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Papers are listed in the order presented.

Message from the Proceedings Editor

Welcome to the fourth issue of the Proceedings of the Sam Houston State University General Business Conference. This issue includes twenty-four of the papers presented at this year's conference spanning a wide range of topics, including international finance, leadership, communication, social media, ethics, corporate governance, teaching methods, and accounting, just to name a few.

I would like to thank all the authors for the high quality papers. Obviously, without you there would be no conference. I also appreciate the support for this conference from the Conference Chair, Bala Maniam and from the Program Chair, Laura Sullivan. It is a privilege for all of us at Sam Houston State to host outstanding researchers and teachers from around the globe.

It has been my pleasure to serve as proceedings editor for last three years. In this role, I have had the opportunity to read each of the papers as they are received, and enjoy becoming more familiar with the research conducted in areas outside my specific discipline. While we each are dedicated to our areas of expertise, it's refreshing to be a part of an interdisciplinary conference.

We hope you take advantage of the wide variety of topics discussed over our two days of presentations and that you will discover new ideas which you can use in a variety of ways at hour home institutions.

Steve Nenninger, Ph.D.
Assistant Professor of Finance
Proceeding Editor

FOREIGN AID AND DEVELOPMENT: WHAT CAN DEVLOPING NATIONS LEARN

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ABSTRACT

In the wake of the Arab spring revolutions voices within that region started to question foreign aid. While the loud voices are clear in the media, none provided a scientific rational of the effect of aid. This paper reviews the recent findings on the relationship between foreign aid and development. Findings indicate that despite conflicting empirical results on the nature of relationship that exists between aid and growth, foreign aid can achieve some development goals in absence of corruption and with sound economic policy and institutions, its impact may be larger if it is not sustainable and if it was coordinated properly between the donors. In addition, aid in the form of technical assistance can at times be of larger impact.

THE IMPACT OF LEADERSHIP COACHING ON TRANSFORMATIONAL LEADERSHIP

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ABSTRACT

Transformational leadership is a theory that has consistently proven to be a successful leadership practice that enhances performance and the motivation of a leader's followers. Leadership experts recommend that executive coaching can be an avenue to explore when a leader needs to strengthen or improve a competency or behavior which would enhance their followers experience in the workplace. Additionally, leadership coaching could also enhance the leader's ability to be a more transformational leader. The necessity for coaching tomorrow's leaders is critical (De Meuse, et al, 2009).

Two hundred and thirty four individuals occupying leadership roles completed the Multifactor Leadership Questionnaire, often referred to as a "360 degree" assessment, as the leader is being rated from three different organizational viewpoints. The Multifactor Leadership Questionnaire (MLQ) was developed to determine the degree to which leaders exhibited transformational and transactional leadership. The MLQ has undergone many revisions during the past 20 years. The Form 5X contains five transformational leadership subscales, two transactional subscales, and two passive subscales of leadership that together form what is known as the full range leadership theory.

A four-way Analysis of Variance was run with 360 degree ratings of people at work, job in general, work on the present job, and present pay, were the dependent variables and leader age, gender, education, and ethnicity were independent variables.

INTRODUCTION

A leader's behaviors and actions can affect their follower's overall experience in the workplace and satisfaction. Leadership coaching is a modality that can strengthen and reinforce an individual's competencies or behaviors. This study examined 184 individuals occupying leadership roles who were rated by their direct reports, peers, and superiors using the *Multifactor Leadership Questionnaire*.

The results of a series of a Multiple Regression analyses found a positive relationship with followers whose leaders engaged in transformational leadership. In particular, the more transformational the leader was the more the employees valued their working relationship with

their peers (People at work). The analysis also revealed that the more transformational the leader was the more the individuals were satisfied with their job (Job in general). Leaders who were more transformational had followers who were more satisfied with their work duties in their present job (Work on the present job). Additionally, the more transformational the leader was the more the employees were satisfied with their pay (Present pay). On the contrary, the more passive the leader was with their followers the fewer opportunities the employees believed they had for promotion. The results also indicated that the more passive the leader was with their followers the less satisfied the followers were with their leaders.

Leadership coaching has become an increasingly common method to enhance skill development for organizational leaders. In the last decade, executive coaching has been one of the fastest growing executive development options for national and international organizations. Experts have argued that there is a great risk of failure in executive positions, with a number of researchers stating that up to fifty percent of people in executives positions fail at some time in their careers. Leadership coaching is a potential means to help executives engage in ongoing self-development (Jones, et al, 2006). The necessity for coaching tomorrow's leaders is critical (De Meuse, et al, 2009).

Drawing on the results of this study, a conceptual model is provided that links coaching to increasing leaders' transformational behaviors with their followers.

PREVIOUS STUDIES

Studies of Executive Coaching

Leadership coaching has become an increasingly common method to enhance skill development for organizational leaders. In the last decade, executive coaching has been one of the fastest growing executive development options for national and international organizations. Experts have argued that there is a great risk of failure in executive positions, with a number of researchers stating that up to fifty percent of people in executives positions fail at some time in their careers. Leadership coaching is a potential means to help executives engage in ongoing self-development (Jones, et al, 2006).

Studies of Gender and Leadership

In the seminal meta-analysis of gender and leadership, Eagly, Johannesen-Schmidt and van Engen (2003) meta-analyzed 45 studies which compared men and woman on measures of transformational, transactional, and laissez-faire (passive-avoidant) leadership styles. The studies were conducted with people occupying leadership roles who were rated by their subordinates, peers, and superiors using the *Multifactor Leadership Questionnaire*. The results of the meta-analysis revealed that female leaders were more transformational and scored higher on the subscales of charisma, idealized influence, inspirational motivation, intellectual stimulation, and individual consideration than their male counterparts. Female leaders also scored higher than males on the first subscale of transactional leadership, contingent reward. Male leaders scored higher on the subscales of management by exception active and management by exception

passive. The study also found that women surpassed men in areas of leadership styles that were positively related to effectiveness while men's leadership styles had a negative relationship to follower effectiveness.

Studies of Age and Leadership

While there are many studies that report leadership style and age, the vast majority of those studies are leader self-assessment studies in which leaders report how they believe they lead, rather than studies in which followers actually rate their leaders. Several, large sample studies, however, in which the leadership ratings are those of the followers do exist. The overall findings of this body of literature seem almost stereotypical. Older leaders tend to be rated higher on dimensions of leadership such as being calm, conservative, considerate, cooperative and deferent to authority. Younger leaders tend to be rated higher on being energetic, exciting and friendly, but tend to emphasize short-term results, have a production focus, and are somewhat self-focused.

In one of the largest studies performed, Sessa et al (2007) analyzed 79,866 direct report ratings of leaders using the *Leadership Effectiveness Analysis* instrument. Participants came from more than 6,000 North American companies in 23 industries across 48 states. Older leaders were rated as more calm and as using a more considered approach that draws on the skills and abilities of others. Younger leaders were rated as more energetic. They were also seen as focused on attaining short-term results and were more self-centered.

Kabacoff and Stoffey (2001) administered the *Leadership Effectiveness Analysis* to 640 managers in the 25 – 35 year range and 640 managers in the 45 – 55 year range. Older managers were rated higher on leadership that emphasized being conservative, practicing restraint, cooperation and deference to authority. Younger leaders were rated higher on strategic thinking, excitement, having a tactical, management focus and emphasizing production. In a study of 285 team members and 21 team supervisors in the pharmaceutical industry Kearney (2008) found that the relationship between transformational leadership and team performance was positive when the leader was older than the other team members, but non-significant when the leader's age was closer to the mean age of the team members. Barbuto et al. (2007) used the *Multifactor Leadership Questionnaire* with 234 followers of 56 leaders from a variety of organizations. The 46+ age group was rated the highest for transformational leadership including the subscales of idealized influence, intellectual stimulation, individualized consideration, and effectiveness. The lowest ratings were given to the 36–45 age groups for intellectual stimulation and individualized consideration.

Studies of Ethnicity and Leadership

Ospina and Foldy (2009) conducted a systemic review of 15 quantitative studies on how ethnicity affected the perceptions or enactments of leadership. The results from this analysis found that Hispanic leaders were often rated slightly less positively than non-Hispanics, while White leaders were often rated higher than Black leaders. Asian leaders were rated higher than

both Black and Hispanic leaders when participants compared profiles of a successful manager to stereotypical profiles of managers of different races.

PARTICIPANTS

This study examined 183 individuals occupying leadership roles who were rated by their direct reports, peers, and superiors using the *Multifactor Leadership Questionnaire*. There were 157 females and 26 males in the study. There were 85 Hispanic, 14 Black, 75 White participants and 9 who were of other ethnicities. The sample consisted of working adults in South Texas. There were 94 participants who had a Bachelor's degree and 89 participants had a Master's degree.   The ages of the participants ranged from 23 to 63 with a mean of 46 years of age.

INSTRUMENTS

This study examined 183 individuals occupying leadership roles who were rated by their direct reports, peers, and superiors using the *Multifactor Leadership Questionnaire*.   The *Multifactor Leadership Questionnaire* (MLQ) was developed to determine the degree to which leaders exhibited transformational and transactional leadership. The MLQ has undergone many revisions during the past 20 years. The Form 5X contains five transformational leadership subscales, two transactional subscales, and two passive subscales of leadership that together form what is known as the full range leadership theory.

RESULTS

Table 1 Predicators of Satisfaction with Work							
Model	R	R Square	R Square Change	F Change	df1	df2	Sig. F Change
1	.512^a	.262	.262	59.294	1	167	.000
2	.541^b	.293	.031	7.226	1	166	.008
a. Predictors: (Constant), Passive-Avoidant Leadership							
b. Predictors: (Constant), Passive-Avoidant Leadership, Transactional Leadership							

Passive Avoidant Leadership explained 26 % of the variance in satisfaction with work. Transactional Leadership explained an additional 3 % of the variance in satisfaction with work.

The beta weight for passive leadership (b=--.444)and partial correlation (rp=-.442) the beta weight and partial correlation were both negative indicating the more passive the leader was the less satisfied the individuals were with work.

The beta weight for transactional leadership (b=--.188) and partial correlation (rp=-..204) the beta weight and partial correlation were both positive indicating the more transactional the leader was rated the more satisfied they were with their work.

Table 2							
Predicators Of Satisfaction With People At Work							
Model	R	R Square	RSquare Change	F Change	df1	Sig. F Change	df2
1	.548[a]	.300	.296	70.741	1	.000	165
2	.598[b]	.358	.350	14.733	1	.000	164

Table 3							
Predicators Of Satisfaction With Job In General							
Model	R	R Square	RSquare Change	F Change	df1	df2	Sig. F Change
1	.512[a]	.262	.252	59.294	1	167	.000
2	.541[b]	.293	.284	7.226	1	166	.008

Table 4							
Predicators of Satisfaction with Present Pay							
Model	R	R Square	RSquare Change	F Change	df1	df2	Sig. F Change
1	.259[a]	.067	.061	11.825	1	165	.001
2	.298[b]	.089	.078	3.970	1	164	.048

SOCIO-DEMOGRAPHICS

Males were more satisfied with their career satisfaction than females. Ng (2005) performed a meta-analysis of 22 studies representing 10, 246 participants. No relationship was found for gender or career satisfactions >.05. Race- White individuals were more satisfied with their career satisfaction than non-White individuals. Ng (2005) performed a meta-analysis of five studies representing 2,561 participants found that Whites were more satisfied with their careers than non- Whites rc.03, p<.05.

Individuals who were married were more satisfied with their careers than individuals who were unmarried. Ng (2005) performed a meta-analysis of 14 studies representing 6,468 participants found that whites were more sat with their careers than non- whites rc.03, p<.05.

An individual's age did not have a factor in career satisfaction. Ng (2005) performed a meta-analysis of 26 studies representing 11,913 participants found that whites were more sat with their careers than non- whites rc.03, p<.05

DISCUSSION

A possible recommendation is to emphasize leadership coaching to individuals who hold management positions who would like to enhance their overall leadership effectiveness. Based on the results from the data presented, executive coaches could explore the following concepts

with their clients to develop their transformational leadership competencies specifically within the four domains of transformational leadership:

1. Individualized Consideration- Coach the leader to listen and to take in consideration the needs and concerns of their followers on a consistent basis. Being respectful of their needs and wants will promote a more transparent leader/follower relationship.
2. Intellectual Stimulation- Coach the leader to solicit unique ideas from their direct reports along with challenging their followers on their performance. Creating higher work standards will create a more productive work environment and give the followers more ownership of their job performance.
3. Inspirational Motivation- Coach the leader to share their strategic vision and goals with their followers along with motivating their direct reports to achieve and surpass their personal and professional goals.
4. Idealized Influence- Coach the leader to hold themselves accountable for their ethical and trustworthy behaviors along with placing a stronger emphasize on the importance of working more effectively with their peers and building informal networks across their place of employment.

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THE SYNERGY OF IDEAS: USING CONFLICT RESOLUTION TO ASSIST IN MEETING BUSINESS GOALS

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ABSTRACT

Conflict resolution is a research area that can be applied to any situation in almost any field. Conflict resolution can be used in organizational communication, in interpersonal communication, in business models, and in economic models. It encompasses the methods and processes involved in facilitating the peaceful ending of a social, cultural, legal or business conflict. Comparing literature reviewed within the field of Communication Studies and Business Administration, this paper seeks to provide a deeper understanding of how the use of conflict resolution techniques can help business be more successful and more profitable.

INTRODUCTION

"…man is a trader, as he is a politician, parent, child or worshipper of supernatural forces, but in all his roles, he is a communicator"
-Stephen W. Littlejohn

Conflict resolution is a research area that can be applied to any situation in almost any field. Conflict resolution can be used in organizational communication, in interpersonal communication, in business models, and in economic models. It encompasses the methods and processes involved in facilitating the peaceful ending of a social, cultural, legal or business conflict. Often, committed group members attempt to resolve conflicts by actively communicating information about their conflicting motives or beliefs to the rest of the group. Other times, an outside negotiator or mediator is needed to assist with the process. Ultimately, a wide range of methods and procedures for addressing conflict exist, including but not limited to, negotiation, mediation, diplomacy, and creative peacebuilding. The term conflict resolution is used in Communication Studies but in other fields it might be termed dispute resolution, mediation, or arbitration. Often, outside of communication studies, conflict resolution implies the use of legal means to arrive at a negotiated agreement but this does not need to be the case. The use of conflict mediation can produce a positive workplace environment and be a means of keeping valuable employees happy and productive. In addition, conflict mediation can be used to streamline production and facilitate better and more efficient design strategies.

This paper reviews the literature dealing with conflict resolution within the field of Communication Studies, where conflict resolution has been studied for decades, and then follows

with a review of literature from Business Administration, where conflict resolution is just starting to be utilized. The comparisons will show how, in just a short time, conflict resolution has already been used effectively to help streamline and improve business processes. Moreover, conflict resolution can be used in other settings, such as facility design and leadership training, to positively affect the bottom line.

Purpose

Conflict resolution is an area of research within the field of Communication Studies. The researchers in this field have conclusively shown that using intervention techniques can positively affect outcomes in conflict situations. The purpose of this paper is to show that these same techniques can be utilized in a business setting to not only solve conflicts effectively, but to positively affect the bottom line of the companies involved.

LITERATURE REVIEW

Communication Studies

Within the field of Communication Studies, research in conflict resolution is carried out in several different ways. Using eight published articles and books by Littlejohn, a leading figure in conflict resolution study, as an example, the following Table shows the breakdown of the works consulted for the purposes of this paper.

Table 1 shows that for the publications examined, the methodology used in conflict resolution within the field of Communication Studies tends to be either case studies or retrospective analysis.

Table 1- List of Communication Studies Publications Reviewed

Article Title	Research Method	Reference
Communication and Moral Conflict	Case Study	(Freeman et al., 1992)
Dialogue in Maluku	Case Study	(Lowry & Littlejohn, 2006)
The New Christian Right	Case Study	(W. B. Pearce, Littlejohn, & Alexander, 1987)
Moral Conflict	Case Study	(W. B. Pearce & Littlejohn, 1997)
Transcendent Communication Project	Case Study	(Littlejohn, 2004)
Theories of Human Communication	Retrospective Analysis	(Littlejohn, 1989)
Engaging Communication in Conflict	Retrospective Analysis	(Littlejohn & Domenici, 2001)
Communication Competence	Retrospective Analysis	(Littlejohn & Jabusch, 1982)

Whatever the methodology chosen, scholars seek to answer questions from the basic to the complex. For example, researchers are interested in finding out how does one become a better communicator? In *Communication Competence,* for example, Littlejohn and Jabusch (1982) seek to determine what makes one a competent communicator. These are the same types of questions that the business world asks- albeit in a "different language". A manager, for example, might wonder, "How can I communicate so that my staff understands what is expected?" A process manager might also ask, "How can I empower the warehouse worker to improve the line process?"

In *Moral Conflict: When Social Worlds Collide*, Littlejohn and Pearce (1997) delve directly into questions that are specific to conflict resolution. In this case study, the authors ask how communication can positively affect intercultural conflict. Conflict resolution scholars like Littlejohn (1997) strive to find new ways of communication that can solve deep-seated social and cultural conflicts. When mediating conflict in Indonesia, Littlejohn and Lowry (2006) wanted to know how communication could be used as a mediation tool. The farthest-reaching question might be the one posed in the conclusion of the Indonesia study- how can communication be used to improve the world?

These questions serve as a basis that holds the focus of conflict resolution research. Littlejohn (2011) posited that the focus of his research is "making better social worlds through dialogue". His theory is that if we all strive to make better social worlds then we honor ourselves as well as remaining open to others.

In a 1982 article, *Communication Competence*, Littlejohn and Jabusch (1982) move to explain and build upon a newly developed model of communication competence. The model is based on several assumptions including the fact that messages are used to share meanings and that people vary in their communication competence. Communication competence is defined as the "ability and willingness of an individual to participate responsibly in a transaction in such a way as to maximize the outcome of shared meaning" (Littlejohn & Jabusch, 1982, p.29). The authors go on to dissect what makes someone competent. Competence includes the ability to understand your own feelings as well as the feelings of those around you, the ability to understand group dynamics, communicating verbally as well as non-verbally, and a concern for all participating in the communication process. The paper concludes that a broad range of cognitive skills and abilities contribute to communication competence and in turn, to effective interpersonal skills.

In 1987, Littlejohn, Pearce, and Alexander (1987) joined forces to produce a fascinating case study focused on the ongoing conflict between the Christian Right and the Humanist movement. The authors describe a study of the interaction between two groups that are ideologically opposed; the New Christian Right and the Humanists. This type of conflict, where each side not only fails to comprehend the other's view, but also sees it as foolish, irrelevant, or even evil, is called ideological conflict. The authors' study endeavors to show how rhetorical scholars can label and explain "interactional as well as discursive patterns" (Pearce, Littlejohn, & Alexander, 1987, p.173). The study was set up by first conducting interpretive studies focused on each side of the conflict, making sure to understand what the reality was as each side saw it. Then, they focused on the way these groups communicated, looking for patterns, signs, and

responses. Finally, they framed the interaction, or used interaction logic to see how the groups fit together. This type of discord, where each side sees the other's point of view as ridiculous but their own as ideal, is easy to imagine occurring in a business setting.

Littlejohn and Pearce (1997) realized that cultural conflict is a distinct sub-group within conflict resolution. In their 1997 book, *Moral Conflict: When Social Worlds Collide*, the authors describe projects and case studies involving moral conflict, defined as conflict where each side feels strongly in the right, perhaps due to cultural or societal beliefs. Another term for this is intercultural conflict. The authors see communication as the basis for all forms of conflict, instead of the traditional view that sees communication as one part of the conflict puzzle. With this view, they strive to change the basis of communication thus leading to new dialogue and a new way of seeing and hearing those in conflict with oneself. The authors conclude with the hope that their work provokes others to seek new ways of proactively mediating intercultural conflict.

In studying moral conflict, Littlejohn, Pearce and Freeman (1992, p.315) found that intercultural conflicts shared several commonalities, commenting, "we have seen three characteristics in the moral conflicts we have studied: they are persistent, they are patterned, and this discourse is attenuated". To move past this endless cycle of conflict, Littlejohn et al. (1992, p.319) coin the phrase that defines their theory on intercultural conflict intervention/resolution as "transcendent eloquence". Transcendent eloquence is thus defined as "a form of response that transcends moral dialogue and leads to new possibilities in communication."

Littlejohn (2004, p.337) was instrumental in setting up the Transcendent Communication Project, an organization whose stated goal was "the search for methods to transform communication in difficult conflicts." One of the problems in solving intercultural conflict is that each side feels so strongly that they are in the right, and that their own solution is morally superior to any other solution. As Littlejohn (2004, p.338) comments, "the problem with this stance, of course, is that one person's oppressive system is another person's revered tradition."

Littlejohn and Lowry's (2006) work with the Transcendent Communication Project led to their involvement with the Public Dialogue Consortium. In 2003, the Public Dialogue Consortium came together with the International Catholic Migration Commission and the Institute for Social Transformation to form the Interfaith Peacebuilding Institute. This cooperative Institute sponsored a multi-day Peacebuilding Conference in Maluku, Indonesia, to attempt a new dialogue between warring Christian and Muslim factions. Over a series of meetings, the Institute created new ways of communicating and tendered a peaceful, constructive dialogue between the two groups.

The project itself begins with the theory described in Littlejohn's 2004 paper, *The Transcendent Communication Project: Searching for a Praxis of Dialogue.* In the paper, Littlejohn (2004) compiles the results of four case studies involving methods of communications in difficult conflicts. What resolution methods can transform communication in these situations? The author suggests that instead of trying to settle disputes, the goal should be to transform them using transcendent forms of communication, which leads to a "discourse of redefinition." The project was intertwined with the Transcendent Communication Project (TCP). TCP seeks change in content of discussion that will transform the relationship of the parties involved in conflict.

The author concludes that even if transcendent communication is used, conflict is not eliminated but that the hope is for constructive relationships to be built. While this article continues to explore Littlejohn and his colleagues' ongoing research in conflict resolution theory, the next paper shows how his theory can be applied in a real world setting.

In *Dialogue and the Discourse of Peacebuilding in Maluku, Indonesia*, Littlejohn and Lowry (2006) give an account of the Interfaith Peacebuilding Institute sponsored peace-accord meeting held in Maluku, Indonesia between Christian and Muslim religious leaders. There had been a long history of fighting between these groups that had left thousands dead and half a million displaced. Littlejohn was the research coordinator for the Institute. The data compiled were taken from a variety of sources: research assistant notes, facilitator debriefs, group reflections, participant insight cards, participant checking, daily staff debriefs, significant collective outputs, and Post-Institute participant interviews. The data were extensively reviewed and appropriate interventions were instituted based on the data. The meeting took place over five days and through dialogue, defined here as "a way of being with others…moving from an I-It relationship to an I-Thou relationship", the group achieved the following: they established a set of goals, they transformed their relationships, and they created new ways of communicating (Lowry & Littlejohn, 2006, p.413). In a discussion with Littlejohn, he indicated that he considered this Peacebuilding meeting one of his greatest professional accomplishments, not only because it showed practical application of his transcendent eloquence theory, but also because it brought a road to peace for the people involved.

Cultures exist within businesses, just as they exist within society. One question, or viewpoint, that is not addressed in any of these studies is the link between conflict resolution as a part of Communication Studies, and conflict resolution- from a communication viewpoint- in business applications. The overlap would seem to be a logical extension of Littlejohn's work, and it seems to be a natural fit within the sub-field of interpersonal and organization studies. Littlejohn believes that we all make our own social worlds through the way in which we communicate with others. How we act and interact and how we perceive the actions of others thus shape our perceptions. Transcendent eloquence involves how we can create better processes to communicate with others, how to best manage differences, and how to remain open to good dialogue. Communication, management, and dialogue are as important to good business as they are to good intercultural relations. As more and more businesses become international in scope, these are lessons that can serve the business world to great advantage both at home and abroad.

LITERATURE REVIEW

Business Administration

Studies involving conflict resolution are not as numerous in the business field as in the communications field. As Table 2 illustrates, of the six studies reviewed, six are case studies, two of those being computer based, and one is a retrospective analysis.

Table 2- List of Business Administration Publications Reviewed

Article Title	Research Method	Reference
Conflict and Deterrence under Strategic Attack	Case Study	(Chassang & Padro, 2010)
A Comparison of the Effectiveness of Substantive and Contextual Mediation Tactics	Case Study	(Esser & Marriot, 1995)
Modeling Activity Conflict Resolution Strategies Using Scheduling Process Data	Case Study, Computer modeling	(Auld, Mohammadian, & Doherty 2009)
Experimenting with Alternative Dispute Resolution as a Means for Peaceful Resolution of Interest Labor Disputes in Public Healthcare	Case Study/Retrospective Analysis	(Mironi, 2011)
Effects of Unresolved Conflict on Organizational Health and Performance and Conflict Resolution Training for Developing Leaders and Improving Business Success	Case Study	(Patterson, 2010)
Systematic Resolution of Conflict Situations in Collaborative Facility Design	Case Study, Computer modeling	(Valasquez, Lara, & Nof 2008)

In *Conflict and Deterrence under Strategic Attack,* Chassang and Padro (2010) use a game theory model to test cooperation with full information versus partial information. Comparable to the prisoner's dilemma model (Chassang & Padro, 2010), participants had to decide whether or not they would be cooperative with a co-worker. If both participants chose cooperation, economic benefits followed, but if either chose not to cooperate, conflict would ensue. Imperfect information, leadership bias, and commitment problems negatively affect a positive outcome. One conclusion that this paper makes is that intervention, or conflict mediation, will always facilitate the sustainability of peace. The next paper bears this out, showing how groups using conflict resolution had more satisfactory outcomes than did groups not using conflict resolution.

A Comparison of the Effectiveness of Substantive and Contextual Mediation Tactics, conducted in 1995, follows a laboratory experiment by Esser and Marriot (1995) in which

students acted out the roles of company employees and negotiators. Three different models were used and in each case, the mediated groups produced higher joint pay-offs than did the groups who did not use mediation techniques. This paper concluded that using negotiators to assist in solving disputes saved time and money and led to a more satisfactory outcome. It is safe to assume from these results that businesses that utilized similar conflict resolution models would see similar results- saving money, saving time, better utilization of company resources, and employees who were happier and felt validated within the workspace. Happier employees are also the theme of the next paper.

In *Effects of Unresolved Conflict on Organizational Health and Performance and Conflict Resolution Training for Developing Leaders and Improving Business Success*, Patterson (2010) looks at the effect that unresolved conflict has on the performance of an organization. Patterson's paper shows that unresolved conflict can have a negative impact on an organization's success. Through the use of effective conflict resolution training, this paper illustrates that a company can maintain a healthy workplace environment. The use of conflict resolution training was also shown to have a positive effect on instilling a win-win mentality among employees, on developing leadership skills at all levels, and on the development and retention of employees. These findings would obviously have a positive effect on a company's bottom line. Retaining key employees, developing leaders within the existing ranks of employees and creating a positive company alliance with employees are all key variables that impact the success of a business. Mironi (2011) shows in the next paper how important it is to develop a positive alliance with employees, this time the employees are employees of the state.

Mironi's (2011) look at striking physicians in Israel gives another insight into creating win-win scenarios through the use of conflict resolution techniques. *Experimenting with Alternative Dispute Resolution as a Means for Peaceful Resolution of Interest Labor Disputes in Public Healthcare* is a retrospective analysis tracing the events surrounding a physician strike in Israel. The mediated solution was a win-win outcome for the hospitals and for the physicians. This paper shows how mediation can solve not only immediate problems, like getting the physicians back into the hospitals, but also how mediation can set the stage for long term changes. In this case, physicians agreed not to strike for a period of ten years in exchange for certain contractual guarantees. The following paper takes a different look at applying conflict resolution techniques, this time via a computer program.

Modeling Activity Conflict Resolution Strategies Using Scheduling Process Data deals with the first of two conflict resolution case studies resolved using computer modeling (Auld, Mohammadian, & Doherty, 2009). In this paper, a unique approach to conflict resolution is taken by the authors to study how using conflict resolution strategies can help with scheduling conflicts in a manufacturing setting. Using a conflict resolution model instead of the typical rule of putting priority tagged items first in line; the authors conclude that the conflict resolution model, which utilized decision trees, was a more effective scheduling method. A similar study using computer modeling was undertaken in the next study, which shows the positive effect that conflict resolution techniques can have on production disputes.

Systematic Resolution of Conflict Situations in Collaborative Facility Design put forward by Velasquez, Lara, and Nof (2008), outlines the results of a study using computer support tools

to aid in conflict resolution in facility design related conflicts. These conflicts include production, equipment, and machinery selection conflicts as well as conflicts in facility layout design. A computer program was designed to facilitate conflict resolution using a similar approach to the decision tree used in Auld et al's study (2009). However, the program in this study was more complex and included more variables. The results emanating from this paper were time reduction and improved design quality credited to the conflict resolution program. Reducing the time spent on resolving disputes while concurrently improving design quality would certainly be a money saver for any business entity.

CONCLUSION

Conflict resolution is a unique research area in that it bridges the gap between not only cultural and social differences, but also between the various sub-fields within Communication Studies. On a much broader scale, conflict resolution can bridge the gap between social scholars in Communication and those studying Business Administration. Wherever conflict exists, there is an opportunity to apply conflict resolution theory. Where there are differences of opinion, there is a chance to research, mediate and further the ultimate goal of improving the situation through communication. Communication Studies seeks to answer over arching questions about how people can interact in a peaceful way. Even though most businesses do not include "peaceful interaction" in their mission statements, the use of conflict mediation- whether in resolving process conflicts, design strategies, or disputes between departments, divisions, or individuals- can positively affect the bottom line by making the workplace a safer and more productive environment.

This review paper clearly shows an advantage to using conflict resolution to solve many types of conflicts within the social and business settings. While using these techniques is effective at mediating inter-cultural conflicts and disagreements in a peaceful manner, it is the use of these techniques in a business setting that has also been the focus of interest in this paper. The question of whether or not using mediation in the business setting can help the bottom line must be yes.

Managerial Implications

This paper shows that using conflict resolution can improve cooperation between employees, create a more stable work environment, foster a win-win attitude among employees, and help to develop and retain workers. In addition, this paper shows that the use of conflict resolution help develop leadership skills, set the stage for short and long term goal attainment, assist in solving scheduling conflicts and even create superior design quality and provide time savings. Each of these results is positive and each would be embraced by any manager. Benefits listed are also money savers in many ways and money earners in some cases.

Improving cooperation between employees creates a more stable, pleasant work environment- this translates into employees who are better situated to do their jobs. Employees working rather than fighting means less managerial involvement, less turnover, less training, and

less money spent on employee overhead.

Developing leadership skills in-house means that existing employees can move up the ladder, allowing for more inflow at the lower levels. Entry-level employees require less training and lower salary expenditures than do those employees who are hired at higher levels. Employee churn, or turnover, is costly for companies; promoting from within and providing leadership training skills is one way to retain good employees.

Streamlining production facilities, improving design quality and saving money through innovation all add positive cash flow to the company with little corresponding outlay of funds.

The bottom line is that using conflict resolution can affect a company's bottom line in a very positive way.

The breath of application is a fascinating aspect of conflict resolution and it is an area that deserves a closer look from the business community.

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Skype interview with Dr. Stephen W. Littlejohn, October 7, 9:00-11:00 a.m., 2011.

TEXAS CPA EXAMINATION PASS RATES – SOME INTERESTING STATISTICS, SOME VALID QUESTIONS

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ABSTRACT

After the Certified Public Accountancy (CPA) examination was computerized in April 2004, the Texas State Board of Public Accountancy (TSBPA) began to display the pass rate statistics for Texas on its website. Statistics are made available for each exam section and by the university attended by the candidates. This paper analyzes these results.

These statistics show a large range in the number of successful candidates from the different universities in Texas, as well as a wide range of pass rates. This information provides one way in which the universities themselves, and outside parties, can assess the performance of accounting programs in Texas. This paper also studies the results with respect to a universities accreditation status and looks at the recent emergence of community colleges as providers of courses of study for the CPA examination. Because of the wide divergence of results it is possible that they could influence future policy and decisions. Funding decisions could be based partly on the graduates of any university achieving a certain level of performance on the CPA exam. Alternatively, accounting programs might be restricted to schools which can demonstrate a consistent required level of performance on the CPA examination. As university funding becomes tighter, the statistics studied in this paper may have an increasing impact.

After the Certified Public Accountancy (CPA) examination was computerized in April 2004, the Texas State Board of Public Accountancy (TSBPA) began to display the pass rate statistics for Texas on its website. Statistics are made available for each exam section and by the university attended by the candidates.

The university based statistics provide useful information regarding the strength of different programs, and supply the profession data with respect to where new CPA's originate, and in what proportion. However, they also serve a wider purpose. They provide information that universities can use to help evaluate their accounting programs, and which state policy

makers could use to aid in future planning and funding decisions. The statistics also raise some interesting questions.

From its inception in April 2004 until the end of the third quarter of 2011, a period of seven and one half years, of the 40,831 sections passed, 28,756 – 70.43% - came from only 10 schools. These details are shown in Exhibit 1.

Exhibit 1: CPA Examination Sections Passed – Top 10 Schools					
Universities		**GRAND TOTAL**			
		TA	**TB**	**TC**	**TD**
1	Texas A&M - College Station	7058	10753	7103	66.06
2	Univ of Texas - Austin	5670	8856	6100	68.88
3	U of Houston - University	6202	8444	3606	42.7
4	Univ of Texas - Dallas	3888	6040	2726	45.13
5	Baylor University	2301	3376	2000	59.24
6	Texas Tech University	2317	3253	1690	51.95
7	Univ of Texas - Arlington	2338	3325	1641	49.35
8	Texas State University	2445	3367	1461	43.39
9	University of North Texas	1940	2718	1251	46.03
10	Southern Methodist University	1215	1977	1178	59.59
	Total (Top 10 Schools)	**35374**	**52109**	**28756**	**55.18**
	Total for All 81 Schools	**58242**	**83661**	**40831**	**48.81**
Notes					
TA- Total no. of students			**TB- Total no. of sections tested**		
TC- Total no. of sections passed			**TD- % of total sections passed**		

Source: Compiled from Texas State Board of Public Accountancy (TSBPA), 2004-2011.

The top five schools alone, Texas A&M-College Station, UT-Austin, University of Houston (Main), UT-Dallas and Baylor account for 21,535 – 52.74% - of the total sections passed. So while statistics are presented for 81 Texas schools, the top 10 schools really dominate in terms of the number of sections passed.

Large schools with higher enrollments are expected to produce more successful candidates; therefore, the pass rates should also be considered. The pass rate is calculated by comparing the number of sections passed to the number of sections tested. After eliminating schools whose graduates passed fewer than 75 sections (10 per year) over this 7 ½ year period, the top 10 schools, as listed in Exhibit 2, are:

Exhibit 2: CPA Examination Pass Rates – Top 10 Schools				
Universities	**GRAND TOTAL**			
	TA	TB	TC	TD
1 Univ of Texas - Austin	5670	8856	6100	68.88
2 Texas A&M - College Station	7058	10753	7103	66.06
3 Texas Christian University	1055	1734	1055	60.84
4 Southern Methodist University	1215	1977	1178	59.59
5 Baylor University	2301	3376	2000	59.24
6 Southwestern University	156	239	134	56.07
7 Trinity University	636	927	505	54.48
8 Austin Community College	439	623	333	53.45
9 Texas Tech University	2317	3253	1690	51.95
10 Abilene Christian University	808	1156	581	50.26

Source: Compiled from Texas State Board of Public Accountancy (TSBPA), 2004-2011.

