational Factors

The 3-factor model describes Organizational Readiness as having two components: financial and technical (hardware, software and skills). A third, less specific factor that merits consideration in a very small firm would be the culture of the organization. Factors such as the general level of education of the workers, their experience with change, behavioral norms and even age, may affect the willingness and ability to adopt a new technology that would have a strategic effect on the firm. For example, Grey, Densten & Sarros (2003), studying possible differences in the cultures of small, medium and large businesses In Australia found that small business were most likely to be internally supportive and to have a higher level of employee involvement in decision making. They also found that smaller businesses put more emphasis on innovation and competitiveness than did large organizations. One other article that relates to development of our model of the organization is that of Stansfield & Grant (2003). They examined the levels of use of E-Commerce in SMEs in a relatively remote area of Scotland and their instrument

provides some direct guidance for ours. For example, they asked detailed questions on Internet-related technology, size and age of the business and length of time the organization has been using various aspects of E-Commerce. As a result we have divided the organizational factors into Resources and Culture.

Perceived Costs/Benefits

This final factor from the Iacovou et. al. model is the most straightforward since it has been studied literally for decades in relation to IS adoption. However, this does not remove any of its potency in terms of our research. The authors point out that, throughout the history of IS research, Perceived Benefits have fallen into two categories: direct benefits, such as reduced transaction costs and higher information quality, are primarily operational in nature while indirect benefits have focused on tactical and strategic advantages such as better customer service and increased ability to compete. (pg. 469). As was mentioned above, they also observed that, while “non EDI-ready firms” focused more on direct benefits such as time, paper and cost savings in making their decision, “respondents from EDI-capable firms mentioned as significant benefits the potential of EDI to transform inter-firm relationships, to allow entry into new and remote markets , and to enable organizational and structural change.” (pg. 476). It will be interesting to determine the extent to which this divergence of focus exists in small firms in this region. Two factors from the UTAUT model are also included in Perceived Costs/Benefits: Performance Expectancy (Usefulness from TAM?) and Effort Expectance (Ease of Use from TAM?).

The Owner

Although these are certainly important factors in E-Commerce adoption in Atlantic Canada and are included in our model we believe that another factor is at least as important. Because our research is explicitly directed at firms in which the owner is an active manager we believe that this individual will exert a strong effect on any decision. In an organization 200 employees the corporate process can, in most cases, ameliorate the effects of individual traits. But in a firm of 20 or fewer in which the founder is an active manager her/his decisions would virtually be law.

We will examine three aspects of the owner. The most basic is demographic characteristics such as gender, age and experience (from UTAUT). But the “null hypothesis” concerning these aspects of the entrepreneur has been well summarized by Hatten (1997, 40) who states: “the conclusions of 30 years of research indicate that there are no personality characteristics that predict who will be a successful entrepreneur... Successful small business owners and entrepreneurs come in every shape, size and color and from all backgrounds.” Can we demonstrate that, in the adoption decision for a high tech tool, basic demographic factors are relevant?

A second aspect of individuals is the owner’s psychographic makeup. Do factors such as cognitive style and decision making skills affect the decision to adopt E-Commerce? Numerous studies in the small business/entrepreneurship have examined these more subtle traits such individuals. Their willingness to take risks, their optimism, their tolerance for ambiguity and desire for control of their destiny have been identified in numerous studies (e.g., Baron (1998),

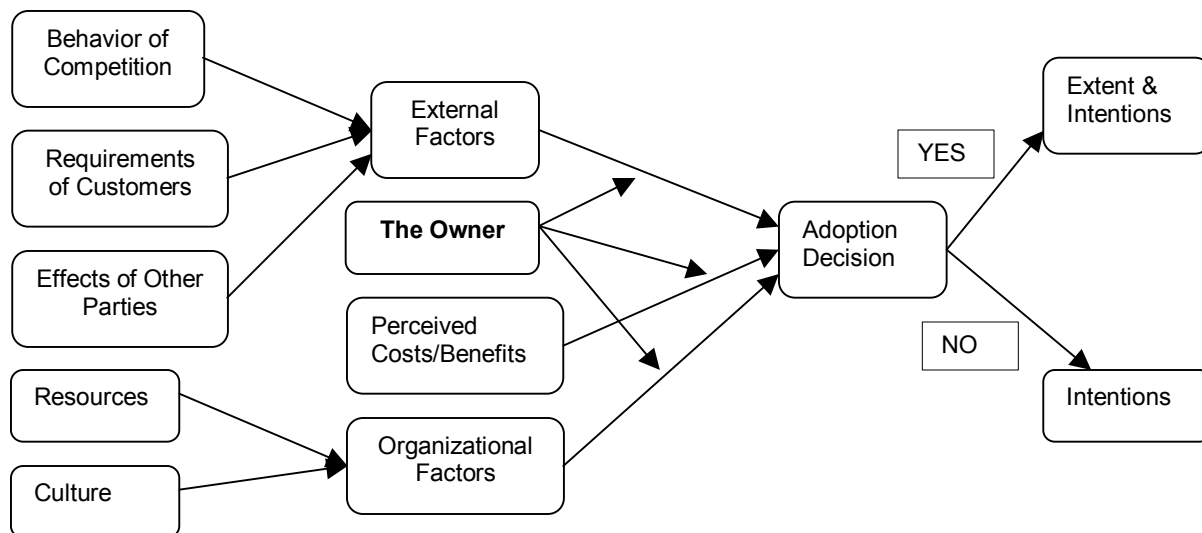
Bygrave (1989)). Specific issues which have been evaluated include the link between cognitive style and entrepreneurship (Young, Doyle & Fisher (2002)), information processing style and decision quality (Leonard, Scholl & Kowalski (1999) and problem solving styles (Buttner & Gryskiewicz (1993). Clearly the psychographic dimension must be considered in the very small firms we will be studying.

Finally, the attitudes, beliefs and values of the entrepreneur must be considered. For example, Becherer and Maurer (1999) determined that a proactive attitude on the part of presidents of small firms led to a more entrepreneurial attitude throughout the organization and to expanded sales. Interestingly it did not lead to increased profits or to more centralized decision making. A number of researchers have suggested models that link personal traits and the entrepreneur's perception of the decision context (Herron & Sapienza (1992), Naffziger, Hornsby & Kuratko (1994)). It is at this point in our model that Perceived Behavior Control (PBC) from TPB and the owner's concerning Usefulness (U) and Perceived Ease of Use (PEU) from TAM would become factors in our model.

In summary we believe that a number of aspects of the owners of the very small businesses may affect the E-Commerce adoption decision. Because of the central nature of the owner we believe that this component would be a moderating variable, having potential effects on External Factors, Organizational factors and Perceived Costs/Benefits.

Figure 3 summarizes the model we have developed based on this analysis.

Figure 3 – Our Preliminary Model



A final point is the methodology for applying the model to gather data. We believe that gathering data from managers in the field is the most appropriate way to answer our questions. Because we need a broad range of responses a questionnaire will be the best way to achieve our goals. But can self reporting, unsupported by “hard” data provide useful information? In fact, Iacovou (1995), Poon & Swatman (1999) and Daniel & Wilson (2002), among others, point out that it is the perceptions of decision makers concerning the causal factors which will determine their adoption decision and the perceptions of benefits which will determine the continued use

and the growing reputation of E-Commerce. This is not to say that objective measures are not needed but, in the current state of understanding of B2C E-Commerce, a generally accepted model including such measures does not exist. Although this specific situation has been little studied in Canada we believe that many of the survey items from past projects can be modified or used directly to create our survey instrument (e.g., Chewelos, Benbasat & Dexter (2001), Chau (2001), Moore & Benbasat (1991) and Reimenschneider, Harrison & Mykytyn (2003)).

REFERENCES

- Ajzen, I. (1985). From intentions to actions in *Action control from cognition to behaviour*, J. Kuhl & J. Beckman (eds.). Berlin: Springer-Verlag.
- Ajzen, I. (1989), Attitude, structure and behaviour in *Attitude, Structure and Function*, A.R. Pratkanis, S.J. Breckler & A.G. Greenwald (eds). Hillsdale, NJ: Erlbaum Associates.
- Barron, R.A. (1998). Cognitive mechanisms in entrepreneurship: why and when entrepreneurs think differently than other people. *Journal of Business Venturing*, 13, 275-294.
- Buttner, E.H. & Gyskiewicz, N. (1993). Entrepreneurs' problem solving styles: an empirical study using the Kirton adaption/innovation theory. *Journal of Small Business Management*, 31(1), 22-31.
- Bygrave, W.D. (1989). The entrepreneurship paradigm (1): a philosophical look at its research methodologies. *Entrepreneurship theory and practice*, 14(2), 7-30.
- Chau, P.Y.K. (2001). Inhibitors to EDI adoption in small businesses: an empirical investigation. *Journal of Electronic Commerce Research*. 2(2), 78-88.
- Chwelos, P., Benbasat, I. & Dexter, A.S. (2001). Research report: empirical test of an EDI adoption model. *Information Systems Research*, 12(3), 304-321.
- Daniel, E. & Wilson, H. (2002). Adoption intentions and benefits realised: a study of e-commerce in UK SMEs. *Journal of Small Business and Enterprise Development*, 9(4), 331-348.
- Davis, F.D., Bagozzi, P. & Warshaw, P.R. (1989). User acceptance of computer technology: a comparison of two theoretical models. *Management Science*, 35, 1989, 982-1003.
- Dulipovici, A. (2002). The impact of internet use on small and medium-sized Canadian businesses during a recession. *The Proceedings of the 6th International Francophone Conference on SME*, HEC, Montreal, pp. 1-15.
- Fahey, L., Srivastava, R., Sharon, J.S. & Smith, D.E. (2001). Linking E-business and operating processes: the role of knowledge management". *IBM Systems Journal*, 40(4), 889-907.
- Fishbein, M. & Ajzen, I (1975). *Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research*, Reading:MA, Addison-Wesley.
- Gray, J.H., Densten, I.L. & Sarros, J.C. (2003). Size matters: organizational culture in small, medium and large Australian organizations. *Journal of Small Business and Entrepreneurship*, 17(1), 31-46.
- Hatten, T.S. (1997). *Small business: entrepreneurship and beyond*. Upper Saddle River, NJ: Prentice-Hall.
- Herron, L. & Sapienza, H.J. (1992). The entrepreneur and the initiation of new venture launch activities. *Entrepreneurship Theory and Practice*, 17(1), 15-27.
- Iacovou, C.L., Benbasat, I & Dexter, A.S. (1995). Electronic data interchange And small organizations: adoption and impact of technology. *MIS Quarterly*, 25(4), 465-485.