UT-Austin, Texas A&M-College Station, and Baylor are in the top five on this list also, and are joined by Texas Christian University (#3) and Southern Methodist University (#4). Of the two schools in the top five for the number of sections passed, but not for the pass rate, the University of Houston (Main) has a 42.70% pass rate (#22) and UT-Dallas a 45.13% pass rate (#14) compared to the number 5 school, Baylor, which has a pass rate of 59.24%. The pass rate for the 10th school is 50.26%. The 20th ranked school has a 42.92% pass rate, the 30th 37.08% and the 40th 30.45%.

It is not surprising that the flagship schools of the two largest state school systems and three prestigious private schools have the best pass rates. However, the number of successful candidates they produce, along with their pass rates, is quite striking in comparison to the other schools in the state.

In the current economic environment, one of the tough decisions policy makers have to make is where to devote resources. Public university accounting departments prepare students for a wider range of employment other than as CPA's practicing public accounting. A large percentage of graduates never take the CPA exam and find employment in industry, the service sector, in government, or in the not-for-profit sector. However, one question which may surface in the future is whether schools should be evaluated based on certain pass rates on such examinations to warrant state support. An alternative question is whether accounting programs should exist at virtually every four year state school or whether only a certain number of schools should offer programs.

One traditional way of assessing quality is to look at which schools are accredited. The leading accrediting body for schools of business is the Association to Advance Collegiate Schools of Business (AACSB). There are two types of accreditation. The more common one is accreditation for the entire school of business. In Texas 33 universities have this accreditation. There is also a separate accreditation exclusively for programs in accounting. Nationally fewer

schools have this latter accreditation and in Texas only 13 schools are separately accredited in accounting. However, looking at whether a school has an accredited business program does not provide much guidance as to its pass rate on the CPA exam. The accredited schools range from the very top in terms of pass rates all the way down to number 72 on the list of 81 schools. This means that more than half of these 72 schools are not accredited. The separate accounting accreditation also does not appear to be a good predictor of the pass rate. The 13 schools with this elite accreditation range from the top in terms of pass rate down to number 58. A few non-accredited schools, by comparison, have a respectable performance. Among those schools with more than 75 sections passed, Southwestern University has a pass rate of 56.07% with 134 passes (#6), Angelo State University 44.76% with 256 passes (#15), Tarleton State University 44.26% with 216 passes (#16), and Hardin-Simmons University 43.82% with 78 passes (#18) rank the highest.

Texas has recently started permitting a few community colleges to offer the accounting courses required for a student to qualify to take the CPA exam. Texas community colleges which meet the Board standards may be awarded the designation – Qualifying Education Credit for CPA Examination – by the Board. Three community colleges were granted such permission effective 1/1/2004 and a fourth effective 1/1/2005 (TSBPA, 2004-2005). It is difficult to definitively measure the results of this policy, at least at this stage, for two reasons. Only recently has the number of students taking this route begun to be significant, with 42.66% of the 729 total number of passes being since January 2010. Secondly, these graduates are not solely the product of the community college where they study accounting. They must already hold a college degree from a four year school. Therefore, much of their education and study habits are a product of another institution, and not of the community college. To date their combined pass rate is a respectable 45.39%, good enough to rank them 14th as a group, by pass rate, among schools with at least 75 sections passed. By far the two biggest community colleges in terms of producing candidates who sat for and passed sections of the CPA exam are Austin Community College with 333 sections passed for a pass rate of 53.45% and Houston Community College with 223 sections passed for a pass rate of 39.75%. Houston Community College, with a pass rate of just under 40%, has a better pass rate than 16 of the 33 schools with AACSB accreditation and three of the 13 schools with the separate accounting accreditation.

The pass rate statistics are not perfect. For example, it is not possible to capture the different contributions a school made if a student completed their undergraduate study program at more than one university. Likewise, it is not possible to know how much success should be attributed to an undergraduate program if a student earned a master's degree in accounting at a different school. The board has reported the schools based on the candidates' input and for this reason there may also be some slight distortion. For example, two community colleges, which ironically have the highest pass rates of any schools, show candidates having passed the examination but they are not approved to offer the required courses. This has occurred because a small number of candidates, who have qualified to take the exam at another university, must have listed one of these colleges on their application form. While the published CPA pass rates are not the only way to measure the performance of accounting departments, they do provide a

useful and interesting source of data. It is possible to see the size of a school's output, which programs are successful and which are weaker, and which ones are improving over time.

The complete totals for all schools reported by the TSBPA for the 7 ½ year period under study are shown in Exhibit 3. Schools with the general AACSB accreditation, those with separate accounting accreditation, and the community colleges are all highlighted.

	Exhibit 3: CPA Examination Results by Sections Passed and Pass Rate				
	Universities	**GRAND TOTAL**			
		TA	**TB**	**TC**	**TD**
1	El Paso Community College	1	1	1	100
2	Tarrant County College Dist	3	5	4	80
3	Rice University	11	13	10	76.92
4	University of Texas - Austin	5670	8856	6100	68.88
5	Texas A&M - College Station	7058	10753	7103	66.06
6	Texas Christian University	1055	1734	1055	60.84
7	Southern Methodist University	1215	1977	1178	59.59
8	Baylor University	2301	3376	2000	59.24
9	Sul Ross State University	38	55	32	58.18
10	East Texas Baptist University	43	63	36	57.14
11	Southwestern University	156	239	134	56.07
12	Trinity University	636	927	505	54.48
13	Austin Community College	439	623	333	53.45
14	Texas Tech University	2317	3253	1690	51.95
15	Abilene Christian University	808	1156	581	50.26
16	Southwestern Adventist Univ	36	46	23	50
17	Texas College	5	8	4	50
18	University of Texas - Arlington	2338	3325	1641	49.35
19	Midwestern State University	351	456	213	46.71
20	University of North Texas	1940	2718	1251	46.03
21	University of Texas - Dallas	3888	6040	2726	45.13
22	Angelo State University	414	572	256	44.76
23	Tarleton State University	358	488	216	44.26
24	Lone Star College	179	234	103	44.02
25	Hardin-Simmons University	129	178	78	43.82
26	Texas State University	2445	3367	1461	43.39
27	University of Texas - El Paso	697	911	391	42.92
28	University of Dallas	213	287	123	42.86
29	Univ of Houston - University	6202	8444	3606	42.7

30	St. Edward's University	361	480	202	42.08
31	Stephen F Austin State Univ	1076	1477	617	41.77
32	Texas Lutheran University	420	579	236	40.76
33	Houston Community College	407	561	223	39.75
34	Univ of Texas - San Antonio	2013	2726	1034	37.93
35	University of St. Thomas	703	922	345	37.42
36	Sam Houston State University	1737	2417	903	37.36
37	Texas A&M - Commerce	331	480	178	37.08
38	University of Texas - Tyler	544	755	273	36.16
39	St. Mary's University	356	491	177	36.05
40	Lubbock Christian University	87	120	43	35.83
41	Univ of Houston - Victoria	232	307	109	35.5
42	Univ of Houston - Clear Lake	1758	2376	842	35.44
43	Texas A&M - International	195	236	83	35.17
44	Texas Wesleyan University	146	206	72	34.95
45	Mountain View College	130	183	63	34.43
46	Texas A&M - Texarkana	111	152	52	34.21
47	West Texas A&M University	557	758	256	33.77
48	McMurry University	40	57	19	33.33
49	Southwestern Assemblies	11	15	5	33.33
50	University Mary Hardin-Baylor	159	226	75	33.19
51	Univ of Texas - Brownsville	164	207	67	32.37
52	Lamar University	597	861	275	31.94
53	University Incarnate Word	230	304	97	31.91
54	Wayland Baptist University	40	61	19	31.15
55	Texas Woman's University	201	289	88	30.45
56	Univ of Texas - Permian Basin	316	442	134	30.32
57	Univ of Texas - Pan American	441	590	177	30
58	Texas A&M - Corpus Christi	590	796	235	29.52
59	Schreiner University	116	147	43	29.25
60	Dallas Baptist University	213	319	92	28.84
61	Houston Baptist University	285	386	111	28.76
62	Amberton University	82	99	27	27.27
63	Howard Payne University	45	67	18	26.87
64	Univ of Houston - Downtown	1624	2131	555	26.04
65	Wiley College	10	17	4	23.53
66	Texas A&M - Kingsville	157	200	46	23
67	LeTourneau University	70	87	18	20.69

68	Devry University	160	232	47	20.26
69	Our Lady of the Lake Univ	122	159	31	19.5
70	Concordia University at Austin	22	36	7	19.44
71	Prairie View A&M University	191	272	39	14.34
72	Texas Southern University	215	294	40	13.61
73	Central Texas College	1	1	0	-
74	Huston-Tillotson College	5	5	0	-
75	Jarvis Christian College	12	16	0	-
76	Paul Quinn College	8	9	0	-
77	Richland College	1	1	0	-
78	San Antonio College	1	1	0	-
79	Texarkana College	1	1	0	-
80	Univ of Central Texas	1	1	0	-
81	Victoria College	1	1	0	-
	Total	**58242**	**83661**	**40831**	**48.81**

Source: Compiled from Texas State Board of Public Accountancy (TSBPA), 2004-2011.

AACSB Accreditation   20 Schools

AACSB Accreditation and Accounting Accreditation   13 Schools

Community College

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THE BILINGUAL LEADER: IMPACTS ON RATINGS OF LEADERSHIP

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ABSTRACT

Transformational leadership has consistently shown to result in high follower satisfaction, high follower assessment of the leader's effectiveness, and high follower willingness to give extra effort at work. Because it is so effective an array of studies exist that search for correlates and predictors of transformational leadership. Meta-analytic studies by Lord, De Vader, and Alliger (1986), and Judge, Colbert, and Ilies (2004), have both found a relationship between leader intelligence and effective leadership.

Several studies show a direct correlation between learning more than one language and cognitive development. Adesope, Lavin, Thompson, and Ungerleider (2010), conducted a meta-analysis on bilingualism and cognition which included 63 studies representing 6,022 participants. The meta-analysis found that bilingualism was positively associated with several cognitive outcomes.

One area of research related to transformational leadership that has not been explored is how the number of languages a leader speaks might be related to her/his style of leadership. This study evaluates if there is a difference in the leadership style as a result of whether the leader was monolingual or bilingual.

One hundred sixteen participants in executive leadership training and graduate programs in leadership provided an evaluation packet to two peers, two followers and a supervisor using the Multifactor Leadership Questionnaire, often referred to as a "360 degree" assessment, as the leader is being rated from three different organizational viewpoints. The participants in turn completed a language use questionnaire modeled after the Language History Questionnaire (Li, Sepanski, & Zhao, 2006).

A four-way Analysis of Variance was run with 360 degree ratings of transformational leadership as the dependent variable and leader age, gender, ethnicity and whether the leader was bilingual as the independent variables. None of the main effects were significant. There was, however, a significant interaction effect for ethnicity and whether the leader was bilingual.

INTRODUCTION

Several meta-analyses have identified leader attributes which are related to effective leadership. Judge, Bono, Ilies, and Gerhardt (2002), for example, meta-analyzed 60 studies consisting of 222 correlations from 73 samples. The leader personality factors of extraversion, conscientiousness and emotional stability were strong correlates of effective leadership. Meta-analytic studies by Lord, De Vader and Alliger (1986) and Judge, Colbert, and Ilies (2004), have both found a relationship between leader intelligence and effective leadership.

One of the most widely taught and researched theory of leadership is transformational leadership, part of the full range of leadership model (Bass & Avolio, 1994). Transformational leadership has consistently shown to result in high follower satisfaction, high follower assessment of the leader's effectiveness, and high follower willingness to give extra effort at work and follower performance. (Wang, Oh, Courtright, & Colbert, 2011).

Because it is so effective, an array of studies exist that search for correlates and predictors of transformational leadership. A search of the peer-reviewed literature within the common manuscript databases with the term "transformational leader*" in the abstract will return over 2,500 peer reviewed articles.

One area of research related to transformational leadership that has not been explored is how the number of languages a leader speaks might be related to her/his style of leadership.

PREVIOUS STUDIES

The Benefits of Transformational Leadership

Transformational leadership has consistently shown to result in high follower satisfaction, high follower assessment of the leader's effectiveness, and high follower willingness to give extra effort at work. In the largest meta-analysis of studies that have used the *Multifactor Leadership Questionnaire,* Wang, et al. (2011) meta-analyzed 117 independent samples over 113 primary studies.

Transformational leadership was positively related to individual level performance (N = 16,809, estimated corrected mean correlation (r_c) = .25), task performance (N = 7,016, r_c = .21), contextual performance (N = 7,970, r_c = .30), creative performance (N = 3,728, r_c = .21), and general performance contextual performance (N = 4,017, r_c = .18).

Contingent reward was also positively related to individual, task and contextual measures of performance, with estimated corrected mean correlations ranging from .22 to .28. Conversely, both management by exception active and passive were negatively related to individual, task and

contextual measures of performance, with estimated corrected mean correlations ranging from -.03 to -.29.

Bilingualism Influences

The number of languages one speaks has been studied from multiple perspectives. Several studies show a direct correlation between learning more than one language and cognitive development. Adesope et al. (2010) conducted a meta-analysis which included 63 studies representing 6,022 participants. The meta-analysis found that bilingualism was positively associated with several cognitive outcomes including increased attentional control, working memory, metalinguistic awareness and abstract and symbolic representation skills. Other studies have related language apprenticeship with the developing of creativity and developing social skills.

Kavé, Eyal, Shorek, and Cohen-Mansfield (2008) administered the *Cognitive-screening Test,* the *Mini-Mental State Exam (MMSE; Folstein, Folstein, & McHugh, 1975),* to a group of older Jewish participants in Israel on three waves on a 12 year longitudinal aging study.   The results showed that the number of languages spoken significantly contributed to the prediction of cognitive state.

Chertkow, Whitehead, Phillips, Wolfson, Atherton, and Bergman (2010) conducted a study on 632 patients diagnosed with Alzheimer Dementia (AD).   The authors found a significant protective effect of language when patients spoke more than two languages and no significant benefit in bilinguals only, in relation to age at diagnosis or age at symptom onset. The results showed a significant delay in the diagnosis of Alzheimer disease by almost 5 years on immigrants who spoke two or more languages. Similar results were obtained by Craik, Bialystok, and Freedman (2010). They found a 5.1 year age difference at onset of Alzheimer Disease. Monolingual participants experienced onset earlier than bilingual participants.

Salvatierra and Roselli (2010) found a significant effect of language using a simple Simon task consisting of a stimuli presented on a computer screen for which participants pressed the left shift key when green squares appeared and the right shift key when the red appeared. A smaller Simon effect was found for bilinguals than monolinguals. No significant differences were found between bilinguals and monolinguals for a complex Simon task. This condition was similar to the simple condition except that the stimuli consisted of four different colored squares instead of two.

Kharkhurin (2010) found that bilinguals obtained significantly lower scores on the verbal creativity index and significantly higher scores on the nonverbal creativity index compared to monolinguals. Frenck-Mestre and Vaid (1993) found that bilinguals verified simple arithmetic problems most quickly and accurately when the problems were presented as digits. Participants identified problems slower when the problems were presented in word format in their first language (L1), and slower again in their second language (L2). They concluded that arithmetic ability is compromised for bilinguals in their second language (L2). Furthermore, Bialystok, Craik, Green, & Gollan (2009) found that bilinguals outperformed their monolingual counterparts on the nonverbal tasks requiring control processes such as selective attention to

relevant aspects of a problem, inhibition of attention to misleading information, and switching between competing alternatives.

Gender and Leadership

In the seminal meta-analysis of gender and leadership, Eagly, Johannesen-Schmidt and van Engen (2003) meta-analyzed 45 studies which compared men and women on measures of transformational, transactional, and laissez-faire (passive-avoidant) leadership styles. The studies were conducted with people occupying leadership roles who were rated by their subordinates, peers, and superiors using the *Multifactor Leadership Questionnaire*. The results of the meta-analysis revealed that female leaders were more transformational and scored higher on the subscales of charisma, idealized influence, inspirational motivation, intellectual stimulation, and individual consideration than their male counterparts. Female leaders also scored higher than males on the first subscale of transactional leadership, contingent reward. Male leaders scored higher on the subscales of management by exception active and management by exception passive. The study also found that women surpassed men in areas of leadership styles that were positively related to effectiveness while men's leadership styles had a negative relationship to follower effectiveness.

Age and Leadership

While there are many studies that report leadership style and age, the vast majority of those studies are leader self-assessment studies in which leader's report how they believe they lead, rather than studies in which followers actually rate their leaders. Several, large sample studies, however, in which the leadership ratings are those of the followers do exist. The overall findings of this body of literature seem almost stereotypical. Older leaders tend to be rated higher on dimensions of leadership such as being calm, conservative, considerate, cooperative and deferent to authority. Younger leaders tend to be rated higher on being energetic, exciting and friendly, but tend to emphasize short-term results, have a production focus, and are somewhat self-focused.

In one of the largest studies performed, Sessa, Kabacoff, Deal, and Brown (2007) analyzed 79,866 direct report ratings of leaders using the *Leadership Effectiveness Analysis* instrument. Participants came from more than 6,000 North American companies in 23 industries across 48 states. Older leaders were rated as more calm and as using a more considered approach that draws on the skills and abilities of others. Younger leaders were rated as more energetic. They were also seen as focused on attaining short-term results and were more self-centered.

Kabacoff and Stoffey (2001) administered the *Leadership Effectiveness Analysis* to 640 managers in the 25 – 35 year range and 640 managers in the 45 – 55 year range. Each manager underwent 360-degree evaluations from followers, peers and supervisors. Participants were from 282 North American companies. Older managers were rated higher on leadership that emphasized being conservative, practicing restraint, cooperation and deference to authority.

Younger leaders were rated higher on strategic thinking, excitement, having a tactical, management focus and emphasizing production.

In a study of 285 team members and 21 team supervisors in the pharmaceutical industry Kearney and Gebert (2008) found that the relationship between transformational leadership and team performance was positive when the leader was older than the other team members, but non-significant when the leader's age was closer to the mean age of the team members

Barbuto, Fritz, Matkin, and Marx (2007) used the *Multifactor Leadership Questionnaire* with 234 followers of 56 leaders from a variety of organizations. The 46+ age group was rated the highest for transformational leadership including the subscales of idealized influence, intellectual stimulation, individualized consideration, and effectiveness. The lowest ratings were given to the 36–45 age groups for intellectual stimulation and individualized consideration.

Gilbert, Collins, and Brenner (1990) asked 1,634 employees to rate their immediate supervisors on 12 dimensions of leadership. Significance for leader age was only found on four of the 12 dimensions. Older leaders tended to delegate more effectively than younger leaders, while younger leaders were rated higher in the leadership dimensions of being a calming influence, being friendly and enjoyable.

Ethnicity and Leadership

In a study of 103 members of a professionally-based Hispanic American organization, Corona (2010) found that Hispanics scored higher than the MLQ-5X normative data for all five dimensions of transformational leadership.

Ospina and Foldy (2009) conducted a meta-analysis of 15 quantitative studies on how ethnicity affected the perceptions or enactments of leadership. The results from this analysis found that Hispanic leaders were often rated slightly less positively than non-Hispanics, while White leaders were often rated higher than Black leaders. Asian leaders were rated higher than both Black and Hispanic leaders when participants compared profiles of a successful manager to stereotypical profiles of managers of different races.

MacKay and Etienne (2006) conducted a study of black managers in education and found that they named isolation, lack of professional acceptance and limited networks as consequences of their race. A study conducted by Thomas and Gabarro (1999) of career paths of black and Hispanic executives found that it took these minority leaders longer to reach the executive suite than their white counterparts.

PARTICIPANTS

There were 64 female and 45 male leaders who participated in this study. Leader age ranged from 25 to 63 with a mean age of 43. Forty-three leaders reported speaking only English and 73 reported speaking more than one language. Of the 73 bilingual participants, six spoke more than two languages. For this analysis those six individuals were included in the bilingual group rather than create a third, small group to represent their multi-linguality.

Table 1

Distribution of Ethnicity and Bilingual Ability

	Bilingual		Total
	No	Yes	
Black	16	10	26
Hispanic	13	48	61
White	14	15	29
Total	43	73	116

METHOD

One hundred sixteen participants in executive leadership training and graduate programs in leadership agreed to participate in the study. The participants provided an evaluation packet to two peers, two followers and a supervisor using the *Multifactor Leadership Questionnaire*. The generic term for this assessment is often referred to as a "360 degree" assessment, as the leader is being rated from three different organizational viewpoints. The participants in turn completed a language use questionnaire modeled after the *Language History Questionnaire* (Li, et al., 2006).

Instrument

The *Multifactor Leadership Questionnaire* (MLQ) was developed to determine the degree to which leaders exhibit transformational and transactional leadership. The MLQ has undergone many revisions during the past 20 years. The Form 5X contains five transformational leadership subscales, two transactional subscales, and two passive subscales of leadership that together form what is known as the full range leadership theory.

Bass and Avolio (1990) assert that transformational leaders have a strong set of internal values and ideals and develop followers to their fullest potential. Transactional leaders exchange things of value with subordinates to advance their own, as well as their subordinates' agenda.

Bass and Avolio (2003) conducted a cross-validation study of the MLQ Form 5X. The study was used to test the convergent and discriminate validities of each subscale through confirmatory factor analysis. The studies consisted of examining nine samples with $N = 2,154$, and a second study using five samples with a total of $N = 1,706$. The two studies combined provided a sample of $N = 3,860$. Reliabilities for the total items and leadership factor subscales ranged from .74 to .94. The validity coefficient for the MLQ was .91 (Bass & Avolio, 2000).

Bass and Avolio (2003) conducted a second confirmatory factor analysis using LISRELVII to compare the *Goodness of Fit* (GFI) and the *Root Mean Squared Residual* (RMSR) estimates with the MLQ. The GFI values higher than .90 indicated a better fit between the model and the available data (Bentler & Kano, 1990). The RMSR value was considered a good fit if it was less than .05 (Joreskog & Sorbom, 1982).The results of the study indicated that the full range leadership model represented by the MLQ 5X had a goodness of fit (GFI) of .91 and the

root mean squared residual (RMSR) was .04. Each was above and below their perspective cut-off criterion respectively.

Preliminary Factor Analyses

Because 9 scales were used in this study, an exploratory factor analysis was first conducted using Principal Component Analysis to determine which scales loaded together on a single component. Two components were found that had an Eigenvalue greater than one. The first component, which was labeled *Active Transformational Leadership* had an Eigenvalue of 4.08 and explained 45.32% of the variance in scores. Table 2 shows that the first six scales of the *Multifactor Leadership Questionnaire* loaded on this component with an Eigenvalue vector score greater than 0.6 or less than negative 0.6. The second component was labeled *Passive Leadership* and consisted of Management by Exception Active, Management by Exception Passive and Laissez-Faire leadership. This component had an Eigenvalue of 1.62.

The results of the exploratory factor analysis indicate that the types of instruments used appear to be measuring independent constructs.

Table 2		
Results of an Exploratory Factor Analysis		
Scales Used	Active Transformational Leadership	Passive Leadership
Idealized Influence - Attributed	**.76**	-.13
Idealized Influence - Behavioral	**.81**	-.11
Inspirational Motivation	**.79**	-.22
Intellectual Stimulation	**.86**	-.09
Individual Consideration	**.78**	-.22
Contingent Reward	**.78**	.16
Management by Exception - Active	.33	**.51**
Management by Exception - Passive	-.24	**.84**
Liaise-Faire	-.32	**.71**

RESULTS

A four-way Analysis of Variance was run with 360-degree ratings of active transformational leadership as the dependent variable and leader age, gender, ethnicity and whether the leader was bilingual as the independent variables. None of the main effects were significant. There was, however, a significant interaction effect for leader ethnicity and whether the leader was bilingual. Similar four-way Analyses of Variance were run for transactional and passive-avoidant leadership ratings, but there were no significant main or interaction effects for either aspect of leadership.

Table 3

Four-Way Analysis of Variance for Active Transformational Leadership

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Age	.02	1	.02	.22	.63
BiLingual	.01	1	.01	.09	.76
Ethnicity	.09	2	.05	.39	.67
Gender	.00	1	.00	.01	.89
BiLingual * Ethnicity	**1.28**	**2**	**.64**	**5.13**	**.00**
BiLingual * Gender	.24	1	.24	1.95	.16
Ethnicity * Gender	.21	2	.10	.85	.42
BiLingual * Ethnicity * Gender	.54	2	.27	2.18	.11

Figure 1 illustrates the non-significant finding ($p = .67$) for 360 ratings of transformational leadership given to participants who self-reported as Black, Hispanic or White.

Figure 1. Heterogeneity of ratings among ethnic groups.
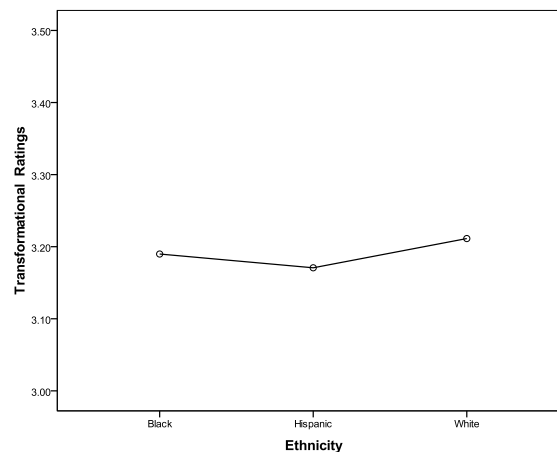
Figure 2 illustrates the significant interaction of ethnicity and bilingual ability. The three black dots are the overall means for the three ethnic groups – the same means as figure 1. The two lines, however, highlight the interaction effect. Both Black and White leaders who were bilingual were rated higher than black and white leaders who were monolingual. This pattern was reversed for Hispanic leaders. Hispanic leaders who were monolingual were rated much higher on transformational leadership than Hispanic leaders who were bilingual. A separate t test comparing mono and bilingual Hispanic leaders was significant $t(55) = 3.63$, $p = .00$.

Figure 2. Significant interaction of ethnicity and being bilingual
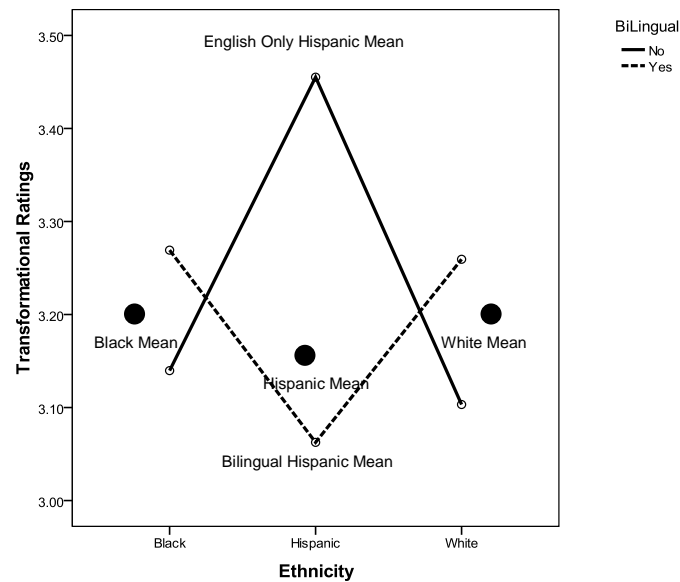
DISCUSSION

Researchers who perform meta-analyses regularly worry about and attempt to control for a phenomenon called "publication bias." This bias is the concern that studies with interesting or statistically significant results are more likely to be published than those with non-significant or expected findings (Jackson, 2007). It is unknown to what degree publication bias has influenced the findings from previous studies shown in table 3. Taken as a whole, however, different studies indicate that bilingualism increases various cognitive aspects as shown in Table 3.

Table 4			
Overview of Previous Studies Related to Bilingual Abilities			
Aspects considered	*Monolingual*	*Bilingual*	*Mixed Results or Non-significant*
Increased Attention Control		X	
Working Memory		X	
Meta-linguistic Awareness		X	
Abstract Representation Skills		X	
Symbolic Representation Skills		X	
Cognitive State		X	
Delaying the Onset Of Alzheimer Disease		X	
Simon Effect On Simple Task (Smaller)		X	
Non-verbal creativity		X	
Verbal creativity	X		
Simon effect on complex task			X
Arithmetic			X

The meta-analytic literature indicates that intelligence is related to being rated as an effective leader. The first six dependent variables from the literature shown in table 3 are aspects of the broader construct of intelligence. This literature would lead one to expect to find differences between the leadership styles of a person who is bilingual versus one who is monolingual. However, in this study no significant differences were found.

Demographic information about the followers, colleagues and supervisor who rated each leader might explain the lack of differences in leadership ratings as a result of bilingual ability. This study collected the ratings anonymously from the raters. Although this approach likely increases response rate and honest responses, it also limits the access to valuable information that could be used to explain the results.

An interaction was found between bilingualism and ethnicity in relation to transformational leadership. Monolingual Hispanics received higher transformational scores than bilingual Hispanics. Unfortunately, socio-economic data were not collected on the leaders in this study. Three, purely speculative, explanations for the difference in transformational ratings might exist: a cultural difference, an English fluency difference, and a possible socio-economic difference.

Potential Cultural Difference

The participants in this study who described themselves as Hispanic primarily traced their heritage to Mexico and Latin America. One possible explanation of the differences in transformational leadership ratings given to mono versus bilingual Hispanic leaders could be assimilation into broader United States culture.

In the largest study of leadership around the planet, Project GLOBE surveyed over 17,000 leaders worldwide about what contributed to leaders' concepts of outstanding leadership. While the study did not measure transformational leadership, per se, it did measure a very similar construct called charismatic/value-based leadership. The GLOBE study found that, on average, leaders in Latin American countries rated the importance of charismatic/value-based leadership to being an "outstanding" leader as a 5.42, on a scale of 1 – 7. The mean for Mexican leaders was 5.66. The overall mean for United States leaders, however, was 6.12. (House, Hanges, Ruiz-Quintanilla, Dorfman, Javidan, Dorfman, & Gupta, 2004).

While purely speculative, one possible explanation of the differences in ratings of Hispanic leaders who only speak English is an increased assimilation toward general United States culture and away from a hybrid Latina American/US culture. While there are moderating factors, a generally accepted view of assimilation and language is that by the third generation of assimilation into the United States, the dominant language is English monolingualism, and knowledge of the mother tongue for most ethnic groups is limited or absent. (Lopez, 1996; Fishman, 1972, 1980; Fishman, 1966; Veltman, 1983, 1990; Stevens, 1985, 1992). If this is the case for the monolingual Hispanics in this study, they might believe that transformational or charismatic/value based leadership is slightly more important to being an outstanding leader than their bilingual counterparts.

Potential English Fluency Difference

The Hispanic leaders in this study indicated that they primarily speak English in the workplace. Pinker (1994) suggests that the spoken word is important to a child's ability to learn. The greater the lingual interaction the infant has with family members the more developed the intelligence of the child and the more highly developed is the logical and emotional brain function. Bialystok, Craik, and Luk (2008) found a monolingual advantage on both letter (produce as many words as possible that started with a given letter within one minute) and category (name as many animals as possible within one minute) fluency tasks. It is quite possible that the Hispanics who lead in an English-speaking environment who come from a primarily English speaking home were exposed to increased English fluency while growing up, that, in turn, increased their English communication abilities when leading in an English-speaking office setting.

Potential Socio-Economic Difference

If the Hispanic leaders in this study who are English only speakers have become more assimilated to United States mainstream culture and are "earlier generations" than the bilingual Hispanic speakers they might also represent a slightly different socio-economic stratum than the overall bilingual group. A report published by the Mexican Ministry of Foreign Affairs and U.S. Commission on Immigration Reform (2008) indicates that Mexico born workers who migrate back and forth to the United States, on average earn $9,620 per year. First generation immigrants earn $14,138. Immigrants who become naturalized earn $16,553 per year and the United States mean is $24,408.

Ainsworth, Salter and Bell (1975) along with research conducted by Erickson, Egeland, & Pianta (1989) found that infants who have reduced interaction with their parents have a significant lack of sensitivity and emotionality to the point that abandonment of the mother can cause aggression later in life, the most extreme form of insensitivity. This research fits well with Bass & Avolio's (1994) research on transformational leadership and its association with emotional communications. If sensitivity to emotional communication is not fully developed in the individual, then it is palpable to suggest that identification with the emotional, more sensitive leadership style of transformational leadership would more than likely be lacking as well.

Interestingly, this research takes on a socio-economic status twist as Hart and Risley (1995) found professional parents speak on average 2100 words per hour to their infants versus working-class parents who speak 1200 words per hour, and parents from low socio-economic strata speak 600 words per hour. If the English only Hispanic leaders in this study represent a higher socio-economic stratum than the bilingual Hispanic leaders, it is possible that their parents had slightly more free time to spend with them during childhood, and might have spoken a larger variety of a) overall words and b) English words to them as children. This could have potentially improved their English language transformational communication abilities when leading in predominantly English speaking workplaces.

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COMMUNICATION, CULTURE, AND COMMERCE: AN ANALYTIC MODEL FOR INTERCULTURAL BUSINESS COMMUNICATION

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ABSTRACT

Given the increasingly multi-cultural nature of modern-day business, cross-cultural communication skills will be paramount in the new business environment. Literature on the topic of effective intercultural business communication (IBC) attests to the necessity of understanding the domains of: macro-cultural concepts, business contexts, language contexts, and individual cultural identity. Professionals hoping to prepare for international business, or wishing to evaluate past communications, will benefit from a diagnostic model (presented) based on the four domains.

Effective communication across cultures is a skill that has become necessary in an increasingly interconnected world. In a study of intercultural contact, it was determined that two of the leading causes of culture shock were communication barriers and the misinterpretation of cultural attributes (Ramos-Vidal, 2011). It is imparative that individuals mitigate these challenges to overcome culture shock and more effectively communicate with others.

When analyzed from a business prospective, intercultural communication presents unique challenges for professionals. Research shows that one of the leading causes of business failure is the inability of firms to adapt to the new international business environment. These failures are often the result of managerial ineptitude in facing new cultural challenges (Johnson, Lenartowicz, & Apud, 2006). Thomas Friedman in *The World is Flat* (2005) explains that,

> *…in Globalization 3.0 –the thing that gives it its unique character –is the newfound power for individuals to collaborate and compete globally… Individuals must, and can, now ask, Where do I fit into the global competition and opportunities of the day, and how can I, on my own, collaborate with others globally?* (p. 10)

The individual professional now holds extraordinary power in defining intercultural collaboration. With this power, it is necessary to develop comprehensive and effective communication skills to gain a competitive advantage in the new global economy.

This paper will analyze various proficiencies that professionals must consider when communicating across cultures. The most relevant skills will be determined and compiled to form a contextual diagnostic tool.

The first section of this analysis will briefly cover existing research on the topic of intercultural communication and identify important domains. The second section will discuss

each of these domains and identify relevant variables for each. Through this analysis, relevant implications can be drawn. The final section will translate these concepts into practice and propose a diagnostic tool for business professionals.

LITERATURE REVIEW

When analyzing intercultural business communication (IBC) scenarios, researchers, academics, and practitioners have identified a relatively broad spectrum of variables and issues that warrant consideration. While some of these studies may seem contradictory in comparison, this paper will analyze them as a whole and derive significance from each rather than subscribe fully to a single theory.

In an article on cross-cultural business communication, Gabriela Dumbrava (2010) developed a framework for analyzing these types of interactions. Relevant comparisons in cultural differences include: high-context versus low-context cultural differences, sequential versus synchronic differences, and individualistic versus collectivistic differences. These differences were originally examined in the works of authors such as Triandis and Hall. Triandis studied the effects of individualism versus collectivism on cultural interaction (Triandis, 2001). Hall laid the groundwork for studies of high versus low-context cultures and gave various situational examples of business interaction (Hall, 1976). Cultural sensitivity is also necessary in IBC. It plays an important role in negotiations and should be considered throughout the communication process (Dumbrava, 2010). In a Wall Street Journal article, Tam claims that cultural awareness trainings on macro-cultural differences are becoming increasingly popular (2004).

Further research into IBC reveals the need to understand the social and business context in which the participants are operating. According to five prominent researchers in IBC, while cultural differences do play an integral role, the study of these differences alone "…overlooks social and organizational roles as well as other important situational factors, especially those related to business issues." (Bargiela-Chiappini et Al., p. 76). Within this understanding of the business context, organizational structures and role expectations can be further examined.

Dvorak examined cultural difficulties experienced by multinationals in a Wall Street Journal article. A Japanese video game manufacturer operating in Canada experienced difficulty exporting its corporate culture to a country with differing cultural norms (Dvorak, 2006). In a study of a Danish international firm operating in Saudi Arabia, Lauring (2011) found that the traditional perception of cultural differences as static, general entities does not adequately account for all of the ways in which cultural differences act in a given business context. Furthermore, Lauring (2011) found that ethnocentrism was one of the most dangerous variables in IBC and accounted for many misconceptions about roles and business practices within the organization.

Another critical component of IBC that has been extensively analyzed is the use of language. Early 20th century linguists such as Sapir and Whorf developed the theory of linguistic relativity (Lucy, 1997). Later in the century, Chomsky studied the innate universal tendencies of language (Chomsky, 1975). These studies laid the groundwork for modern further IBC research.

There are both verbal and nonverbal language factors that need to be taken into consideration when conducting IBC (Neuliep, 2006). As well, the use of Business English as a Lingua Franca (BELF) has been contextually analyzed. BELF is common in today's world, but the use of it and cultural meanings behind it warrant considerations in IBC situations (Charles, 2007). The cultural interpretations of BELF are having real-world consequences. An article in the Wall Street Journal highlighted several examples of miscommunication that resulted from flawed cultural interpretation (Dvorak, 2007).

In addition to cultural, business, and language contexts, each participant in IBC must understand individual cultural identity. While the other factors deal with somewhat more sweeping, generalized implications, individual cultural identity plays one of the largest roles in actual interactions (Jameson, 2007). An understanding of identity will clarify differences in opinion and assist in the process of business relationship building (Jameson, 2007). Ethnocentrism can stem from individual beliefs and practices as well. The need to recognize individual ethnocentrism and eliminate it from IBC is critical for success (Neuliep, 2006).

Toward an Analytic Model

The previously discussed articles attest to the importance of context and other "non-linguistic" domains in IBC. It would be helpful to organize these domains into a holistic, categorized model. Professionals could utilize this model to identify and assess communication issues. The analytic model calls for an understanding of four main domains. The first domain is the macro-cultural framework in which the IBC scenario is taking place. The next domain is the business setting in which participants are operating. The third is the actual language employed in conveying the IBC message, incorporating verbal and non-verbal communication. In the final domain, participants must be introspective in conducting IBC and take into account their own cultural identity and how it might affect communication.

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ANALYSIS OF IBC DOMAINS

</div>

Understanding Macro-Cultural Frameworks

The macro-cultural framework in which communication is taking place is regarded as a fundamental element for success in IBC. However, there are still many examples in which even a basic analysis of cultural differences has not been employed.

China is a rapidly expanding economic superpower that commands a great deal of business from multinationals in the US and the rest of the world. While it is common for these multinationals to have expatriates working in China, it is less common for the multinationals to provide cultural training for their employees. In a study of 15 multinational corporations that operate in China, only six have provided such training (Gao, 2010). This proves risky for the overall success of the organization's mission as well as personally frustrating for the individuals involved. Gao states that multinationals "…are probably unaware of the significant impact of cultural differences on the management of their companies as well as the potential serious

problems they may cause." (2010, p. 111). Multinationals often cite limited resources, limited assignment time for an expatriate, and high training costs as reasons for not conducting cultural training (Gao, 2010). However, the benefits greatly outweigh such concerns. Positive effects of intercultural training include improvement in people's thinking and knowledge development, increased confidence in affective reactions, and better relational behavior (Gao, 2010).

Axcelis Technologies Inc., a technology firm based out of Beverly, Massachusetts, outsourced several of its engineering positions to India in 2003 (Tam, 2004). To maintain organizational efficiency, Axcelis hired Bidhan Chandra, a cultural-awareness training consultant to help enlighten its current employees on several aspects of Indian culture. While initially skeptical, employees eventually claimed the conference was extremely beneficial. Mr. Chandra attributes a vast "culture gap" as the cause for many miscommunications between Americans and their Indian counterparts. His macro-cultural awareness courses help to counter miscommunications (2004).

Individualism vs. Collectivism

Individualism vs. collectivism is a commonly studied topic, especially with regard to international business. Cultures tend to fall into one of two categories. In individualistic cultures such as the United States, England, or Germany, social behavior is determined by individual goals instead of group goals. This behavior is reinforced by stressing the need for creativity, self-reliance, competitiveness, and assertiveness (Triandis, 2001).

Collectivistic cultures, on the other hand, stress the importance of group goals over individual roles. People tend to see themselves as interdependent within various groups –such as a family, geographical region, or occupational group. Hierarchy and roles are very important, and deviations from set norms are considered negative and counter-societal (2001). Neuliep explains this simply, "…by far, the primary value stressed by many collectivistic cultures is harmony." (2006, p. 47). Collectivistic cultures can be found in nations such as South Korea, Costa Rica, and Indonesia.

While most cultures tend to lean either one direction or the other, there is no set example for a perfectly individualistic or collectivistic culture. Often times, both qualities can be found within any given culture. For example, Norwegians value societal needs above personal needs and have embraced many socialistic national programs. At the same time, independence and rejection of societal norms are considered important for many Norwegians (Neuliep, 2006).

The implications of communication in an individualistic or collectivistic culture must be considered when conducting IBC. If someone from an individualistic culture is presenting himself or herself in a collectivistic setting, it is often best to avoid "I am" phrases that boast individual traits. Such statements may be perceived as anti-harmonious. Confrontation should also be handled carefully, as criticism on a collectivistic person's task can be seen as an attack on their entire role within the organization (Triandis, 2001). Additionally, collectivists will often seek to mirror the in-group's norms and at times their responses are only fulfilling this requirement instead of expressing actual opinion.

High vs. Low-Context Cultures

In addition to individualism and collectivism, high-context and low-context cultural differences can play an integral role in the effectiveness of IBC. High and low-context culture studies have been particularly prominent in the field of IBC and can dictate how certain interactions will be perceived.

High-context cultures place greater emphasis on physical, socio-relational, and perceptual factors (Hall, 1976). Non-verbal cues such as silence, body language, and pauses are just as important if not more so than the actual content of any message. As well, the relationship between individuals serves to facilitate more effective communication. The underlying logic behind high-context relationships is that when a close relationship exists, there is no need to verbally codify reasoning or opinions. A few classic examples of high-context cultures can be found in nations such as Japan, South Korea, and many Arab nations.

Low-context cultures place greater emphasis on the message itself and the verbal or written content as opposed to the environment or relationship. Such cultures value explicit messages and verbal codification of information (Hall, 1976). Participants in a low-context interaction value the task, message, or verbally codified information more than relationships or non-verbal communication. The ability to separate task and relationship in a low-context culture is paramount. A few classic examples of low-context cultures are nations such as the US, Germany, and England.

These differences present many challenges for effective communication. Bidhan Chandra, a consultant who works with western organizations adapting to business in India, cited low versus high-context differences as a leading cause for miscommunications between American and Indian engineers (Tam, 2004). Chandra worked with the American engineers to practice high-context communication styles common to India. He has helped members of low-context cultures understand why Indians shake hands weakly, are slow to talk about business, and prefer verbal communication as opposed to e-mail. Tam states that, "The knowledge he imparts might be basic, but it can help to avoid business misunderstandings…" (2004, p. B.1).

The primary challenge of communication from low to high is keeping in mind that in high-context cultures, "…personal relations and informal agreements are more binding than any formal contract." (Dumbrava, 2010, p. 85). Relationships should be viewed as paramount in any interaction. As well, simplified responses with implied meaning or even silence should be expected and treated as normal –not problematic.

Sequential vs. Synchronic

Finally, cultural differences in the concept of time and scheduling can play a role in IBC. Sequential cultures tend to view time as a linear commodity and will place great emphasis on timeliness, time-management, and deadlines (Dumbrava, 2010). These cultures view wasted time as wasted money and will plan elaborate agendas so as to avoid lost time. Similarly, being late is considered disrespectful. Cultures that are sequential in nature include those in nations such as the US, Germany, and Sweden.

Conversely, synchronic cultures view time as a constant and do not have a strict adherence to timeliness or time-management (Dumbrava, 2010). These cultures value experience and relationships more than pragmatic schedules. Greater emphasis is also placed on knowledge and understanding of the past. Synchronic cultures view retrospective consideration critical in establishing direction for the future. Synchronic culture can be found in countries like Japan, Argentina, or Greece.

When interacting between sequential and synchronic cultures, concepts of time have an impact on IBC. Synchronic cultures do not value timeliness as much as sequential cultures. Therefore, lateness should not be viewed as disrespectful. Similarly, for sequential people operating in synchronic cultures, strict adherence to agendas may be detrimental in establishing business relationships.

Understanding Business Contexts

After an overarching cultural framework has been established, it is necessary to look at the actual business context in which the IBC situation is taking place. As with larger cultural contexts, the business culture of an individual organization can have a significant impact on communication and the ability to effectively conduct IBC.

The need for a more situational analysis of IBC is well explained in an article discussing organizational culture and intercultural communication (Bargiela-Chiappini et Al., 2003). The article she states,

> *…attributing difficulties, miscommunications, or communication behavior solely to linguistic and cultural differences, or to an interactant's membership in a national culture, overlooks social and organisational roles as well as other important situational factors, especially those related to business issues.* (2003, p. 76).

The article goes (2003, p. 85) on to describe transactional discourse as, "…what comes into play whenever a speaker foregoes judgment, tolerates ambiguity, and actively seeks to build frames within which new, fruitful questions can be asked." Such discourse is often more salient than the larger national setting or cultural identity of participants involved in IBC. While there exists an almost infinite number of settings for IBC, settings in which participants had a shared interest in the outcome of the transaction allowed them to set aside cultural differences.

In the Canadian unit of a Japanese videogame manufacturer, employees would meet three times a week to deliver short speeches on various topics affecting the company (Dvorak, 2006). While this practice, called "chorei" is common in Japan, some of the Canadian employees viewed this as an unnecessary waste of time. This is a clear example of cultural discord within an organization. Whenever a company begins operating in another country, it is inserting its own cultural norms and values in a separate environment. This presents challenges for employees as well as managers in communicating effectively within the scope of the organization.

In an empirical study of a Danish multinational firm operating in Saudi Arabia, communication problems between management and employees were analyzed and diagnosed in order to improve the transactional culture of the organization. In this particular subsidiary, there were Egyptians, Filipinos, and Indian employees –all under the management of Danish

expatriates. The researchers looked at subgroup differences, organizational structure, and power relations to identify which communication issues served as barriers to organizational efficiency (Lauring, 2011).

In the study, the one-way management styles of the Danish managers created a difficult environment for the non-Danish workers. Workers were segregated by nationality and assigned different duties accordingly (Lauring, 2011). Distrust and silent opposition became routine. This quote, from a Danish manager, details some of the difficulties,

In some ways it is easier to work with Indians, Filipinos, and Egyptians, and in some ways it is more difficult. Here you can also make demands–just on a different level. The only problem is communication. It is quite difficult to communicate across cultural barriers. It becomes a very staccato-like communication. It is a lot like—I want it this way! And then they do it like that until I want something different. So a totally different management style is required down here. (2011, p. 242).

Sales goals were not met, which caused frustration for the managers and more apathy on the part of the employees. What resulted was a reciprocating cycle of distrust and ineffective IBC.

The implications of the study are directly pertinent to the need to understand organizational culture for effective IBC. Within this particular business setting, ethnic groups were separated to facilitate organizational effectiveness. What resulted, however, was a flawed organizational structure that allowed for greater ethnocentrism and consequently misconstrued messages (Lauring, 2011). "…managers should be aware that communicative actions are often related to the processes of maintaining or establishing social positions." (2011, p. 249) In this case, the identities of the individuals who belonged to different cultures were overbearing in a group setting and created organizational discord. It was suggested that the subsidiary restructure to include other ethnic groups in the upper-level management positions (2011). In this way, each group would have fair representation and any messages coming down from those managers would be more comprehensive and less ethnocentric. Overall, the employees and managers within the subsidiary needed to have a greater focus on the working community as a whole as opposed to individual issues and conflicts regarding culture and ethnocentrism.

Strategic goals should always be paramount in an organizational culture and incidents involving IBC discord negatively impact those goals. When a clear understanding of organizational goals and organizational roles is established, all parties involved can flourish. Organizational structure, according to one researcher, "…has received less attention than it deserves, for ultimately research on IBC can only benefit the business world if a substantial proportion of its empirical material for analysis actually originates there." (Bargiela-Chiappini et Al., 2003, p. 92).

Understanding Language Context

The third most important aspect to analyze in IBC is the language in which the communication is taking place. Because different languages may convey varying nuances about the same subject or event, it is critical to our understanding of IBC. The choice of language,

translation of a message, and linguistic understanding of a message can all affect how a transaction is understood, and therefore the ultimate outcome.

GlobalEnglish Corp., a linguistic consulting firm based out of California, provides training services for international business clients on interpretation of English (Dvorak, 2007). Differing interpretations, differing accents, and differing cultural norms all affect the outcomes of communication situations. The solutions developed by GlobalEnglish Corp. are culturally intuitive and go beyond basic vocabulary comprehension. Other firms such as El Segundo, York Associates, and Berlitz International Inc. all provide comprehensive linguistic training (2007).

Another example of linguistic misinterpretation occurred in April of 2001, when a US surveillance plane crashed in mid-air with a Chinese jet. The crew of the US plane was able to execute an emergency landing at a Chinese base, but the Chinese jet and pilot were lost (Hutzler & Leggett, 2001). The crew was detained and accused of espionage. After the incident, negotiations took place to arrange for the release of the American crew and the plane. The one caveat of the Chinese was a complete acceptance of responsibility from the US and a full apology. After ten days of negotiation, the US issued a letter that claimed it was "very sorry" for the loss of the pilot and the lack of landing clearance. "Apology" itself did not appear in the letter, but Chinese officials translated "very sorry" to "shenbiao qianyi". In Mandarin, the latter is an expression of deep guilt and admission of wrongdoing (Neuliep, 2006). This was never the intention of the letter, but fortunately resulted in a positive outcome. The crew was eventually released as a result of this statement and other negotiations between the two nations. Though not explicitly business related, this is a clear example of how the translation of a message into another language can have significant impacts on the outcome of the situation.

Language and cultural perceptions were first contextually analyzed in the early 20th century as a result of the Sapir-Whorf Hypothesis (Lucy, 1997). This hypothesis states that people's thoughts and opinions are shaped by their language and therefore differences between cultural groups are reflected in that language (1997). While this was a novel theory and the first to actually try to contextualize culture and language, it has some shortcomings. Although culture, race, and language are sometimes associated, most modern linguistic anthropologists agree that the three factors can be considered as historically separate entities. Linguists such as Chomsky have also shown that there are remarkable similarities between world languages. All humans, regardless of cultural affiliation, demonstrate universal grammatical traits that are likely to be innate when expressing ideas (1975).

Given the mutually reinforcing nature of linguistic and cultural differences, various considerations must be taken into account. Neuliep states, "Although the capacity for language is universal, the language of a particular culture must be learned by its members." (2006, p. 261). Differences between Spanish and English illustrate this concept well. In English there is only one form for expressing the second person –"you". In Spanish, there are different forms for the second person depending on the inter-socio relationship of the speaker and receiver. When speaking to a formal audience (e.g. professor, elder, etc.), the form "Usted" is utilized. The reference to a friend or informal person would be expressed in the "tu" form. These differences are important to consider in conducting IBC and translating various messages. Even though someone may be fluent in another language, direct translation is impossible. Cultural distinctions

can distort the message and lead to decreased effectiveness.

Another field of study related to language deals with the use of English in business transactions. A recent study by D. Crystal at Cambridge concluded that almost 90% of the world's English-speakers are non-native speakers (Charles, 2007). This has actually increased from 80% in the 1990's. While the overall use of English as a Lingua Franca (ELF) is still in dispute, the use of Business English as a Lingua Franca (BELF) in business settings is undisputedly predominant (Charles, 2007). The "culture" that created BELF is the international business community and its aim is to create a common language that allows for profitable ventures regardless of national borders.

A study conducted by Charles (2007) set out to identify implications of linguistic differences in business settings and define contexts in which BELF should be utilized. These findings are directly relevant in conducting IBC. Charles (2007) concludes that:

1) Informal, oral communication is paramount in multinationals. While native speakers have no troubles with informal communication, non-native speakers utilizing BELF may be handicapped in this aspect. When communicating in this type of setting, participants should seek common ground and avoid language that might inhibit the non-native speakers.

2) Language is a power-wielding instrument. Regardless of business context, individuals with an understanding of the technical business language and the informal business language have the greatest success in communicating.

3) Language affects perceptions of oneself and others. Mastering a language builds confidence and creates new perceptions of self and others.

4) Language can unite or divide people within an organization. Keeping in-line with implications regarding power and perception, the mastery of language in various situations can be used positively or negatively to unite or divide people. An ethical implication becomes apparent here and participants in IBC should always adopt an altruistic attitude to avoid ethnocentrism.

5) BELF is not "cultureless". In IBC, BELF serves to further the organizational culture and begins to incorporate background cultures of the participants. This allows the participants see other perspectives and accomplish goals.

Understanding Oneself and Individual Cultural Identity

Thus far, macro-cultural themes, organizational culture, and language contexts have all been examined as critical components in understanding how to conduct IBC. Although it is necessary to understand larger frameworks in order to establish settings and cultural norms, the final challenge that will impact an IBC situation is recognition of how participants' individual characteristics will affect their cultural identities.

Schemata –the mental frameworks in which people interpret information –are critical to making sense of IBC messages. While an understanding of the schemata of others is important to predicting how a message will be interpreted and responded to, understanding one's own schemata is equally critical and will have direct consequences on how a message will be sent and

how IBC situations are perceived (Jameson, 2007).

Cultural identity is a fundamental characteristic that influences schemata. Unlike larger macro-cultural characteristics, cultural identity can vary from person to person and does not always follow the dominant cultural norm of the larger society. Jameson (2007) identified six key components to cultural identity. They are:

1) Vocation
2) Class
3) Geography
4) Philosophy
5) Language
6) Biological traits with cultural aspects

Each of these components has a distinct significance for each individual. When aggregated, these components create an individual identity that will inevitably vary in some way from the encompassing cultural norms. For example, a Muslim, English-speaking engineer living in New Delhi, India would have a very different cultural identity from a Hindu, Hindi-speaking farmer living in a rural area in southern India.

The most critical components of any cultural identity are relationships and circumstances. Cultural identity is significantly affected by close relationships. People acquire a sense of self by communicating and building bonds with others that are close to them (Jameson, 2007). These bonds strengthen certain values, but are also subject to change. Cultural identity is something that evolves over time due to changing relationships and circumstances. For example, a person that has transitioned from poverty to wealth will inevitably develop new perspectives and values.

The international business community has recognized the importance of individual cultural identity. In 1994, a joint venture operating in China was experiencing problems with managerial discord that negatively affected organizational productivity (Gao, 2010). The HR department identified cultural differences as one of the primary contributing factors and decided to hire NET Associates, a training firm, to solve the problem. Horvath, as cited in Gao's article, states, "Recognizing the importance of cultural identity is key to successful intercultural interactions." (2010, p. 110). Consequently, the first training sessions that NET conducted focused on individual manager's own cultural identities. Managers were encouraged to focus on how these identities would play out in various multi-cultural settings. The training firm then went on to cross-reference key organizational values of the joint venture with those of the individual managers. This cross-referencing was used to stress the need to develop effective multicultural team strategies. Overall, the training proved enormously successful (Gao, 2010).

This training model proves the significance of individual cultural identity in conducting IBC. When communicating in business transactions and situations, individuals are the ones that will be speaking, interacting, and negotiating to achieve business goals –not entire organizations. Therefore, it is imperative to understand the individual background and cultural identity of both parties involved in the transaction. By understanding this identity, fruitful business relationships can be established and organizational goals achieved. When two participants in a business relationship understand each other's schemata and cultural identity, mutual understanding can be reached (Jameson, 2007). As well, building business relationships is especially important when

interacting with individuals from high-context cultures (Neuliep, 2006).

It is also suggested that although understanding others is important, understanding oneself is paramount. This was the initial focus of the NET consulting firm in solving the joint venture's communication problems (Gao, 2010). By recognizing how incoming messages will be decoded and what responses they will evoke, one can avoid assumptions and ethnocentrism.

CONCLUSIONS AND IMPLICATIONS

The research and analysis in this paper presented four fundamental domains and variables to consider in conducting intercultural business communication (IBC). These fundamental domains are:
1) Macro-cultural frameworks
2) Relevant organizational culture
3) Language contexts
4) Individual cultural identity

When analyzed holistically, these domains could be used to construct a diagnostic model in which IBC situations could be audited (see figure 1.1). When retrospectively analyzing a given situation, IBC participants would use the following steps:

1) Understand the macro-cultural framework in which the IBC is taking place. This is the overarching category needed to evaluate cultural variables and characteristics. Clarify the cultural frameworks that will define behavior and business conduct. Cultural attributes such as: 1) individualism vs. collectivism, 2) low-context vs. high-context; and 3) sequential vs. synchronic are relevant in analyzing the method and means of communication.

2) Understand the business context in which the IBC is taking place. This context involves factors such as organizational hierarchy, salient business goals, and role expectations. By analyzing this context, participants can overcome underlying cultural differences and clarify the ultimate goal(s) of the organization. When analyzing an interaction among two or more businesses, compare and contrast the business context of each.

3) Understand the language context in which the IBC is taking place. When selecting a language, keep in mind the various cultural nuances of meaning for sending and receiving parties. Messages should be carefully crafted to avoid translation errors and ethnocentrism. When using BELF, cultural differences can still create discord, so the underlying business culture should remain foremost in shaping the associated language.

4) Understand the individual cultural identity of oneself and other participants in IBC situations. Cultural identity will likely be the ultimate determinant in the outcome of IBC situations. Identity can draw from larger cultural constructs, but does not always follow the cultural norms of a given society. By identifying cultural identity, strong business relationships can be built and business goals can be accomplished.

As a diagnostic tool, the proposed model lends itself very well to analysis of IBC. The model serves primarily as a classification system to determine which domains are most salient. The set of four domains range from the broadest (macro-cultural) to narrowest (individual) scope. As the complexity of the issue increases, multiple variables may be identified from multiple domains. The model helps explain what utility each domain has in explaining the IBC situation's outcome –either negative or positive. Once an analysis is complete, IBC participants
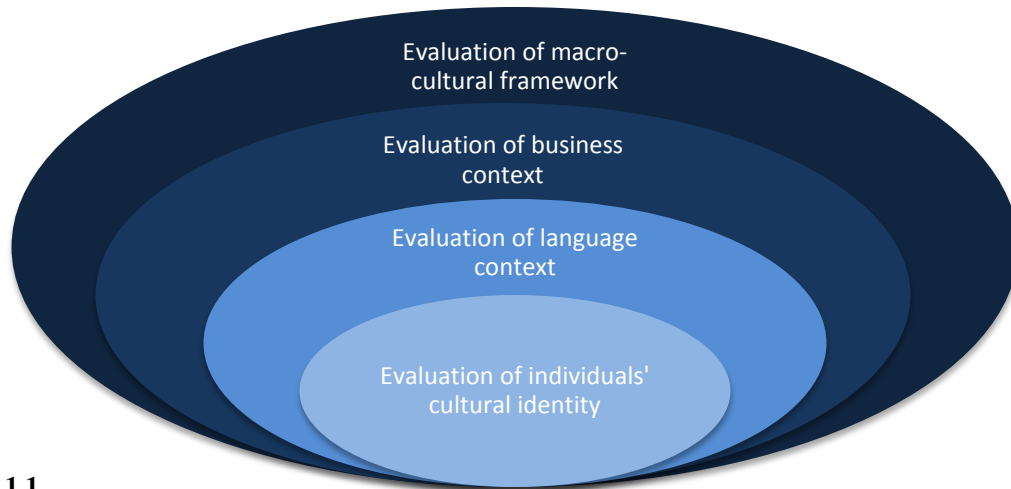
Figure 1.1

could derive useful implications from each level. Like a medical diagnosis, after an analysis is complete, variable specific solutions could be developed and implemented.

A checklist developed from the proposed model would allow participants in IBC to better understand communication failures or successes. Ineffective IBC strategies (i.e. those used by the Danish multinational in Saudi Arabia) could be better-understood and specific policy changes could be proposed. People would be able to communicate more effectively and better accomplish organizational goals.

Suggestions for Further Research

The proposed model lends itself well to more rigorous analysis of IBC. While major domains and relevant variables have been identified, more independent variables may exist within these domains for certain business fields. Determining these variables would allow for field-specific IBC models. Once such a model has been developed, a study could be conducted to test the effectiveness of that field's model.

Further research could use the conceptual foundations of this model in designing a multivariate analysis. It would be helpful to determine which of the four domains most contributes to successes or failures in IBC.

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SOCIAL MEDIA: A LEADERSHIP CHALLENGE

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ABSTRACT

Global technological explosion is impacting social learning in organizations at an alarming rate. Over the last decade, communication tools have facilitated social learning, making employees better informed and encouraging broader perspectives and better decisions. Research indicates that generational differences may cause significant challenges among employees where Baby Boomers and Gen-Xers tend to avoid new technologies while Millennials and Gen Z tend to expect them. Bingham and Connors (2010) argue that leaders and critics have several concerns regarding new social learning technologies. Concerns include beliefs that organizations will never embrace social media, employees will post inappropriate things, employees will post incorrect information, and social media systems will compromise sensitive information. Incorporating Kouzes and Posner's (2007) Five Practices of Exemplary Leadership can help leaders leverage new social learning technologies for both personal and corporate benefit.

INTRODUCTION

Today we are witnessing a rapid cultural shift in how people communicate both on and off the job. Standard telephone landlines, mail, and even email to an extent are vast becoming obsolete to a technological shift that is taking place with social media. Not only is this *social media* expedited through devices such as hard-wired phones and computers, but through even more accessible Wi-Fi enabled devices such as personal computers (PC) and mobile phones also. Social media hand-held devices such as smart phones (many have quadrupled the computing power of yesterday's computers) that use mobile computer software operating systems (e.g., Apple's I-Phone and Blackberry phones), combine functions of high-resolution touch-screens, computing web browsers, compact digital cameras, pocket video cameras, and GPS navigation systems are changing how fast one can gain access to information and increased communication possibilities. Also, collaborative social media tools (e.g., wikis), community websites (e.g., organizational blogs), corporate intranets, knowledge management systems, and personal note

taking services allow creation and editing of any number of interlinked web pages via a web browser. The rate at which these "smart technologies" are becoming available to the consumer is increasing exponentially.

Figure 1
Moore's Law (Kuniavsky, 2010)
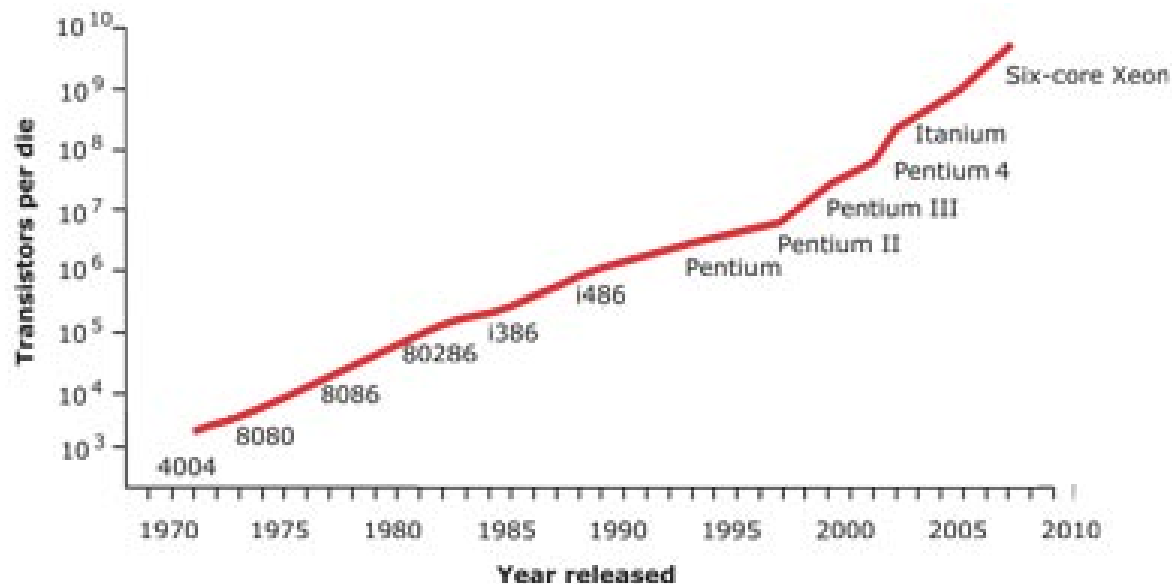
Moore's Law states that the number of transistors per square inch on integrated circuits have doubled approximately every 18 months (See Fig. 1) since their invention (Investopedia, 2011). This phenomenon can be witnessed with the inventions of the most recent technological advances such as hand held phones with up to 64 gigabytes of storage space, 1 gigahertz dual core processors, 1080P video, and 5 to 8 mega-pixel camera. You can get a hand-held device that has more computing power than most desktop or laptop computers and includes gaming, a camera, and ability to take videos for under $600. Over the last decade, the number of Americans who purchased cell phones has grown from an estimated 128.5 million in 2001 to an estimated 298.4 million in 2011 (WolframAlpha, 2011), which equates to 232% growth of cell phones purchased over the last 10 years. The United States ranks third in the world with India second at 525.1 million and China at number one with 747 million cell phone users (WolframAlpha, 2011). These technological advances, along with generational shifts in our workforce, are keeping our businesses and organizations in constant flux locally and globally.

GENERATIONAL COMPARISONS IN THE WORKPLACE

Demographic shifts in the workplace are significantly impacting our organizations. It has been estimated that by 2014, half the workforce will consist of Millennials (a.k.a. Generation Y; 1981-1997) (Bingham & Conner, 2010). Unlike Generation X and the Baby Boomers that preceded them, Millennials are more comfortable with the current explosion of technology over the last decade and are more adept at using it. Chulik (2011) mentions that it's not so much that

Millennials are tech savvy, rather than *tech dependent*. As Generation Z (born after 1997) enters the workforce in the near future, they will have an even better grasp of technology and will most likely scoff at the technology we are using today.

Baby Boomers are most likely to rely on television news and newspapers while both Generation X and Y tend to use the internet just as much (if not more) for news. Over 75 percent of Generation Y has profiles on social networking sites (Pew Research, 2010). Dickey (2010) found that 97 percent of Generation Y participants studied used Facebook at least once each week. A study by Riley and Obermayer (2008) found that phone texting was an effective method for providing cessation interventions to Generation Y smokers. Richardson and Lenarcic (2008) found that mobile texting was the most effective way to communicate with college students. Rettie, Grandcolas, and Deakins (2005) analyzed text messaging advertising as a new tool in marketing communications. Short messaging service (SMS) was found to be an effective interactive tool that combines the impact of telemarketing, email, and mobile commerce, especially for Generation Y. Beaubien (2008) found that Generation Y job hunters have grown accustomed to the jargon and abbreviation of text messaging that they are using the same language and abbreviations on important email scripts even when emailing prospective employers.

Another demographic shift in the workforce that has the potential to increase the use of social media is that of females in the workforce. Currently, women make-up approximately 49% of the nation's total work force; however, it's predicted that, within the next decade, 60% of the total work force will be female, a group with more potential to use social media networking for communicating than males (Bingham & Conner, 2010).

Generational Work Values

Greenberger (2008) found that Millennials demonstrated a sense of entitlement to good grades which was not related to their actual academic abilities. Erickson (2009) found that members of Generation Y also wonder why they do not receive pay raises and promotions after six months on the job. A recent study conducted by Price-Waterhouse-Coopers (2008) found that corporate responsibility is critical to Generation Y, and the great majority (88%) indicated that they will seek an employer whose related values match their own. In a study of over 19,000 members of Generation Y, Ng (2010) found that more than two-thirds (68.5%) of respondents expect to be promoted within the first 18 months in their first job. They rated opportunities for advancement as the most important of 16 job attributes.

Smola and Sutton (2002) found that Gen-Xers in comparison to Baby Boomers wanted to be promoted more quickly than their older counterparts, were less likely to feel that work should be an important part of one's life, and were generally found to be less loyal to the company and more "me" oriented. Gen-Xers and Baby Boomers have also been found to differ with regard to their desire for fulfillment, desire for flexibility, and focus on monetary benefits. Gen-Xers want challenging tasks accomplished within the workday whereas Baby Boomers want their challenging tasks to be accomplished over several days; Gen-Xers want to have flexible hours whereas Baby Boomers prefer regularly scheduled hours; and Gen-Xers want a portable 401K

with lump sum distribution whereas Baby Boomers want retirement plans with benefits (Rodriguez, Green, & Ree, 2003).

Generational Differences in Perceptions of Leadership

Arsenault (2004) found that Baby Boomers ranked honesty as more important in effective leadership than Gen-Xers and Millennials did. Boomers also ranked caring as more important, whereas Gen-Xers and Millennials ranked determination and ambition as more important. Baby Boomers and Gen-Xers ranked competence more important than Generation Y.