- Igbaria, M, Zinatelli, N., Cragg, P. & Cavaya, A. (1997). Personal computing acceptance factors in small firms: A structural equation model". *MIS Quarterly*, 21(3), 279-305.
- Leonard, N.H., Scholl, R.W. & Kowalski, K.B. (1999). Information processing style and decision making. *J. Organiz. Behav.* 20, 407-420.
- Mathieson, K. (1991). Predicting user intentions: Comparing the technology acceptance model with the theory of planned behaviour. *Information Systems Research*, 2(3), 173-191.
- Moore, G.C. & Benbasat, I. (1991). Development of an instrument to measure perceptions of adopting an information technology innovation. *Information Systems Research*, 2(3), 192-222.
- Naffziger, D.W., Hornsby, J.S. & Kuratko, D.F. (1994). A proposed research model of entrepreneurial motivation. *Entrepreneurship Theory and Practice*, 18(3), 29-42.
- Pfeiffer, H.K.C. (1992). *The diffusion of electronics data interchange*. New York, NY: Springer-Verlag.
- Poon, S. & Swatman, P.M.C. (1999). An exploratory study of small business internet commerce issues. *Information & Management*, 35, 9-18.
- Rao, S.S., Metts, G. & Mora Monge, C.A. (2003). Electronic commerce development in small and medium sized enterprises. *Business Process Management Journal*, 9(1), 11-32.
- Reimenschneider, C.K., Harrison, D.A. & Mykytyn, P.P. (2003). Understanding IT adoption decisions in small businesses: integrating current theories. *Information & Management*, 40, 269-285.
- Rogers, E.M. (1983). *The diffusion of innovations*. New York, NY: Free Press.
- Sathye, M. & Beal, D. (2001). Adoption of electronic commerce by SMEs: Australian evidence. *Journal of E-Business*, 1(1), 1-11.
- Stansfield, M. & Grant, K. (2003). An investigation into issues influencing the use of the internet and electronic commerce among small-medium sized enterprises. *Journal of Electronic Commerce Research*, 4(1), 15-33.
- Statistics Canada (2001) <http://www.statcan.ca/english/Pgdb/labor50a.htm>. Downloaded September 15, 2004
- Statistics Canada (2003). The Daily, April 2, 2003. <http://www.statcan.ca/Daily/English/040416/d040416a.htm> Downloaded May 11, 2004.
- Statistics Canada (2004). The Daily, April 16, 2004. <http://www.statcan.ca/Daily/English/040416/d040416a.htm>. Downloaded May 11, 2004.
- Taylor, S. & Todd, P.A. (1995). Understanding information technology usage: a test of competing models. *Information Systems Research*, 6(2), 144-176.
- Venkatesh, V., Morris, M.G., Davis, G.B. & Davis, F.D. (2003). User acceptance of information technology: Toward a unified point of view". *MIS Quarterly*, 27(3), 452-479.
- Young, J., Doyle, W. & Fisher, R. (2002). Entrepreneurs: relationships between cognitive style and entrepreneurial drive. *Journal of Small Business & Entrepreneurship*, 16(2), 2-20.

Cyberdeviancy: New Harms in the Workplace by Terrance Weatherbee (Acadia University)

Abstract

Acts of workplace aggressions, violence, or other acts of harm may be classed as deviant behaviours (1995), anti-social behaviours (Giacalone & Greenberg, 1997), uncivil behaviours (Anderson & Pearson, 1999), bullying and mobbing (Keashley & Jagatic, 2002; Vandekerckhove & Commers, 2003), as counterproductive work behaviours (Gruys & Sackett, 2003; Sackett & DeVore, 2001) or retaliatory behaviours (Skarlicki & Folger, 1997; Sommers, Schell, & Vodanovich, 2002). Information systems are an emerging conduit or tool for commission of acts of harm in the modern IS/IT enabled workplace. Based upon content analysis of media reports, this paper proposes a typology of these behaviours and conceptualizes them as Cyberdeviant acts. The conceptualization of Cyberdeviancy is defined and dimensionalized as a separate body of behaviours that collectively possesses distinctly different potentials and processes for harm which are not incorporated or accounted for in the current workplace deviancy, aggression, or violence literatures. Future research implications and directions are explored.

Tourism and Hospitality Management

Challenges, Approaches and Impacts of IT Adoption Among SMEs in the Tourism Industry

by Karen A. Blotnicky (Mount Saint Vincent University)

Abstract

A tremendous amount of technological growth and innovation has marked the past decade in business. Information technology has revolutionized businesses and organizations throughout the world. The end result of Internet adoption appears to be a more dynamic, better-managed and aggressive marketing-oriented firm. This review paper investigates the impact on information technology on businesses in the tourism and hospitality industry, focusing on adoption of technology, its effects on strategic management and anticipated future developments. Special consideration is given to small and medium-sized enterprises with 200 employees or less. The paper begins with an overview of the adoption of technology among Canadian small and medium-sized enterprises (SMEs), with a primary focus on those in the tourism industry sector. Issues impacting the adoption of technology are discussed, then the paper discusses the impact of technology on the industry marketing system and individual marketing strategy plans. The paper concludes with recommendations to enhance the adoption of technology among SMEs in Canada.

Adoption of technology among SMEs

Research shows that adoption of technology differs across firms based on their size, with larger enterprises making much better use of technology for strategic competitive advantage than small and medium-sized firms. There appears to be differences in the competitive philosophy and organizational culture of firms that adopt new technologies over those who do not. There is growing evidence that firms that choose not to integrate technology will lose out compared to firms that adopt such technology. Adoption of technology is becoming essential regardless of firm size in order to compete effectively in the new economy.

Côté, Vézina and Sabourin (2004) reported that virtually all businesses with more than 100 employees use the Internet in some capacity. In a survey of members of the Canadian Federation of Independent Business (CFIB), the authors also reported that 88% of firms with 20 to 100 employees also have Internet access. This percentage drops to 71% for firms with between five and 15 employees. For micro-enterprises, those firms with fewer than five employees, the take-up rate was less than 60%. This report mirrors what many other studies have shown that small firms tend to make less use of Internet technology than larger firms do.

In a technology survey launched by the Atlantic Canada Technology Initiative (ACTI) in 2002, authors reported that of all businesses 80% used computers to help manage their operations (Doyle, Foley, Hicks and Léger, 2002). Internet access varied by province with Nova Scotia having the highest penetration rate (82%), followed by Newfoundland-Labrador (80%), New Brunswick (77%) and Prince Edward Island (75%) (Doyle, et.al., 2002).

The level of sophistication of use of technology also seems to vary among firms of different sizes, with larger firms using the most bells and whistles (Côté, et.al., 2004). The CFIB study revealed that virtually all firms that had Internet access used email. The study also revealed that only 18% of micro-enterprises had had their own website, compared to 49% of firms with upwards of 100 employees. Fourteen percent of micro-enterprises used the Internet to make

purchases compared to 28% of large firms. The number of firms that used the Internet for selling their own product ranged from approximately 8% for the micro-enterprise to 19% of all firms with over 100 employees (Côté, et.al., 2004). The ACTI study revealed that 97% of firms used email and 76% of firms had a website. Over sixty percent of firms with websites used an external hosting service (Doyle, et.al., 2002).

According to Côté, et.al. (2004), the tourism industry has the greatest acceptance of technology in the world by consumers. Assuming that a key motivation to go online is a customer pull, the tourism sector should be the most vibrant online sector. Online spending for travel purchases has increased ten times over the last five years. Consumers take advantage of tourism-based Internet links to obtain road maps (59%), accommodation (54%), activities (46%), air fares (45%), restaurants and entertainment (36%) (p.1).

According to Farhat (1999), online travel is expected to be a growth sector for Internet use over the next decade in the Canadian market. Small firms have greater marketing power online than offline (Farhat, 1999; Industry Canada, 2003). Zongqing (2004) indicated that 64 million Americans used the Internet in 2003 to get information, compare prices and schedules, representing a growth rate of 400% since 1999. Over \$13 billion was spent in 2000 on travel-related services. The online travel market in Europe was expected to grow 300% to \$10.9 billion in 2002 (Zongqing, 2004). Many of those who buy online travel are short-term travel planners with 54% booking less than one month from date of departure, and one-third booking at the last minute.

In the United States those who book travel online make a very attractive market niche. They tend to be under the age of 55, with incomes of more than \$75,000 annually. Typical online purchases include airline tickets (84%), lodging (78%), auto rental (50%), event/venue tickets (33%), amusement park tickets (18%), travel packages (17%) and cruises (18%).

Advantages of Integrating ICT

According to Dulipovici (2002) and Poon and Swatman (1997) adoption of such technology should deliver both direct and indirect benefits to the firm. Direct benefits include cost savings in distribution, communication and promotion, while indirect benefits may include better information access and access to new market opportunities. Bourgooin (2002) argues that ICT can lead to increased growth among rural SMEs, creating income and jobs in much-needed parts of the country. She attributes part of this growth to the ability of such firms to network effectively and develop global marketing channels for their products.

There are differential outcomes among firms that do use Internet technology. Dulipovici (2002) reported that Canadian SMEs who use the Internet are more likely to grow, to create more jobs and to do a larger amount of international business than firms without Internet access. Research has demonstrated that such firms are also more optimistic, anticipating better results than do non-Internet linked firms. When they anticipate better results, firms also post higher earnings goals and work hard to reach them. They tend to post better international returns simply because they do more research prior to launching international products (Bourgooin, 2002; Dulipovici, 2002; Agarwal, Ball, Shaw and Williams, 2000). The end result of Internet adoption is quite simply, a more dynamic, better-managed and more aggressive marketing organization.

Gray, Mattear and Matheson (2000) link innovativeness with increased market orientation, customer satisfaction and loyalty. The authors found a link between profitability, improved market relations and innovative corporate culture. Such cultural orientations are often linked to innovation in technology.

Bourgouin (2002) described three kinds of information that are essential to business development and that are accessed more easily through electronic networks than offline sources. These include:

- Internal information: in-house skills, knowledge and archived information
- External information: essential market and environmental scanning information such as market feasibility, competitive environment, legal and financial information
- Sent information: directed from the firm to its publics, including, but not necessarily limited to, marketing communications.

Buhalis (1998) listed improved information (77%) as one of several benefits of adopting information technology. Other benefits listed by Buhalis in a survey of manufacturing firms in the UK included competitive advantage (79%), improved external communications (65%), better management of computer resources (63%) and improved decision making (61%). There was also evidence that technology and information are a valuable combination when entering into negotiations with other firms in the industry, or the distribution channel.

There is also some evidence that being Internet-savvy insulates firms from the ravages of recession. Such firms tend to weather recessions better than firms without technology (Dulipovici, 2002). This insulation could be due to the fact that firms that are Internet-linked also tend to have more international markets than non-linked firms, resulting in a better market portfolio. When a recession impacts one market, others remain unaffected, much like a balanced stock portfolio provides a hedge against financial risk.

SMEs are critical to regional growth and development. Technology is fundamental to allow such firms to grow, resulting in greater economic growth, particularly in rural areas. In essence, technology can level the playing field between large and small firms (Buhalis, 1998; Buhalis and Main, 1998; Industry Canada, 2003).

Constraints in adopting technology

Despite the inherent advantages of increasing the firm's level of ICT adoption, a number of factors limit such growth. The cost of adopting ICT can be high, limiting many firms from acquiring the technology, particularly when it comes to advanced applications (Buhalis, 1998; Bourgouin, 2002; Côté, et al., 2004; Connolly and Sigala, 2001). There is also a lack of technological infrastructure in some regions to support the adoption of technology across the industry (Bourgouin, 2002).

A frustrating aspect of investing in ICT is that it may not result in a strategic advantage. Buhalis (1998) cautioned against investing in ICT to gain a strategic competitive advantage, particularly if competitors can easily adapt. He also cautioned against using spending on IT as a factor in predicting profitability.

There are ICT issues related to human resource needs, including a shortage of technological skills and limited levels of computer literacy (Bourgouin, 2002, Gretzel, Yuan and Fesenmaier, 2000). A study by HRDC (2001) revealed that computer skills were the second-most sought out skills for business owners themselves (53%), and the third-most sought skills set for their employees (39%).

The learning curve related to fully integrating ICT into the business function is steep and may actually limit the ability of firms to succeed in fully adopting the technology. According to Côté, et al. (2004), businesses ... "do not know [enough to know] that they do not know" (p.4). Firms must be immersed in a successful, sequential, adoption of technology to understand the true scope of innovation and to apply it to the greatest extent possible.

Maximizing the potential of ICT requires an adoption of a long-term planning perspective for the application of technology. There is evidence that firms in the tourism industry may lack a long-term strategic focus that is necessary to adequately integrate IT into the firm's business strategy (Buhalis, 1998; Buhalis and Main, 1998).

In spite of these constraints, Buhalis (1998) argues that it is better to adopt technology than not to do so. While it adds to costs, it also creates revenue streams and in a competitive environment. When other firms are embracing technology, failing to do so is "not an option" (p.410).

Impacts of ICT adoption on industry

Information and communication technologies have revolutionized the way suppliers and distributors interact with each other, as well as how firms interact with customers, and vice versa. Bourgouin (2002) argues that technology has changed the nature of the relationship between industry players, along with changes in technology and communication processes. She maintains that technology must be managed in a meaningful way by local firms and consumers in order for the technology to be fully adopted. Local management of technology requires that the information shared include local contexts and content.