Sessa, Kabacoff, Deal, and Brown (2007) analyzed 447 responses on the *Leadership Descriptive Sort.* Baby Boomers rated credibility, trustworthiness, listening well and being farsighted as the most important leadership attributes. These were generally shared with Generation X who ranked leader credibility, trustworthiness and farsightedness as the most important leadership attributes. While Millennials rated listening well as a top attribute, their other top choices, however, differed. Millennials rated leader dedication, focus, optimism and as their other most important leader attributes. Sessa et al. summarized the differences by indicating that Boomers value attributes that suggest a politically astute leader with experience and a big-picture orientation and a desire for a global leadership image and education. Gen-Xers value attributes that suggest an optimistic and persuasive leader with experience. Millennials want a dedicated and creative leader who cares about them personally.

Warner and Sandberg (2010) found that those leading Generation Y should create room for as much autonomy as possible and should set broad and challenging targets and milestones. Gibson, Ian, Albeion, Peter, and Gutke (2010) found that Generation Y workers embrace collaboration through a shared leadership model. Gen Y employees seek change and challenge and they want managers to create clear, timely career paths. They value communication and prefer an environment of transparency and respect for staff (Health by Design, 2008).

Table 1 SUMMARY OF GENERATIONAL DIFFERENCES			
	GENERATION Y	GENERATION X	BABY BOOMERS
PERCEPTIONS OF LEADERSHIP	Dedication Focus Optimism Follower Autonomy Clear Career Paths Transparency	Credibility Trustworthiness Far-sighted	Honesty, Credibility Trustworthiness Listening well Far-sighted
WORK VALUES	Expectation of promotion Concern for corporate responsibility	Work to Live Job mobility Flexibility	Live to Work Company loyalty
USE OF TEXTING	Seen as a part of life	Used regularly	Often seen as an interruption
USE OF SOCIAL MEDIA	Seen as a part of life	Used regularly	Increasing in use

NEW TECHNOLOGIES

These new technologies are providing a platform to accelerate learning potentials in the workplace. The workplace is trying to keep pace with these rapidly evolving technologies, but is leadership ready for this change? Social media is fast becoming a viable vehicle for learning. Technological advances that impact how we communicate are impacting the normal learning curve in most organizations (Bingham & Conner, 2010). Organizations that encourage workplace learning and allow their employees to have social media access have the potential to increase the organization's competitive advantage. Senior leaders, especially in innovative company's such as Google, IBM, Apple, etc, are always looking for cutting edge technology to support learning and give the company a competitive edge (Bingham & Conner, 2010). Social media has the potential to help employees, partners, teams, and customers work together more effectively across departments and within organizations to accelerate and broaden individual and organizational reach (Bingham & Conner, 2010). Bingham and Conner (2010) describe this phenomenon as *social constructivism*; *"the theory of knowledge that seems to best describe how people learn together, whether in person or online."*

A LEADERSHIP MODEL

The abundance of challenges that these new technologies present for organizations is inevitable. How leadership responds to these challenges will determine how successful organizations will be in integrating new technologies and bridging generational differences. There are many leadership models; however, one that is popular and focuses on creating change within organizations through a transformational approach is Kouzes and Posner's (2007) Five Practices of Exemplary Leadership: 1) Model the Way, 2) Inspire a Shared Vision, 3) Challenge the Process, 4) Enable Others to Act, and 5) Encourage the Heart. Leadership is action-oriented and about *behavior*. If modeled correctly and applied consistently, these leadership practices can help create an environment where social media concerns are proactively assessed and integrated, employees feel included as part of the solution, and change is more acceptable.

ORGANIZATIONAL CONCERN 1: ORGANIZATIONS WILL NEVER EMBRACE SOCIAL MEDIA

The Concern

Although social constructivism seems great in theory, Bingham and Conner (2010) discuss four organizational concerns impacting leadership. The first is that leaders believe that their organizations will never embrace social media (Bingham & Conner, 2010). If social media is allowed in the workplace, leaders are concerned that only a few will use it, and it will be almost impossible to control or measure (Bingham & Conner, 2010).

The Benefits

Bingham and Connor (2010) state that social media is a set of Internet-based technologies designed to be used by three or more people and is shaping how people communicate (e.g., microsharing). Microsharing is social networking tools and systems that enable communication and collaboration between people through multimedia content. These new social learning tools can be implemented for free and can be used for information-sharing, corporate training, collaboration, and co-creation of documents and informal information (Bingham & Conner, 2010).

The Leadership Required

Using Kouzes and Posner's model (2007), leaders can *model the way* by clarifying and affirming why it is important for the organization to use social media systems and setting an example by using social media systems to communicate. Leaders can also *inspire a shared vision* within the organization by envisioning exciting possibilities for the future and creating a common vision among employees by appealing to shared aspirations; thus, creating buy-in (Kouzes & Posner, 2007). Leaders can also enable others to act by fostering collaboration in using social media by building trust and developing teams that encourage use; thus developing new competencies (Kouzes & Posner, 2007). Leaders can also *encourage the heart* of employees by praising employees for using the social media systems and communicating the positive impacts these systems have had on the organization; thus creating an anchoring effect for change (Kouzes & Posner, 2007).

ORGANIZATIONAL CONCERN 2: EMPLOYEES WILL SAY OR POST INAPPROPRIATE THINGS

The Concern

Leaders worry that allowing employees to use social media in the workplace is too risky because employees will say or post inappropriate things related to the organization (Bingham & Conner, 2010). Wikis or blogs (via intranet) allow employees to post things as they happen; however, news breaks much faster via popular social networking sites such as Facebook, LinkedIn, or microsharing sites like Twitter. Corporate fear may stem from the rising potential and opportunity for employees to post messages about the organization via a social media platform such as Twitter. Leaders are concerned that employees may say things that belittle or degrade management or the entire company, which has the potential to hurt the company's reputation. Even big news-breaking giants such as CNN and Fox News search Twitter for the most current info.

The Benefits

Social media tools can be highly effective for collaboration and learning as long as people are educated in their proper use. Many organizations enforce standards of conduct, proper use of phones, email etc, which helps instill a corporate set of values and expectations. Microsharing is a powerful way to connect people to one another for corporate benefit.

The Leadership Required

By *modeling the way*, leaders can inform employees of what is expected in the use of social media in the workplace and hold them accountable for their actions. Intranet blogs and wikis can be controlled where only employees can access the information. When they post a comment or question, it is linked to an employee number or name that will control for negative postings. These controls will significantly decrease the potential of an employee posting something negative about the organization or other employees.

ORGANIZATIONAL CONCERN 3: EMPLOYEES WILL POST INCORRECT INFORMATION

The Concern

Leaders are also concerned that employees will post incorrect information; thus eluding to the notion that social media cannot be governed (Bingham & Conner, 2010). Many believe that a finished product is more valuable because it has most likely gone through the system, reviewed, and checked.

The Benefits

A living document, such as one posted on a wiki or blog is updated, revised, and reviewed continuously where the most current data can be incorporated on the fly. Bingham and Conner (2010) say that this has the potential to eliminate re-accomplishing documentation that becomes obsolete by the time it has been reviewed, changed, and approved through a normal bureaucratic process.

The Leadership Required

According to Kouzes and Posner (2007), leaders must *challenge the process* by challenging the status quo and looking for innovative ways that social media can improve the current processes. This requires leaders to experiment with new social media systems (e.g., wikis) and take risks by generating small wins and ensure everyone learns from the experience.

ORGANIZATIONAL CONCERN 4: SOCIAL MEDIA SYSTEMS COMPROMISE SENSITIVE INFORMATION

The Concern

Leaders who work in organizations with highly competitive markets, where information is viewed as unique, or that deal with classified information are concerned social media systems will compromise competitive, classified, or privileged information (Bingham & Conner, 2010).

The Benefits

Practicing good governance of social media systems and encouraging employees to participate knowing they bear responsibility for protecting sensitive information will allow "living intelligence" to permeate the organization. This increases the efficiency and effectiveness of a corporate intranet verses a company's internet site.

The Leadership Required

Leaders can *model the way* by setting up and using intranet wikis or blogs that are only visible and accessible to the organization itself. These procedures, along with the previous controls mentioned, can allow companies or organizations to control what is posted and to whom. This will *encourage the hearts* of employees to utilize social media for sensitive information and *inspire a shared vision* throughout the organization.

SUMMARY

In summary, the use of new social learning systems is permeating organizations at an unprecedented rate. With Generation's Y and Z in line to run organization in the near future, it is more advantageous for leaders to embrace this opportunity than avoid it. Training and discussions on the proper use of social media and individual responsibility and accountability is essential for organizations to embrace the learning power of social media. Leaders can use Kouzes and Posner's Five Practices of Exemplary Leadership to help transform their organizations into social media-savvy organizations that promote timely and up-to-date information-sharing and learning; thus creating a future-oriented organization. Bingham and Connor (2010) state *this new approach to social learning transcends social media, training, and workplace learning practices of the past*. It offers more information sources, more dissemination points, and an open approach to a wide network of communicators and collaborators who can help work flow better (Bingham & Connor, 2010).

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MINING DIAMONDS FROM CUSTOMER'S PERCEPTION & ORIENTATION

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ABSTRACT

Is customer's positive perception towards a retailer's retention orientation as evident from store level attributes sufficient to tie the knot of a long-term relationship? A comprehensive investigation aimed at exploring existence of other factors apart from customer's positive perception is made. Customer's behavior and their perception was explored using questionnaire administered at organized apparel retail outlets in India. The study was extensive in the sense that data was rigorously collected from Delhi, Kolkata, Bangalore, Hyderabad and Mumbai. All the cities have cosmopolitan outlook and are known for their organized retail activities in India. Empirical evidence brings out the fact that though customer's positive perception is important in determining his long-term relationship however it is not the sole factor that can guarantee retailer-customer long term relationship. Drawing upon the existing literature on long-term relationship and consumer behavior it is found that customer's own value system shaped by motivation too determines their desire to have long-term relationship. It is found that values like customer's tendency to make economic purchase coupled with projection of social status in the society via consumption are the two most important factors that shape the long-term relationships. Finally the detailed findings of this study would be beneficial to both the practicing managers as well as to academicians. Managers would be benefitted by the knowledge of relative importance of different store level attributes that are perceived significant by customers for long-term relationship with the store. Proper maintenance of database on this line would prove to be a diamond mine for a retailer. Academicians would be benefitted by the in-depth knowledge of impact of these two factors on long-term relationship.

INTRODUCTION

Marketers have always focused on customer's perception and expectations/orientations to build a sustainable business model. Understanding customer's perception and their expectation is a continuous process since customer's are not only different in their perceptions and expectations but their perceptions and expectations undergoes changes from time to time (Weitz *et al.*, 1995). As a result of which it becomes challenging for marketer's to provide value to their customers and delight them continuously. The need to satisfy customers on continuous basic is stressed due to its role in building and retaining relationship with customers (Gronroos, 1994). There is no single, agreed definition of relationship marketing (Stone *et al.*, 1996). However, Gronroos (1994), Stone *et al.* (1996) and Hennig-Thurau (2000) suggest that its key purpose is to offer an organization a logical and structured process that can retain existing customers and provide

customer satisfaction. In other words, relationship marketing can be viewed as a means of developing customer loyalty, which in turn is linked with increased market share (Tanner, 1996). This is the potential that managers throughout a relationship arrangement with customers need to acknowledge if a mutually-oriented customer relationship is to be developed.

Nevertheless, the importance of relationship marketing research in a retail setting is generally acknowledged. *First*, Taher *et al*. (1996) found that traditional store patronage is weakening due to new technologies, increased competition and customers' time impoverishment. *Second*, relationship marketing has mainly been studied from a seller's perspective and thus the findings cannot be generalized to buyer's perceptive (Sheth and Parvatiyar, 1995). *Third* the assumption that a relationship can be formed with all customers can often be misleading and can have adverse impact on the scare resources (Odekerken *et al*, 2003). A systematic research on relationship marketing in a retail environment is practically lacking (Singh and Sirdeshmukh, 2000). It is essential for almost all the retailers to develop in-depth knowledge on store patronage, customer's perception and customer's expectations to run the business successfully.

The need is more so in the case of Indian retail sector. Retail sector in India has undergone great transformation with the emergence of many organized players like Future Group (Pantaloon, Big Bazaar, Food Bazaar), Tata Group (Westside, Trent), Reliance Group (Reliance Mart, Reliance Fresh etc), RPG Group (Spencer, Food World, M-World etc). Even the Indian customer's expectation from a retailer has changed due to increased globalization and exposure to western lifestyles. It is essential to capture the current expectations of Indian customers and their perception towards the efforts that the retailer is making to satisfy and retain them. The rest of the paper is organized as follows, a conceptual model is build based on detailed review of the existing literature to achieve the objective followed by methodology, data analysis and conclusion and managerial implications.

CONCEPTUAL MODEL

Understanding customer's perception about the retailer's efforts is important to determine customer's orientation for long-term relationship. In the present study relationship is defined as, customers purchasing from a same store for more than three times in a period of 6 months. Different efforts that the retailer makes to build good relationship with customers include providing customers with good quality products and services (Gwinner *et al*., 1998). Service quality is defined as, 'the consumer's perception of the extent of superiority or excellence of the service'. The three constructs that were used to measure service quality are (Sirohi *et al*., 1998), Store operating performance (SOP), Store appearance (SAP), Personnel service Providers (PSP).

The three "service quality" constructs of perception of store operations (SOP), perception of store appearance (SAP) and perception of personnel service (PSP), all provide distinct cues about service quality as further discussed below. Scales with items similar to those used to measure SOP, SAP and PSP have been widely used to measure the "service quality" construct (Parasuraman *et al*., 1988; Cronin and Taylor, 1992).

Service quality is controllable cue of merchandise quality. Good quality of services rendered at store helps customer to form positive opinion about the merchandise quality of the

store. Good store ambiance and servicescape, sincere services provided by store personnel along with flexible operating hours creates a positive impression about the quality of goods stored in that store. Focus-group research (Ho, 2005) has shown that aspects of service that contribute to product knowledge can have a positive effect on perceptions of merchandise quality. Hence it is hypothesized that,

> H_1: A positive perception of SOP, SAP, and PSP leads to a positive perception of merchandise quality.

Perceived quality is the consumer's judgment about a product's overall excellence or superiority (Zeithamal, 1988). The importance of perceived quality derives from its beneficial impact on purchase intentions (Parasuraman *et al*. 1998). It is widely believed that customers use different cues to infer quality (Zeithamal, 1988). It is discussed earlier that customer's take cue from service quality to determine level of merchandise quality.

Apart from SQ relative price of the goods also provide cue about the quality of the merchandise (Monroe and Krishnan, 1985). In the present study relative price is operationalized as perception of price within the range of known prices of equivalent products in the product category (Odekerken *et al*., 2003). Customer's perception of price also plays important role in determining perception about the MQ post-purchase but after purchase if they perceive the price-quality relationship is mismatch then it impacts their satisfaction.

Often, the terms perceived quality and satisfaction have been used interchangeably, especially among practitioners. However, Rust and Oliver (1994) proposed that perceived quality and satisfaction differ in two ways: perceived quality is a more specific concept based on product and service features, whilst satisfaction can result from any dimension (loyalty, expectations). In addition, perceived quality can be controlled to a certain degree by a company whilst satisfaction cannot. Thus, it is suggested that, when perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction and therefore precedes it (Caruana, 2002; Tsiotsou, 2006). Based on the above it can be hypothesized that,

> H_2: There exist positive relationship between relative price and MQ.
> H_3: There exists positive relationship between MQ and customer's satisfaction.

The growth of interest in one-to-one marketing over the past years (Peppers and Rogers, 2004) has brought the topic of personalization to an increasingly prominent position in marketing theory and practice. Retailer's efforts to build relationship become evident by the way retailers make use of personalized communication based on the purchase pattern of the customer. However, measurement and estimation of the effects of personalization on other critical theory constructs has been lacking (Day and Montgomery, 1999). Evans *et al*., (1996) stated that the social interaction afforded by retailer in a personalized way has been suggested to be ''the prime motivator for some customers to visit retail establishments''. Personalized communication

provides satisfaction to customers as it shows the sincerity of the retailer in trying to retain customers. Hence it can be hypothesized that,

> H_4: *There exists positive relationship between Personalization and satisfaction.*

Rewarding is defined as ''a consumer's perception of the extent to which a retailer offers tangible benefits such as discounted pricing or gift incentives to its regular customers in return for their loyalty" (Odekerken *et al*., 2003). Marketers employ different rewarding tactics like loyalty cards, bonus etc (Peterson, 1995). Trying to redeem points via these loyalty cards keeps the loyal customers satisfied regardless of service enhancement or price promotions of competitors (Sharp and Sharp, 1997). Hence it can be hypothesized that,

> H_5: *There exists positive relationship between Rewards and satisfaction.*

Developing in-depth understanding about customer's perception of the efforts that the retailers are making to satisfy and retain them will not be complete since their perception is coloured by their value system and motivations. It is the value system of the customer's that decide their willingness to have long-term relationship with retailer. In other words no matter how hard a retailer tries to satisfy a customer if the customer is by nature not relationship prone then he would continue to experiment the products of the competitor.

Consumer relationship proneness refers to the tendency of a consumer to engage in relationships with retailer (Odekerken *et al*. 2003). It is being recognized that CRP varies among customers, but there is little empirical evidence of this (Liljander and Roos, 2002). Factors that govern CRP are the personal values like social values, hedonic values and utilitarian values that in turn determine the loyalty patronage of the customers (Gutman, 1990; Corfman *et al*., 1991). Personal Values as standards set standards that are basic for a person's behavior (Rokeach, 1973; Kamakura and Novak 1992).

The significance of CRP is evident for the analysis of loyalty; given that if a customer is not prone to maintain a relationship with a supplier, it will be difficult to achieve his/her loyalty. In spite of this key role, as it is understood from the above, only a very few attempts have been made to research on the impact of consumer relationship proneness on other variables (R. Vazquez-Carrasco *et. al*., 2006). Relationship prone customers may see a retailer's efforts through more rose-colored glasses and hence tend to get more satisfaction from the efforts that the retailer is making to retain them than those who are not relationship prone (Deb *et al*., 2008). Hence it can be hypothesized that,

> H_6: *There exists positive relationship between CRP and satisfaction.*

Shopping represents a social act where symbolic meanings, relationships and self may be produced and reproduced (Firat and Venkatesh, 1993). Patronizing a department store depends on how a customer wants to be seen and/or how she wants to see herself (Sirgy *et al*., 2000;

Sweeney and Soutar, 2001). Variables determining SV are *Social Affiliation (SA) and Social Recognition (SR).* SA is the tendency of the customer to affiliate with others and to prefer being with others to remaining alone (Cheek, 1981). Different authors stated that engaging in buyer–seller relationships might be one of the ways to satisfy the need for exchanges with other people (Ellis, 1995; Shim and Eastlick, 1998). Hence it can be hypothesized that,

H₇: There exists positive relationship between SA and CRP.

In line with Brock *et al*. (1998), in the present study SR is consumer's desire of being well respected by others. SR is assumed to guide relationship development and to define the resulting type of relationship (Kirkpatrick and Davis, 1994). Forman and Sriram (1991) claimed that some people engage in buyer–seller relationships in their search for social recognition. Sheth and Parvatiyar (1995) referred to reference group theory in postulating that people's propensity to engage in marketing relationships depends on their desire to get closer associated to a reference group, to reap the benefits of such an association and to avoid negative consequences relating to noncompliance of norms. Hence it can be hypothesized that,

H8: There exists positive relationship between SR and CRP.

Hedonic consumption designates those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one's experience with products (Hirschman and Holbrook, 1982). Compared with utilitarian value, hedonic value is abstract and subjective. Hedonic shoppers are more enjoyment oriented. *Shopping Enjoyment* (SE) is consumer's tendency to find shopping more enjoyable and to experience greater shopping pleasure than others (Deb *et al*, 2008). Bellenger and Korgaonkar (1980) proved that people who enjoy shopping hardly ever have a preplanned purchase in mind, potentially reducing their desire to commit themselves to one specific store. Based on the above it can be hypothesize that,

H₉: There exists negative relationship between SE and CRP.

The utilitarian perspective is based on the assumption that consumers are rational problem-solvers (Bettman, 1979). As a result, the utilitarian perspective stresses functional, product-centric thinking, and research has focused on consumer decision processes. Shoppers shopping for utilitarian value tend to be more involved in their purchase. *Product Category Involvement* (PCI) is customer perceived importance of the product category based on the consumer's inherent needs and interests (Mittal, 1995). Researchers have suggested that individuals who are highly involved with a product category reveal a tendency to be more loyal (King and Ring, 1980). Christy *et al*. (1996) stressed that highly involved customers provide a strong basis for extending the relationship. In addition, Gordon *et al*. (1998) stated that involved buyers are more likely to participate in marketing relationships and to attach more importance to the continuity of these relationships. Hence it can be hypothesized that,

H₁₀: There exists positive relationship between PCI and CRP.

Satisfaction is regarded as an important outcome of buyer–seller relationships (Smith and Barclay, 1997). Customer's satisfaction is defined as ''a consumer's affective state resulting from an overall appraisal of products and services provided by a retailer'' (Anderson and Narus, 1984). In consumer markets (Baker *et al*., 1999, Andaleeb, 1996, Deb *et al*, 2008), customers tend to be more satisfied with sellers who make deliberate efforts towards them. However not all the customers get equal amount of satisfaction, only those customers who are prone to building long-term relationship with retailers would be more satisfied compared to those who are not relationship prone (Storbacka *et al*., 1994). Higher the relationship proneness higher would be the appreciation towards retailer's efforts to retain them. Hence it can by hypothesized that,

H₁₁: There exists positive relationship between CRP and customer's satisfaction.

The development of trust is thought to be an important result of dyadic buyer–seller relationships (Gundlach *et al*., 1995). Consistent with Morgan and Hunt (1994), the present study define trust as ''a consumer's confident belief in a retailer's honesty towards the consumer.'' A recent meta-analysis in a channel marketing context (Geyskens *et al*., 1999) suggests that satisfaction precedes trust. Only when a customer is satisfied by the quality of products and services offered by a retailer he can develop trust towards that retailer. Higher the satisfaction lower would be the fear or anxiety of the customers due to higher trust. Hence it can be hypothesized that,

H₁₂: A higher level of satisfaction leads to a higher level of trust.

Commitment is generally regarded as an important result of good relational interactions (Dwyer *et al*., 1987). Commitment is defined as ''a consumer's enduring desire to continue a relationship with a retail store accompanied by the willingness to make efforts at maintaining it'' (Morgan and Hunt, 1994). Relationships characterized by trust are so highly appreciated that parties will desire to commit themselves to such relationships, so several marketers indicate that trust should positively affect commitment (Doney and Cannon, 1997). Strong empirical evidence exists for a positive path from trust to relationship commitment (Morgan and Hunt, 1994). Storbacka *et al*. (1994) further indicated that a buyer's general interest in relationships influences the level of commitment to a relationship in which the buyer is engaged. Hence it can be hypothesized that,

H₁₃: A higher level of trust leads to higher level of commitment.
H₁₄: A higher level of consumer relationship proneness leads to a higher level of relationship commitment.

Figure 2: Conceptual Model
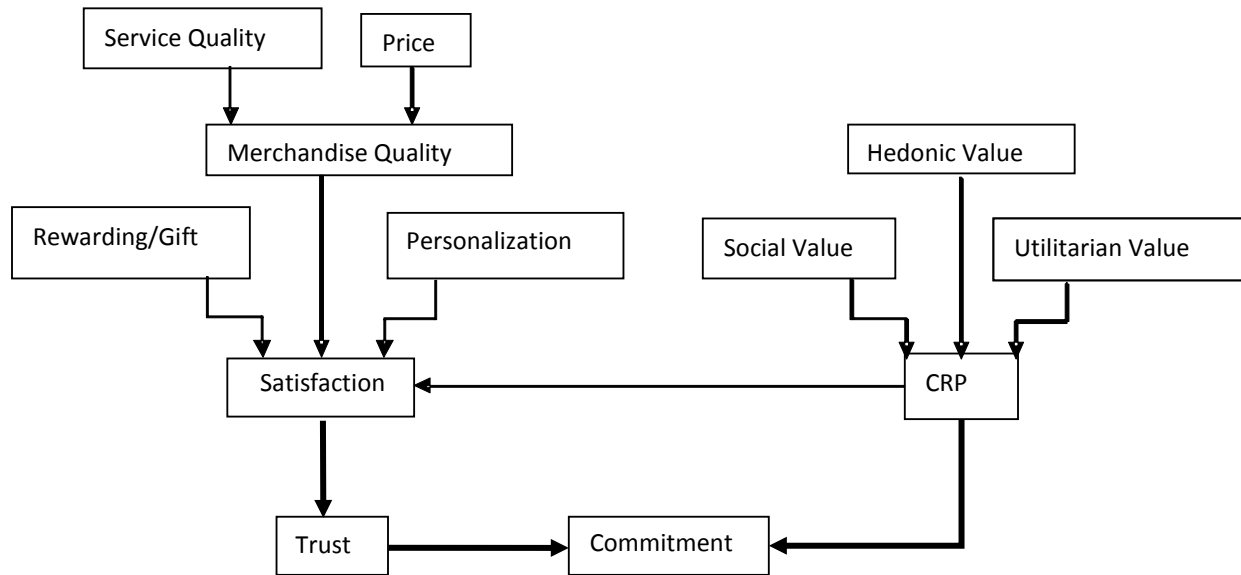
EMPIRICAL STUDY

Data on the measures were collected from several organized apparel retail chains via questionnaire (Annexure I) from 510 customers. For the purpose of sampling multi-stage sampling technique was utilized. The organized format was selected for this research in part due to its representativeness of a variety of store conditions. For example, store sizes, merchandising approaches, ethnic diversity among customers, pricing strategies and store formats all had a substantial amount of variation such that the results reported here should have some generalizability. Only those areas were covered where there is evidence for the presence of large format retail outlet (KSA Technopak, 2005; Ernest & Young, 2006 and Marketing whitebook, 2006) like Delhi, Kolkata, Bangalore, Hyderabad and Mumbai. From each places two different localities were selected randomly for data collection. Localities were selected based on convenience sampling. Minimum of 51 samples from each locality was the target of this study. The present study also sought even coverage over interviewing time of day (morning, late afternoon and evening) and interviewing day of week (Monday to Sunday, although traffic was felt more only on Saturday and Sunday) so as to reduce possible shopping pattern biases.

Measurement Model Evaluation

Table 1 reports the results of a confirmatory factor analysis related to the measurement model. Evidence for the unidimensionality of each construct was based upon a principal components analysis revealing that the appropriate items loaded at least 0.65 on their respective hypothesized component, with a loading no larger than 0.30 on other components. Convergent validity was supported by a good overall model fit, all loadings being significant (P < .01) and

nearly all R^2 exceeding 0.50 (Hildebrandt, 1987). Reliability was indicated by composite reliability measures all exceeding 0.70 (Bagozzi and Yi, 1988) suggest that composite reliabilities of 0.60 or greater are desirable and that the individual item reliabilities will be usually lower than the composite). Discriminant validity was tested in a series of nested confirmatory factor model comparisons in which correlations between latent constructs were constrained to 1 all the values are below the cut off mark of 0.80. In addition, the average percentage of variance extracted for each construct was nearly greater than 0.50. In summary, the measurement model is clean, with evidence for unidimensionality, convergent validity, reliability and discriminant validity.

Table 1: Results of Confirmatory Factor Analysis				
Items	Composite Reliability	Composite variance	R2	Loadings
Merchandise Quality				
Quality of apparels items			0.61	.780
Quality of men's apparels			0.60	.775
Quality of women's apparels			0.60	.772
Quality of kids apparels	0.924	0.55	0.59	.765
Quality of health and beauty aid department			0.54	.732
Quality of private-label items			0.54	.731
Wide brand selection of apparels items			0.54	.730
Personalization				
This store always keeps the regular customer informed about their new products.			0.73	.857
This store often holds personal conversations with regular customers via mails	0.938	0.73	0.73	.856
This store always sends greetings			0.72	.847
Service Quality				
Staffing enough employees to meet customer needs			0.67	.813
Offering convenient hours of operation			0.63	.794
Ability of manager to resolve questions and problems			0.60	.775
Overall quality of services provided by personnel the customer interacts with	0.900	0.58	0.58	.758
Providing a pleasant shopping environment (light, music etc)			0.56	.745
Providing parking facilities			0.54	.736
Price				
Comparison with charges made by alternative large format retail outlet for similar products	0.934	0.72	0.74	.862
Comparison with charges made by stores			0.72	.848

Table 1: Results of Confirmatory Factor Analysis				
Items	**Composite Reliability**	**Composite variance**	**R2**	**Loadings**
other than large format retail outlets for similar products				
Comparison of health and beauty aid prices with other large format retail outlets			0.68	.825
Commitment				
I am willing to travel extra mile to remain a customer of this store.			0.69	.829
I feel loyal towards this store.	0.809	0.65	0.65	.808
Even if this store would be more difficult to reach I will continue to purchase from this store			0.60	.776
Trust				
This store gives me a feeling of trust			0.67	.818
I have trust in this store	0.896	0.62	0.62	.788
This store gives me a trustworthy impression			0.57	.754
Satisfaction				
I am happy with the efforts this store is making towards regular customers like me	0.877	0.49	0.48	.696
I am satisfied with the relationship I have with this store			0.50	.683
Shopping Enjoyment				
I am someone who enjoys shopping			0.80	.892
I am someone who enjoys shopping to see whether there is anything new	0.921	0.74	0.78	.885
I am someone who considers shopping as a pleasant way to spend his or her spare time.			0.64	.802
Social Recognition				
I am someone who likes to be appreciated by others			0.71	.843
I am someone who likes to be respected by others	0.900	0.70	0.71	.839
I am someone who likes to be appreciated by acquaintances			0.66	.812
Product Category Involvement				
I am someone who finds it important what apparels he or she buys			0.75	.866
I am someone who is interested in the kind of apparels he or she buys	0.895	0.70	0.71	.840
I am someone for whom it means a lot what apparels he or she buys			0.64	.797
Social Affiliation				
I am someone who has no difficulty	0.905	0.63	0.68	.825

Table 1: Results of Confirmatory Factor Analysis				
Items	Composite Reliability	Composite variance	R2	Loadings
mingling in a group				
I am someone who, given the chance, seeks contact with others			0.62	.784
I am someone who likes to seek contact with others			0.59	.767
Customer Relationship Proneness				
I am someone who likes to be a regular customer of an apparels store.			0.66	.809
I am someone who wants to be a steady customer of the same apparels store.	0.867	0.57	0.55	.741
I am someone who is willing to 'go the extra mile' to purchase at the same apparels store.			0.50	.703
Rewards				
This store rewards regular customers for their patronage	0.710	0.56	0.62	.782
This store offers discounts to regular customers for their patronage			0.50	.678

Structural Model Evaluation

The chi-square value is significant (5327 with 1976degrees of freedom), a finding not unusual with large sample sizes (Doney and Cannon, 1997). The ratio of chi-square to degrees of freedom is 2.6, which can be considered as adequate. While the values of GFI (0.80) and AGFI (0.79) are somewhat lower than those of CFI (0.81), this result is mainly due to the former measures being more easily affected by model complexity. In general, the indicated fits are good, including RMSEA, which is 0.043and SRMR, being 0.037. Given the adequacy of these indices, given the fact that the model was developed on theoretical bases and given the relative complexity of the model, no model respecifications were made. Table 2 shows that all the relationships are in the hypothesized direction except Hypothesis 2 (Price to MQ). Hypothesis 9 testing relationship between SE to CRP was not found significant.

Table 2: Results of Structural Model Analysis			
Parameter	Hypothesis	MLS estimate	MLU estimate
Service quality to Merchandise quality	Hypothesis 1 (+)	0.204	0.213**
Price to Merchandise quality	Hypothesis 2 (-)	-0.094	-0.079
Merchandise quality to Satisfaction	Hypothesis 3 (+)	0.120	0.119*
Personalization to Satisfaction	Hypothesis 4 (+)	0.180	0.196**
Rewarding to Satisfaction	Hypothesis 5 (+)	0.237	0.246**
Customer relationship proneness (CRP) to Satisfaction	Hypothesis 6 (+)	0.113	0.110*
Social affiliation to CRP	Hypothesis 7 (+)	0.089	0.090*
Social recognition to CRP	Hypothesis 8 (+)	0.020	0.116*

Table 2: Results of Structural Model Analysis			
Parameter	Hypothesis	MLS estimate	MLU estimate
Shopping enjoyment to CRP	Hypothesis 9 (+)	0.155	0.040
Product category involvement to CRP	Hypothesis 10 (+)	0.427	0.390**
CRP to satisfaction	Hypothesis 11 (+)	0.394	0.406**
Customer satisfaction to trust	Hypothesis 12 (+)	0.671	0.617**
Trust to commitment	Hypothesis 13 (+)	0.375	0.319**
CRP to commitment	Hypothesis 14 (+)	0.228	0.246**

- *MLS estimate = Maximum likelihood standardized estimate*

- *MLU estimate = Maximum likelihood unstandardized estimate*

- *P < .05, ** P < .001*

MANAGERIAL IMPLICATIONS

It is imperative from the present study that only understanding customer's perception is not sufficient to build long-term relationship with customers. Retailers also need to understand the factors impacting customer's expectations. The objective of the present study was to understand customer's perception of the retailer's efforts and to explore customer's expectations from a retail store. Expectations of the customers have their roots in their value system. In the present study three different types of value system namely Utilitarian, Social & Hedonic, were identified and their significance in retailer-customer relationship formation was explored. The finding of the present study is in line with Gordon et al. (1998) who provided empirical evidence for the impact of involvement on the importance customers attach to relationship continuity with a particular retailer. Moreover the crucial effect of PCI on consumer relationship proneness was found to underlie a consumer's intrinsic inclination to establish relationships with retailers. PCI has been found to be an important factor determining the intention to engage in relationship (Swinyard 1993). It can be concluded that customers with utilitarian values are relationship prone.

Customers purchasing apparels not only involve in the category of products that they are purchasing but also intend to project their status in the society through their consumption. In the present study empirical evidence was found for both social affiliation and recognition. Customers with social values looking for social affiliation and recognition also tend to be relationship prone and hence evaluate the efforts of retailers to provide them with rewards, quality of services & merchandise more positively. This is in line with several authors stressing that findings of studies on interpersonal relationships can be transferred to buyer–seller relationships (Shim and Eastlick, 1998). Highly sociable people are looking for social relationships with sales associates (Ellis, 1995).

Finally, significant correspondence was found between people who enjoy shopping less and people being relationship prone. This finding is in line with Bellenger and Korgaonkar (1980) who stated that people who enjoy shopping less are more motivated towards relationship.

Customers shopping for HV are looking for enjoyment and adventure than having something consistently for long run.