Buhalis (1998) argues that technology changes the nature of competition in an industry. Technology can impact competitive advantage by impacting operating costs and the ability of a firm to differentiate its service from that of competing firms. ICT impacts an industry's marketing system in a number of ways. Apart from strengthening information flow within and between departments, ICT impacts communication and information flow between members of a distribution channel network (Buhalis, 1998).

The Internet allows firms to collaborate in fundamental ways, increasing interactivity and communication, while also doing transactions. Integration is critical because there is often no time gap between the production of information and its online distribution. The real goal of online integration is to create a virtual community: a different business model for travelers the typical marketing system provides. Virtual communities can deliver more personalized travel products while enhancing customer interactivity and service (Gretzel, et.al., 2000).

Technological integration in the marketing function

In order to make the Internet an important asset, firms must develop a marketing plan that integrates technology (Bégin and Boisvert, 2002; Dulipovici, 2002). It is simply not enough to seek technology to reduce costs and increase efficiency. According to Connolly and Olsen (2001) cost reduction and increased efficiency are not sufficient goals to achieve technologically based business success in today's world. They argue that the management focus in today's world must change to a more strategic, than operational, view. According to the authors in previous years technology was adopted to reduce costs, save labour, increase production and efficiency, and to provide a tactical, operational, production-based advantage. According to Siguaw and Enz (1999) internal efficiency was achieved by reducing paperwork, limiting bureaucracy and enhancing access to information. The end result was greater employee productivity, cost savings and profitability enhancement. Connolly and Olsen (2001) claim that today such goals must be combined with strategic marketing objectives including: product differentiation, service development, core competencies, pre-emptive market positioning, adding customer value and creating a sustainable competitive industry advantage.

IT must be linked to strategy in order to use it in such creative ways.

Customer service is an outcome, rather than an input, of adopting ICT. Adding value for customers and limiting response time are ways of delivering customer service. In today's approach to adopting and integrating technology, customer service is a goal, not a byproduct, of ICT adoption. Customer service depends on the accuracy and the amount of information provided upon request. IT adoption helps to improve customer service by reducing the time required to provide accurate information. Such interaction reduces the gap between the expectations of consumers and the reality of service provision, thereby increasing overall perceived service level (Buhalis, 1998). Building relationships with customers results in loyalty over time and a greater share of customer: the ability to sell more services to the same customer over time. This draws business away from competitors (Kotler, 2005). Lifetime value (LTV) relates to the cumulative value of a single customer's purchases over time. The goal of today's businesses is to grow revenue by increased share of customer and increased repeat purchasing, striving towards maximizing LTV (McDonald, 1998). Relationship building is the key to achieving these goals (Connolly and Sigala, 2001).

Integrating technology into the marketing plan requires redesigning the marketing function to be interactive, responsive and engaging for consumers. Marketing communications are enhanced (but not necessarily replaced) through electronic media (Zongqing, 2004). Per contact costs are greatly reduced from traditional methods such as mail and personal selling. Targeted, personalized and directed email communication to qualified customer leads help to create audiences.

A streamlined distribution channel is only possible through the use of technology (Zongqing, 2004). Old age customer reservation systems (CRS) have been transformed into Global Distribution Systems (GDS). GDS link the CRS of many different airlines into a central database for use by those who retail services, either online or offline. GDS are central to reducing operating costs. Many firms are outsourcing to GDS firms in order to reduce distribution costs. Outsourcing may be required to increase efficiency for order processing, fulfillment and customer service delivery.

If online order fulfillment is used the marketing channel becomes direct. Direct marketing allows smaller firms to take control over the entire process of marketing and distribution providing the firm can handle the traffic inherent in such electronic systems. Direct marketing not only provides more control to smaller tourism operators, it also changes the balance of power in the purchase process by putting more control into the hands of consumers (McDonald, 1998).

The online firm automatically becomes global creating a tremendous advantage for smaller firms that are prepared to compete on a global level. In a final twist, firms that adopt online technology to take orders (fulfillment) typically use both traditional marketing channels as well as electronic ones, a process known as a "hybrid channel". There is no need to abandon traditional marketing to adopt technology-based marketing. Instead, both approaches enhance and facilitate one another (McDonald, 1998).

With the growth of technology across distribution systems comes the threat of disintermediation: the elimination of channel members from the transaction process (McDonald, 1998). Many argue that travel agents will become obsolete as travelers continue to make their own online travel arrangements direct from tour operators or wholesalers (Zongqing, 2004). However, that has not turned out to be the case, as many travelers still prefer to make their final travel arrangements, or to confirm such arrangements, through travel agents (Industry Canada, 2003). Research has also shown in that in US markets, travel agents are a primary source of

information for only 7% of travelers. Most used Internet-based communications or offline brochures combined with Internet-based information (58%). This indicates that travel agents need to have an online presence as a minimum, in order to be considered as an information resource (Zongqing, 2004). It has been said that such intermediaries need to become “infomediaries”, as their strategic edge is their ability to provide and interpret information as a resource to others in the distribution channel (Industry Canada, 2003). As is the case with travel agents, all tourism firms will eventually find that it is important to integrate technology into their marketing plans even to maintain strategic alliances within the distribution system (Buhalis and Main, 1998). Information technology has revolutionized all tourism industry sectors. Wireless technologies and lower prices have made technology even more accessible. Online booking, comparison-shopping and searching have impacted all tourism industry sectors (Zongqing, 2004).

Conclusions and Recommendations

Research indicates that all firms competing in the travel industry need to be technologically linked, incorporating Internet-based communication into their marketing strategy plans. The ability of firms to compete effectively in today’s market is stymied if technology is not incorporated into the business function.

Evidence shows that a variety of constraints impact SMEs in their adoption of more sophisticated forms of technology. In particular, interactive websites and online transactions are out of the reach of many small businesses, despite the lowering of technology costs and the availability of more affordable outsourcing opportunities.

Public and private industry partners, as well as industry associations, must work to provide a culture of innovation among SMEs in the tourism and hospitality industry. This requires the facilitation of skills acquisition and technology appreciation among owner-operators and employees. Trade shows, workshops and other forms of training are indicated to develop a proactive and open industry culture.

Skills shortages and a lack of computer literacy, particularly with regards to relevant and applied industry technologies, must also be addressed at the training level. Tourism and hospitality management curricula must be enhanced to provide more hands-on training with such computer-based technologies at the university and community college levels (Buhalis and Main, 1998).

As the tourism industry market becomes more complex and technology-driven, it is necessary to expand the channel to include various facilities that provide outsource services for web-development and transaction fulfillment. Currently, mega-firms own and operate many of the online systems, including reservations systems like Amadeus® and travel websites like Expedia® or Travelocity®. Incentives must be given to help firms develop such technologies to outsource to small and medium sized enterprises.

Many non-tourism firms use supply chain management firms to organize online fulfillment for a variety of products and services (Kotler, 2005). The availability of such services provides an opportunity to develop more, and better, vehicles to service the tourism industry at an affordable cost.

There is a role for teaching organizations, management firms and non-profit industry associations to combine with financial entities to provide the industry support and structure needed to enable SMEs in the tourism and hospitality industry to harness the technology needed to succeed.

Research should continue to focus on methods of increasing the uptake of ICT adoption among SMEs, particularly those firms with less than 15 employees. Topics should address methods of increasing the availability of qualified labour while also focusing on ways to reduce the cost of acquiring up-to-date technologies and showing owners and employees how to use such resources effectively to compete in a global market.

References

- Agarwal, Sheela, Ball, Rick, Shaw, Gareth and Williams, Allen W. (2000). The geography of tourism production: Uneven disciplinary development? *Tourism Geographics*, Vol.3, No.2, p.241.
- Bégin, L. and Boisvert, H. (2002), Strategically deploying e-commerce, *CMA Management*, Vol. 75, No. 9, p.18.
- Bourgouin, France. (March, 2002). Information communication technologies and the potential for rural tourism SMME development: the case of the Wild Coast. *Development Southern Africa*. Vol.19, No.1, p.191.
- Buhalis, Demetrios & Main, Hilary. (1998). Information technology in peripheral small and medium hospitality enterprises: strategic analysis and critical factors. *International Journal of Contemporary Hospitality Management*. Vol.10, No.5. p.198.
- Buhalis, Demetrios. (October 1998). Strategic use of information technologies in the tourism industry. *Tourism Management*. Vol.19, No.5, p.409.
- Connolly, Daniel J. and Sigala, Marianna. (Jul/August 2001). Major trends and IT issues facing the hospitality industry in the new economy. *The International Journal of Tourism Research*, Vol.3, No.4, p.325.
- Connolly, David J. and Olsen, Michael D. An environmental assessment of how technology is reshaping the hospitality industry. *Tourism and Hospitality Research*. Vol.3, No.1, 2001.
- Côté, Louise, Vézina, Michel and Sabourin, Vincent. (February, 2004). Tourism accommodation sector in Canada. *E-Commerce overview series*. Industry Canada, Canada.
- Crichton, Elaine and Edgar, David. (1995). Managing complexity for competitive advantage: an IT perspective. *International Journal of Contemporary Hospitality Management*. Vol.7, No.2-3, p.12.
- Doyle, K., Foley, C., Hicks, B. and Legér, A. (2002). *Technology Survey 2002: Atlantic Canada Technology Initiative*. Canada.
- Dulipovici, Andreea. (October, 2002). The impact of Internet use on small and medium-sized Canadian businesses during a recession. *The 6th International Francophone Congress on SME – HEC*, Montreal, PQ.
- Gray, Brendan, Mattear, Sheelagh M. and Matheson, Philip, K. (2000). Improving the performance of hospitality firms. *International Journal of Contemporary Hospitality Management*. Vol.12, No.3, p.149.
- Farhat, A. (1999). *Profile of Canada's travel agency industry*, Catalogue no. 63-016-XPB, 3rd quarter 1999. Retrieved June 26, 2004 from Statistics Canada at <http://www.statcan.ca/english/research/63F0002XIE/63F0002XIB2000031.pdf>.
- Gretzel, Ulrike, Yuan, Yu-Lan, & Fesenmaier, Daniel R. (November, 2000). Preparing for the new economy: Advertising strategies and change in destination marketing organizations. *Journal of Travel Research*. Vol.39, No.2, p.146.

- Haapaniemi, P. (2001), Retooling the E-business strategy: the newest approach to ebusiness involves transforming the organization to reap even deeper benefits”, *Chief Executive*, No.172, p.S6(3).
- HRDC/Tourism Human Resource Council. (March, 2001). *Human resource needs assessment – Challenge and opportunity: Tourism’s seasonal factor*. HRDC. Canada.
- Industry Canada. (October 16, 2003). *Electronic commerce in the retail travel services industry in Canada*. Retrieved from <http://strategis.ic.gc.ca/epic/internet/indsib-tour.nsf/en/qq00014e.html#business>.
- Industry Canada. (October 16, 2003). *Annex A: The virtual office*. Retrieved September 2, 2004 from <http://strategis.ic.gc.ca/epic/internet/indsib-tour.nsf/en/qq00017e.html#appendix>.
- Kotler, P., Armstrong, G. and Cunningham, P. (2005). *Principles of marketing (6th Can. ed.)*. Pearson Prentice Hall. Toronto.
- Kuom, Mathias and Oertel, Britta. (1999). Virtual travel agencies. *Netnomics: Economic Research and Electronic Networking*, Vol.1, No.2, p.225.
- Mallett, Ted and Kisekka, Muhamood. (August, 2000). E-business update: Internet use among small and medium-sized firms. *CFIB Mid-year Survey Results*. Canadian Federation of Independent Business, Canada.
- McDonald, W.J. (1998). *Direct marketing: An integrated approach*. Irwin-McGraw Hill, USA.
- Olsen, Michael D. and Connolly, Daniel J. (February 2000). Experience-based travel. *Cornell Hotel and Restaurant Administration Quarterly*. Vol.41, No.1, p.30.
- Poon, S., and Swatman, P. (1997), Internet-based small business communication: seven Australian cases, in Schmidt, B., and Selz, D., *Electronic Markets*, Vol. 7, No. 2.
- Proll, Birgit & Retschitzegger, Werner. (November, 2000) Discovering the next generation tourism information system. *Journal of Travel Research*. Vol.39, No.2, p.182.
- Siguaw, Judy A. and Enz, Cathy A. (October 1999). Best practices in information technology. *Cornell Hotel and Restaurant Administration Quarterly*. Vol.40, No.5, p.58.
- Zongqing, Zhou. (2004). *E-Commerce and information technology in hospitality and tourism*. Thomson Learning, Canada.

Local Culture: A Rural Community's Most Valuable Capital Asset? **by E.Wanda George (Mount Saint Vincent University)**

Abstract

While smaller rural communities cannot compete in the same arena of larger, mega tourism destinations, they do have one competitive advantage – their specific and unique local cultures. This cultural element differentiates a community from all other communities. While some rural communities have turned local cultural festivals and traditional celebrations into tourism attractions that draw visitors to the community, the benefits of these attractions to the local rural community are generally limited. Others have taken more aggressive strategies to commodify specific aspects of living local culture, traditions, customs and heritage into products to be directly sold to and consumed by tourists, providing a steady flow of economic benefit to the community. In this sense, local culture is a capital asset. While not all rural communities have strong or substantial cultural dimension, there are many that do which have not yet realized its economic potential. Drawing from recent doctoral research and theory, this concept paper discusses the notion of local culture as cultural capital and community capital asset when considering tourism development.

Introduction

Increasingly, tourism is becoming a potential choice for smaller rural communities in response to the forces of globalization. As communities encounter these forces, traditional industries and mechanisms for economic survival are often weakened or even disappear. Tourism has become one option for diversification or as a replacement strategy to secure community economic survival. While the smaller rural community cannot compete in the same arena of larger, mega attractions and destinations, it does have one competitive advantage – its specific and unique culture. This cultural element differentiates a community from all other communities.

Some rural communities have managed to turn cultural events and celebrations into tourism attractions that frequently draw visitors to the community and generate limited economic income and other benefits, for example, local community festivals, fairs and other special events. Others have re-created 'fantasy' communities based on cultural and historical aspects of another era, for example, Sherbrooke Village in Nova Scotia, the Acadian Village in New Brunswick, and so on, to provide an imaginative but yet 'real experience' for an increasing number of curious tourists seeking to capture a sense of the past. In these instances, communities often tend to embrace a museumization approach, presenting snapshots of points in time to interpret history of the community. In many of these cases, the local cultural dimension has manifested into a valuable community asset, one that generates significant income from tourists and others.

Still, other rural communities have taken a more aggressive strategy for tourism development; they have commodified the more intimate and sacred cultural and heritage aspects derived from the community's societal life, into *products* to be sold to and consumed by the tourist, for example, tours of local churches and heritage buildings (Lunenburg, NS), folklore, local cuisine, traditional customs and traditions (St. Jacobs, ON), religious and spiritual ceremonies (Six Nations, ON), local musical performances (Cape Breton, NS), to name a few. Many of these cultural aspects were once the sole domain of residents as part of their ongoing

everyday life in a community. In such communities, however, these cultural aspects have become converted into a valuable commodity, particularly through tourism, as a source for significant economic generation. In fact, for many communities that have embraced culture-based tourism, local culture may now be considered a community's most valuable asset and income generating source. A recent doctoral research study of Lunenburg, Nova Scotia indicated that its cultural-based tourism generated in excess of \$20 million to the local economy in 2003 (George, 2003). The small rural community of less than 2,600 was affected by the collapse of the Atlantic coastal fishery in the 1990s and forced, like many other coast communities in the region, to consider alternative mechanisms for sustainability. With a UNESCO World Heritage Strategy in 1995, Lunenburg undertook a strategy to develop cultural tourism as a major vehicle towards sustaining its declining economic base.

There has been extensive research, within the context of community capacity and sustainability, on notions of human capital (OECD, 2001; Hancock, 1999) and social capital (Baron, Field & Schuller, 2000; Cohen & Prusak, 2001; Coleman, 1988) as rural community assets. In contemporary theory, though, far less has been discussed on the concept of a community's culture as capital. The notion of *local* culture as a community capital asset provokes several questions.

First, can local culture really be considered capital? Second, if so, how and to what extent can cultural capital be re-constructed as a community asset that has potential value for tourism? Third, what is the process through which local culture is re-constructed as a product and an income-generating asset? Moreover, re-construction of culture as an income-generating asset for tourism may raise issues and challenges for the rural community generally. For instance, as well as more obvious immediate and short-term benefits, how a community can judiciously assess and forecast long-term benefits and disbenefits to the local community and residents is a challenge. Critical issues, such as whether or not local culture, constructed as an asset for tourism, can be sustained into the future need to be considered. Further, how local residents in a community feel about their local culture, a profound and collective societal construct, becoming a commodity for tourists, which often benefits some more than others, may be another issue of concern. This concept paper discusses the notion of local culture as cultural capital and community capital asset for tourism development, and attempts to address some of the questions and issues surrounding this notion.

Community and Culture

Defining 'community' has been an ongoing quest for theorists and scholars. According to Johnston et al. (2000), "community is a social network of interacting individuals, usually concentrated into a defined territory" (p. 101). Others discuss different approaches to understanding community (Pearce et al., 1996; Burr, 1991). In Pearce (1996), Warren (1978) expresses his view of community as the sum of the clustered interactions of people and organizations occupying a restricted geographic area. Generally, though, community is understood within notions of: membership; shared spaces of place and identity; shared interests, customs and modes of thought or expressions; collectivism, human association and social networks.

In rural communities, particularly isolated areas, these concepts of community are highly pronounced, and are depicted through enduring intergenerational and family relationships, community interdependency, trust and respect, kinship and strong social bonding. Rural

communities tend to have a strong attachment and rootedness to land and place. Vitek and Jackson (1996) in Rooted in the Land, conclude:

The connection between human communities and place is not unique to rural areas, but here one can be certain that the land is not mere scenery and hiking trail, or resources in need of extraction. Here the land becomes part of people's lives, intermingled with buying and selling, working and playing, living and dying. It is both history and future (p. 3).

Dominant features of rural community are notions of collective memory and cultural memory; arguably these notions that have been appropriated and turned into a tourism commodity. Assmann (1992) defines cultural memory as the "outer dimension of human memory, which embraces two concepts: *memory culture* and *reference to the past*. *Memory culture* is the way a society ensures cultural continuity by preserving, with the help of cultural mnemonics, its collective knowledge from one generation to the next, rendering it possible for later generations to reconstruct their cultural identity. *Reference to the past* reassures members of a society [community] of their collective identity and supplies them with an awareness of unity and singularity in time and space – a historical consciousness – by creating a shared past" (pp. 30-34).

These notions and features of community provide a structure and system for building community uniqueness, something that distinguishes it from all other communities. Local culture evolves within such a system, and its distinction provides the community with an competitive advantage when considering cultural-based tourism development.

Culture

According to Keesing and Keesing (1971), culture refers to the totality of a human's learned, accumulated experience. It refers to those socially transmitted patterns of behaviour characteristic of a particular social group. Diversity of culture is very apparent at global levels where Western ways are differentiated from those of the East; countries have defined national cultures. At regional or local levels, examples of particular social groups would be the Inuit people, Newfoundlanders, French Acadians, urbanites, rural communities, or the Mennonites, amongst others. Tylor's (1871) asserts that culture is that complex whole which includes knowledge, belief, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of a society. According to Kroeber and Kluckhohn (1952), culture is defined as "patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artefacts" (p. 1). According to The Centre for World Indigenous Studies, Morning Star Institute & Northwest Indian Applied Research Institute (2000):

Culture is widely understood to be that dynamic and evolving relationship between a people, the land and the cosmos. This dynamic and evolving relationship of people consists of the intangible and tangible aspects of the whole body of beliefs and practices including religion, ceremony, ritual, and language and symbology. Culture involves knowledge systems developed, nurtured and refined by a people from the life-giving elements of their territory and traditions and passed on by them to succeeding generations. The culture of a people is sometimes also referred to as a heritage, which is passed from one generation to another (The Centre for World Indigenous Studies et al., 2000, para. 1, Web Document).

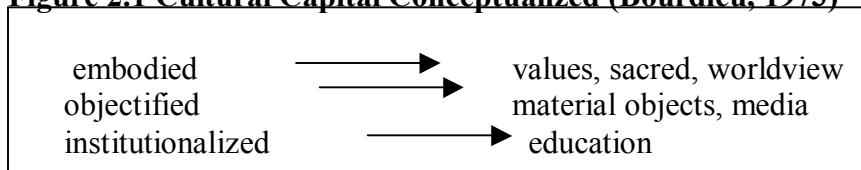
Culture as Capital

How does culture become cultural capital? How is culture accumulated, transmitted and reproduced? Pierre Bourdieu, a French sociologist, first conceptualized the term *cultural capital* in The Forms of Capital (1973; 1986). He identified three forms of capital – economic, cultural and social, giving special attention to mechanisms of accumulation and conversion (Schugurensky, 2002). He challenged economic theory for its narrow focus only on economic capital – that which is immediately and directly convertible into money and institutionalized in the form of property rights. Bourdieu (1986) understood capital as power, and along with the economic perspective, this power was also manifested in social and cultural capitals. He saw cultural capital as the habits or cultural practices based on knowledge and demeanours learned through exposure to role models in the family and other environments.

Cultural capital theory attempts to construct explanations for things like differential educational achievement in a way that combines a wide range of differing influences. This allows for an extensive range of views, including support of the culture-based approach to understanding achievement. It also brings into focus the question of cultural values and relations to what constitutes knowledge, how knowledge is to be achieved, and how knowledge is validated (Anonymous, Cultural Capital, paras, 1-10, Web Document).

Drawing on Bourdieu's theory, the concept of cultural capital includes three states (See Figure 2.1); that which is: 1) embodied in the individual, 2) objectified in cultural goods, and 3) institutionalized as academic credentials or diplomas (Schugurensky, 2002).

Figure 2.1 Cultural Capital Conceptualized (Bourdieu, 1973)



Ray (2001) supports Bourdieu's notion that cultural capital (material and intangible), as capital must be a function of a process of accumulation. However, while Bourdieu views capital as value that is accumulated and afforded by an individual's class enabling the holder to receive benefits accordingly, Ray tends to view it as accumulation of value by a collective society – a community. He contends that for endogenous development (rural region or community development), the accumulation of cultural assets occurs using various sources and techniques (Ray, 2001, Web Document, p. 9). Some of these are:

- the private family sphere which can be mined for memories of traditional knowledge and anecdotal history as well as for artefacts (local traditional recipes);
- the voluntary/community sector which can also operate as a tool for recovering local knowledge or for the creation of new local cultural objects;
- regional revivalist movements by the fact of their existences;
- information exchange networks between localities can work to supplement local repertoires of cultural identity and assist in valorization of local culture; through concepts of reflexive modernity, and 'economies of signs and space.'

A number of commonalities between cultural capital, as described in the literature (Bourdieu, 1986), and physical property, supports the claim that it is *capital* in the same sense (Thompson, 1999) as other capital. Similar to much physical property in the capital system, cultural capital (Thompson, 1999, p. 399) is:

- Appropriated by individuals
- Used by them as a basis for earning income
- Accumulated by and in families (Cohen, 1989)
- Passed between generations by inheritance (Cohen, 1989)
- Protected by state mechanisms

With respect to ownership, commonalities also exist. As it is with much physical property, a great deal of the accumulated knowledge of humankind is common property (Thompson, 1999). “Parks and reserves, heritage sites, and public museums, and so on, preserve communal physical property. Public schools, universities, research institutions and museums preserve communal cultural capital” (p. 399). However, in recent times, what was once considered common properties now face privatization and annexation.

Gouldner’s (1979) concept of cultural capital comes from the conventional economic definition of capital, which asserts that it is a produced object whose public goal is to increase economic productivity. He argues that culture, obtained through education, satisfies this definition, because capital has income equivalence, that is, “anything, including culture, which increases incomes also increase its capital value and those possessing culturally acquired skills [and knowledge] can capitalize on these skills through increased wages, royalties, patents, copyrights or credentializing” (in Thompson, 1999, p. 396). Cohen (1989) describes how the accumulated wealth of one generation becomes the privilege of the next, and there is an evolutionary potential for both cultural and physical capital to accumulate from generation to generation.