In response to recent requests for directing more attention to the buyer perspective (Bendapudi and Berry, 1997), the present empirical results provide evidence for the consumer's crucial impact on relationship outcomes. This is apparent from the dominant influence of CRP and its impact on relationship satisfaction, ultimately helping to put a stop to declining retention rates or to further stimulate loyalty. The results of this study contradict Kalwani and Narayandas' (1995) conceptual idea that buyers who are relationship prone are relatively more difficult to serve satisfactorily. Moreover, the present data support the belief that CRP affects relationship commitment (Storbacka et al., 1994). Previous studies on relationship marketing might suffer from the omission of CRP as an important construct. Failing to include CRP in future studies on relationship marketing could result in flawed conclusions related to the factors governing retailer-customer relationship outcomes.

With respect to the influence of customer perception about the efforts retailer is making to satisfy them the present study used several store level attributes like MQ, SQ, Price, Personalization & Rewards. In line with, Howard et al. (1995) the present study found that retailers treating customers in a personalized way and rewarding them for their loyalty can reap benefits in terms of enhanced customer satisfaction towards their store. Customer's perception of MQ gets impacted by their perception of SQ and Price in case of apparel. Good store atmosphere in the form of décor, assortment etc and assistance provided by personnel creates positive impression about the merchandise. To determine the quality it is found that customers take cue from the price. In case of apparel they perceive higher the price better the quality.

The present results highlight the importance of SQ as an extrinsic cue in the formation of perceptions of overall MQ for a retailer (Sirohi et al., 1998). In the specific context of retailing, it has been demonstrated that interpersonal relationships positively affect overall customer perception (Wong and Sohal, 2003). The large and significant impact of SQ indicates that a good facility design and service provision by customer-contact employees leads to enhanced perceptions of overall MQ (Parasuraman et al., 1988; Cronin and Taylor, 1992). This in turn improves customer perception about the RRO.

Customers perceiving that retailers care for customer loyalty seem to respond equitably by adjusting their attitudes in terms of improved satisfaction. Customer's perception of the retailer's efforts with respect to the above store level attributes and its relationship to satisfaction is confirmed. It is found that a satisfied customer also develops trust for the store. Their trust on the store compels them to commit themselves to the store as their risk or anxiety gets minimized with their satisfaction and trust (Morgan and Hunt, 1994).

The present study would be beneficial to the managers since they would be able to mine diamonds from the customer's perception about their existing efforts to satisfy them. One more benefit would be developing in-depth understanding about customer's expectations and factors that determine different expectations among different customers. Based on their expectation retailers can determine which segments can be retained via rewards, personalization and which segments only look for enjoyment and are not serious about having long-term relationship. Accordingly a retailer can channelize his efforts and reap maximum benefits or mine diamonds.

Academicians would be benefitted by developing in-depth understanding about the relevance of value system in shaping customer's expectation and how value system impacts customer's satisfaction and finally commitment apart from customer's perception.

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Annexure I	
Construct/Items	**Source**
Service Quality	Niren Sirohi, Edward W. McLaughlin and Dick R. Wittink, 1998
Merchandise Quality	Niren Sirohi, Edward W. McLaughlin and Dick R. Wittink, 1998
Customized Communication	Mittal and Lassar, 1996
Rewards	Odekerken-Schroder, Kristof De Wulf Patrick Schumacher, 2003
Customer Relationship Proneness	Odekerken-Schroder, Kristof De Wulf Patrick Schumacher, 2003
Product Category Involvement	Laurent and Kapferer, 1985; Zaichkowsky, 1985; Mittal, 1995
Satisfaction	Anderson and Narus, 1984; Frazier et al., 1989; Kumar et al., 1992; Ping, 1993, 1997; Smith and Barclay, 1997
Trust	Dahlstrom and Nygaard, 1995; Doney and Cannon, 1997; Geyskens et al., 1996; Kumar et al., 1995; Moorman et al., 1992; Morgan and Hunt, 1994; Scheer and Stern, 1992
Commitment	Anders Gustafsson, Michael D. Johnson, & Inger Roos, 2005
Social Affiliation	Cheek and Buss, 1981; Villani and Wind, 1975
Social Recognition	Odekerken-Schroder, Kristof De Wulf Patrick Schumacher, 2003
Shopping Enjoyment	Bellenger and Korgaonkar, 1980; Gutman and Mills, 1982; Mittal and Lee, 1989
Price	Niren Sirohi, Edward W. McLaughlin and Dick R. Wittink, 1998

PRICE MANAGEMENT IN NONPROFIT HOSPITALS

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ABSTRACT

This study examines whether nonprofit hospitals (NPH) use price increases to overstate reported charity care spending. Anecdotal evidence points to hospitals raising prices to maximize Medicare's supplemental reimbursement and to maximize collection from self-pay and uninsured patients. This study provides empirical evidence that NPH raise prices in part to satisfy the state's charity care requirements and to substitute real care with price-valued charity care. The ratio of patient charges to costs (RCC), price standardized by cost - a measure for comparing revenues generated to estimate costs allocations, is the variable used to test the association between price increases and charity care provision by NPH. We hypothesize and find evidence that NPH facing financial and political pressures in addition to charity care regulations are more likely to choose accounting numbers which reflect a higher value of charity care spending.

DEPLOYMENT OF THE FOUR WAY TEST IN THE DISCOURSE OF OIL EXPLOITATION IN THE NIGER DELTA OF NIGERIA

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ABSTRACT

The mindless exploitation of the earth's resources by humans, experts warn, has continued to seriously threaten the existence of the earth. In the Niger Delta of Nigeria, this situation finds its root in the discovery of oil in commercial quantity at Oloibiri in 1956. The unwholesome method of exploitation of crude oil in the region has continued to pose huge problems with disastrous consequences. The recently published United Nations Environmental Program (UNEP) report on Ogoniland makes the degree of degradation in the Niger Delta more obtrusive. Thus, the report rather than allay the fears of the people confirms them. Scholars and environmentalist are making rigorous efforts at correcting this anomaly. However, in all these efforts, very little, if any, serious attempt has so far been made to explore the contribution that the underlying ethics of the Four Way Test could make in the search for a solution to this problem. This paper sets out therefore, to ethically appraise the operations of the multinational oil companies in the Niger Delta. The paper employs the Four Way Test of Rotary International as its theoretical framework. It weighs the actions of the multinational oil co-operations in the scale of the Four Way Test. Working within the broad framework of business ethics, the paper exposes in detail unethical business practices carried out by multinationals in the Niger Delta. The paper advocates a more acceptable business ethics that underpin such concepts as truth, honesty, fairness, goodwill, friendship and benefit. It is obvious from available data that, there is an urgent and dire need for attitudinal change. Against the backdrop of the enormity and far-reaching tragic consequences of the widespread pollution, it is absolutely necessary that the exploitation of the rich mineral resources of the region be carried out in accordance with the highest international standards.

INTRODUCTION

The global outcry against human commerce-driven exploitation and degradation of the environment continues with avid intensity. The pursuit of the goal of reversing this mindless

exploitation of earth's resources by humans is succinctly crafted by Al Gore's "Inconvenient Truth" and quoted by (Gallo, 2007) as follows: "Each one of us is a cause of global warming, but each one of us can make choices to change that with the things we buy, the electricity we use, the cars we drive; we can make choices to bring our individual carbon emissions to zero. The solutions are in our hands, we just have to have the determination to make it happen. We have everything that we need to reduce carbon emissions, everything but political will. But in America, the will to act is a renewable resource." In Nigerian, the political will is lacking and the will to act is tainted by four scenarios as follows: (1) the palpable docility of the Nigerian authorities (2) avid greed of the neo-colonial oil masters – oil exploitation corporations, (3) the greed and corruption of Nigerian political masters and (4) the ever increasing marginalization of the oil land owners (Niger Delta inhabitants - the minorities) by the larger oppressive majorities.

The foreseeable demise of the inhabitants of the Niger Delta region of Nigeria is the outcome of oil exploitation. Experts on this subject, (Gore, 2006), (Flannery, 2005), and (Kolbert, 2006), inform us that the earth is on the verge of environmental catastrophe arising from this mindless exploitation of its resources. This act (over exploitation) has in turn resulted in the melting of glaciers, depletion of the ozone layer, climate change, global warming, rise in sea level and others. In the Niger Delta the air, water and land are all polluted. The natives are exposed to varying degrees of health hazards. All as a result of the operations of multinational oil companies operating in the region. The situation has, therefore, generated, and still generates a lot of serious interest in issues relating to the Niger Delta environment. Scholars and environmentalists from different backgrounds have continued to confront governments and multinational corporations over the reckless exploitation of the resources of the region. They are making concerted efforts in response to the existential problem and putting forward ideas that may help pull the region back from the brink of the looming catastrophe.

To proffer an effective and lasting solution to this grievous situation, all facets most be properly scrutinized. Thus, there arises a need for the ethical examination of oil exploitations in the Niger Delta. Ethics deals with the issues of "right" and "wrong," "good" at all levels. The subject's core consists of the fundamental issues of practical decision making, and its major concerns include the nature of ultimate value and the standards by which human actions can be adjudged right or wrong. Thus, we will examine oil exploitation in the Niger Delta viz- a- viz the ethical codes of the Four Way Test. We would be asking such questions as: Is it the truth? Is it fair to all concerned? Will it build good will and better friendship? And, finally, will it be beneficial to all concerned?

THE FOUR-WAY TEST

The Rotary Four-Way Test is one of the most important business ideals of the 20th century. It is a test used by Rotarians world-wide as a moral code for personal and business relationships. The test can be applied to almost any aspect of life. It was written by Herbert J. Taylor, an American from Chicago, as he set out to save the Club Aluminum Products Distribution Company from bankruptcy. It was later adopted by Rotary International, a global service club . For Rotarians, the Four-Way Test is the cornerstone of all actions- of the things we

think, say or do. Since its inception 80 years ago by Herbert Taylor during the Great Depression, the Four-Way Test has become a relevant institution for Rotarians and many successful businesses throughout the world. Since it was developed in 1932 by Herbert J. Taylor, who later became Rotary International president, it has never ceased to be relevant (International, 2000). Its four brief questions are not based on culture or religion. Instead, they form a simple checklist for ethical behavior. They transcend generations and national borders.

What then is the Four-Way Test? The Four-Way Test is based on the following four simple questions that transcend time.

1. Is it the TRUTH?
2. Is it FAIR to all concerned?
3. Will it build GOODWILL and BETTER FRIENDSHIPS?
4. Will it be BENEFICIAL to all concerned?

Truth, fair, concern, beneficial, good will, and friendship are the heart and soul of Rotary's Four Way Test in business relationships. In the same vein, truthfulness, fairness, concern, benefit, goodwill and friendship are the heart and soul of business relationships.

Exploitation

Exploitation refers first, to the unfair treatment or use of an individual or situation and development of something for benefit (Encarta Encyclopedia, 2012). This latter sense of the word is applied in this paper.

Oil Exploitation

Oil exploitation embodies land survey, land clearance for seismic lines, establishment of seismic and drilling camps, site preparation, infrastructure construction, drilling for oil (even when the effort becomes futile) and development of transport facilities (Encarta Encyclopedia, 2012). Oil exploitation then means the development of oil for benefit – whose benefit.

Niger Delta

(Adeyemo, 2008), describes the Niger Delta as a "bird-foot-shaped" floodplain which covers a total land area of about 112,110 square kilometers. It falls within the intersection of latitude 5^031N and 5^033N and longitude 5^030E and 5^032E. By 2005 the region had a population of over 31 million inhabitants or 23.30% of Nigeria's population (with an average population density of 265 persons per square kilometer. (Onosode, 2003), describes the Niger Delta as a mosaic of fragile ecological units and Africa's largest and the world's third largest delta. The region, Onosode explains further, houses the world's largest mangrove forest, West and Central Africa's most extensive freshwater-swamp forest. It is Nigeria's best remaining rain forest and one of Africa's remaining natural reserves of unique wildlife. It is a maze of creeks, streams and swamps formed by the Niger River as it divides into six main tidal channels before spilling into the Atlantic Ocean. We described the Niger Delta as a vibrant mosaic of aquatic, human, oil soaked

riparian black culture that empties itself into the Atlantic Ocean through a mosaic of tributaries and distributaries of the River Niger.

OIL EXPLOITATION IN THE NIGER DELTA

Oil exploration in Nigeria started in 1908 around Okitipupa. Nigerian Bitumen Corporation and British Colonial Petroleum were the first to kick start oil exploitation in Nigeria. In 1938 Shell D'Arcy was granted exploration right to cover the whole country. Mobil Producing Limited joined the search in 1955. On August 3rd 1956, the first oil well was discovered at Oloibiri by Shell D'Arcy. In the course of the same year Shell changed its name to Shell-BP Petroleum Development Company of Nigeria Limited. On the 17th of February 1958 the first shipment of oil was carried out at the Bony terminal. The export rate was 5,100 barrels per day of sour crude. This opened doors to the frenzy with which Nigerian oil is being explored. Today, Nigerian crude is rated as one of the best. Its price in the international market is outstanding.

Several multinational and national oil companies are involved in these activities. These companies include: The Nigerian National Petroleum Corporation (NNPC) established in 1977, The Shell Petroleum Development Company Limited (SPDC) established in 1979, Chevron Nigeria Limited, Mobil Producing Nigeria Unlimited (Exxon Mobil), Nigerian Agip Oil Company Limited (NAOC) and Elf Nigeria Limited. These companies have over 7,000 kilometers of pipelines laid across the Niger Delta (Agbola & Olurin, 2003). The pipelines crisscross passing through farmlands and even the backyard of residential houses. A case in point is Okrika where the pipes are even laid above the ground. Be it Britain's Royal Niger Company, Shell D'Arcy, Shell British Petroleum, Shell Petroleum Development Company, Italy's Nigerian Agip Oil Company, America's Chevron or France's Elf Petroleum, all have contributed their fair share to the pollution of the of the Niger Delta environment.

Nigeria is the largest producer of oil in Africa and eleventh in the world. Nigeria's hydrocarbon resources are the mainstay of the country's economy. Oil became the mainstay of the Nigerian economy in the 1960s. The Nigerian economy is heavily dependent on the oil sector which, according to the International Monetary Fund (IMF), accounts for over 95 percent of export earnings and about 40 percent of government revenues. The result of this is a shift from agriculture to crude oil sales. With a boom in the price of oil in 1970, Nigeria became one of highest exporters of crude in Africa. Nigeria joined Organization of Petroleum Exporting Countries (OPEC) in 1971. According to the 2010 British Petroleum Statistical Energy Survey, Nigeria had proved oil reserves of 37.2 billion barrels at the end of 2009. In 2010 Nigeria exported 2.458 million barrels per day (ThinkAfrica, 2010-2011).

The oil industry is primarily located in the Niger Delta. However, development of the oil and natural gas sectors is often inhibited by instability in the Niger Delta as oil has been a source of conflict. The control and maintenance of oil facilities in the Niger Delta is grossly inadequate. Industry best practices and SPDC's documented procedures have not been applied. The result of this is the vulnerability of local communities to the dangers of unsafe oil facilities since abandoned pipelines still contain flammable oil (UNITED NATIONS ENVIRONMENTAL PROGRAM, 2011).

Causes of Environmental Degradation in the Niger Delta

Oil exploitation activities from start to finish degrade the environment. These activities are made of pre and post drilling activities. Activities such as seismic surveys, drilling, drilling wastes, canalization and dredge spoils are pre drilling activities. Well-head blowouts, operational discharges, pipeline ruptures and fires, tanker accidents and gas flaring) are post drilling effects. All of these affect the land, water and air simultaneously. Thus, they can be broadly divided into land degradation, water and air pollution which are caused by oil spillages, pipeline fires, and gas flaring (produced gas commonly called associated gas).

The oil companies operating in the Niger Delta have contributed to the pollution of the Niger Delta environment in several ways. They do not replace dilapidated infrastructure such as pipelines. With the region covered housing over 7,000 kilometers of pipelines, the pipes which are old, corrode, give way under high pressure and burst. This situation has become a common experience in the Niger Delta.

Table 1			
Showing Frequency of Occurrence of Oil Spills between 2003 and August 2009			
S/NO	**YEAR**	**NO OF SPILLS**	**QTY OF OIL SPILLED INTO THE NIGER DELTA ENVIRONMENT (BARRELS)**
1	2003	212	18,698.63
2	2004	225	10,737.64
3	2005	299	16,423.52
4	2006	366	69,451.76
5	2007	557	41,109.36
6	2008	654	33,256.60
7	JAN.-AUG. 2009	432	29,438.50
TOTAL		2,745	219116.01

Data compiled from Department of Petroleum Resources (DPR) log book on oil spills

Several spills occurring in the Niger Delta go un-noticed while others are regarded as minor and not recorded. If all these spills are accounted for, then the number of spills would almost double.

On December 17, 2011 a spill occurred at Kalaba community in Okordia Clan of Yenagoa Local Government Area of Bayelsa State. Agip Taylor Creek pipelines have suffered innumerable number of spills resulting in the pollution of land, water and air. In 2011 alone ten spills were recorded (Environmental Rights Action, 2011).

Spill workers using spades to clean up oil in Babaragene, Bayelsa State

AFP – Workers pick up oil soaked absorbent boom off of Queen Bess Island as they try to contain oil from the … (http://news.yahoo.com.nphotos)

On Wednesday December 21, 2011, Shell announced the occurrence of a spill at its Bonga Oilfield. The Bonga oilfield is located 120 kilometers off the Nigeria coastline. Shell claimed that 40,000 barrels of oil were spilled into the Atlantic Ocean while oil was being loaded into a vessel. The spill has spread from Akwa Ibom State through Rivers and Bayelsa States to Delta State. Surprisingly, Shell officials organized conference during which they claim that 50, 000 barrels of oil were spilled (Environmental Action, 2011). This is interesting as the same Shell had earlier claimed that only 40,000 barrels of oil were spilled. The pathetic thing is that Shell has a track record of not giving the right information on such matters. It does not tell the truth or handle oil spills in the Niger Delta with any seriousness. Shell considers the cost of proper cleaning and cuts costs and corners just to save money. Unfortunately, the National Oil

Spills Detection and Response Agency (NOSDRA) which has the statutory responsibility of compelling cleanup and imposing fines on an offending company is now peddling information provided by the perpetrators of the heinous offence. The truth is, believing Shell to handle the cleanup would be tantamount to building a castle in the air.

The inhabitants of the Niger Delta region also pollute the environment causing harm to themselves and others. They vandalize oil facilities in the region at an alarming rate. They cut through pipes and siphon oil from the facilities into boats in an act popularly known as bunkering in the region. Though bunkering is a legal business in other parts of the world, in Nigeria this term has acquired an illegal connotation. Bunkering in the Niger Delta, though an illegal business has become a thriving activity.

Sabotage is another means through which the natives pollute the environment. It is the product of several factors such as youths' restiveness, resulting from the feeling of disgust, lack of confidence in both the oil companies and the government, the feeling of being cheated, marginalized and deprived. Youth restiveness has become a regular feature in the region consequent to economic hardship and unemployment. The youths stated emphatically that the One Million Man Match organized by a former head of state, Late General Sani Abacha, marked the genesis of youth restiveness in the Niger Delta. The youths from the region, were angered by the display of wealth exhibited in the building of Abuja the Federal Capital Territory. Comparing what they saw with the situation in the Niger Delta they claim there is gross inequality in the distribution of wealth. For the youths, this is serious exhibition of injustice towards the people of the Niger Delta whose area produces 90% of the national wealth. Thus, they vent their anger on the facilities available in their environment. This feeling of unfair treatment galvanizes them to attack oil installations in the region.

In December 2005, militant groups polluted the waters in the Niger Delta when they blew up oil installations in Andoni, Bonny and Okrika all in Rivers State. On January 11 2006 forces of the movement for the emancipation of the Niger Delta (MEND) sailed into the high seas attacking and destroying oil installations in Bayelsa State and spewing large quantity of oil into the Atlantic Ocean. During this attack, three pipelines were blown up with explosives and, one oil tanker and naval escort vessels with rocket propelled grenades. Prior to these attacks, several other attacks had been carried out. The insurgents have attacked several oil installations spilling huge quantities of oil into the Niger Delta environment. These attacks were concentrated on onshore oil installations until 11th January, 2006 when Shell's multi-million dollar Escravos Area oil facility was bombed (Watts & Kashi, 2010).

Pipeline fires are also pollutants of the environment. They are caused by pipeline and wellhead explosions, vandalization of oil facilities and sabotage. On Monday November 7 2011, a spill occurred causing an outbreak of fire at Ikarama. Currently, there is the case of Chevron Gas Wellhead which exploded catching fire off the shores of Kuloama 1 and 2 in the Southern Ijaw Local Government Area of Bayelsa State. This occurred on January 16, 2012, and is still on. Dead fishes of varied sizes litter the environment. The fire burned for over a month before government and Chevron officials visited. The air is polluted with the natives complaining of cough as a result of the smell of paraffin in the air (Africa Independent Television, 2012).

Gas flaring has been a major source of air pollution in the Niger Delta. Since the genesis of oil exploitation in the region in the late 1950s, gas has continued to be flared. An estimated 2.5 billion standard cubic feet of gas is flared annually. Nigeria has the 9th world largest proven reserve of natural gas. As at 2004 there were over 123 flare sites in the Niger Delta (Energetic Conference Solutions, 2004). Currently there are 87 flow stations in Rivers State and 17 in Bayelsa State. Incidentally, in virtually all these flow stations gas is being flared. By the first quarter of 2007, a total of 139 fields were producing 2.2 million barrels of oil per day and 6.2 billion standard cubic feet (scf) of associated gas per day. Out of the 139 producing fields, only 22 are utilizing up to 90% of the associated gas produced. Over 2.5 billion standard cubic feet is flared which accounts for 80% of the total quantity produced (Awajiusuk F. , 2011).

Carbon dioxide emission in the Niger Delta consisting of: 45.8 billion kilowatts of heat and 1.8 billion cubic feet of gas (flared every day) is one of the highest in the world. The United Nations Development Program (UNDP)/ World Bank estimate that Nigeria emits 10 million tons of Carbon dioxide making her the 42nd biggest emitter of carbon dioxide in the world (World, 2004). In some locations, flare sites are situated close to human residence. In Rumuekpe, a community in Emuoha Local Government Area of Rivers State, the community hosting ELF collection center, AGIP collection center and SPDC flow station and a booster station a flare site is located about 250 meters from inhabited houses; the same is the case with Imiringi community in Bayelsa State. In Ogba/Egbema/Ndoni Local Government Area there are eight flare stands located as follows:

Ebocha	3 stands
Obrikom	2 stands
Ogbogu	2 stands
Obagi	1 stand

As a result of the outcry against the flaring of gas, most multinational companies now flare gas horizontally as against the vertical method practiced earlier. The effect of the horizontal method is more damaging on the people as the heat from the flares hit directly on the vegetation burning it out. This is the case in Imiringi, a community in Bayelsa State, and Rumuekpe in Rivers State. At Umuebelu, the stacks are both horizontal and vertical. The horizontal stack is situated on the ground, without any water pool to absorb the heat. At Shell Agbada Flow Station in Aluu Rivers State, the gas flare which has been on since 1960 is turned off during the day and turned on at night. This flare burns on the ground without any pool of water to reduce its effect on the environment (Awajiusuk F. J., 2011).

Relevant authorities such the Nigerian government and the multinationals are not able to stem the impasse and solve the environment problem. Despite the ruling by a Federal High Court seating in Benin in 2005 outlawing gas flaring and declaring it as illegal, the Nigerian government, the legislators and the oil multi-nationals have carried on as though it never did. They have been inconsistent in determining the terminal date for the gas flaring. The Federal Government announced December 2007 as the terminal date. This date was moved to December 2008 and then to 2011. The Senate chose December 2010 as the terminal date while the House of Representatives declared December 2012 as her own terminal date. The oil companies on their part opted for

December 2013. Little wonder then, Nigeria's former Minister of Petroleum Resources Odien Ajumogobia called it "a moving target" (Environment Rights Action).

EFFECTS OF OIL EXPLOITATION IN THE NIGER DELTA

Oil exploitation in the Niger Delta has affected life positively and negatively. On the global scene, Nigeria's oil has improved life on earth as it has facilitated the industrial revolution with petroleum products from the Niger Delta helping to oil the wheels of machines in Europe and America. It has capacitated automobiles and aero-planes to transport people. It has enabled factories produce goods to serve human needs. It has facilitated heaters to provide some warmth during the winter cold. For the Nigerian nation, oil exploitation has been a big blessing. With the huge amount of dollars accruing to the country from the exportation of crude oil, the nation is awash with petro-dollars. It is true that without the prospects of these oil drillings, life may have been a little unbearable than it is today.

Unfortunately, the story is different for the Niger Delta people. For them the presence of oil in their soil is like a curse. Oil exploitation activities in the Niger Delta as in other parts of the world have left terrible effects on biotic and abiotic occupants of the environment. The land, water and air of the region have been exposed to pollution at an unprecedented rate. Oil exploitation causes environmental degradation which affects economic, aquatic and terrestrial life in the region. Water, is affected by the dumping of exploration and exploitation by-products, overflowing of oily wastes and incessant oil spills. In the oil-producing states of Nigeria, an average of one oil spill occurs every week. In the delicate ecosystem of the Niger Delta, these oil-related accidents cause grave damages to the environment and all that it hosts. Gas flaring affects plant life, pollutes the air and water, and is responsible for acid rain which causes corrosion of roofs and destruction of vegetation. (Awajiusuk F. J., Environmental Degradation in the Niger Delta: An Ethical Appraisal, 2011).

The Nigerian National Petroleum Corporation (NNPC) in showing the impact of oil exploitation on the Niger Delta environment says:

> We have witnessed the slow poisoning of the waters of this country and the destruction of vegetation and agricultural land by oil spills which occur during petroleum operations. But since the inception of the oil industry in Nigeria more than twenty five years ago, there has been no concerned and effective effort on the part of the government, let alone the oil operators to control the environmental problems associated with the industry (Nigerian Vanguard Newspapers, 2010).

The occupations of the people, both fishing and farming have been affected adversely. There is a steep decline in traditional local economy and infrastructure. In the communities where the people are farmers, the economy is badly affected due to the degradation of the land resulting mainly from oil spill, and gas flaring. The yields from the farms are reducing dramatically. Much labor is put in but with less harvest. The fishermen are not left out of this

economic hardship as the waters too are polluted with oil spills and acid rain causing the fishes to die or to migrate into the Atlantic Ocean (Awajiusuk F. J., 2011).

Land in the Niger Delta is also degraded as a result of the method of disposing waste from oil exploitation. This is due primarily to lack of facilities for the treatment of chemical waste. The result of this is land that is toxic, unproductive and un-cultivatable. Shell Petroleum Development Company does not have adequate facilities for the treatment of oily or chemical waste (including polluted soil and debris) in its Eastern Division. Thus we find these wastes and polluted soil being treated manually.

Fortunately, Shell International admits that: "Most of the facilities were constructed between the 1960s and early 1980s to the then prevailing standards; Shell Petroleum Development Company would not build them that way today." (Bulletin, Shell International Petroleum Company, 1995). According to the 2011 UNEP report on Ogoniland, years after Shell had evacuated Ogoniland; the land is still degraded and battling with recuperation. The report says it would take between twenty-five and thirty years to clean up Ogoniland and Ogoniland is just a small fraction of the Niger Delta. (UNEP, 2011). Who will clean up Andoni and waterways and underground waters, Ijawland and waters, Eastern Obololand and waters that have lost all semblances of aquatic cultural occupations? An interview with Chief Brown Asuk of Asuk Oyet and King Aaron M. Ikuru of Ikuru Town, Andoni, decries the same deplorable situation. These people cannot wash, bathe, cook and drink water from wells and streams (a staple before oil exploration) any longer. When it rains, people run inside because rain water (brackish in color from acid and chemicals and gas flaring) irritates the skin. According to Venerable David G. Enyinna of St. Simon's Church in Ikuru Town, pelicans used to come in droves to feed on mullets and other fishes at the beginning of dry season; today, they don't show up any longer. Very often you a find a group of dead oil soaked birds, floating along the Andoni Rivers from the deep recesses of the Niger Delta (Interview with Chief Brown Asuk, King A.M. Ikuru and Venerable David G. Enyinna, 2011).

Gas flaring accounts for a high degree of pollution in the Niger Delta as many of the flares in the region burn without sufficient oxygen or with a small amount of oil mixed with the gas. The effects of this are primarily air pollution resulting in acid rain and health hazards. All these affect the flora and fauna. Investigations reveal that inhabitants of the communities involved are firmly convinced that gas flaring has terrible effects on their health, aside from reducing crop production and damaging their homes. They assert that chemical clouds of soot are deposited on nearby lands, water and buildings. Thus, vegetation, and buildings near flare sites are visibly damaged. Che Ibegwura laments:

> For many years we have been living with continuous flaring of gas from Totalfina Elf. Our farmlands have been polluted. We labor hard to plant but little comes out. Our roofs are corroded. Our air is polluted. Our children are sick. Even the rain water we drink is contaminated with black soot from the gas flares. We cannot continue with this suffering. We need to take legal action to protect ourselves, our children and our future. (Interview with Chief Ibegwuru of Erema and Egi Community in Rivers State, 2011).

Several studies have reported on the safety of seafood in Nigerian coastal waters and there are indications of Bioaccumulation of heavy metals in fish., (James & Okolo., 2003) in periwinkle, (Ayenimo, C.E, Amoo, & F.B., 2005) [26] in Crustacean (Chindah, 2004) and even in crops harvested in oil producing areas (Hart, Oboh, & I.S. Barimalaa, 2005). Inhabitants of the Niger Delta most times complain of fish tasting paraffin (kerosene). This shows hydrocarbon contamination. This is very common in Soku where fish from the rivers can hardly be eaten. (Awajiusuk F. J., 2011). It is also common knowledge in Andoni where the elephant headcount is now estimated to be only 14 from more than 3000 in the early 1960s. A worse situation is recorded in Aluu the home of Shell's Agbada flow station and gas site. The natives of Aluu complain that live fishes from their streams (especially catfish) have their heads infested with maggots (Interview with Chief S. J. Oji of Aluu, 2011).   An investigation conducted by the World Bank found that hydrocarbon pollution in Ogoniland water was over sixty times U.S. limits. Furthermore, the Project Underground reported to have found the hydrocarbon pollution in one of the source to be 360 times the limit of the European Community (UNEP, Environmental Assessment of Ogoniland, 2011).

The unwholesome activities of the inhabitants of the Niger Delta have impaired the Niger Delta environment terribly. Such activity as the illegal refining of petroleum products by natives has affected the land, water and air of the areas where they are located. The artisanal refineries affect the vegetation by causing its de-coloration. The land is burnt as a result of the fire used in the refining process. This is washed into surrounding water bodies. The air is also affected by the thick smoke emanating from the artisanal refineries. Also the prevention of officials of the oil companies and monitoring agencies (the Department of Petroleum Resources, National Oil Spills Detection and Response Agency (NOSDRA) and others) from accessing spill sites has very damaging impact on the environment.

Prevalence of Certain Diseases

Many scientific studies have linked breathing particulate matter to a series of significant health problems, including: aggravated asthma, increases in respiratory problems like coughing and difficult or painful breathing, chronic bronchitis, decreased lung function, and premature deaths. It has also been clearly established and accepted that exposure to benzene and its metabolites cause acute non lymphocytic leukemia and a variety of other blood-related disorders in humans. Gas flares emit particulate, sulphur dioxide, benzene, toluene, hydrogen sulphide and a good many other identifiable toxins. Benzene, a chemical present in associated gas has been discovered to be cancerous. The effect of these elements on the health of the inhabitants of the region is disastrous. Given the spread of these flare stacks in the region it is quite likely that more than 30,000 people actually live within a kilometer of one flare stack. This results in the prevalence of cancers, asthma, chronic bronchitis, and numerous heart and lung complaints and, in effect, a great many premature deaths and a high infant mortality rate. According to UNDP/World Bank Report each year in Bayelsa State exposure to gas flares can cause 49 premature deaths, 4,960 respiratory illnesses among children and 120,000 asthma attacks

(Environment Rights Action, 2011). Skin rashes, tumors, gastrointestinal problems, cancers and malnourishment are all attributed to oil exploitation activities in the Niger Delta. Many children have been observed with distended bellies and light hair, which are evidence of kwashiorkor, a protein deficiency syndrome. The spread of kwashiorkor in these communities are attributed to decline in fish catch and reduced agricultural productivity as a result of the pollution of rivers, ponds, sea waters and land by oil industry operations (Heritage).

At the University of Port Harcourt Teaching Hospital, the doctors complain of dramatic increase in the frequency of asthmatic attacks. For asthmatics, the usual advice is "learn to live with the ailment." They are told that they would die with it and not of it. Today the story is different as the attacks are becoming more frequent and resisting treatments. Apart from asthma, other respiratory diseases are now more frequent. Coughs have become more difficult to treat. They have also observed an increase in breast cancer. This has taken the lives of several young women, while the removal of breast lumps is now a regular exercise in the hospital (Akpa, 2011).

DISCUSSION

This section is designed to follow up the exposition of the Niger Delta deplorable condition and then deploy the Four Way Test to assess the activities of multi-national oil companies operating in the Niger Delta. The four way test asks the following relationship questions and provides relevant answers.

Is it the Truth?

Truthfulness is when in any situation, you always tell the truth. Truthfulness is a very important trait to have. If you always tell the truth, people will trust you much more than if you do only sometimes or never. When you ask yourself this question, you are asking yourself if what you are about to say is honest. In many instances, people stray from the truth in order to keep themselves, friends or organizations from getting into immediate trouble.

When Shell Petroleum Development Company (SPDC) claims that its operations in the Niger Delta meet international best practices, is that the truth? When they attribute virtually all oil spills in the Niger Delta to vandalization despite the fact that their pipes are obsolete, have corroded and explode, is that the truth? When in January 2012, Shell claimed that 40,000 barrels of oil were spilled at the Bonga oilfield and at a conference in Warri made a counter claim stating that 50,000 barrels were spilled which is the truth (Eraction.org) ?[35] Shell is known to trade in lies in the Niger Delta. For instance, the claim by Shell that almost all oil spillages are the outcome of vandalization and sabotage, this is not correct. They claim to have cleaned spill sites when have not. This also is lying. People trade in falsehood to blind friends, relatives, clients, customers, partners and benefactors. For a business to be truly professional, it must not have any fraudulence. In the business world, nothing is more important than whether or not information is fact. Lying is unethical, regardless of the situation.

Is it Fair to all Concerned?

Fairness is when you treat people the way you would like to be treated. It can be likened to the Golden Rule in the Bible which says: "Do unto others as you wish them do unto you (Luke) ."[36] When something is fair, it is free from bias, dishonesty, or injustice. A quote says, "People may not remember exactly what you did, or what you said, but they will always remember how you made them feel." The second question asked by Rotary's test requires justice and equity. It asks, "Is it fair to all concerned?" Like the previous question, this one is imperative to a professional community. Businesses are generally considered to be cutthroat, something that may or may not be a stereotype. Taylor's second question helps prevent scandals, such as those prevalent in the depression era. Fairness also has meaning to the average person. When making a decision or forming an opinion, it is important to consider whether or not it is fair to all involved, especially in this age of awareness and tolerance. What kind of place would this world become if no one thought of the good of mankind before acting? We have to promote good will and fairness for all humanity, which was created to be equal. Everyone deserves to have the opportunity for equality.