Based on the previous discussion, local culture commodified for tourism development can clearly be defined as capital. Capital is generally understood as a stock of resources with value embedded in its ability to produce a flow of benefits (Flora, 2001). Chambers (R. J.) (1995, paras. 464-467) finds several definitions of capital in his authoritative writings on accounting, as:

- Owners’ of stockholder’s equity in business assets
- A liability
- Net assets
- Aggregate assets

Outside of accounting, notably in economics and sociology, the meaning of capital aligns with the last of the four alternatives – aggregate assets (Thompson, 1999). In this sense, Chambers (1995) tends to agree that capital is synonymous with wealth, assets, property and resources. Capital can mean resources, property or assets (the common usage) or it can mean claims to resources, property or assets (accounting function). Fisher (1906) supported the view that wealth is the concrete thing owned; property is the abstract right of ownership. He suggests these two concepts mutually imply each other (in Thompson 1999).

In traditional rural communities, which generally reveal themselves through strong cultural aspects, the notion of cultural capital is implicit. It is generally perceived to be a very distinct and integral element in a community’s identity. Concepts of cultural and place identity,

sense of place and social representation, cultural attachment, symbolic constructions and meanings, and historically layered social relations, are emerging in the literature (Kovac, 2001; McIntosh, Hinch and Ingram, 2002; Barthel-Bouchier, 2001; Ziff and Pratima, 1997; Schouten, 1996), as identified by Ray (2001) in a *culture economy*. Cultural identity is the expression of one's place in the world (Schouten, 1996). Cultural identity and place identity lend support to the notion of intangibility, a dominant feature of culture; similarly, intangibility is also a key dimension of tourism experiences.

Cultural Capital and Intangibles

Intangible refers to that which "is incapable of being perceived by touch; impalpable; imprecise or unclear to the mind; saleable but not possessing intrinsic productive value" (Oxford Dictionary, 2003). In contemporary society, many so-called intangibles – goodwill, volunteer work, ideas, space, time, and so forth – are frequently given value-added status with monetary values, which are included in the production-consumption calculation. The concept of knowledge as an asset is commonly used as a corporate business strategy. It refers to the art of creating value from an organization's intangible assets (Sveiby, 1998). Knowledge is very abstract but is a key component for measuring human capital in a corporation and, as well, for its role in the well being of a nation (OECD, 2001).

Cultural knowledge consists of many intangibles: history and landscapes, symbolic meanings, rituals, expressions, social customs and processes, unwritten stories, music and art, cultural cuisine, community idiosyncrasies and characteristics, patterns, folklore and myths, community identity and sense of place, hospitality, friendliness, and so on. A common assumption about older rural communities is that they are typically laden with such intangibles. Many have strong, enduring local traditions, customs and heritage, and thus may have richer cultural capital content than newer or urban communities, for instance, a long-established coal-mining community in Cape Breton, Nova Scotia, an aboriginal community in the North, or a small fishing community on the West coast of Canada.

Generally, such intangibles are exclusive to a particular community, contributing to its exceptional uniqueness and identity. Arguably, these intangibles give *value*, as something that is exclusive and distinctive to a specific community, particularly as a potential resource for developing a specialized tourism product. The notion of giving value to intangibles is central to the tourism and service industry. In fact, the bulk of tourism product offerings is comprised of intangible aspects – image, service, good will, hospitality, bundling of services with tangible goods. Suppliers of the tourism product use these aspects to add value to their products. Tourism marketers often tend to capitalize on the intangibles of a community's countryside and culture (i.e. bus tour groups viewing local landscapes, flora and fauna), while providing little or no return to the host community. In these cases, such intangibles and other aspects of culture have been converted into commodities to be sold to tourists without the consent of the community. Thus, these aspects have been appropriated.

Local Culture becomes a Capital Asset through Commodification

Commodification is the process by which objects and activities come to be evaluated primarily in terms of their exchange value in the context of trade (Best, 1989; Cohen, 1989) in addition to use-value. This primacy of exchange conveys the substance of Marx's original idea. Watson and Kopachevsky (1994) postulate the mystery of the commodity derives from its hidden form, which is what determines its *value*, namely, human labour. This follows Marx's

(1867) theory that a “commodity is a mysterious thing, simply because in it the social character of men’s labour appears to them as an objective character stamped upon the product of that labour” (Marx, pp.76-77). Further, Watson and Kopachevsky (1994, p.646) emphasize three points that are key to any discussion on commodities:

All commodities are the products of human labour; every commodity contains the same kind of labour, human labour in the abstract.

Human labour is the original source of the value that products have, and that which continues to influence added value as the commodity is serially traded.

Such products become commodities the moment they are introduced into the flow of trade, and are exchanged for other commodities.

Hazbun (1998, Section: The Political Economy of Tourism Commodification, paras. 1-10, Web Document) has also developed a preliminary typology that outlines three modes of commodification for tourism:

Mode 1: Value is based on rent – the holder of a property in and around a tourist site extracts a fee for entry, use or ownership of this land, space, or object. The amount of income derived is determined by how tourists or tourism entrepreneurs value the tourist features of economic opportunities of this property.

Mode 2: Tourist capital development – value creation is produced by investments in fixed capital employed to create tourist commodities such as goods, services or experiences which tourists will purchase.

Mode 3: Generation of touristic representations - symbols or texts that are purchased or consumed by tourists for their informative, interpretive, or symbolic content. Unlike material properties, which accrue rents, or tourist capital, which produces goods, services or experiences, touristic representations embody knowledge or symbols with limited costs for their reproduction or for the consumption by multiple tourists.

Much of the current literature on commodification of culture is negative. Several commentators “decry tourism as a destroyer of cultures and as a denigrator of cultural assets” (McKercher & du Cros, 2002, p.115). However, McKercher and du Cros (2002), along with others (Boniface, 1998; International Council on Monuments and Sites [ICOMOS], 1999) appear to support the notion of commodification of cultural and heritage assets - if it is managed. McKercher and du Cros (2002) write, “Although commodification has been identified as one of the great threats to extant cultural facilities, from a tourism perspective it is an essential and beneficial aspect of the tourism process that provides a wide array of benefits for the tourist, the commercial tourism industry, and the asset itself” (p. 115). However, they caution that not all tangible (or intangible) heritage assets should be made accessible to tourists. To this, Walle (1998) adds, “Cultures showcased by the tourism industry provide perishable commodities (tourism experiences) that cannot be stored. Perishability is only one consideration that makes the offerings of specific culture distinctive” (p. 33). Further, he suggests that experiences provided by specific cultures are created, bought, sold, and consumed in distinct ways. This means, of course, that different approaches to marketing, other than conventional methods, are also needed. Subsequently, Walle (1998) argues that:

...tourism services provided by specific cultures should go to market in ways that reflect the needs and priorities of their creators, not in generic ways invented by mainstream marketing theorists who focus on the whims of customers (p. 33)

Conclusions and Implications for Rural Communities

In determining whether or not local culture may be a community's most valuable asset, there are several points to consider. First, can local culture really be considered capital? The previous discussion strongly supports that local culture is indeed cultural capital and a potential capital asset for a rural community in the development of tourism. While all rural communities do not have a dominant cultural dimension, one strong enough to construct a tourism product, others do. Many have accumulated, reproduced and maintained a dominant cultural dimension during evolution of the community, one substantial enough to provide a rural community with a potential valuable asset when considering or implementing tourism.

Second, how and to what extent can cultural capital be re-constructed as a community asset that has potential value for tourism? This should necessarily involve an asset-mapping process that would include identifying and building an inventory of a community's unique cultural aspects. Before determining their potential value as a tourism product, a community would need to conduct a critical assessment of the social and sacred values of these aspects within the context of the needs and priorities of the local community. Ray (2001) suggests a framework of how rural communities collectively accumulate culture. Schein (1985) not discussed here, also puts forward a model outlining aspects of different levels of a society's *culture*, incorporating different aspects of culture into a particular level depending on the expression, role and meaning to a community. Following Ray and Schein, a modified framework might be developed to help identify and assess the extent and scope of local culture within a community. As well, Hazbun (1998), outlines three modes of commodification of culture, discussed earlier, that could also be considered in such a framework.

Third, is there a community process through which local culture can be collectively planned and re-constructed as a product and income-generating asset? Such a process seems critical. From the author's research in Lunenburg, it was evident that re-construction of culture as a tourism product and income-generating asset for tourism can raise issues and challenges for the rural community. Community planners, generally, tend to assess and concentrate on immediate and short-term benefits, specifically the economic benefits, but overlook the long-term social/cultural consequences to the local community and residents, some of which could undermine the community's future economic potential. Planners also need to consider such important issues as to whether or not local culture as an asset for tourism can be sustained in the long term. Most importantly, how the community feels about its local culture, a societal construct, becoming a commodity for tourists, may become detrimental to the success of tourism in the community. The attitudes of the local residents are a critical factor in the success of any tourism destination. As creators of its own culture, a local community has the right, and should have the power, to protect its own interests and assets in deciding what aspects of culture should or should not be commodified and made available for tourist consumption. This implies the imperative that its residents need to be involved in *any* planning processes towards tourism growth or development in the community.

In conclusion, in spite of issues and challenges, local culture may have significant economic potential for many rural communities. Through processes of inventory identification,

critical reflection and assessment of long-term consequences, community participation, insightful decision-making, planning and conscientious management, a community may rediscover local culture as potentially its most valuable asset for tourism.

Reference List

- Assmann, J. (1992). *Das kulturelle gedachtnis. Schrift, erinnerung und politische identitat in fruhen hochjulturen*. Munchen: Beck.
- Baron, C., J. Field, & Schuller, T. (2000). *Social capital: critical perspectives*. New York: Oxford University Press.
- Barthel-Bouchier, D. (2001). Authenticity and identity. *International Sociology*, 16 (2): 221-239
- Best, S. (1989). The commodification of reality and the reality of commodification: Jean Baudrillard and post-modernism. *Current Perspectives in Social Theory*, 9, 23-51.
- Boniface, P. (1998). Tourism culture. *Annals of Tourism Research*, 25(3), 746-749.
- Bourdieu, P. (1973). Cultural reproduction and social reproduction. *Sociology of Education*.
- Bourdieu, P. (1986). *Handbook of theory and research for the sociology of education*. New York: Greenwood Press.
- Burr, S. W. (1996). 1991 Review and evaluation of the theoretical approaches to community as employed in travel and tourism impact research on rural community organization and change. In P. Pearce, G. Moscardo, & G. Ross, *Tourism Community Relationships*. Queensland, AU.
- Chambers, R. J. (1995). *An accounting thesaurus: 500 years of accounting*. Oxford: Pergamon.
- Cohen, D., & Prusak, L. (2001). *In good company: how social capital makes organizations work*. Boston: Harvard Business School.
- Cohen, J. (1989). *The privileged ape*. Lancashire: Parthenon.
- Coleman, J. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, 94(3), 95-120.
- Flora, C. (2001). *Interactions between agroecosystems and rural communities*. Boca Raton, FL: CRC Press.
- George, E. W. (2003). *Unpublished Dissertation*. Guelph, ON: University of Guelph.
- Gouldner, A. W. (1979). *The future of intellectuals and the rise of the new class*. New York, NY: Continuum.
- Hancock, T. (1999). People, partnerships and human progress: building community capital. *Health Promotion International*, 16, 3.
- Hazbun, W. (1998) *Landscape of facades: The tourist commodification of Petra*. [Web International Council on Monuments and Sites (ICOMOS). (1999). *12th ICOMOS General Assembly General Report* [Web Page]. Available at: http://www.international.icomos.org/e_stocdec.htm [2003, December].
- Johnston, R. J., Gregory, D., Pratt, G., & M. Watts. (2000). *The dictionary of human geography*. Oxford, UK: Blackwell Publishers Ltd.
- Keesing, R., & Keesing, F. (1971). *New perspectives in cultural anthropology*. New York: Holt, Rinehart and Winston Inc.
- Kovac, B. (2001). Rethinking postmodern culture tourism in small states: The role of cultural heritage and economic development. *Informatologia*, 34(1-2), 1-165.
- Kroeber, A. L., & Kluckhohn, C. (1952). Culture: A critical review of concepts and definitions. *Peabody Museum Papers*. Cambridge, Mass: Harvard University Press.