"In any well-functioning industry operation, maintaining rights of way is both essential to and indicative of good environmental management". While the Shell Petroleum Development Company database shows a number of pipelines and assets referred to as "abandoned" or "decommissioned," the way in which some facilities were left does not seem to have adhered to Shell Petroleum Development Company's own standards. In Ogoniland for example the area is littered with oilfield resources which had been abandoned in an unacceptable manner. The UNEP report asserts that the current state of the abandoned facilities in Ogoniland do not meet international best practices (UNEP, 2011). When oil spills in the Niger Delta are cleaned up manually and that in the Gulf of Mexico with the latest technology, when fishes and other aquatic animals are allowed to die and the land degraded; is this fair to all concerned? When oil companies in the Niger Delta tag all oil spillages as acts of sabotage so as to avoid payment of compensations; is this fair to the inhabitants of the Niger Delta?

Hydrocarbons and gasses such as nitrogen oxides, tetraethyl lead and carbon dust particles are emitted into the atmosphere and carbon-monoxide accumulated, forming a cocktail and causing respiratory problems. Is this fair to the inhabitants of the Niger Delta? A situation where the host communities are deprived of their sources of drinking water, their farmlands and even aquatic lives just for the benefit of the oil companies is far from being fair.

In May 1996, at the annual general meeting in London, Group Chairman of Shell states that "the charge of 'double standards' is mistaken because it is based on the notion that there is a single, absolute environmental standard … As long as we continue to improve, varying standards are inevitable". In the same vein, the Group Managing Director C. A. J. Herk's asked, "Should we apply the higher–cost western standards thus making the operation uncompetitive while at the same time depriving the local work force of jobs and the chance of development?" Or should we adopt the prevailing legal standards at the sites while having clear plans to improve towards 'best practice' within a reasonable time frame (Watch) ?" It is unfair and morally wrong for the lower value (economic gains) to override the higher value (the lives of the inhabitants of the Niger

Delta region). The fair and morally right thing to do when there are conflicting values is for the higher value to override the lower. Ethically, the highest value is "life" and not economic gains. The inhabitants of the Niger Delta need to alive to be employed. For the government officials to be their brothers' keepers they must do everything to stop gas flaring in the Niger Delta. More than anything else they would need to apply the golden rule (which is a summary of the common good) by making sure that they do to the people of the Niger Delta as they would wish others do to them.

Will it build Goodwill and Better Friendships?

Friendship is an in-depth and relaxed relationship. Friendship combines trust, support, communication, loyalty, understanding, empathy, and intimacy. Goodwill is the willingness to do good and the willingness to help others. Goodwill is always important no matter what people say or do. Friendship means a lot. If you have friends you will be much happier than if you are by yourself. Goodwill and better friendships are basically the same thing. They both have to do with making friends and improving your relationships with friends. The third question: "Will it build good will and better friendships?" On the surface, it may seem like a question that has little or nothing to do with ethics, but rather the betterment of oneself. Some may take it as a way to increase relations that will result in more unfair and despicable ways of commerce. Despite the way it appears, this is truly a moral issue. If one thinks about it clearly, it makes sense. If something does not build good will and better relations, how could it possibly improve the state of the world? We have to use community service to promote altruism in our communities, in the country and all over our planet. If we help others, friendships will result and the world will become increasingly more peaceful.

When virtually all oil spillages in the Niger Delta are tagged acts of sabotage and compensations avoided, can this build goodwill and better friendship between the oil companies and their host communities. Of course it is obvious from all available data that the oil companies do not crave the friendship and goodwill of their host communities.

Will it be Beneficial to all Concerned?

When something is beneficial, it is helpful. This question may be the most significant of them all. "Will it be beneficial to all concerned?" The idea obviates the idea of collaboration and tries to put an end to lopsided proposals. Of course, when I mention collaboration, I mean it in the sense of working together as a way to blackball other sides, not as cooperation between two parties. In this sense of the term, collaboration is a terrible thing, and I believe the third question does its best to prevent that from ever happening.

Oil exploitations in the Niger Delta have affected the world positively, one may add, by making life easy but at the local level, these exploitations have turned into curses and nightmares. Unfortunately, the land and the people in the Niger Delta are treated with utter disregard. They are not partakers in the benefits of the dollars that the Nigerian nation is awash with. Since the end justifies the means, for them there is no economic justification for spending money replacing

the pipes or putting in place equipment that will facilitate the utilization of associated gas in the Niger Delta. But this should not be because, in the final analysis, the economy exists for the human person and not the human person for the economy. Therefore, economic interests should not over-ride the value for human well-being. Like Ian Barbour asks: Can the extermination of a small minority to make the majority happy or the increase of the total national income of a country at the expense of a great poverty for one segment of a country can be justified (Barbour, 1996).

All available data bring to fore the fact that multi-national oil companies operating in the Niger Delta do not place value on such ethical/business principles as truth-telling, honesty, fairness, goodwill, the benefit of all and above all the respect for life (flora and fauna). The one thing we can say with utmost certainty is that oil companies create these problems through their own negligence, through their own cost-cutting, through their own corner-cutting. Consequent to the oil spill in the Gulf of Mexico, British Petroleum Chief Executive Officer Tony Hayward was replaced by Robert Dudley, a British Petroleum managing director. If oil companies' managing directors were to be changed consequent upon the occurrence of every oil spill in the Niger Delta, may be by now even the least worker would have become a Chief Executive Officer. The fact that oil spills in the Niger Delta have not reached the radar the way the Gulf spill has, does not make them less real, frightening, or less a testimony to the abuse of power oil companies flex unchecked globally. The statement of British Petroleum's Chairman Carl-Henric Svanberg referring to some people as "the small people," is quite revealing. Ultimately, it is only by seeing people and the environment as "little" and worthless that the oil companies' senseless treatment of both the environment and people of the Niger Delta can make sense. If the people and environment of the Niger Delta were players, the intentions of these companies would have been different. But as long as it is about crude and not about the environment and its human and non-human occupants, the shameful situation in the Niger Delta becomes more explainable.

RECOMMENDATIONS

Based on all the researches carried out in the Niger Delta, we wish to make the following recommendations. These recommendations would however be divided to take into account the three groups involved namely, the multinationals, the Nigerian government and the inhabitants of the Niger Delta.

The Multinational Oil Companies:

The multinationals operating in the Niger Delta should learn to use The Four-Way Test in Self-evaluation. They should evaluate their operations in the Niger Delta. Applying the question "Is it the truth?" to business procedures can uncover important inconsistencies. By applying the other questions of The Four-Way Test to their operations, multinational corporations may discover the need for fundamental changes which may warrant changes in their *modus operandi*. They should tell the world and especially the Nigerian government the true situation of things. They should learn to issue public statements only in an objective and truthful manner especially

concerning management of oil spillages and even the extent of their damages. They should avoid deceptive acts and statements.

Multinationals operating in the Niger Delta should shape their policies and plan their decisions to accommodate the people and environment of the Niger Delta. Application of The Four-Way Test in their business decisions would help companies attend to the needs of the people and environment of the Niger Delta. Shell and other multinational oil companies should ensure a systematic clean-up of the Niger Delta environment and also put an end to gas flaring.

Companies should give regular updates of cleaning activities publicly. As part of their Corporate Social Responsibility policy, multinationals should set up a direct complaint mechanism for affected communities to express their grievances. This would help give the host communities a voice, resolve problems that arise thereby nibbling them in the bud.

Multinationals in the Niger Delta should hold paramount the safety, health, and welfare of the inhabitants of the region. The Fundamental Canons guiding business, and perhaps Rotary's Four-Way Test, should always play in the background. For certain, a successful professional absolutely needs to have these virtues running as source operating language or derailment is certain to befall them. In all, Truthfulness, Fairness, Friendship and Goodwill are all qualities every multinational corporation operating in the Niger Delta should cultivate. They should consciously reflect on their activities in the Niger Delta. This is a worthwhile exercise for all multinational oil co-operations operating in the Niger Delta. They need to urgently review the business ethics of their corporations and try to align them with Four Way Test.

The Federal Government of Nigeria

The Federal Government of Nigeria holding 60% of the shares of most multinational oil co-operations should ensure the enforcement of environmental laws by multinationals. They should stop blowing the air and put an end to gas flaring. They should make that the Niger Delta environment is restored and sustained. They should stop double talk and try to win back the confidence of the people. They should stop being apathetic towards issues of pollution in the Niger Delta.

The Niger Delta People

The Niger Delta people should stop asking for compensations and concentrate on asking for a restoration and sustenance of their environment. If possible they should insistent on the stoppage of oil exploitation in the region. They should also insist on studying the Environmental Impact Assessment carried out before a hole in dug in their territory. The people should get the oil companies to sign an undertaking to abide by international best practices.

They should stop vandalizing oil facilities. No reason is good enough to justify this act. This act is not fair both to the environment and the people themselves. They have no justification for any act of criminality. They should also allow the clean-up teams access to spill sites.

CONCLUSION

Oil exploitation in the Niger Delta has had both negative and positive impacts. For the world it is a welcome venture but for the people of the Niger Delta it is one long nightmare they have been praying to awaken from. The Federal Government of Nigeria entrusted the future and wellbeing of the Niger Delta into the hands of the oil companies. However, the failure of oil companies operating in the Niger Delta to be able to curtail the damage and stop the incessant oil spills occurring in the region, has been a stunning admission that the Federal Government has essentially entrusted the environment to companies who have demonstrated absolutely no ability to safeguard that trust. What is evident from the horrific tales in the Niger delta is that we, the world, have ceded power to the oil companies to destroy our world, and the question is, how can we ever put the genie back in the bottle? The answer here is that oil companies should employ the Four Way Test in carrying out their business in the Niger Delta. In applying the four way test to their operations, they will enjoy a constant increase in the goodwill, friendship, and confidence of the Niger Delta people.

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THE IMPACT OF THE LANGUAGE SPOKEN AT HOME WHEN GROWING UP AND HISPANIC PREFERENCES IN LEADERSHIP

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ABSTRACT

There are many options that exist when conducting research in the field of leadership. The U.S. Census Bureau (209) reported a population of 228,699,523 of individuals that spoke English language at home consisted of children from 5 years old and over. In addition, a population of 35,468,501 of individuals that spoke Spanish language at home consisted of children from 5 years old and over.

In the seminal meta-analysis of gender and leadership, Eagly, Johannesen-Schmidt and Van Engen (2003) meta-analyzed 45 studies which compared men and woman on measures of transformational, transactional, and laissez-faire (passive-avoidant) leadership styles. The studies were conducted with people occupying leadership roles who were rated by their subordinates, peers, and superiors.

The largest study of implicit leadership was the Globe Research Project (House, 2004). This study surveyed over 17,000 participants worldwide about what contributed to the participants 'concepts of outstanding leadership. The 17,000 participants were from 62 countries/societies. The primary focus of the Globe study was to analyze how cultural preferences predicted leadership preferences. While the study added significantly to the body of literature related to implicit leadership, the study did not report how the language spoken at home when participants grew up moderated their views of leadership.

Participants came from employees at various Texas offices from two Fortune 500 companies. Links to the on-line survey were sent through a variety of social networking sites. There were 106 participants recruited in this manner. In this study, an ANCOVA was run for the categorical independent variables of gender and language spoken at home when growing up, and the co-variant of age. The six Globe Leadership preferences were the dependent variables.

INTRODUCTION

When conducting research in the field of leadership many options exist. Some researchers, for example, perform focus group interviews or case studies. The information garnered in these types of studies is very rich. However, typically these types of studies are conducted with small samples, which limit the ability to generalize their results. Additionally, even with methods of triangulation, these types of studies tend to lack something equivalent to an alpha level for establishing significance. They are primarily very rich, but descriptive information.

Many quantitative leadership studies tend to use the survey method. Generally, these types of studies fall into one of three designs. In *Leader-Only* types of studies, researchers ask leaders to complete self-assessments of how they lead. Demographic comparisons are often made, such as self-assessed leadership styles of women versus men. Leaders might also take a second instrument such as a personality assessment to assess the relationship between the constructs measured. For example, a researcher might explore relationships between leaders' personality scores and self-assessed leadership scores.

Leader-Only types of studies suffer from the problem of leader self-perception. Any working adult has encountered at least one leader who was a megalomaniac. The followers of that particular leader believed she/he was a very poor leader. Yet, the leader's inflated sense of self would result in that leader completing a self-assessment that would indicate she/he was an extraordinary leader. To some degree, the law of large numbers eventually accounts for some of this self-assessment bias, but it will still be present in leader-only types of studies.

In an *Other-Than-Leader* type of study, some combination of stakeholders assesses how the leader leads. Often these raters are the leader's followers, but they can also be peers, the leader's own boss or some other stakeholder group. This type of assessment provides a more realistic assessment of how the leader actually leads than does a leader-only study. One challenge to an other-than- leader study, however, is co-variation. While not absolute, in a large percentage of these types of studies follower independent variables such as age, experience and education often co-vary with the leader.

For example, a 60 year old leader who holds a masters degree and has been leading for 20 years "typically" is at an elevated level of an organization, compared to a leader who is 22, holds a bachelors degree and who is in her/his first year as a leader. More times than not, the followers who work directly for the 20 year veteran are also likely to have many years of leadership experience, advanced education and so forth. Conversely, the followers of the younger, new leader, more than likely hold educational credentials of college or less and have more than likely had limited leadership experiences themselves. These co-variations between leader and follower demographics can be, to some degree, controlled for statistically, but a large number of other-than- leader types of studies do not report the results of the many spurious follower variables that might influence ratings of the leader.

A third type of study is often called *Implicit Leadership*. In this type of study, no "actual" leader is rated. Rather, the concept of desired or outstanding *leadership* is measured. In these types of studies, participants complete a survey concerning their prototypes of what constitutes

outstanding leadership. There may be a second instrument, such as personality, as well, in order to look at associations between the second construct and participants' implicit views or what constitutes outstanding leadership, or the leadership scores obtained may be analyzed for participant demographics.

To date, the largest study of implicit leadership was the Globe Research Project (House, 2004). This study surveyed over 17,000 participants worldwide about what contributed to the participants' concepts of outstanding leadership. The 17,000 participants were from 62 countries/societies.

The primary focus of the Globe study was to analyze how cultural preferences predicted leadership preferences. While the study added significantly to the body of literature related to implicit leadership, the study did not report how the language spoken at home when participants grew up moderated their views of leadership. The present study builds upon the findings of the Globe study by analyzing how participant variables of language spoken at home, gender and age in an Hispanic sample.

PURPOSE OF THE STUDY

Although Project Globe was a landmark study, a variety of other variables besides culture undoubtedly contribute to the implicit prototypes of outstanding leadership that individuals hold. This study used the *Project Globe Research Survey* to assess six measures of leadership. Three demographic variables were then analyzed: participants' gender, age and language spoken at home when growing up.

PREVIOUS STUDIES

The Impact of Language Spoken at Home

The U.S. Census Bureau (2009) reported a population of 228,699,523 of individuals that spoke English language at home consisted of children from 5 years old and over. In addition, a population of 35,468,501 of individuals that spoke Spanish language at home consisted of children from 5 years old and over. These children were included in household, living in institutions, college dormitories and other group quarters.

Flores and Tomany-Korman (2008) surveyed parents of 102,353 and children 0 to 17 years old in non-English-primary-language households and English-primary-language households. The parents of non-English-primary-language children were ten times likely to not have graduated from high school. The children from these parents resided in households with a sizeable number of children and adults. Their affiliations were unsuccessfully to have full-time employment. The parents were more likely to be immigrant born. Non-English-primary-language households were three times more likely than English-primary households to be poor, and roughly 2/3 of non-English-primary-language households were poor or near poor, measured up to 1/3 of the English-primary-language households.

Gender and Leadership

In the seminal meta-analysis of gender and leadership, Eagly, Johannesen-Schmidt and Van Engen (2003) meta-analyzed 45 studies which compared men and woman on measures of transformational, transactional, and laissez-faire (passive-avoidant) leadership styles. The studies were conducted with people occupying leadership roles who were rated by their subordinates, peers, and superiors using the *Multifactor Leadership Questionnaire*. The results of the meta-analysis revealed that female leaders were more transformational and scored higher on the subscales of charisma, idealized influence, inspirational motivation, intellectual stimulation, and individual consideration than their male counterparts. Female leaders also scored higher than males on the first subscale of transactional leadership, contingent reward. Male leaders scored higher on the subscales of management by exception active and management by exception passive. The study also found that women surpassed men in areas of leadership styles that were positively related to effectiveness while men's leadership styles had a negative relationship to follower effectiveness.

Implicit Leadership

Paris (2004) studied leadership preferences among 1,631 mid-level managers in 17 countries. Females viewed participative leadership as a more important contributor to outstanding leadership than did male managers. No differences were found for five other dimensions of leadership: Charismatic/Value Based, Team-Oriented, Humane-Oriented, Autonomous and Self-Protective. Differences were found when hierarchical linear modeling was used to add the moderators of gender egalitarianism and/or power distance. Cultural values pertaining to gender egalitarianism and to power distance, however, did moderate the finding for gender differences for team oriented, autonomous, self-protective leadership.

Peters, Kinsey and Malloy (2004) provided 48 African American students a series of vignettes in which the names of the leaders were rotated to indicate male or female African American names. The vignettes were also rotated to demonstrate high and low risk decisions being made by the leader in the vignette. The students then worked in groups to assess the vignette leaders. Male and female participants differentiated men in terms of the leadership they displayed in the vignettes but did not similarly differentiate women.

Sczesny, Bosak, Neff, and Schyns (2004) surveyed female and male management students in three different countries, Participants were asked to estimate to what extent theoretical male executives, female executives and executives in general possessed person oriented and task-oriented traits. Participants of all three countries estimated female executives to possess person-oriented traits more often than executives in-general.

Keller (1999) studied individual differences in implicit leadership theories as a function of personality traits and perceived parental traits. The personality traits consisted of agreeableness, conscientiousness, extroversion, openness, neuroticism, self-esteem and self-monitoring, influence implicit leadership theories. The eight elements of leadership included sensitivity, dedication, tyranny, charisma, attractiveness, masculinity, intelligence and strength. According

to the study agreeableness had a relation to sensitivity; however had a negative relationship to tyranny; conscientiousness had a positive relationship to dedication; extroversion had a positive relationship to charisma and self-esteem had a positive relationship to strength. Neuroticism and self-esteem had a far above negative correlation as neurotic people most likely have low self-esteem. The concept of idealized leadership images suggested personality traits did support the results.

Age and Leadership

It is common to find leadership studies in which leader age is reported. Often, these are studies in which the leaders' self-assessed their styles, rather than studies in which followers actually rate their leaders. Several, large sample studies, however, in which the leadership ratings are those of the followers do exist. The overall findings of this body of literature seem almost stereotypical. Older leaders tend to be rated higher on dimensions of leadership such as being calm, conservative, considerate, cooperative and deferent to authority. Younger leaders tend to be rated higher on being energetic, exciting and friendly, but tend to emphasize short-term results, have a production focus, and are somewhat self-focused.

In one of the largest studies performed, Sessa, Kabacof, Deal and Brown (2007) analyzed 79,866 direct report ratings of leaders using the *Leadership Effectiveness Analysis* instrument. Participants came from more than 6,000 North American companies in 23 industries across 48 states. Older leaders were rated as more calm and as using a more considered approach that draws on the skills and abilities of others. Younger leaders were rated as more energetic. They were also seen as focused on attaining short-term results and were more self-centered.

Kabacoff and Stoffey (2001) administered the *Leadership Effectiveness Analysis* to 640 managers in the 25 – 35 year range and 640 managers in the 45 – 55 year range. Each manager underwent 360-degree evaluations from followers, peers and supervisors. Participants were from 282 North American companies. Older managers were rated higher on leadership that emphasized being conservative, practicing restraint, cooperation and deference to authority. Younger leaders were rated higher on strategic thinking, excitement, having a tactical, management focus and emphasizing production.

In a study of 285 team members and 21 team supervisors in the pharmaceutical industry Kearney and Gebert (2008) found that the relationship between transformational leadership and team performance was positive when the leader was older than the other team members, but non-significant when the leader's age was closer to the mean age of the team members

Barbuto, Fritz, Matkin and Marx (2007) used the *Multifactor Leadership Questionnaire* with 234 followers of 56 leaders from a variety of organizations. The 46+ age group was rated the highest for transformational leadership including the subscales of idealized influence, intellectual stimulation, individualized consideration, and effectiveness. The lowest ratings were given to the 36–45 age groups for intellectual stimulation and individualized consideration.

Gilbert, Collins and Brenner (1990) asked 1,634 employees to rate their immediate supervisors on 12 dimensions of leadership. Significance for leader age was only found on four of the 12 dimensions. Older leaders tended to delegate more effectively than younger leaders,

while younger leaders were rated higher in the leadership dimensions of being a calming influence, being friendly and enjoyable.

Gender Differences Among Hispanic Participants and Leadership

Corona (2010) studied emotional intelligence and transformational leadership among 103 individuals from a national Hispanic American business organization. The respondents consisted of Latinos and Latinas. Latinas were rated higher than Latinas on transformational leadership.

PARTICIPANTS

The participants in this study consisted of 106 working adults from the state of Texas. The sample ranged in ages from 20 to 66 with a mean age of 38 years. There were 106 participants 39 male, 67 female. These individuals were self-identified as language spoken at home in English which consisted of 15 male and 33 female and language spoken at home in Spanish consisted of 24 male and 34 female.

INSTRUMENT

The instrument used was the *Project Globe Leadership Questionnaire*. This instrument has been used by over 20,000 participants worldwide. To develop the instrument, two empirical pilot studies were conducted in 28 countries to assess the psychometric properties. In the first pilot study, the survey was distributed in 28 countries to people who had full-time working experience as a white-collar employee or manager. Exploratory factor analysis, aggregation analysis, reliability analysis, and intra-class correlations were then conducted on the results of the surveys. A second pilot study was conducted in 15 countries that did not participate in the first pilot study in order to replicate the scales in a different sample. The results confirmed the findings from the first pilot study and verified through aggregation tests their target level of analysis.

The instrument consists of 112 questions. For each question, the participant is asked to rate to what degree that behavior or characteristic inhibits or contributes to outstanding leadership. The rating scale ranges from one to seven. The instrument measures 21 first-order dimensions of leadership that can comprise six second-order dimensions. The second-order dimensions of humane-oriented leadership, autonomous leadership and self-protective leadership, however, are very similar to the first-order dimensions that comprise them. Consequently, they were not used in this study. This resulted in the use of six second-order dimensions. The second-order dimensions are, *Team Oriented, Charismatic/Value-Based Participative, Humane-Oriented, Autonomous and Self-protective* leadership.

METHOD

The data used in this study was collected through Survey Monkey. Participants were assured anonymity, the ability to choose not to participate without any penalty, and the ability to withdraw from participation at any point. No compensation was offered for participation.

Participants in this study were recruited from two primary sources. The first source consisted of employees at various Texas offices from two Fortune 500 companies. The organizations approved using company email to invite employees to participate. Three-hundred and eighty-five of the participants came from these sources. Additionally, links to the on-line survey were sent through a variety of social networking sites. There were 106 participants recruited in this manner.

Analysis of Co-Variance (ANCOVA) is a statistical technique for comparing differences in dependent variables. In this study, an ANCOVA was run for the categorical independent variables of gender and language spoken at home when growing up, and the co-variant of age. The six Globe Leadership preferences were the dependent variables.

RESULTS

Table 1 shows the distribution of gender and language spoken at home while growing up.

Table 1
Distribution of Gender and Language Spoken at Home When Growing Up

	Male	Female	Total
English	15	33	48
Spanish	24	34	58
Total	39	67	106

Table 2 provides the means of the importance participants gave to the six dimensions of leadership. On a seven point likert-like scale, three leader behaviors were rated as contributing somewhat to outstanding leadership: Charismatic/Value-Based, Participative and Team-Oriented.

Table 2
Characteristic That Contribute to or inhibit Outstanding Leadership

Characteristic	Mean	SD
Contributes Somewhat		
Charismatic/Value-Based	5.89	0.84
Participative	5.63	1.01
Team-Oriented	5.55	0.72
Contributes Slightly		
Humane-Oriented	5.42	1.02
Has No Impact		
Autonomous	4.49	1.05
Slightly Inhibits		
Self-Protective	3.47	0.73

Table 3 provides the results of a three-way Analysis of Co-Variance for the importance of being a participative leader. A significant main effect was found for gender and a significant interaction effect for the interaction of gender and language. Latinas ($M = 5.71$) believed being a participative leader contributes to outstanding leadership more than Latinos ($M = 5.29$), $p = .05$.

Table 3
Analysis of Co-Variance for Participative Leadership

Source	Type III Sum of Squares	F	Sig.
Age	.66	.63	.42
Gender	4.11	3.95	.05
Language	.00	.00	.96
Gender * Language	6.15	5.92	.02

Figure 1 illustrates the interaction of gender and language growing up at home. Latinos who grew up in a home in which English was the primary language spoken believed participative leadership was less important than Latinas who grew up in a home in which English was the primary language spoken.

The Importance of Participative Leadership
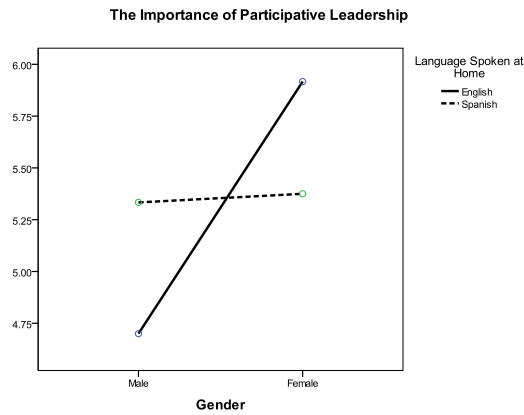
Figure 1. **The interaction of gender and language spoken at home for participative leadership**

Table 4 provides the results of a three-way Analysis of Co-Variance for the importance of being a humane-oriented leader. A significant main effect was found for gender and a significant interaction effect for the interaction of gender and language at p < .10. Latinos ($M = 5.60$) believed being a humane-oriented leader contributes to outstanding leadership more than Latinas ($M = 5.20$), $p = .09$.

Table 4			
Analysis of Co-Variance for Humane-Oriented Leadership			
Source	Type III Sum of Squares	F	Sig.
Age	1.18	.98	.32
Gender	3.53	2.92	.09
Language	1.47	1.22	.27
Gender * Language	4.43	3.66	.06

Figure 2 illustrates that Latinos who grew up in a home in which Spanish was the primary language spoken believed humane-oriented leadership was more important than Latinas who grew up in a home in which Spanish was the primary language spoken, $p = .06$.

The Importance of Humane Oriented Leadership

Language Spoken at Home
— English
--- Spanish
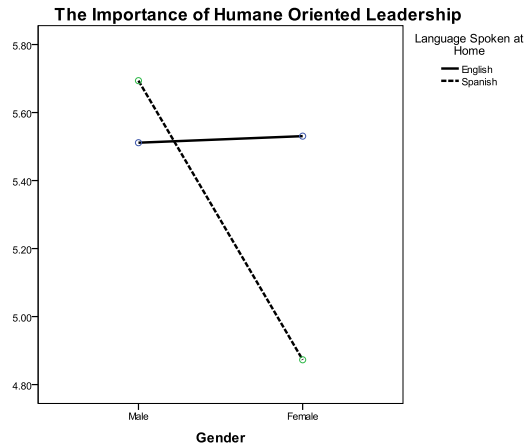
Gender

Figure 2. **The interaction of gender and language spoken at home for participative leadership**

A three-way Analysis of Co-Variance for the importance of being a self-protective leader found a significant main effect for gender at p < .10. Latinas (*M* = 3.35) believed being a self-protected leader inhibits outstanding leadership more than Latinos (*M* = 3.60), *p* = .07.

Table 5 Analysis of Co-Variance for Self-Protective Leadership			
Source	Type III Sum of Squares	F	Sig.
Age	.00	.00	.96
Gender	1.82	3.40	.07
Language	.01	.02	.90
Gender * Language	.22	.41	.51

DISCUSSION

Blair and Covas (2006) found that Latina females were more likely to stay closer to home than Latino males, keep cultural influences, and thus develop professionally higher. In this study female whose parents spoke English at home developed a more Participative leadership influence. According to House (2004) Anglo culture has stronger desired for a participative leadership (5.9) than Latin culture (4.64). It is possible that this is a result of growing up in a family with greater assimilation to the Anglo culture.

| | Table 6 | |
	Gender and Language Spoken Growing Up	
	Gender	Language * Gender
Participative	Females believed more important than male	English was the primary language spoken for Latinas
Humane-Oriented	Males believe more important than female	Spanish was the primary language spoken for Latinos
Self-Protective	Females believed inhibited more than males	

Note. Age and language spoken growing up were not significant. No variables were significant for Charismatic/Value Based, Team-Oriented and Autonomous leadership.

On the other hand, males who spoke Spanish at home had stronger desire for a humane leadership than females who spoke Spanish. If the Hispanic leaders in this study who are English only speakers have become more assimilated to United States mainstream culture and are "earlier generations" than the bilingual Hispanic speakers they might also represent a slightly different socio-economic stratum than the overall bilingual group. A report published by the Mexican Ministry of Foreign Affairs and U.S. Commission on Immigration Reform (2007) indicates that Mexico born workers who migrate back and forth to the United States, on average earn $9,620 per year. First generation immigrants earn $14,138. Immigrants who become naturalized earn $16,553 per year and the United States mean is $24,408. People in this type of household would have a stronger influence from a Latin culture with great male influence as well. Male in the Latin culture is more likely to be the protective one and the caregiver. Males from this type of household would have stronger influence from a Latin culture.

However, according to Blair and Covas (2006) males have a tendency to grow apart from family ties thus being more likely to assimilate the new culture, while female would stay closer to their roots. According to House (2004) Latin culture would have a lower humane-oriented desire (4.72) than Anglo culture (5.20). This could explain why females who grew up in a Spanish speaker household would have a lower desire for a humane oriented leadership style than males.

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TERRITORY AND PRIVACY IN ACADEMIC WORKSPACES

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ABSTRACT

Psychologists and human behaviorists have long noted the tendency of humans to claim and defend territory. The workplace is one context in which these tendencies are played out on a daily basis. Employees and managers alike claim territory and use a variety of verbal and nonverbal strategies to communicate their ownership of that territory to others. Brown (2009) found that territorial behaviors are very common in the private-sector workplace. The current study aims to see how common such behaviors are in the academic workplace. Academia as a place of employment is distinct from private-sector employment in numerous ways; as such, one can expect that territory will be defined and communicated differently. This study found that in regards to territoriality and privacy the academic workplace diverged from the business workplace. While the literature espouses a clear connection between having personal territory and having privacy, the connection is not as direct in faculty workspaces. When compared to the workplaces surveyed by Brown, territorial behaviors are relatively rare in the academic workplace because an individual faculty member's territory tends to be clearly defined. It is also respected by others (including department chairs, the academic version of a supervisor) to an extent not seen in other professions. Faculty members believe that they have complete control over their offices, and that attitude is generally respected by department chairs, administrators, and co-workers. In short, faculty members don't mark or defend their spaces nearly as much because they do not have to.

INTRODUCTION AND BACKGROUND

Psychologists and human behaviorists have long noted the tendency of humans to claim and defend territory (Ardrey, 1966, Lorenz, 1969; Brown, 2009). Employees tend to lay claim to both spaces (e.g., offices and cubicles) and objects (computers, phones, office supplies, files, etc.), and they communicate their possession of these places and items in verbal and nonverbal ways. Co-workers are expected to respect an employee's territory by, for example, asking permission before using a claimed object or knocking on a door or other permanent item (such as a cubicle wall or desk) before entering another's workspace. Employees also view their spaces as

extensions of their identities and often arrange or decorate the spaces to communicate those identities to others.

Businesses, too, lay claim to the spaces and objects within their walls, viewing them as belonging to the organization and not to individual employees. In these cases, it is the business itself, through its management staff, that controls the assignment, use, appearance, and arrangement of spaces. Some businesses have introduced shared workspaces to increase efficiency or decrease costs; others have introduced "open" workspaces to encourage employee collaboration and creativity. Both of these types of workspaces complicate how individual employees can define which spaces are "theirs" and which are not. Even in traditional workspaces, where employees have their own offices or cubicles, employers declare their right to manage employees' territories by limiting the amount or kinds of modifications (e.g., decoration, arrangement) employees can make on the spaces in which they work; many also enforce standards of cleanliness or orderliness. Nearly every business faces a continual process of territorial negotiation between employees and management; in other words, they are constantly asking (and answering), "Whose space is it, anyway?"

One example from the early 1990s shows just how difficult it can be for managers and employees to negotiate their respective territories—and how badly things can go awry if a working balance is not found. In 1993, Jay Chiat, CEO of Chiat/Day Advertising, declared that the company's offices in Los Angeles and New York would become completely "virtual." No more would employees have their own offices, cubicles, computers, phones, or file cabinets; instead, the Chiat/Day building would be "a freewheeling place where employees checked in each morning to get a workstation, then carried around laptops and cellular phones, plugging in wherever it felt right" (Pearson, 1999). A few large conference rooms remained, though exclusively for meeting with clients. The only personal space employees had were lockers, housed in a separate area of the building, where they could keep personal items and put up, in Chiat's words, "their dog pictures, or whatever" (Berger, 1999, para. 17). Chiat's goal was to free employees from "cubicle bondage" and thereby encourage creativity, out-of-the-box thinking, and productivity. When his managers voiced the need for private space "to think," Chiat replied, "You will be able to think because you'll have *private* space—it just won't be *personal* space" (Berger, 1999, para. 13).

Chiat's experiment quickly encountered practical and psychological road blocks. Without offices and desks, employees had to haul papers, contracts, and storyboards around with them. One employee even used a child's red wagon for this purpose, while others stored files in their cars. Employees were not allowed to sit in the same space more than one day at a time; Chiat himself would make them move if they did. The constant changing of phones and seating arrangements meant that much time was wasted trying to locate people and things; in one case, a manager spent two days vainly searching for the staff in his department. In addition, Chiat had ordered fewer laptops and phones than there were employees, so turf battles arose over equipment, with some employees refusing to check the items back in at the end of the day or sending support staff in before 6 a.m. to check equipment out (Berger, 1999). Faced with the complete removal of all that was "theirs," employees became even more territorial and started "staking out particular spaces for themselves" (Pearson, 1999). One upper-level manager even

took over a meeting room, asserting that it was "his" office "until somebody fires me" (Berger, 1999, para. 31).