- Marx, K. (1867) *Capital, vol.1*. [Web Page]. Available at: <http://csf.colorado.edu/psn/marx/Archive/1867-C1/Part1/ch01.htm> [2003, April].
- McIntosh, A. J., Hinch, T., & Ingram, T. (2002). Cultural identity and tourism. *International Journal of Arts Management*, 4(2), 39-49.
- McKercher, B., & du Cros, H. (2002). *Cultural tourism: The partnership between tourism and cultural heritage management*. New York, NY: The Haworth Hospitality Press.
- OECD. (2001). *The well-being of nations: The role of human and social capital*. Paris: The Centre for Educational Research and Innovation.
- Oxford. (2003). *Oxford Dictionary*. New York: Oxford University Press.
- Pearce, P. L., Moscardo, G., & Ross, G. F. (1996). *Tourism community relationships*. Queensland, AU: Pergamon: Elsevier Science Ltd.
- Ray, C. (2001). Further ideas about local rural development: trade, production and cultural capital. *Working Paper # 49*. Newcastle upon Tyne, UK: Centre for Rural Economy University of Newcastle upon Tyne.
- Schein, E. H. (1985). *Organizational cultural and leadership*. New York: McGraw-Hill.
- Schouten, F. (1996). Tourism and cultural change. *Proceedings of a round table: Culture, Tourism Development: Crucial Issues for the XXIst Century*. Paris.
- Schugurensky, D. (2002) *Pierre Bourdieu's the forms of capital is published in English*. [Web Page]. Available at: <http://fcis.oise.u...ky/assignment1/1986bourdiew.html>.
- Sveiby, K. (1998) *Intellectual capital and knowledge management* [Web Page]. Available at: <http://www.sveiby.com.au/IntellectualCapital.html>.
- The Center for World Indigenous Studies. (2000). *A Treaty among indigenous nations on the protection of cultural property rights and traditional resource rights: Asserting indigenous nation sovereignty*. [Web Page]. Available at: <http://www.cwis.org/260fge/260tcptr.html>
- Thompson, G. D. (1999). Cultural capital and accounting. *Accounting Auditing & Accountability Journal*, 12(4), 394-442.
- Tylor, E. B. (1871). *Primitive culture: researches into the development of mythology, philosophy, religion, art and customs*. London: John Murray.
- Vitek, W., & Jackson, W. (1996). *Rooted in the land*. New Haven, NY: Yale University Press.
- Walle, A. (1998). *Cultural tourism: A strategic focus*. Boulder, Colo: Westview Press.
- Warren, R. L. (1978). *The community in America*. Chicago: Rand McNally.
- Watson, G. L., & Kopachevsky, J. P. (1994). Interpretations of tourism as commodity. *Annals of Tourism Research*, 21(3), 643-660.
- Ziff, B., & Pratima, V. R (eds). (1997). *Borrowed power: Essays on cultural appropriation*. New Brunswick, NJ: Rutgers University Press.

Tourism Impacts and an Ecotourism Case Study by R.M. MacDonald and M. MacEachern (University of Prince Edward Island)

ABSTRACT

This paper illustrates the complexity and the impacts of tourism choices and decisions in a region. A framework for analyzing tourism impacts is developed and operationalized into a mapping model for the decision variables. A qualitative case study focuses on the niche ecotourism sector. Findings indicate the framework is useful for a region to evaluate tourism strategy decisions.

INTRODUCTION

Tourism generates economic impacts of more than \$3.5 trillion in economic activity annually, more than 11% of the world's GDP and 8.2% of the world's workforce (Mativallio 2002). WTO (1996) predicts international tourism will grow at approximately 4% per year to 2010. This paper, therefore, attempts to examine the impacts of tourism to help determine if a region should consider tourism strategies for long term economic growth and sustainability. Qualitative research with the long interview technique is employed in a mapping model. Experts in the tourism industry are interviewed to gain insights in a case study of ecotourism. Some regions turn to ecotourism to provide sustainable economic benefits with environmental preservation. The findings are compared to the proposed framework which is discussed next.

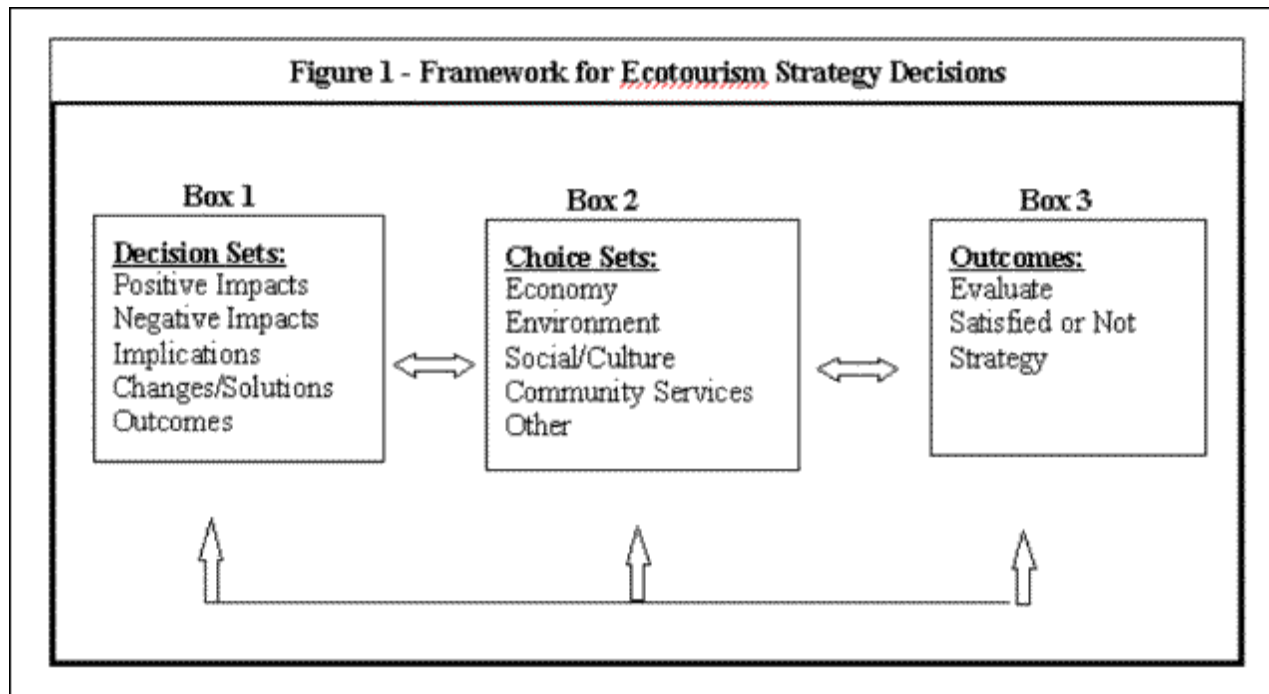
A FRAMEWORK FOR DEVELOPING REGIONAL TOURISM

The specific objective of the study is to consider a general framework for evaluating the impacts of tourism choices with the variables for decisions in tourism planning. The proposed framework follows.

Context: There are various sets of variables that might be considered when developing a tourism strategy in relation to the environment. The findings by Kreag (2001) highlight many of the variables that might impact tourism development and implementation. For this paper, Figure 1 provides the general framework that conceptualizes the complexity and dynamics of decision making and choices available for tourism planning. The framework's variables are not inclusive but do offer a dynamic model for tourism strategy development in relation to a region's environment, culture, economy, and community services.

Figure 1 provides a structural model to be used to operationalize the development of an effective tourism strategy for an area. It considers the variables of the planning required and the potential impact on the socio-economic and natural environments. The figure is in three stages shown by the boxes that indicate the decisions and the choices to be made given the information for an area. The arrows in the figure indicate interactive relationships among the boxes that might impact each other in strategy development. The start node of Box 1 contains the decision 'evaluative' variables that relate to the choice set variables in Box 2. These boxes indicate the variables to consider for tourism strategy. These then affect the evaluations, satisfaction levels, and decisions for planning in Box 3. Box 3 involves the outcomes, plans, and the feedback to Box 1. The feedback allows monitoring and provides ongoing change. This operational framework for Box 2 includes contextual variables

of the economy, environment, social/cultural, community services, and other.



Economy: The literature findings suggest that tourism has the potential to improve the local economy and local amenities, create employment opportunities, and increase the standard of living (Fleischer and Felsenstein 2000; Fredericks 1993). Mac Donald and Jolliffe (2003) indicate the first stage in tourism planning is the integration of resources into the socio-economic planning for a community. Local economic conditions, the attitudes of tourism leaders, viability of the host culture, the pace of tourism development, and the fragility of the environment to tourists all contribute to the overall impact that tourism has on the destination (Kreag 2001).

Environment: The environmental impacts of tourism can be shown as constructive or destructive for a region. Kreag (2001) notes that areas with high-value natural resources like oceans and great scenic beauty attract tourists and new residents who seek emotional and spiritual connections with nature. This suggests that people value nature and selected natural areas to protect from ecological decline. The income from tourism activity might therefore aid preservation efforts. According to MacDonald and Jolliffe (2003) the third stage in developing tourism is to develop plans into more advanced and formal tourism offerings to benefit the community and to conserve the resources for the long-term. It is this stage where there is more effective development of attractions and programs of natural environment and culture. The final stage preserves the environment for long term community benefits while preserving its resources.

Kreag (2001) also identifies some of the major factors influencing the interactions among tourists, residents, host communities and the environment. Factors such as the number and type of tourists, length of stay, links to community residents, and activities pursued are key components of the equation. For instance, small tourist numbers are less likely to cause stress on the infrastructure, environment or culture; however, economic benefits may also be minimal. If visitors are older, affluent and appreciative of culture, history and nature, their presence may have a positive impact on the destination.

Social and Cultural: Social and cultural effects create both positive and negative impacts. The integration of local resources and culture might help to sustain local economies and encourage local development (Prohaska 1995). Many tourists seek destinations offering pleasant natural environments and cultural patterns (Butler and Hall 1998). Fredericks (1993) discusses tourism building on culture and the environment.

Community: Host destinations can benefit from or be harmed by the large, temporary influx in population from tourism. For instance, locals may benefit from increased recreation facilities and business opportunities as well as improved services such as restaurants and shops. In some cases, host destinations will reuse old buildings to accommodate visitors or to house new attractions. Conversely, if the carrying capacity of the destination is exceeded, issues regarding overcrowding and congestion will develop.

RESEARCH METHODOLOGY

The research for this paper explores the impacts of tourism decisions and provides the findings of a qualitative case study for ecotourism on an island. The proposed hypotheses are 1. the impacts of tourism strategies involve many interrelated variables for consideration and 2. niche tourism such as ecotourism involves complex decisions to be considered. A better understanding is needed of how an area ensures long term and economically positive tourism strategies. This is of interest to planners and policymakers and Figure 1 provides the framework. It helps to operationalize the process for examining multi-variables impacting tourism. The complexity of tourism strategy is examined with qualitative research to study the temporal effects of the choices for planners. Data were collected using the long interview method as described by McCracken (1988). This provided deep descriptions and a case study method was used to provide contextual data for comparing to the framework in Figure 1. The case studied was Prince Edward Island (PEI), Canada's smallest province, where tourism is the second largest industry, as both an employer and a revenue generator. There was also a great deal of secondary information collected through the PEI Department of Tourism.