The failure of the Chiat/Day experiment shows both the emotional and practical consequences that arise when ordinary territorial impulses are not properly channeled or respected. In the end, even Jay Chiat himself acknowledged what he called employees' "nesting requirement." "It's not so much having an office," he said in an interview, "as having a place" (Pearson, 1999, para. 16). While this example is extreme, territorial behaviors make a regular appearance in nearly every workplace. Brown (2009) classified these behaviors into four categories: *identity-oriented marking*, *control-oriented marking*, *anticipatory defending*, and *reactionary defending. Identity-oriented marking*, also known as *personalization*, refers to the deliberate decoration or modification of an object or space by its owners to reflect the owner's identity (Wells, 2000). Examples of identity-oriented marking in the workspace include displaying favorite knickknacks, travel souvenirs, or photos of family members. When people use modifications or objects to discourage others from accessing or using a space or object, they are involved in *control-oriented marking*. Some examples of this would be putting a sign with one's name on it on one's door or marking one's lunch with a Post-It note in the office refrigerator .

Neither identity-oriented or control-oriented marking ensure that co-workers or managers will not encroach upon what an employee sees as his or her territory. When people sense that others may be infringing on their territory, they often engage in defensive behavior. *Anticipatory defending* refers to behavior that is intended to prevent infringement before it happens. An example of this could be shutting or even locking an office door; the message to others is to keep out of the space. If an encroachment has already occurred, an individual may engage in *reactionary defending* to regain the lost territory. Examples of this kind of behavior include glaring and other expressions of irritation, seeking the support of co-workers in asserting their claims to territory, or filing formal complaints with management (Brown et al., 2005).

In 2009, Brown developed and administered a survey for measuring the nature and extent of workplace territorial behaviors. The survey presented the four categories of territorial behaviors with a list of sample behaviors under each category; respondents were asked to indicate on a seven-point Likert scale how often they had engaged in or witnessed the identified behaviors. The survey was sent to 5,000 individuals in a variety of professions; of the 867 response, Brown identified 663 who worked with at least two other individuals. Of these, managers/supervisors (27%) and clerical/office staff (15%) made up the largest categories. The majority were female and had worked with their current companies an average of more than nine years (Brown, 2009).

The results of Brown's survey shows that territorial behaviors are extremely common in the workplace. The incidence rates for the identified behaviors can be found in Table 1.

Table 1 INCIDENCE RATES FOR TERRITORIAL BEHAVIORS Brown (2009)		
Category	Behavior	Incidence Rate (%)
Identity-Oriented Marking	Brought in personally meaningful photographs (e.g., friends, family, pets, activities you enjoy)	88
	Displayed artwork in my workspace	75
	Brought in work-related items (coffee mug, books)	91
	Decorated the space the way I wanted	86
	Put things in the workspace that represent my hobbies and interests	74
	Brought in items or changed the workspace to make me feel at home	83
Control-Oriented Marking	Created a border around my workspace	53
	Told people about the boundaries of the workspace	39
	Wrote my name all over the workspace	34
	Used signs to communicate that the workspace has been claimed	43
	Told people the workspace is mine	43
Anticipatory Defending	Delayed allowing others to use my workspace until it is clear to everyone that it is mine	28
	Enlisted support of others to protect my space when I am not there	29
	Developed formal rules to protect workspace	26
	Avoid leaving my workspace unattended	34
	Had authorities in the organization identify the workspace as mine	35
	Used locks and passwords so others cannot access my workspace	44
Reactionary Defending	Used facial expressions to express disagreement or dislike towards the infringer	64
	Avoided working with or interacting with the infringer in the future	44
	Explained to the infringer that the workspace was already claimed	53
	Devised a strategy to get back your workspace from the infringer	37
	Displayed hostility towards the infringer	43
	Complained to your supervisor about the infringement	49

The ability to exercise territorial behaviors—particularly marking behaviors—has a profound impact on individual employees as well as on the organizations they work for. Many researchers have noted that allowing identity-oriented marking or personalization in the workplace increases employee satisfaction and the level of commitment to the employer (e.g., Wells et al., 2007). Approximately 70% of U.S. workers personalize their workspaces (Wells & Thelen, 2002), which makes them feel like "individuals" rather than "cogs in a machine" (Wells, 2000, p. 240). Personalization also helps workers cope with job stress and reminds them of positive aspects of their lives outside the office (Wells, 2000; Harris, 1991). The ability to put their mark on workspaces increases both job satisfaction and performance (Scheiberg, 1990; Donald, 1994; Wells, 2000). Even when companies have policies that forbid personalization, employees will find ways to do it anyway (Donald, 1994). Thus the ability to define territory— and to communicate the boundaries of that territory to others—plays a profound role in employee well-being.

Another important effect of having one's own territory at work is the increased potential for privacy. Privacy has been shown to be a necessary element for creativity, innovation, and

productivity. In the mid-1980s, Tom DeMarco and Timothy Lester, private management consultants, organized the Coding War Games, an annual productivity exercise for computer programming professionals. More than 600 developers from 92 companies competed in a series of coding and testing tasks to see which team was the best. In the end, there was an enormous gap between the competitors; the best outperformed the worst by more than 10:1. Years of experience, salary, programming language, and the number of defects had no impact on this outcome. Those who performed the best—defined as being in the top quartile—worked in spaces that were larger, more private, quieter, and freer from interruption than the spaces of those in the bottom quartile (DeMarco & Lister, 1999). In short, those programmers who had more clearly defined and respected territories performed best.

Unfortunately, trends in the modern workplace allow for less and less privacy and personal territory for employees. By 2000, about half of all businesses in the U.S. were organizing employees into work teams; that number has continued to increase dramatically (Cain, 2012). An overwhelming majority—about 90%—of managers support that approach; teamwork, they believe, increases both creativity and productivity among employees. Many businesses are moving to an "open office plan," in which desks are clustered according to teams and in which cubicle walls have been removed so employees can see, hear, and interact with each other freely. Makers of furniture and other office supplies and systems are re-tooling to fit this trend. As James Hackett, CEO of Steelcase, a leading office furniture manufacturer, said, "Employees used to work alone in 'I' settings. Today, working in teams and groups is highly valued. We are designing products to facilitate that" (Cain, 2012, p. 76).

One realm that provides a striking exception to this—at least, in the minds of those who inhabit it—is the academic workplace. While many faculty engage in and espouse collaboration and teamwork with fellow faculty, as a rule they expect to have and control their own workspaces. T. Caesar (2004) expresses a common sentiment among faculty:

> We are . . . bounded by our offices, and, once inside, a more sovereign realm exists for us, especially after office hours . . . In our offices, we need do nothing. Walls go all the way to the ceiling. There are doors! Arms outstretched, we can dream away, about the students who will come, or the students who will never come, or the ideas we can try to write, or the ideas somebody else has already written. At least we're academics. At least we don't have cubes (p. 19).

The authors of the current pilot study believed that the academic work environment would cause its inhabitants to define their territories in ways not seen in other professions. In light of this belief, and the fact that there is a lack of literature on this issue, they set out to determine the nature and extent of territorial behavior among instructional faculty in university settings.

METHODOLOGY

Twelve respondents—all full-time instructional faculty at five four-year institutions—were chosen to participate in individual interviews. To begin, these respondents were presented with Brown's four categories (identity-oriented marking, control oriented marking, anticipatory defending, and reactionary defending) and asked to provide examples of these behaviors they had observed or engaged in during the previous year.

All but one of the faculty members are tenured or tenure-track; the remaining faculty member is a full-time, permanent lecturer. They represent a range of fields in liberal arts, social sciences, business, and professional programs. Each of the respondents has his or her own office; none shared a workspace with anyone else. Each office had a locking door, and each faculty member was in possession of a copy of the key. Some of the offices had narrow windows running vertically alongside the door.

In addition to identifying behavior from Brown's four categories, the respondents were asked open-ended questions to solicit thoughts about the boundaries of their territories, the extent to which others may infringe on those territories, and how they manage privacy in their workspace. A copy of the survey can be found in Appendix A.

The respondents were also asked for demographic information, including their current position (tenured/tenure-track/non-tenure track, etc.), the length of time in their current position and at the institution, and previous or current status as an administrator. Responses to the survey questions were reviewed for common themes and were compared to the results of Brown's 2009 survey. The results of are presented below.

RESULTS

The results of the current study show some both some commonalities with Brown's original study as well as some startling divergences. Many of the differences, the authors believe, reflect the unique nature of the academic workplace and lifestyle. The results also reflect differences in the cultures of individual departments, programs, and colleges.

Identity-Oriented Marking

Brown reported that between 74% and 91% workers in non-academic workspaces engage in some form of identity-oriented marking. The same pattern appears in the academic workspace. All of the surveyed faculty members engage in identity-oriented marking to varying degrees. They bring photos, artwork, awards and plaques, collections (e.g., autographed baseballs), rugs, furniture, etc. to decorate their spaces and, in the words of one respondent, "make things more comfortable." Many respondents also report that they or their co-workers decorate their doors with posters, cartoons, cards, and other items of personal interest. All of the respondents believed that their offices were representations of their chosen identities as individuals and professionals; one faculty member, a current department chair, even delayed moving into to the chair's office until after his official appointment to that position to avoid inappropriately "marking" that office.

Unlike non-academic workers cited in the literature, none of the faculty members have ever felt pressure from administrators or department chairs to arrange or decorate their space in certain ways, or to tidy up a disorganized office or workspace. All of the faculty members even stated that it would be inappropriate—an infringement on their own territories—for an administrator to do so. One said, "The only thing anyone has ever told me about my space is that I can't have a heater, and that I can't shut the door when a student is in the office." (Interestingly, this same faculty member has a heater in her space, but "no one has said anything" even though her department chair knows about it.) In short, their offices are "theirs," and others have very limited say in what happens within that space.

Control-Oriented Marking

According to Brown's survey, between 34% and 53% of workers engaged in or observed control-oriented marking behaviors. In comparison, control-oriented marking was relatively rare in the academic workspace. All of the faculty members had nameplates on their office doors. Beyond that, none reported witnessing any of the behaviors indicated on Brown's original survey. In fact, many of the respondents mention that co-workers in particular are very respectful of territorial boundaries. For example, when one faculty member stops by to chat with another, the visiting faculty member will often stand in the doorway of the office. They do not cross the threshold of the office and do not come in to sit down unless specifically invited. One faculty member said, "Sometimes they'll stand in my door chatting for an hour!"

Anticipatory Defending and Privacy

At least a quarter of Brown's respondents reported engaging in or witnessing anticipatory defending in the workplace. While the behaviors he reported were relatively rare in the academic workplace, some anticipatory defending behaviors unique to academia did appear. These unique behaviors centered around the closing or labeling of office doors, as well as the possession and use of office keys.

The closing of doors when a faculty member is present in his/her office is one of the most interesting behaviors in the current study. Certainly, closing a door is a means of anticipatory defending, intended to prevent others from entering or seeing into the space and to reduce noise and visual distractions. A third of the faculty members reported that it was expected for them to keep their doors open when they were present in their offices. These respondents mentioned that it was "rude" to shut a door when in the office. One respondent told of a faculty member who, before closing her door to make a private phone call, apologized to colleagues who were talking loudly in the hallway.

This pressure to keep the doors open has implications for these faculty members' privacy. One respondent complained of the "racket" that happens as other faculty members and students engage in conversations in the hallway. Others complain of the tendency to get "swept up in conversations," "interrupted by students," or simply "distracted" by the activities of others in the office suite. In nearly all cases, the faculty members had a solution to this infringement on

privacy: working at home. One respondent reported that she never plans to do anything "constructive" while she is in her office on campus; if she wants to do "serious" work, she stays home. Another respondent said that she spends no more than five hours a week in her actual office on campus; she teaches online classes and is allowed to have online office hours, which she monitors from home. The "noise and busy-ness" of the office are distracting to her, so she does her grading, curriculum planning, and other work at her home as well. Being in the office so few hours is the exception among surveyed faculty members, but this example illustrates a common behavior among those who feel pressure to keep their office doors open. It is, in a sense, the ultimate defending behavior—instead of engaging with others to establish the boundaries of territory or ensure privacy, the individuals simply leave.

In the remainder of the cases, faculty members reported that shutting a door was a common and accepted practice in their departments. At one institution, faculty members are required by contract to be on campus five days a week; thus, faculty members must do their own work (research, writing, and curriculum planning) while in the office. To encourage quiet and discourage interruptions, faculty members in this department close their doors as a way of "screening" interruptions "when you're busy." One of these respondents did report some ambiguous feelings about those closed doors, however; to them, the shut door meant "leave me alone," which was "not necessarily the message we should send" to students.

Closing doors does not ensure privacy, however. Several of the offices have narrow windows running vertically alongside the door. One respondent reported that the window made her feel like she was "in a fishbowl." Two of the institutions had policies mandating that these windows remain clear; however, faculty at these universities still covered them with curtains, paper, or other items. Faculty were well aware of the nonverbal messages sent by closed doors and covered windows and were conscious of the need for openness during office hours. One said, "If a window is curtained and the light is off during office hours, that's the wrong message." Students rarely knock on a closed door, even during a professor's scheduled office hours, interpreting the closure as an indication that they should stay away.

One faculty member, a current department chair, devised a series of signs to clarify the message being sent by the closed doors. When working in his office, he posts a colored sign with text indicating how much privacy he requires at that particular time. A green sign indicates (text is paraphrased) "I am available; come right in." A yellow sign means, "I'm busy, but you may come in;" red means "I am busy; come back another time; and blue signifies, "I'm not in my office, but I'm somewhere close" and therefore available. With these signs, he can ensure that he is protected from noise and other distractions, and he also reduces the number of casual interruptions.

Another interesting issue arose around the possession of office keys. All respondents had keys to their own offices, the office suite (when one existed), and the building. The one lecturer reported, however, that a former department chair had tried to take her keys away; the chair believed that the lecturer was not truly "part" of the department and therefore did not deserve keys to the department's territories. In another, contrasting example, one respondent reported that a master key to all offices was readily available in a faculty common area; this was in a department where faculty members frequently closed their doors. Faculty members in this

department regularly used the master key to put items in other faculty's offices or to borrow books or equipment. None of the faculty members of this department reported any discomfort with this practice. Interestingly, in an environment where faculty freely close off their space from the intrusions of others, these same individuals don't seem to mind co-workers coming into their spaces when they are not present.

Reactionary Defending

Few examples of reactionary defending were reported by the faculty members, and all involved classrooms, not individual offices. In one case, a faculty member from another department was using the classroom belonging to one of the respondents' departments. This faculty member would rearrange furniture and equipment without returning it to its original order. This was considered an infringement on the department's territory; teachers were supposed to "erase" their presence after a class was over. Eventually, the department chair had to report the behavior to the dean of the college in order to compel the outside faculty member from rearranging the space.

CONCLUSIONS

When compared to the workplaces surveyed by Brown, territorial behaviors are relatively rare in the academic workplace because an individual faculty member's territory tends to be clearly defined. It is also respected by others (including department chairs, the academic version of a supervisor) to an extent not seen in other professions. Faculty members believe that they have complete control over their offices, and that attitude is generally respected by department chairs, administrators, and co-workers. In short, faculty members don't mark or defend their spaces nearly as much because they do not have to.

Having a clearly defined and respected territory does not mean that faculty members have privacy, however. The unofficial "open-door policy" in play in some respondents' departments means that, in the view of the faculty members themselves, they have to leave the office in order to ensure that they can work privately. In other departments where a shut door is acceptable, there are still certain rules that faculty must follow in order to avoid sending the wrong message to students. Thus, while the literature espouses a clear connection between having personal territory and having privacy, the connection is not as direct in faculty workspaces. The ability to separate oneself from an external environment—through the walls and closed door of an office—does not mean that privacy will necessarily follow.

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Appendix A
Interview Script

__ Position
__ Tenured
__ Not tenured
__ Years in position
__ Years at institution
__ Years in academia
__ Are you currently an administrator?
__ Have you ever been an administrator?
__ Field

1. Briefly describe your office.
2. Are you satisfied with your office space? Why and/or why not?
3. What do you consider your territory at work?
4. Do you have adequate privacy in your workspace? Explain.
5. What are your privacy issues?
6. If there are issues, ask, "How do you solve your privacy issues?"
7. If there are no privacy issues, what do you do to ensure your privacy?
8. What do you need privacy for?
9. How would you rate the acoustic privacy of your office? (incoming or outgoing)
10. Visual privacy: can others see into your office when the door is shut? How do you feel about/dealt with this?

We've talked about privacy issues related to your workspace, and now we want to bring in the issue of territoriality. I will give you four general categories of behavior. Tell me if you have observed or participated in these behaviors in the past year.

- Identity-oriented marking, also known as personalization, refers to the deliberate decoration or modification of an object or space by its owners to reflect the owner's identity.
- Control-oriented marking refers to instances when people use modifications or objects to discourage others from accessing or using a space or object.
- Anticipatory defending refers to behavior that is intended to prevent infringement before it happens. (Also ask: what do you consider an infringement?)
- Reactionary defending refers to behaviors that people engage in when an infringement has already occurred.

INVESTIGATING THE INCREASING ROLE OF PUBLIC SOCIAL NETWORKS WITHIN THE INNOVATION PROCESS OF LARGE, MULTI-NATIONAL CORPORATIONS

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ABSTRACT

In 2010, one of the foremost innovation and design companies of our time, IDEO, launched "OpenIDEO." Since its launch, this social networking site has proposed innovative solutions to everything from affordable healthcare to manufacturing processes, and even to redesigning the common male necktie. Contributors to the site have ranged in reported age from 12 to 95, have come from all over the world, and enjoy significant "bragging rights" as the only form of compensation for submissions. In 2011 and early 2012, "Pinterest" garnered significant press as an open portal for sharing innovation and best practices across a number of consumer categories. Social Networks such as these invite the masses to tackle everyday problems and communicate innovation via common social media elements: the internet, Facebook, YouTube, LinkedIn, and Twitter.

This paper investigates the rise of such social innovation sites and the application of the content found within such sites by large multi-national corporations. Because of the contemporary nature of the phenomenon, a gap in scholarly research exists in the practical use of these types of social information portals. There is a variety of processes used by corporations to harness the learnings of these sites. Legal and competitive issues could arise from the act of "shopping" for innovation ideas on sites such as these. Nonetheless, countless ideas for minimal or incremental innovation or even blue ocean ideation can be found within the realm of social networks. Today's competitive corporation cannot afford to ignore the suggestions presented on these forums.

The study includes conclusions from in-depth interviews from innovation managers and leaders within six Fortune 500 US-based organizations as well from two foreign corporations with large market capitalization status. One conclusion from these interviews is that such large, multi-national organizations, while well staffed and funded within their own innovation departments and consortiums, cannot ignore the diversity of non-scholarly and practical thought proposed on social networks. These corporations are in early-adoption stages of using social mediums for idea harvesting. At a minimum, most of the interviewed leaders used social networks on an informal basis. There were concerns from the company representatives that this type of idea sourcing could involve long-term litigation issues.

INTRODUCTION

In 2010, one of the foremost innovation and design companies of our time, award-winning and press-worthy IDEO, launched "OpenIDEO." This concept invites the masses to tackle everyday problems via social media elements: the internet, Facebook, YouTube, LinkedIn, and Twitter (Morrison, 2005). In essence, this social media site seeks innovation from that diverse group of individuals – those that most businesses call "consumers," "customers," and "partners" – in varied virtual and social formats. Since its launch, the site has proposed innovative solutions to everything from affordable healthcare to manufacturing processes, even to redesigning the common male necktie. Contributors have ranged in reported age from 12 to 95, have come from all over the world, and enjoy significant "bragging rights" as the only form of compensation for submissions. OpenIDEO's innovation yield is changing our landscape permanently. One of their first tasks was to figure out how to increase breast feeding incidence among farm-working mothers in Botswana. Collaborators ultimately launched, leveraging the idea posted by a telephone salesperson, a service offering extremely low cost mobile text messages, coupled with Google mapping, to inform child caregivers where to meet nursing mothers in the farm fields to facilitate breast feeding at the right time and place. This effort, as reported by the World Health Organization in the *SDForum* (2010), will serve to decrease infant mortality rates within the country.

The essence of OpenIDEO and other sites such as these is to harness the real-time collective creativity, knowledge and insight of others, be they experts in their field or just ordinary individuals (Morrison, 2005). Remarkably, this is not a new concept. In the late eighteenth century, Benjamin Franklin noted in his writings that societal improvements are made incrementally and in small steps, considering the most viable of all options presented from all members of an open society (Horrigan, 2005). In 1945, renowned philosopher Freidrich Hayek concurred, noting that the stability of society is espoused by "constant adjustments to small changes" (1945). No single individual has the knowledge to make those adjustments; rather, it is widely dispersed across many individuals (Rogers, 2007).

On-the-spot individuals, such as frontline managers, should not be expected to know all, even if they are expected to solve issues quickly (Morrison, 2005). As a component of figuring out appropriate courses of action, social mediums can be utilized for quick input from a variety of sources. Thus, thinking and creative horsepower increases exponentially (Morrison, 2005).

Bhide (2008) makes note that social mediums are being used by small firms for innovation development. The limited resource structure of small firms engenders a quest for free resources as there are typically few funds available for large scale Research & Development departments (R&D) (Bhide, 2008). It is unclear, however, if large firms are beginning to use social mediums for innovation development and to what extent (Lee, 2010). It could be that large firms with R&D budgets and well trenched innovation processes and departments may not see value in social input into developments. It could also be that such firms have limited the use of social mediums among their employees in order to preserve proprietary information. It could even be that social mediums have been tried by such large firms, but have proven to have had a negative effect, versus a positive one, on innovation development. Further, employees at large

firms may be responsive only to management incentives and have not received such in relation to the use of social networks and innovation development (Lee, 2010).

The purpose of this paper is to explore the use of social networks by large firms using within their innovation development process.

THE EMERGENCE OF PINTEREST

As seen in Figure 1 below, Pinterest, launched in 2011, is already the 4th largest social networking site in the US. This self-described electronic bulletin board has a mission to "connect everyone in the world through the 'things' they find interesting" (Orosz, 2012). Pinterest is a social network where users can visually share, collect or discover new ideas or interests by posting, known as 'pinning,' images, video, audio and other links to their own or to others virtual 'pinboards.' A collection of 'pins' usually is centered around a common theme. Others can 'like,' 'share,' or 're-pin' posted 'pins.' In this aspect, Pinterest acts like other social mediums by encouraging interaction with user-generated content. 'Pins' can be shared outside of Pinterest on Facebook and Twitter or even via email or on websites or blogs (Interest in Pinterest Growing, 2012).

"Facebook tells us how people really live, but Pinterest tells us how people wish they could live" (Orosz, 2012). In that respect, this site, which CNN called the "breakout social network for 2012," is ideal for innovation ideation (Interest in Pinterest Growing, 2012).

Top 10 Social Networking sites

The following report shows **websites** for the industry '**Computers and Internet - Social Networking and Forums**', ranked by **Visits** for the **week** ending **03/10/2012**.

Rank	Website	Visits Share
1.	Facebook	63.26%
2.	YouTube	20.12%
3.	Twitter	1.62%
4.	Pinterest.com	0.98%
5.	Yahoo! Answers	0.98%
6.	Linkedin	0.80%
7.	Tagged	0.64%
8.	Google+	0.55%
9.	Yelp	0.37%
10.	MySpace	0.36%
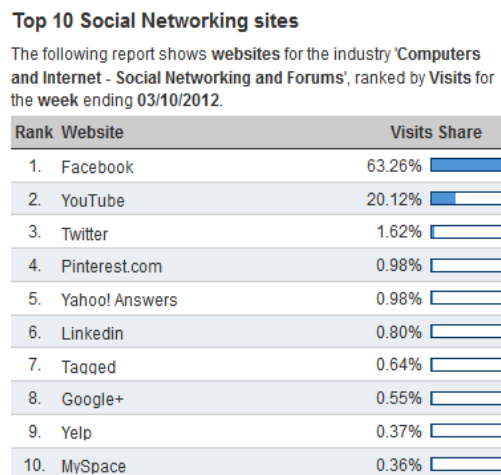
Figure 1. Top 10 Social Networking sites for the week ending 03/10/2012. Reprinted from *http://www.hitwise.com/us/datacenter/main/dashboard-10133.html*, by Experian Hitwise, Copyright 2012 by Hitwise Pty. Ltd. Reprinted with permission.

LITERATURE REVIEW

As it relates to the development of innovation within multi-national firms, there are emerging social networks, be they formalized or not, be they on-line or not, that are contributing to collective genius and horsepower (Bhide, 2008). While empirical studies on the topic are limited in scope, there have been recent observations, small-scale studies, and opinions published on the topic.

Kennedy, in 2010, noted the importance of collaboration in business, but discovered that collaboration is different today than it was twenty years ago. "Communications and coordination – and the information revolution emerging from social networks and virtual mobility – are enabling new levels of collaboration, changing the way we deploy technology, where and how we work and how the organization itself is structured." Prior to vast networking capabilities, meaningful communication and coordination required face-to-face or over-the-phone interactions. Now, rich communicative and collaborative events can occur in a virtual manner (Kennedy, 2010).

Frank (2010) also discusses the benefits of virtualization in the evolution of modern business processes, particularly on a global scale. Virtualization has allowed less endowed geographies to focus on one area for top notch development and has facilitated the entry of such global regions into the modern market economy. Key to virtualization is to outsource break-through thinking but leave a country's national investment in innovation focused upon the development of commercialization models (Frank, 2010), so that developments can be plugged into profits as soon as possible. A country or firm need not own the thoughts behind innovation; however, they must know how to access the critical thinking and apply it.

General Electric is a good example of this insight (Bhide, 2008). Many of the innovations of this United States (US) corporate giant are not tied to true breakthrough work but rather to the application of such. GE's advanced military sensors are not secret or even home-grown technology, but America's sophisticated use of this technology remains unduplicated and closely guarded. Bhide (2008) points out that "…the commercialization, diffusion, and use of inventionism is of more value to companies and societies than the initial bright spark." America's quest for the spark of innovation and breakthrough could be less important than the application of such. This is especially true as the communication of breakthrough and innovation becomes as easy as logging into Facebook or reading the posts in your Twitter account (Bhide, 2008). Overall, the Frank study is a strong collection of opinions and treatises on the possible application of social mediums to innovation, but no empirical data is presented in the Frank work. Frank may be interpreted as suggesting that other nations, versus the US do the 'dirty work' of research and let America capitalize on its strength: entrepreneurship and application.

Swire (2011) discusses the benefits of virtualization within innovation work processes as well. Diminishing management structures and routines have lead to freedom in the development process. Work no longer needs to be structured in a co-located manner. Today, virtual and physical interactions have equal weight even within the innovation process. "The key ingredient for a cognitive process is the moment of engagement: where the right people – with the right information, at the right time, in the right context – make the critical discoveries (Frank, 2010)." In this scenario, the engagement of innovation can emerge virtually. It does not need to be birthed out of any multi-story or multi-acre corporate or university property. An example of this is the burgeoning presence of 'think tanks' and 'innovation centers' seen across the globe (Swire, 2011).

Cooke (2010) identifies several approaches that can make a business organization more "responsive, collaborative, and consumer-driven." Within these, the use of social networks to

drive innovation is noted. Cooke suggests that business today, more than ever before, is in a constant state of change: people leave and come into the organization, funding commitments are altered, technology evolves, market conditions (supply and demand) are "constantly in flux," and much more. This is distinct from a less global and simple business model that existed years ago. Cooke purports that networks can be employed to manage this flux and the chaos now inherent in business. Imagine a supply chain team that does not need to travel to a foreign destination to understand crop status. Instead, they can merely monitor a twitter feed managed by a farmer. Such is an example of using a network to drive business processes. In innovation development, networks work similarly. R&D from one portion of the world can consider a variety of ingredients based upon the real-time descriptions of those ingredients (e.g., they can consider how sweet oranges will be in Brazil this year versus those in Florida as determined by the current acid content in the soil, as measured and posted on the internet by an independent third-party.).

Innovation social networks are being viewed as a new tool within the research and development communities of big businesses (Smith-Doerr & Powell, 2005). Innovation networks are defined as social communities of subject matter experts that provide input, sometimes solicited, and sometimes not, into the development of new products and processes. Smith-Doerr & Powell (2005) note that these innovation networks allow critical and evolving information to travel at the speed of social conversations. Not all firms will utilize knowledge networks to their full potential or benefit (Srivardhana, 2006). Successful companies understand how to harvest social conversations and channel the knowledge into the appropriate development team(s). Srivardhana (2006) posits that networks can be characterized as strong / weak, long / short, internal / external, and other factors. Not all social networks are created equal. He further states that innovation must evolve into a "team sport." Content should be filtered by thought leaders (team captains), even if on a rote basis. "Internal influence and opinion leadership has an impact within the application of social networks (Srivardhana, 2006)." Both Smith-Doerr & Powell and Srivardhana have limited their discussion to the use of intra-company or professional social networks versus the use of broad-scale, open social forums.

Uniquely, Lerner & Schoear (2010) included mathematical modeling within their scholarly research to demonstrate the effect of social networks on innovation. They show that countries with low innovation output are also those that have limited social networks. Both decide that their research is inconclusive, however, since, during their research, the financial status of many examined countries was unstable. They state that social networks are more prevalent in affluent countries where technology for networking is inexpensive and readily available. Countries with small Gross Domestic Product (GDP) outputs, or those with significant financial troubles, are not likely to use social networks (Qualman, 2009). Limited use is not because of lack of desire or interest, but rather because of an inability to connect into a network (Qualman, 2009). It would be interesting to similarly investigate if financial instability within multi-national firms encourages or discourages the use of social networks.

A study by Kim and Park (2010) indicated that knowledge networks were already present within organizations. They found that the impact of any firm's innovation was a function of the quality and diversity derived from R&D networks, both internal (produced within a firm) and external (produced outside the firm). Essentially, the more broad the knowledge inputs into a

R&D group, the more impactful the resultant innovation. The authors noted that the more of the internal R&D information that was shared with external sources, the more benefit received in return. Not surprisingly, "external R&D networks that were non-redundant to the internal firm contributed the largest benefit."

Lee (2010) studied the idea that large multi-national companies have "idiosyncratic and inimitable" resources when it comes to developing innovation and will use such to "obtain a wider range of knowledge" from the firm's composite units. Lee evaluated responses to surveys posed to over one-hundred Chinese based firms and concluded that not all multinational firms were able to capitalize on a broad informational network to develop innovation that produced better market demand. Yet, if actual input on an ongoing innovation project was not achieved, a great learning still occurred among employees whereby new thoughts and pathways were internalized, often for free. This intrinsically prepared employees for the next innovation concept and was an intangible benefit in the use of social networks (Lee, 2010).

Wilson and Doz (2011) have also studied the impact of knowledge networks on innovation. They observe that as global competition among firms escalates, developing agility in the innovation process will be paramount to success. They propose that firms who are able to leverage a network of globalized resources will be best poised for innovation success. In the Wilson and Doz study, the best innovation (in terms of return on investment) came from those firms who leverage a variety of input sources. Nokia, one of their study subjects, posted dilemmas on the internet for consumer suggestions, demonstrating that even consumers were not exempt as possible network nodes for innovation ideas. The best innovation was derived when organizations were able to absorb and integrate knowledge across the organization (Wilson and Doz, 2011). This "transfer of knowledge" varied in mechanism, but did need to exist for innovation to flourish at its best. The Wilson and Doz approach required select firms to report how innovation that exists in the market today was produced and if a knowledge network had an impact in the development of the innovation.

The aforementioned studies center on networks and the innovation process and collectively indicate that there is emerging interest in understanding and applying the current and potential role of social networks within the context of innovation. Given the recent birth of social networking, this remains a novel topic. Individuals today make and act on their own judgments to a degree that would have been unimaginable to our forebears (Bhide, 2008). Many players in the innovation "game:" entrepreneurs, managers, financiers, salesmen, consumers, not just a few brilliant scientists and engineers, can collectively keep the US at the forefront of innovation through their social connections at a time when American intellectual output may not be able to yield top positioning (Tyler, 2011).

An under-researched component within the broad innovation and social networking topic is the notion that social interactions, as described herewith, can actually be motivated (Bhide, 2008). What if there was a ranking system where visible documentation ranked employees on quantity and quality of social networking input on innovation concepts? What if there was a daily posting requirement? What if employees could vote on the best contribution of the day and reward others in this manner? All of a sudden, a business with stagnant ideas can, by virtue of a motivated network, encourage employees and even customers and suppliers (if the network is so

expanded) into brainstorming and into creative exposition (Krisanic, 2008). Virtual relationships and reputations would also develop as a result (Krisanic, 2008). Research on this aspect of innovation development is light.

RESEARCH PROBLEM

In considering all of the aforementioned studies, a close examination of actual open-forum social networking usage seems conspicuously absent from studies. This absence presents opportunity for additional study and original contribution into the academic field. In reviewing ProQuest, EBSCOHost and Google, there are no articles or books talking about all the central components of the desired field of study: the nexus of innovation development, public social networking input into innovation development, and devising management routines to reward and incent social networking as it relates to innovation development.

METHODOLGOY

Prior to quantitative research in this area, a qualitative study with limited scope was applied. The qualitative method utilized was the interview technique. Seven US firms and five international firms, all with large market capitalization status, were solicited for interviews. Table 1 lists the companies contacted. Of those interviews sought, five US firms and two international firms positively responded to the request for survey, or 58% of total firms solicited. 71% of Domestic (US) firms contacted agreed to an interview. 40% of International firms solicited agreed to an interview. Surveys were conducted over the phone by this researcher. A manager or senior manager in an innovation department at each of the accepting companies was the desired and realized target for the interview. Table 2 shows the topics and the progression of the interview questions.

A clear limitation in the qualitative methodology was in the selection of potential interviewees. Personal contacts were utilized. Therefore, there is a sampling (inclusive) bias and a skew in the respondents towards packaged goods companies in industrialized nations, which correlates to the background of this researcher. Because personal contacts were used, the potential for interviewer bias is also present. In each company solicited, the researcher spoke to only one manager in the innovation department. The data is biased to that one interviewee's opinions. Yet, each interviewee mentioned that they were one part of a larger innovation organization. In future studies, more than one interviewee per company should be required. In any further qualitative, and certainly in any quantitative study, all of these biases must be muted. Any future quantitative data collection and construct development should be proven to have validity.

Table 1		
List of Companies Sought for Qualitative Interview		
Potential Interviewee Company	Interview Accepted?	Domestic (US) vs International
3M	No	Domestic
Baby Trend	Yes	International
China Mobile	No	International
Coca-Cola	Yes	Domestic
CVS Caremark	Yes	Domestic
Ikea	No	International
Kraft Foods	Yes	Domestic
Lowe's Home Improvement	Yes	Domestic
Nokia	No	International
Procter & Gamble	Yes	Domestic
Unilever	Yes	International
Walt Disney	No	Domestic

Table 2
Discussion Points with Interviewees
Exploratory Areas During the Interview Process; Asked in the Following Order: 1) The typical innovation process at their company 2) Use of intranet in their innovation process 3) Use of internet in their innovation process 4) Specific use of social media in their innovation process and any sharable results 5) Current public / social (online and otherwise) input into their innovation process 6) Potential future public / social (online and otherwise) input into their innovation process 7) Current or potential management routines to reward or incent social network input 8) Barriers to using public / social input into their innovation process

The information gathered from the interviews supported the research question: the extent to which these companies pursue innovation development, utilize public social networking input into innovation development, and devise management routines to reward and incent social networking as it relates to innovation development.