To collect deep knowledge, a case study using in-depth interviews was employed with various stakeholders in PEI's tourism industry. The long interview method provides time to gather key information and opinions regarding the subject at hand. The long interview also allows for flexibility in question composition and answering. A purposive judgement sample was used with well-informed business persons, tourism operators, environmental groups, and government people, all with a deep knowledge of and an active involvement in tourism. To construct an accurate and complete portrait of PEI's tourism industry, about ten major stakeholders were interviewed and, where possible, representatives from each area of the province. Interviews with those at the PEI Department of Environment and Energy and the Island Nature Trust, a non-profit environmental agency, provided data on environmental issues presently facing PEI and the ecotourism impact on PEI's environmental state. All interviews were in person except one was administered through email due to geographical constraints. All interviews were 30 to 60 minutes and conducted by appointments in February and March, 2004, at the office/site of the respondent.

A set of core questions was developed and then other questions were adapted to the respondent's expertise and experience. Emphasis on questions such as PEI's environmental state, local history, current tourism industry, so on, varied slightly. All responses were recorded to ensure accuracy and reliability. This method was flexible and adaptable to the situation (Glesne 1999; Strauss 1987). To help analyze the data collected, Figure 1 provided the basis for a mapping model to evaluate the impact of the ecotourism case in a region (Table 2). Comparing the findings helped to indicate whether ecotourism should be

pursued, or not, in an area. Document analysis was also used as a rich source of data and this helped to verify interview information. Documents included extensive surveys, statistical reports, magazines, brochures, guides, research papers, so on. These sources and the interview findings provided deep knowledge on the topic.

Reliability of the study was improved by standardizing conditions under which measurement occurred. For instance, interviews were conducted in person and at the workplace with a set of core questions. The long interview followed steps posed by McCracken(1988) to ensure quality research such as minimal ambiguity, minimal assumptions, and accurate data. Kirk and Miller (1986) used a paper trail to ensure reliability and Miles and Huberman (1984) proposed triangulation. For this study, these were employed by accurate data recording and use of various data sources and analysis techniques. With various analyses, internal consistency and content validity were considered. Construct validity helped to determine 'how good' tourism and ecotourism are for society by utilizing an evaluation framework, a variety of sources, and a range of experts in the field. In the study, there was a response rate of 70%, 17 persons were contacted to interview and 12 were completed. Nonresponses were due to a variety of reasons such as lack of time and no contact.

LITERATURE REVIEW

The physical environment has a significant role in shaping and being shaped by tourism (Jafari 1997). Generally the literature on tourism and the environment is in three areas: environmental impact, related attitudes, and collective action (Kousis 2000). Mass tourism activities have impacted ecosystems, host communities, and have even created local resistance to loss of natural resources such as landscape development or waste disposals additions (Kousis 2000). There is a need according to Butler, Harrison and Filho (1996) to understand tourism's role in the community and to control the impact on the ecosystem. Others expect that economic interests are dependent on tourism and the environmental quality (Fousekis and Lekakis 1997). There is concern for protecting local natural resources on the rise and entrepreneurs are looking at environmental impacts (Ribeiro and Rodrigues 1997).

There are various definitions for ecotourism and sustainability but it is very difficult to determine what sustainable tourism is (Kousis 2000). Ecotourism has its roots in the conservation movements of the 1970's. It has grown from this conservation movement yet there is still debate on its meaning and the value it generates. There is general agreement that ecotourism has three criteria: it is primarily nature based, has cultural features, and is a study of or appreciation for the resource rather than its usage (Weaver 1999). Definitions have grown to include eco-responsibility, environmental destination management, and sustainable development of local populations (Campbell 1999) and the WTO has a list of ecotourism principles.

Rymer (1992) defines ecotourism as tourists' desires to immerse in a natural environment in which they and the facilities have low impact. Boo (1992) states it is natural travel to advance conservation and sustainable development. Canada's Environmental Advisory Council (1993) perceives it as an experience to contribute to conservation of the ecosystems and to respect the local community. Ecotourism is often used interchangeably to describe nature-based tourism, adventure tourism and sustainable tourism. The International Ecotourism Society (TIES) recognizes that ecotourism is sometimes 'defined as a sub-category of sustainable tourism or a segment of the larger nature tourism market'. The TIES definition of ecotourism as responsible travel to natural areas that conserves the environment and sustains the well-being of local people is widely accepted within the ecotourism industry as being accurate and unbiased. The Center for Ecotourism describes ecotourism as 'an enlightening, participatory travel experience to environments, both natural and cultural, that ensures the sustainable use, at an appropriate level, of environmental resources and, whilst producing viable economic opportunities for the tourism industry and host communities'.

For this study, ecotourism is defined as responsible, participatory travel to environments, both natural and cultural, that conserves the environment, while sustaining the well-being and economic viability of host communities and the tourism industry. This includes the assumption by Weaver (1999) that ecotourism might negatively affect the host society. It is impossible to ensure no long term negative outcomes. This means that the intention will be used given all reasonable measures are taken to ensure positive impacts and rectify negative ones.

The economic impact of ecotourism is often based on the belief that it is a fast growing tourism sector. The International Resources Group in 1992 notes this is not really known due to the lack of a consensus definition and the little quantitative data. This is indicated by the broad range of economic impact estimates used by agencies and from the many definitions employed. Also, economic estimates are based on the basis of ecotourists having higher incomes and higher travel expenditures (Wight 1996). Wild (1994) suggests ecotourism encourages local employment and small business development to promote higher economic multipliers. Community decision making helps ensure traditional lifestyles and values. Other impacts of ecotourism are its value for preserving nature and an incentive for restoration, litter management, health and social policies (Wild 1994) while there are costs, control issues, development decisions, and negative outcomes (Campbell 1999). Most studies focus on the negative impacts on the ecosystem and economy (Kousis 2000) while recent studies seem to consider relationships of tourism policy, environment, politics and economy. These variables are in Figure 1.

The Case Study

A case study of ecotourism was employed for Prince Edward Island (PEI). PEI relies on its natural beauty, pristine beaches and scenic drives as major attractions for tourists. The island has 138,900 population with 56% rural or rural residential. The primary land use is agricultural while farming and fishing are the primary economic industries. The service industries employ about 45% of the population. Tourism is an important economic industry with about one million tourists visits a year (Tourism PEI 1999).

The government's State of the Environment Report (2003) recognizes the intrinsic value of the province's landscapes and seascapes and the need to protect and enhance this environment. PEI Deputy Minister of Environment and Energy remarked that PEI has shown leadership in some areas but requires improvement in others. The Director of Island Nature Trust (INT), a non-profit organization for the protection and management of PEI's natural areas, commented that the Island's biodiversity is in poor shape. This is due to the fact that, as is typical of islands, there are many species missing and a very limited number of preserved areas. On the other hand, tourism has contributed positively to the state of PEI's environment. Many tourists who own land on PEI use it much less than Island residents. Visitors might appreciate the environment and nature more than locals and, therefore, they may show more concern and care for its protection. The PEI government recognizes the environment and land are important to attract tourists. Some areas/communities of PEI are beginning to realize the need for sustainable tourism, such as the Cavendish Area Tourism Association's initiative to develop a sustainable plan. INT believes the major concern for tourism is the direct competition for beach use between wildlife and tourists.

The report on resource land use and stewardship for the PEI government in 1996- 1997 notes that only 2.8 per cent of the Island is protected, making the shortfall some 59,700 acres (from the goal of 7 per cent). This consists of areas designated as conservation zones, provincial parks, and wildlife management areas. INT has purchased approximately 2,700 acres of land considered valuable and in need of protection. The lack of Crown land is also impeding government's ability to increase land protection. The interview findings indicate the tourism activities to monitor are the growing cruise ship industry and golfing. Golf

has become a major attraction on PEI, with over 25 courses. This has added large green spaces of land that help prevent soil erosion; however, courses also require pesticides and nutrients. There are other PEI environmental issues that might also affect tourism such as the national publicity on the fish kills on PEI. Ecotourism opportunities have been explored to some degree in the early 1990's in government studies. At present, it is largely an undeveloped and unexplored market on PEI. Through interviews with major stakeholders and experts in the tourism industry, it is evident that PEI has not tapped into this potentially lucrative market.

FINDINGS

Government is a key stakeholder in PEI's tourism industry. Tourism PEI department markets PEI as a premier destination and encourages product development to fit the needs and desires of visitors. Marketing programs and messages are tailored to each target segment such as Atlantic Canada's family and nostalgia theme and Ontario's 'rest and relaxation' one. Tourism PEI's 2004 Marketing Plan provides the positioning of PEI: '(it) stands for the following: unspoiled, unforgettable, playful, enchanting, Island and (re)discovery of what is important in life'. On the other hand, some challenges exist such as seasonality issues. Golf has extended the season into the fall, however, winter and spring opportunities remain limited due to weather. Industry players also note that limited air access hinders the Island tourism industry, particularly for international travelers. There might also be a need for better pricing practices of quality to services provided by tourism operations on PEI. The issue is whether the industry's offerings will live up to expectations.

The industry's focus on product development (e.g. golf and festivals) has significantly impacted the Island's marketing strategy and market share. Tourism product development is a relatively new concept on the Island. For many years, the Island depended on its beaches and Anne of Green Gables attractions to attract visitors. Now, tourism development centers on accommodations and food services. Over the past twenty years, PEI has focused on developing and diversifying its tourism attractions, creating events/festivals, and providing new reasons for visitors to come to PEI. PEI's 2004 Marketing Plan states that product is at the center of PEI's tourism industry. According to the Director of Product Development for Tourism PEI, the priorities for product development are culture, soft outdoor adventure, golf, conferences/event planning and cruise ship market. Tourism PEI's Strategic Plan (2002-2004) indicates the focus is on the Island's cultural and environmental richness and growing consumer interest in culture and heritage, ecotourism, soft adventure and opportunities. Examples are PEI's festivals and events based on a local theme and culture. These have experienced a marked growth in popularity, especially in the off season. The plan also notes that private touring and sightseeing on PEI is extremely important to visitors, an opportunity for development of new product-specific or 'niche' products. At present there are not enough local tour operators to satisfy this growing demand for experiential and educational vacations. These activities fit with the findings by Kreag (2001) and Fredericks (1993).

Case Study Example: Findings from the long interviews were analyzed using the framework in Figure 1. The mapping in Table 1 was based on the literature and the findings. It is a matrix of five rows and four columns. The rows include the decision variables of Box 1 and the columns are the choice variables of Box 2. The following discusses the findings relating to Table 1.

Economy: Tourism is a stable economic generator for PEI according to industry players and the economic statistics. It is a huge generator of tax revenues, providing over \$50 million during the 2003 tourism season (PEI Government). Tourism has also provided diversification for the Island economy, which is heavily dependent on its primary industries of agriculture and fisheries. The employment and business opportunities from the tourism industry are very significant, but highly seasonal. Many tourism operators are unable to operate for more than a four to five month period (May-September). Local

residents are also confronted with increased land and housing costs, particularly on beachfront properties, and there are increased prices for goods and services partly due to tourism. Yet, tourism has been a major driver in the development of PEI's transport infrastructure. The opening of the Confederation Bridge saw a major jump in visitation numbers to PEI. Although air access to PEI is limited, the frequency of scheduled flights in the summer months indicates the tourism impact. On the other hand, the Island's transport infrastructure has suffered with heavy travel in summer, construction and repair slowdowns, and maintenance cost increases for roads.

Environment: PEI's tourism industry is heavily dependent on the Island's natural beauty and history. This fits the general definition of ecotourism. The industry recognizes that preservation of the environment is imperative to sustainability. Parks Canada and the Island Nature Trust continue to work toward preservation and protection of PEI's unique and fragile habitats. A number of historic buildings and monuments have been preserved in order to attract tourists. It appears tourism development has resulted in improvements to an area's appearance. This is notable along the restored waterfronts of the cities of Charlottetown and Summerside. This accommodates tourists' demands for restaurants, shops, and boardwalks. The minus impacts are that some areas might have been degraded by tourism development. There has been a loss of space and natural landscape, sometimes due to cottages, accommodations, and attraction developments. There is more output of local pollution such as air, noise, solid waste and visual. The major concern of tourism by the Island Nature Trust is that it disturbs wildlife breeding cycles and behaviors. This is of particular concern with regard to the survival of PEI's only endangered species. Tourism has also caused destruction of flora and fauna, but it is difficult to measure whether locals or tourists are more of a threat.

Culture/Social: Tourism has provided locals with the opportunity to meet visitors from different cultures and countries, and to encourage exchange and educational experiences. This is perhaps most evident with the example of the Japanese visitors. This market has grown and the tourism industry recognizes the need to accommodate these visitors by providing guest services, visitors' guides, menus, signage, and other communications in Japanese. Tourism has also helped to increase the demand and interest in cultural and historical exhibits/activities. As a result, visitors and locals benefit from a rich variety of activities and attractions that showcase the Island's rich history and culture. An example is Charlottetown's fame as 'the Birthplace of Confederation'. Historical vignettes are performed daily by the 'Confederation Players'; Founder's Hall presents the event through interactive displays; and the Festival of the Fathers event draws in tourists during the Labour Day weekend. The 13 museums and heritage sites across PEI such as the ELLERSLIE Shellfish Museum and Acadian Museum of PEI enhance educational experiences.

One has to look at the existing situation, not the ideal, and acknowledge that tourism will not go away because it is too valuable. During the summer, the Island's culture comes alive through fairs, festivals and other historical and cultural celebrations. This breadth of activities also fits the definition for ecotourism. The impact of cultural events and exhibits can be a positive and negative. Some locals would say tourism has encouraged the preservation of PEI's culture and history by bringing attention to it and attaching a value to it. Others argue that history and culture are being corrupted by tourism.

Community: For two months of the year, the Island experiences a huge, temporary influx in its population as tourists and summer residents descend on the Island. PEI is already the most densely populated province in Canada, so during the summer the increased population exceeds the normal carrying capacity of the Island. A positive effect is the reuse of old buildings, such as Founder's Hall and the Wyatt Heritage properties. This helps to preserve the heritage and culture. The high demand for goods and services, as well as quality shopping and eating experiences during the tourist season have resulted in additional facilities. Examples include over 25 golf courses, the Confederation Trail, and the Provincial Parks system. Tourism has also resulted in an increased quantity and variety of goods and services, as well as higher quality standards for establishments and shops. For example, Charlottetown,

with a permanent population of approximately 35,000, boasts five large supermarkets, a plethora of restaurants, theaters, and numerous craft shops. On the flip side, many of these services, shops and recreational opportunities are only viable during the tourist season and shut down during the off-season, leaving locals with limited or no access. It appears that the seasonality of PEI's tourism industry might increase stress on the infrastructure during peak seasons of July and August, and inefficiency during the rest of the year. The mapping must consider these range of impacts for implications to tourism strategy, proposed solutions, and results. These are noted for PEI ecotourism in Table 1.

CONCLUSIONS AND RECOMMENDATIONS

The tourism industry on PEI has transformed from an accommodations focused industry reliant upon tourist interest in visiting Anne of Green Gables attractions and the Island's beaches, to an activities-based industry. Today, PEI offers numerous experiences for its visitors, including world-class golfing, local festivals, annual events, and plenty of shopping opportunities. Since the opening of the Confederation Bridge in 1997, Prince Edward Island has hosted over one million visitors annually, almost ten times its permanent population. Tourism expenditures in 2003 totaled \$345.6 million (PEI Government). The tourism industry will continue to play a major role in shaping the economic viability of the Island and, as such, it will play a role in shaping the Island's environment, culture and communities. This is similar to findings by Prohaska (1995) and Fredericks (1993) and fits the definition of ecotourism in this paper.

The framework in Figure 1 was considered for the Island case study. From this analysis and findings, it appears that hypotheses one and two are accepted. The proposed hypotheses are 1. the impacts of tourism strategies involve many interrelated variables for consideration and 2. niche tourism such as ecotourism involves complex decisions to be considered. An island is not naturally an eco destination as illustrated by PEI's tourism product development. Nor is ecotourism a necessity for sustainable tourism because there are many variables to consider in planning for whether ecotourism should be employed. The positive and negative impacts must be considered with the implications and outcomes for an area. The findings in the PEI case study do seem to fit the WTO's principles of ecotourism and could be a strategy for PEI. For example, the Island looks to minimize negative tourism impact, provide benefits to conservation, and involve locals. This helps to avoid serious problems that might arise for the environment and impact the socio-culture norms.

With the thick descriptions from the long interviews, insights provide a better understanding and employable models into the processes and choices for ecotourism and other niche tourism strategy. In future research, the framework might be used with more specific cases of tourism operations at a micro level such as whether a business considers ecotourism. This would be very useful for new business and for small and medium size businesses trying to focus on a tourism niche market.

REFERENCES

- Boo, E. (1992). *The Ecotourism Boom: Planning for Development and Management*, No. 2, Washington DC: WHN Technical Paper Series.
- Butler, R., and M. Hall (1998). Conclusion: The Sustainability of Tourism and Recreation in Rural Areas, In *Tourism and Recreation in Rural Areas*, R. Butler, M. Hall and J. Jenkins, eds., Wiley, pp. 249-258.
- Butler, R., D. Harrison, and W. Leal Filho (1996). Introduction. In *Sustainable Tourism in Islands & Small States: Case Studies*, L. Briguglio, R. Butler, D. Harrison and W. Leal Filho, eds. London: Pinter.

- Campbell, L.M. (1999). Ecotourism in Rural Developing Communities, *Annals of Tourism Research*, Vol. 26, No. 3, pp. 534-553.
- Fleischer, A., and D. Felsenstein (2000). Support for Rural Tourism: Does it Make a Difference? *Annals of Tourism Research* 27:1007-1024.
- Fousekis, P., and J. N. Lekakis (1997). Greece's Institutional Response to Sustainable Development. *Environmental Politics* 6:131-152.
- Fredericks, M. (1993). Rural Tourism and Economic Development, *Economic Development Quarterly* 7:215-226.
- Glesne, C. (1999). *Becoming Qualitative Researchers*, Don Mills: Longman.
- Jafari, J. (1997). Tourism and Culture: An Inquiry into Paradoxes, in *Culture, Tourism, Development: Crucial Issues for the XXIst Century Proceedings*, Paris, UNESCO.
- Kirk, J. and M.L. Miller (1986). *Reliability and Validity in Qualitative Research*, Sage, USA.
- Kousis, M. (2000). Tourism and the Environment, A Social Movements Perspective, *Annals of Tourism Research*, Vol. 27, No. 2, pp. 468-489.
- Kreag, G. (2001). *The Impacts of Tourism*. Minnesota Sea Grant, pp. 6-17.
- Lewin, K. (1951). *Field Theory in Social Science*, Harper & Row, New York.
- McCracken, G. (1988). *The Long Interview*. Newbury Park CA: Sage Publications.
- MacDonald, R.M. and L. Jolliffe (2003). Cultural Rural Tourism Evidence from Canada, *Annals of Tourism Research*, Vol. 3, No. 2, pp. 307-322.
- Miles M.E. and A.M. Huberman (1984). *Qualitative Data Analysis*. Sage Publications, USA.
- Motavalli, J. (2002). Taking the Natural Path, *Environmental Magazine*, Vol. 13, No. 4.
- Prohaska, S. (1995). Trends in Cultural Tourism, in *Island Tourism: Management Principles and Practice*, Conlin and T. Baum, eds., Wiley, pp. 33-51.
- Prince Edward Island (PEI) Government (2003). *State of the Environment*, Charlottetown.
- Prince Edward Island Government (1999-2004). *Tourism PEI Reports*, Charlottetown.
- Ribeiro, T. G., and V. Rodrigues (1997). The Evolution of Sustainable Development Strategies in Portugal, *Environmental Politics* 6:108-130.
- Rymer, T. M. (1992). Growth of U.S. Ecotourism and Its Future in the 1990s, *FIU Hospitality Review* 10(1):1-10.
- Strauss, A. (1987). *Qualitative Analysis for Social Scientists*, Cambridge University Press.
- Weaver, D.B. (1999). Magnitude of Ecotourism in Costa Rica and Kenya, *Annals of Tourism Research*, Vol. 26, No. 4, pp. 792-816.
- Wight, P. (1996). North American Ecotourists: Market Profile and Trip Characteristics, *Journal of Travel Research* 34(4):2-10.
- Wild, C. (1994). Issues in Ecotourism, in *Progress in Tourism, Recreation, and Hospitality Management: Volume 6*, C. P. Cooper and A. Lockwood, eds., Wiley, pp. 12-21.
- World Tourism Organization (2004). *Tourism 2020 Vision*, www.world-tourism.org/market_research/.

Table 1 - Framework for Evaluating the Impacts of Tourism on PEI

	Economy	Environment	Social/Cultural	Community	Other
Positive Impacts	<ul style="list-style-type: none"> improved local economy • increased employment new business oppors. wide economic impact diversify economy from primary industries more tax revenues generated (+50 Million) improved transport infrastructure 	<ul style="list-style-type: none"> preservation and protection of land/habitats historic sites & monuments preserved improvement to area's appearance (city waterfronts) 	<ul style="list-style-type: none"> sustainability of local communities interaction between cultures results in sharing and learning preservation of PEI's culture and history - museums, festivals, ... social opportunities - - ,ceilidhs, festivals... 	<ul style="list-style-type: none"> increase availability of recreation facilities (e.g. golf, kayaking) more variety/number of shops & services (e.g. 5 large grocery stores in Ch'town area, numerous restaurants) 	
Negative Impacts	<ul style="list-style-type: none"> seasonality leads to under/unemployment in off-season seasonal business oppors. and under-occupancy in shoulder seasons increased land/housing costs for locals (esp'y beachfront land) increased cost of goods & services increased stress on transport system and infrastructure increased costs of road maintenance 	<ul style="list-style-type: none"> pollution (especially solid waste, noise and visual) lose natural landscape to tourism development (eg. Cavendish) and cottage development disruption of wildlife breeding cycles (e.g. piping plover) destruction of flora and fauna (e.g. walking on dune grasses) 	<ul style="list-style-type: none"> authenticity of culture and history threatened by commercialization. Context removed, traditions become artifacts 	<ul style="list-style-type: none"> availability of recreation facilities dependent on tourism demand 	<ul style="list-style-type: none"> development sprawl (i.e. cottages)
Implications	<ul style="list-style-type: none"> seasonality is major deterrent to realising economic benefits from tourism 	<ul style="list-style-type: none"> environmental degradation will result in unsustainable tourism industry endangered species/fragile habitats may be destroyed 	<ul style="list-style-type: none"> conflicting views regarding commercialisation of culture and history potential loss of important traditions and culture 	<ul style="list-style-type: none"> community involvement and interaction centered around tourism season community members feel excluded from planning and decision making with regards to rec. facilities 	<ul style="list-style-type: none"> ribbon development unattractive, no sense of 'community' difficult to develop in concentrated area – does not serve needs of dispersed customer base
Proposed Changes and Solutions	<ul style="list-style-type: none"> find ways to extend tourism season identify off-season industries(eg training, conferencing etc.) funnel tax revenues from tourism directly into maintenance of infrastructure and transport system double taxation of absentee landowners; preference to local land owners 	<ul style="list-style-type: none"> increased efforts in preservation/protection tax revenues from tourism invested in preservation efforts limited/no access to fragile environmental areas continued education of locals and visitors strict development laws/regulations limited development 	<ul style="list-style-type: none"> tourism operators work with historians/cultural experts to ensure authenticity is retained (as much as possible) communities continue to encourage/embrace culture and traditions outside of tourism 	<ul style="list-style-type: none"> community 'leases' recreation facilities during off-season tourism operators build shoulder season by attracting locals to recreation facilities (note: golf courses already pursuing strategy) 	<ul style="list-style-type: none"> stricter development regulations
Resulting State	<ul style="list-style-type: none"> decrease negative impacts related to seasonality lessen burdens of tourism on locals increase opportunities for locals to purchase land/housing at reasonable price 	<ul style="list-style-type: none"> environment remains intact or is enhanced educational initiatives encourage better environmental practices by all 	<ul style="list-style-type: none"> positive relationship between stakeholders results in high quality product and preservation of history/culture culture and traditions maintain authenticity 	<ul style="list-style-type: none"> increased community involvement and sense of ownership decreased development sprawl, increased presence of planned communities 	