The data capture strategy utilized was memoing, which enabled this research to write down ideas and verbatims during the telephone interviews on a constant basis. These memos and transcripts were constantly compared for emerging themes, developing categories and likely causal relationships or important contexts, links or associations. Personal anonymity was granted to all interviewees. In subsequent research, once additional sample size is utilized and bias is minimized, broader explanations can be derived so that substantive theories can develop.

Identified causal relationships, once verified by further qualitative study, could be quantitatively studied to determine relationships to the research question.

The collected data should potentially tell this researcher: attitudes toward usage of social media within large multi-national corporations, profitable yield of social media inputs in the innovation process, and if other companies and industries should consider usage of public social networks within their innovation process.

QUALITATIVE RESEARCH FINDINGS

Table 3 features select verbatims for each of the interview questions (IQ) asked. There was a degree of variability in answers, even among companies within the same industry (packaged goods). For IQ1, subjects in each case described a process for innovation. None of the company managers described an environment where there was little or no structure in the approach to innovation. Each subject worked as part of a larger innovation team, though size varied greatly – everything from 5 members to over 100 members. There were no respondents who stated they worked in silos. There was also a degree of accountability in each manager's role. All of them stated that they were required to commercialize projects annually. One domestic company interviewee from Coca-Cola noted that not every person in their innovation department was required to commercialize. However, the manager that I spoke with did have that level of accountability (Name withheld, personal communication, December 13, 2011). This aspect of in-company variability is worth further inspection. It could be that an innovation leader that has less pressure to annually commercialize innovation is more likely to use social mediums for break through ideas. Development around such break through ideas could take a long time which could fit with the less-pressured, non-commercialized environment. Further study around this thought is warranted.

IQ2 asked about intranet usage at the firm specific to innovation. 100% of interviewed company managers stated that intranet was used. Intranet usage should not be confused with something as simple as emails. The interviewed companies described document and approval proprietary portals where real-time information is easily shared, tracked, discussed and reviewed by multiple constituents across wide geographic borders. Intranet usage for international managers included partners outside the firm, such as key vendors or suppliers. None of the domestic company managers allowed non-company users access to their intranet-based innovation portals. The manager at Kraft Foods stated that non-company users are forbidden because the information contained therein is confidential and comprehensive, including everything from costs to launch timing. The information is too sensitive to be shared with non-company partners (Name withheld, personal communication, December 15, 2011).

IQ3 asked about internet usage in their innovation process. Answers here were varied. Half of interviewed managers described internet usage as informal or unstructured. One company respondent from Coca-Cola noted that the internet could provide qualitative data, but their innovation development was largely based on meaningful quantitatively-derived data. Information gained off the internet could be highly suspect. It could be the basis of future quantitative study, but, without validation, the input from such a source would not be seriously

considered on its own (Name withheld, personal communication, December 13, 2011). Three domestic companies noted that third party entities, such as agencies or consultants, presented innovation ideas to them on a variable basis. These outside sources routinely included sound clouds, prominent and recent examples of innovation, buzz topics and other ideas gleaned from the internet. These managers were highly satisfied with the third party collection and reporting of innovation ideas based on internet information.

When asked specifically about social media use in the innovation process (IQ4), responses also varied. All company managers interviewed did receive inbound Facebook posts related to existing products or product ideas if those had been posted. The manner in which Facebook posts were received by interviewed managers was diverse. One domestic company manager, from Procter & Gamble, commented that Facebook posts were from passionate consumers. These consumers were interested in making their favorite products better (Name withheld, personal communication, December 15, 2011). The two international company managers, from Baby Trend and Unilever, noted that open social forums were engaged in innovation development, though passively (Names withheld, personal communications, December 14-22, 2011). While neither company directly sought innovation input, they did make note of ideas that were relevant to their industry. Pinterest was noted as a recently used valuable source both by one international and one domestic interviewee. In the case of Unilever, some ideas derived from social mediums had nothing to do with a current product. Ideas for new materials, popular styles, appealing scents or selling ideas were desired for incorporation into future innovation. Neither of these companies solicited ideas, but rather this information would have been gathered through observation. The manager from Unilever did note that the passive gathering of information could be time consuming, but that netnography used with social mediums was an efficient means to understand current trends, and that the use of the social forums has even led to "blue ocean" innovation for the company (Name withheld, personal communication, December 14, 2011).

All of the domestic company interviewees had specifically sought public or social input into the innovation process (IQ5). 100% of the domestic packaged goods companies used several social media formats to engage consumers, such as Facebook, Twitter or YouTube. The use of social media formats was often led by marketing departments in these companies, but innovation departments benefited if the engagement was developmental. For example, innovation departments benefited if consumers were asked to suggest the next flavor of a particular brand or the color of a package. The innovation leader from CVS Caremark noted that public input was sought on private label items in order to build use and appeal of the brands (Name withheld, personal communication, December 15, 2011). The domestic interviewees cited use of Facebook posts, polls and engagements more than other venue when describing their process for utilizing public or social inputs. International interviewees were not actively using public or social inputs within their innovation processes.

While the interviewees all acknowledge current use of social mediums, even if on a passive (reading versus asking) basis, reaction to future use of social mediums was negative (IQ6). None of the interviewees had formal plans to incorporate public or social media forums into their innovation processes in any formal or structured manner. Passive or only occasional

use of these forums was preferred. The manager at Lowe's Home Improvement preferred that requests for public or social inputs into innovation be classified as a means to engage consumers in a positive manner. Many of the ideas solicited were not going to be implemented as they often were not feasible or a fit with company objectives. The solicitation of ideas did build relationships with consumers, however (Name withheld, personal communication, December 14, 2011). The innovation manager from Coca-Cola identified social and public inputs as unreliable from a development and investment perspective. While a trend could be identified, further study must be engaged to be certain that the trend is valid and explored across a variety of contexts. That which may appeal to one set of consumers on a social forum may not appeal to a broad set of consumers. An appearing trend must be quantified and explored for merit (Name withheld, personal communication, December 13, 2011). The lack of academic rigor associated with the use of public and social forums was identified as a potential reason for senior leaders in the Kraft Foods organization to resist the source of any idea emerging from this platform without corresponding and preferably quantified veracity (Name withheld, personal communication, December 15, 2011).

In describing innovation manager incentives for using public or social mediums (IQ7), all managers stated that no incentive for this specific engagement existed. There were, however, typical bonuses and performance structures, such as merit raises or recognition programs, if developed innovation was successful. From that perspective, if the public or social medium helped develop successful innovation, then there was an end-incentive, though nothing in their incentive structures specifically called out the use of the internet or any of its social platforms.

Barriers to the use of social mediums (IQ8) were around the ownership of the idea, the potential for litigation, the fact that competition is aware of your posts and activities, and the time it takes to search through the numerous daily inputs onto social forums. The innovation manager from Baby Trend noted that ideas emanating from social arenas should be assumed as those that your competition has also engaged (Name withheld, personal communication, December 22, 2011). Such ideas are likely not coupled with competitive advantage. Establishing competitive advantage is a key purpose of innovation, however (Wilson and Doz, 2011).

Table 3	
Interviewee Verbatims in Response to Interview Questions	
Interview Question	Verbatims
1) The typical innovation process at their company	"Consumer or Cost Based" "Cross-Functional" "Internal" "Global" "Many steps and levels; with rigorous approval and funding stages throughout" "Bureaucratic" "Formal"

2)	Use of intranet in their innovation process	"Required for Speed and Communication" "Can't Do Without It" "Heavy" "Fundamental to 'Stage and Gate' approval processes" "Proprietary systems for just innovation are used"
3)	Use of internet in their innovation process	"I don't want to know about it." "Informal" "Varies" "Easy way to gain consumer feedback" "Rarely a starting point, but this is changing" "Component of third party inputs (Consultants, Agencies), but rarely initiated in-company"
4)	Specific use of social media in their innovation process and any sharable results	"There are ideas on the web that we should look into more. We are aware, but not pursuing" "Used for upgrades or tweaks to current innovation" "Only company-controlled sites, like Facebook pages, used for this; never outside sites" "Success with Pick-Flavor / Pick-Color innovation" "Working on two ideas that are from open innovation sources now" "It's busy work to find the ideas, but there are good ones out there that we have found and used"
5)	Current public / social (online and otherwise) input into their innovation process	"We look for ideas and share informally. Sometimes we apply good ideas" "Best left to third parties who present ideas to us" "Don't ask and Don't tell innovation. We don't want to tip our hand to competition , so we don't ask"
6)	Potential future public / social (online and otherwise) input into their innovation process	"I don't imagine a link between commercialized retail products and social innovation" "It will never be formalized. We don't work that way"

		"We need more input from consumers; likely this will come from panel research vs. broad questioning" "Perhaps; not sure how internal leaders will react to use of social networking for innovation" "The act of polling consumers tips your hand to competition"
7)	Current or potential management routines to reward or incent social network input	"I'm not paying people to surf the internet. They can do that on their own time." "There is no incentive for social networking, but there are benefits to coming up with a good idea." "There are requirements for intranet posting and communication; nothing for internet" "We don't want to formalize anything for our internal teams to do on social media sites"
8)	Barriers to using public / social input into their innovation process	"Just because it's public, doesn't mean the idea isn't owned" "Too much potential for litigation. Source of Idea can be found, but we may not approach for release" "Legal concerns" "Who gets the credit? The person who read a blog? The person who came up with the idea?" "Gray area; Corporate has not defined a policy" "Competition likely surfs social networks. We must too."

In deriving theories based on the interviews, it should be again noted that the sample size of this study was restrictive. In hindsight, multiple innovation managers at each company should have been polled. Still, this researcher notes that the attitude toward usage of social media within large multi-national corporations is positive enough to allow for, at a minimum, passive (reading versus active engagement and posting) use of these tools within the innovation process. Undefined internal and external ramifications from the use of social mediums restricts formalized use of social forums as does the threat of exposing company objectives to competitors.

All interviewees were from large, multi-national corporations that were prominent in their industries. They each noted significant competition. The effect of competition is an interesting tenant to explore as it relates to the use of social mediums for innovation. Could it be that social mediums are best utilized by those who are more immune to the threat of competition? Does the benefit of using social mediums outweigh the threat of competition? Is there a way to use social networking in a way that does not tip the hand of the company? Is it assumable that if these companies at least use social mediums passively in their innovation

process, all large multi-national companies are doing the same? Should all companies consider the use of public social networks within their innovation process?

In this study, qualitative comments indicated that a profitable yield from social media inputs in the innovation process was realized by a few companies, most notably Unilever (Name withheld, personal communication, December 14, 2011).

CONCLUSION

The presence and use of strong social networking within an organization propels innovation into a state of rapidity and incremental improvements as valuable people (consumers, customers, vendors, thought leaders, etc.) weigh in instantaneously with ideas and counter points throughout the development (Srivardhana, 2006). It is like having a virtual and instantaneous suggestion box that can provide innovation development leaders with new ideas that they independently would be unable to raise. There is a social value for those weighing in. It may be something tangible, such as points or prizes, or intangible, such as recognition or the ability to become lauded as a thought leader (Krisanic, 2008). Given the recent emergence of broad use of social mediums by those whose age-range fits the typical mid to high level manager (Qualman, 2009), the use of social networking as a positive force within multi-national firms is only beginning to be explored.

This preliminary research suggests that outbound innovation may be supplemented with a new source of innovation ideas. Inbound marketing, and inbound innovation, is effacing (Pitta, 2004) in the innovation processes of large, multi-national corporations. While multi-national firms did not formally embrace social platforms for innovation, passive or informal use of these sources was endorsed by 100% of the interviewees. The two main barriers to use of these mediums were noted as (1) the lack of clarity around the owner of the finished idea and therefore the potential for litigation, and (2) the fact that competition becomes informed of your intentions as you pursue innovation from a social format. This could reduce any preferred competitive advantage that could be derived from resultant innovation concepts.

Qualitative research with a significant sample size and mitigated bias and/or quantitative research are ideal next steps in the investigation of the original purpose of the study: to understand the purpose and extent to which large, multi-national companies utilize public social networking input into innovation development and therefore devise management routines to reward and incent social networking.

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THE IMPACT OF LONG COMMUTING ON THE WORKING INDIVIDUAL

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ABSTRACT

In the last century, commuting distances have remained constant, but the time spent traveling between home and work has increased. Thus, commuters are suffering the costs of commuting to attain the benefits of employment opportunities in harsh economic times. Factors such as gas prices and residential or workplace locations, play a huge role in the individuals' decisions to make trade-offs for personal, family, and community situations. The variety of choices due to economic conditions places a huge burden on the individual responses to long commutes. Studies have found that commuting can be a valued time for commuters to reflect or a transition between domains; however, some authors have noted otherwise. Long commutes have been linked to health implications, decrements in job performance, lifestyle choices, and stress. This paper will outline the economic factors that can help determine the commuter's reaction to the different commuting situations. The paper will discover the relation between commuting distances and the implications it imposes on working individuals, as well as introducing new ideas companies are implementing to reduce commuter stress and motivate employees.

INTRODUCTION

The term 'commute' is defined as the daily routine journey between home and work. In the last half century, motorization and the significant growth in the use of the private car have given people the freedom to work further from home. Thus, commuting has become an important part of work life for most Americans (Lyons & Chatterjee, 2008). According to the U.S. Department of Labor, Americans over the age of sixteen make up approximately sixty-four percent of the United States labor force (U.S. Department of Labor, 2011). In the field of transport studies, commuting is "the cost that must be suffered to attain the benefits or utility of the activity at the destination" (Lyons & Chatterjee, 2008, p. 190).

Commuting is the outcome of the physical separation from home and work prompted by people's wishes to seek economic opportunities elsewhere (Rouwendal & Nukamp, 2004). Gallup's Annual Work and Education Survey from 2007 found that Americans on average report spending 46 minutes commuting to and from work every day (Carroll, 2007). Commuters in the

United States' large metropolitan areas and small towns are spending even more time commuting, which has been steadily increasing. Approximately one out of twelve U.S. workers in 2001 (5.3 million workers) spent an hour or more commuting compared to one out of twenty in 1995 (3.4 million workers) (U.S. Department of Transportation, November 2006). Since 1995, the number of hour-long commutes has substantially increased, not typically because workers live further from work, but because the same commutes are taking longer due to congestion, which will be discussed in a later section. Commutes of all distances are taking longer, which accounts for increased time away from family, personal, and community needs; and decreased recreational activities for individuals (U.S. Department of Transportation, 2006).

While commuting is not stressful for a vast majority of workers, workers with longer round-trip commutes are more likely to find their commute stressful (Carroll, 2007). Commuting can be viewed as "a stressful, costly, time-wasting experience from the individual perspective" (Ory, et al., 2004, p. 334). However, some research has proven that commuting can provide benefits for the individual, serving as a transition between home and work life. This paper will begin with a breakdown of the demographic difference in commuting behavior between men and women. Secondly, the paper will investigate the various commuting costs on the working individual, including gas prices, availability of public transportation, and residential/work locations. The paper will also reveal the benefits and implications that can arise from commuting for individuals, as well as the main factors for the stressors and how companies can help. The goal of this paper is to discover the relation between commuting distance and the impacts it can have on the working individual's physical, social, and psychological framework.

Demographic Differences in Commuting Behavior

The average distance for people's travel to and from work has steadily increased since the 1990s. Women on average have a shorter commute than men in distance and duration, but involve more non-work trips. Virtually the gender differences in commuting lengths exhibit women's shorter trips due to women's role in society. Since women traditionally absorb the majority of childcare and housework responsibilities, long commutes can be more troublesome for women than for men (Rouwendal and Nijkamp, 2004).

According to Rosenbloom (2006), the difference in commute length by men and women is the smallest for women between the ages of 16 to 25 years, in which women have 24 percent shorter trips (Crane, 2007, p. 307). The largest gap between men and women was between the ages of 46 to 55 year olds, in which women have 37 percent shorter trips (Crane, 2007, p. 307). The study also noted that the longer commutes are typically among married women and the shortest commutes are by single men. However, growth rates vary amongst men and women. Single women with and without children, as well as married women with children, had their commute increased by 30 percent to 34 percent over the two decades. Moreover, married men with children experienced half that growth (Crane, 2007, p. 307). The addition to children in any household appears to add length to men and women's commutes due to childcare duties. However, one study performed by Ericksen (1977) and White (1986) found that married men have longer commutes than single men and married women have shorter trips than single women

(Crane, 2007). One explanation is that married women have added family responsibilities which encourage them to work a shorter distance from home. Another explanation is that married women have part-time jobs which generate shorter commutes to justify lower hourly pay and transportation costs (Crane, 2007). Labor and family responsibility dynamics run the gamut for men and women's preferences to travel greater distances between home and work.

Men tend to travel alone in a car, whereas women are twice as likely as men to travel to work with public transportation (Lyons & Chatterjee, 2008). Walking and bicycle trips are the shortest in time and distance, followed by bus, subway, and car trips. As stated in the previous section, women have on average shorter distances and duration of trips than men indicating the use of public transportation as more suitable for the shorter commutes.

COMMUTING COSTS AND ECONOMIC REASONING

Commutes of all distances are now taking significantly longer which causes workers to prepare to trade off time for other objectives such as residential or work locations. This next section uncovers the possible reasons for longer commutes to and from work. The economy, including rising gas prices and location of employment opportunities, along with proximity of residential living, places a huge burden on individuals and is often the deciding factor for most workers. A tough economy combined with other similar factors can cause enough stress to both workers and employers in deciding the location of their employment and housing. According to the standard monocentric model of urban economics, workers who dislike commuting must be willing to accept residential locations that can be further from their employment site (Rouwendal & Nukamp, 2004). It is impossible for all workers to live close to their jobs due to limited residential space available in close proximity to their employment site (Rouwendal & Nukamp, 2004). The greater the distance individuals live from their worksite, the more pain people can suffer at the pump. In the following section, the category of rising gas prices will be analyzed in reference to the impact long commutes have on the working individual.

Rising Fuel Prices

Fuel prices are hovering around four dollars a gallon nationwide in the United States and the prices are reaching a tipping point for some Americans. U.S. government data has found that nearly nine out of ten Americans drive to work, most of which (8 of 10) are driving alone (Kiger, 2008, p. 24). The daily commutes can be costly based upon lengthy trips to workplace locations that remain in place from a cheaper gas price era. Twenty-two percent of commuters travel six to ten miles each way, 27 percent travel 11 to 20 miles, and 23 percent travel more than 20 miles each way. The remaining two percent is made up of "extreme commuters" that spend over 90 minutes or more on their daily commute (Kiger, 2008, p. 24). The cost of filling up a tank of gas is consuming a majority of people's paychecks, which is causing major financial crises. According to a Gallup survey, 15 percent of Americans report that they can no longer afford the cost of the commute because of gas prices. People are being compelled to make cutbacks in

leisure activities and in their lifestyle habits so that they can afford to drive to and from work each day (Kiger, 2008, p. 24).

Research has connected worker's stress over gas prices to poor workplace productivity and is leading to people having to re-evaluate their career priorities (Kiger, 2008). Recruiting consultants have found that people will turn down or quit a job based on the length of commute and will look for jobs with a shorter commute that may not involve a salary increase or professional advancement. The potential impact on U.S. companies has made major corporations re-evaluate and create ways to alleviate commuters' pain. Companies are beginning to reimburse their employees for some of their gasoline costs or will contribute to some of the cost of purchasing a fuel-efficient car, which will be discussed in more detail in a later section (Kiger, 2008).

Public Transportation

Individuals have found that substituting cars for a form of public transportation is not practical for running errands. Therefore, individuals still prefer driving their own cars to work or other means of transportation, such as carpooling or vanpooling. Public transportation options are only suitable for individuals living in large metropolitan areas where the opportunities are available. The workers with commutes of less than 20 miles tend to travel on transit, but for trips over 20 miles, commutes are taken by private vehicles (U.S. Department of Transportation, November 2006). Studies have found that only five percent of workers take the bus or train and four percent walk or bike the distance to work (HR Briefing, 2001). In contrast, the switch from driving to work to riding the train can be beneficial time for doing work assignments, but can be stressful during times of overcrowding or bad weather (HR Briefing, 2001). Public transportation is an option for workers in close proximity to metropolitan areas; therefore, the placement of residential housing in relation to workplace locations is a large deciding factor when considering commuting costs.

Residential Factors

From an economic standpoint, commuting inflicts a burden on not only workers, but their employers. The location of houses and employment at different areas on the geographic map implies the high costs of transport that is prompted by expensive infrastructure. Therefore, commuting costs are at the heart of people's home-work decisions. It is impossible for all workers to live close to their jobs due to the limited space available in the close parameter of the employment location (Rouwendal & Nukamp, 2004).

The commute is largely determined by "the spatial or temporal reach of individuals' access to employment opportunities," which can shape housing and employment markets (Lyons & Chatterjee, 2008, p. 189). The decision for residential placement is not only influenced by the voyage to work, but by the "cost and quality of housing, the quality of the neighborhood, the absence of crime, and access to schools, family, and friends; and a trade-off will be made between the factors" (Lyons & Chatterjee, 2008, p. 188). The long home-work distances may be

unsatisfactory for workers, but will not cause them to exchange their jobs or residential location with other workers because of the transaction costs involved. Workers dislike their long commutes, but the cost of moving or finding another employer is higher; which can be balanced out by their enjoyment for the non-work components of urban life (Rouwendal & Nukamp, 2004).

Commuting time is a huge fraction of total commuting costs, but travel savings are not valued by commuters. According to Calfee and Winston (1998), people are less willing to pay for a reduction in travel time. A possible explanation for this finding is that the respondents have adapted their life to the congestion and lack of reliability of travel times to their commute. They have arranged their activities, so that a slightly longer or shorter commute does not have a major impact on their life. However, commuters do value reliability of travel times in response to departure times. Arriving to work near the desired time is possible only at the cost of spending time on the commute (Rouwendal & Nukamp, 2004). Therefore, distance between the journeys from home to work is a large factor in the decision of a worker's residential location in relation to their employment opportunities.

THE VALUE OF COMMUTING TRAVEL TIME

Some individuals do not consider their commute to work to be all that bad, but instead reap the benefits. People begin to accept the commuting costs over time as their incomes and mobility expectations rise (Ory et al., 2004). Based on the 'rational locator' theory, workers adjust home and workplace locations to maintain a constant commuting travel time, which can allow individuals to view travel time as a gift (Lyons and Chatterjee, 2007). According to an analysis by Ory et al.:

"For many people, commuting is not as burdensome as one would be inclined to think on the basis of analyses that stress the resistance against traveling as the shaping force of the spatial organization of metropolitan areas. The commuting trip may instead be viewed as the time during which one is free from the duties from work of family. This work suggests that commuting may have important functions in social life that may change assessment of travel time as a burden" (Rouwendal and Nijkamp, 2004, p. 299).

The excerpt above demonstrates that though some individuals may view commuting as a constraint in their life, some people view the time as free time away from their work and household duties. Commuters with long distances to work are beginning to adopt new strategies to help make their commute less stressful or more productive. Workers utilize the travel time as a source to think, converse, listen to music, read or even sleep (the latter examples by mass transit options). Individuals also argue that they enjoy the variety of speed, or movement and the opportunities to reveal a skill, or parade their status vehicle, or to simply escape the daily struggles of life (Ory et al., 2004). For some people, the commute can also be an opportunity to return phone calls, relax, and enjoy the scenery. Commuting also provides the benefit as a buffer between work and family as a "transition from one domain to the other" (Tompkins, 2009, p.

47). The transition time can be a way for people to "experience crossing space physically in time to achieve the sense of distance and difference; and the temporal opportunity to translate, adjust or prepare oneself for a different social setting and social identity at the destination" (Lyons & Chatterjee, 2007, p. 194). Regardless of the type of commute, traveling can be a 'protected space' or alone time away from the surrounding chaos (Lyons & Chatterjee, 2007).

In larger households, people tend to enjoy commuting; however, people who value time spent with their families tend to dislike commuting according to Ory et al. (2004). While there are several possible benefits of long commutes, there are potentially three types of beneficial activities generated from long distance traveling including: adventure of reaching the destination, benefit of alone time during travel, and the joy of traveling itself. While the time during travel can be noted as an 'anti-activity' time, it is the ability for workers to use the time for relaxing or thinking, including "shifting gears mentally between origin and destination activities and roles" (Lyons & Chatterjee, 2007, p. 190). The art of traveling itself can create "the sensation of speed, movement through and exposure to the environment, the scenic beauty or other attraction of a route" (Lyons & Chatterjee, 2007, p. 190). Travel time is a gift for some, but can be a sacrifice and provide potential stress factors for other commuters.

THE STRESS OF LONG COMMUTES

Commuting has been proven by studies to provide benefits to the individual as a transition between home and work; however, authors have also noted that commuting is popularly viewed as a "stressful, costly, time-wasting experience" (Ory et al., 2004, p.334). The consequences of commuter stress are individual and varied, but the following conditions have been linked to several negative outcomes, such as "increased blood pressure and heart rate, negative mood, emotional arousal, poor concentration levels, driving errors, lapses, and violations; traffic offenses, traffic collisions, and aggression" (Hennessy, 2008, p. 2317). The impedance model is an evaluated model that is used to compare the commute characteristics with a consequence. The impedance model suggests that commuting induces stress, and the stress can be defined as any factor that interrupts the goal towards arriving at the destination, which can cause "health problems, decrements in performance, and negative attitudes towards the experience of commuting" (Kluger, 1998, p. 148). The first proposition of the impedance model indicates that some commute characteristics can strain the individual (Kluger, 1998). The following sections will describe the different stress long-distance commuting can have on the individual including lifestyle costs, stress and fatigue, health impacts, and job performance.

Lifestyle Costs

According to the U.S. Department of Transportation, people on average make 4.3 trips each day within their commute with the extra trips of dropping off children at school, picking children up from school, grocery shopping, and other miscellaneous tasks. Add the additional trips to the commute, plus heavy traffic, and the stress level of an employee's commute begins to increase (HR Briefing, 2001). Furthermore, the greater the distance an individual lives from

work can increase direct transportation and time costs related to the commute. In addition to the distance-related constraints, commuters face restrictions like prices, wages, time, and the probability of finding employment. The remoteness of living in rural settings can exert two off-setting effects: "a negative effect through directly (negatively) affecting commuting costs to urban employment and a positive effect through indirectly affecting the structure of the local economy (i.e., greater job loss) that increases the need to commute" (Partridge, Ali, & Olfert, 2010, p. 322). The lifestyle choices by the individual play a role in the type of stress commuters face on their journey to and from work.

Stress and Fatigue

Studies have found that some of the stress in workers' lives may not be by their responsibilities at work, but the commute to and from work that can cause stress (HR Briefing, 2001). The stress experienced from the long commutes is a combination of tension from work, home, and leisure that seeps into the driving environment. Furthermore, unresolved hassles, including poor weather, sleep problems or conflicts at home or work, can increase the traffic environment stress (Hennessy, 2008). Therefore, commuter stress is not just limited to the strain of the traffic situation, but can be a combination of other daily hassles that have accumulated over time.

Commuter stress can have both physical and psychological consequences to the individual that may force individuals to interpret workplace limitations as more demanding and stressful, which increases the probability of aggressive reactions (Hennessy, 2008). As the length of the commute increases, the frequency of expressed hostility and obstructionism also increases, but only among male employees. The driving environment, particularly in frustrating situations, is a large factor because it can stimulate elevated levels of stress and arousal. Broome (1985) suggests there are multiple stimuli that may be interpreted as stressful including goals towards reaching the destination. The created time urgency can magnify and cause greater stress with commuting deadlines and pressures (Hennessy, 2008). Job stress increases as the severity of the traffic stress increases due to high congestion conditions. In higher congestion, commuters tend to be more focused on other potential hassles (e.g., previous work issues) and the only stress experienced is from the traffic environment alone (e.g. greater amounts of traffic, closer vicinity of other vehicles, and slower paced driving). In times of low congestion there are less sources of immediate stress from the traffic itself and the stress results from spillover from the workplace. The findings confirm that stress has the opportunity to carry over to traffic situations, but the environment itself (in relation with individual factors) tends to influence the spillover of stress (Hennessy, 2008).

In contrast to car commuters, public transportation commuters find their journey to work as boring, not stressful (Lyons and Chatterjee, 2007). Public transportation commuters are less active participants in the commute and tend to experience less strain. However, public transportation commuters experience different types of stresses such as, train commuters who board at the first stop (longer commutes) tend to excrete lower levels of adrenaline than train commuters that board at mid-station. Moreover, the more commute stages (changes in bus/train

times or modes of transportation) are positively correlated with absenteeism than actual time traveled (Kluger, 1998). Evans et al. (2002) studied rail commuters in New York and discovered "those who perceived their commute as more unpredictable felt greater levels of stress and had evidence of higher elevations of salivary cortisol (secreted by the body in response to physical and physiological stress) but did not have lower motivations in task performance" (Lyons and Chatterjee, 2007, p. 185). Commuters tend to be more stressed when they have no control over traffic volumes, delays, or unreliability of services. Thus, for public transportation users, the stress experienced is not due to the length of the commute, but by different factors that interrupt a routine trip.

Health Impacts

Longer commutes create additional opportunities for both positive and negative health impacts for the individual beyond stress and fatigue. Various commuting characteristics play a role in the health deficits that result from a lengthy commute to and from work. Driving at slow speeds has been found to positively correlate with systolic and diastolic blood pressure. The commute length can also have an impact on the physiological outcomes of the individual including elevated risk of acute hemiated lumbar intervertebral disk stress, cardiovascular stress, and possible associations with different forms of cancer. For example, the vibrations from the car have been linked to hemiated lumbar intervertebral disks and elevated heart rates have been linked with pollutants inhaled from the air by drivers (Kluger, 1998).

One out of three Americans with a commute time over 90 minutes report to having neck or back pain, whereas the pain drops for people with less than a 10-minute commute to one-in-four people (Crabtree, 2010). The chances of a commuter suffering a heart attack within the next hour of the commute time nearly triples for commuters enduring heavy traffic. For women, the chances for a heart attack are almost five times higher than the norm (Tompkins, 2009, p. 47). In addition to slow speeds and increased travel time, other characteristics such as, routine routes and changes in driving situations, can cause systolic and diastolic blood pressure, as well as concurrent cardiovascular stress (Kluger, 1998). Long commutes for the individual increase the chance for the employee to experience negative consequences in health and even job performance.

Job Performance

In addition to the commuting costs, stress, and health factors of commuting, long commutes to work can impact workplace performance. Studies have found that the length of a worker's commute is positively correlated with employment consequences including absenteeism, tardiness, turnover, and job dissatisfaction (Kluger, 1998). The longer the driving distance and the higher traffic congestion, the more negative the evaluations of workplace behavior. As expected, drivers with stressful commutes had subsequent forms of workplace aggression, but only by males in the form of expressed hostility and obstructionism. According to Hennessy (2008), males were found to be more aggressive as a result of their daily hassles, but

not because of aggressive personalities or stress load. Commuter stress is a serious issue that can harm workplace performance. The excessive stress from traffic conditions may exhaust coping mechanisms that workers need in order to deal with stressors in the workplace. Instead workers will begin to "construe workplace constraints as more demanding and stressful," which stimulate aggressive reactions (Hennessy, 2008, p. 2325).

MAIN FACTORS CONTRIBUTING TO STRESS

Congestion

Congestion is a state of the environment in which individuals are exposed to high volumes of traffic and commuters exposed to it have diverse reactions (Casas & Kwan, 2007). Congestion is the number one major urban transportation problem that "reduces mobility, increases auto-operating costs, adds to air pollution, and causes stress" (US Department of Transportation, May 2006, p. 1). Individual responses vary to the concern of congestion depending on individual characteristics, as well as, the type of trip, level of congestion, available alternatives, and time constraints. Congestion is an overall issue that affects society and the environment as a whole, not just the individual (Casas & Kwan, 2007).

For the 439 urban cities in American, congestion in 2010 caused American commuters to travel "4.8 billion hours more and to purchase an extra 1.9 billion gallons of fuel for a congestion cost of $101 billion" (Schrank, Lomax, and Eisele, 2011, p. 6). According to the National Household Travel Survey performed by the U.S. Department of Transportation (May 2006), nearly half of all Americans live in large metro areas, in which four out of five commuters find congestion as a problem. Congestion is even worse for commuters during the peak period or "rush hour" and accounted for a yearly average delay of 34 hours in 2010, up from 14 hours in 1982 (Schrank, Lomax, and Eisele, 2011, p. 10). However, not all drivers during rush hour are heading to work; in fact, less than half of the vehicle trips in the peak periods are direct trips to and from work (U.S. Department of Transportation, May 2006). Since 1995, 25 percent of commuters made additional trips during their commute between home and work. Non-work travel has increased with the added trips during their commute to and from work for shopping, family errands, recreational activities, grocery shopping, etc. Congestion impacts time spent away from family and friends, but can benefit people by adding time to eat a meal (for public transportation users only) or talk on the cell phone (U.S. Department of Transportation, May 2006). Congestion over the past century has increased substantially, becoming a major factor in causing stress and added hassle for commuters (Schrank, Lomax, and Eisele, 2010).

FLEXTIME PROGRAMS

Employees today have longer commutes than previous years and are feeling the strain from high gas prices, congestion, and other factors. The escalating gas prices have employers rethinking their benefits packages to ease employee's commuting costs, similar to health insurance and childcare benefit packages. The stress of high gas prices has harmed worker's productivity and is leading individuals to rethink their career choice. About half of U.S.

employers have implemented programs to ease the stress of high gas prices to keep employees happy or attract new talent (Kiger, 2008). For example, Principal Financial imposed a deal with the local public transit in Des Moines to allow its 8,000 employees to ride the buses for free with a valid company ID. For the employees in which public transit is not an option, Principal Financial contributes $35 a month for any employee that participates in a vanpooling program. The company also eased the multi-trip commute by adding a pharmacy, dry cleaning, and childcare center on site (Kiger, 2008). In addition, David Lewis, CEO of OperationsInc based out of Stamford, Connecticut, distributed American Express cards to his employees that drove to work and allowed them to charge up to $100 a month in gasoline purchases. The thought of people re-evaluating their career priorities due to gas prices alone has pushed U.S. companies to find ways to ease the pain at the pump for the commuters within the industry (Kiger, 2008).

In addition to reimbursing employers for gasoline costs, companies all across the United States are beginning to institute flextime programs. Workplace flexibility is "the degree to which organizational features incorporate a level of flexibility that allows them [organizations] to adapt to changes in their environment" (Hill et al., 2008, p. 150). The flexibility program is largely in favor of the individual, but can also benefit communities by allowing employees to have a flexible schedule to arrange community service time. Workers are able to rearrange core aspects of their job in regards to where, when, and for how long they work. The central idea for workplace flexibility is that "workers are human resources, whole persons with essential life needs outside of work" (Hill et al., 2008, p. 151).

In the flextime programs, workers are more motivated, loyal, and engaged when they perceive their job is more flexible to meet their underlying needs on and off the job. The organizations look at the workplace flexibility program as a way to rapidly change internal and external demands placed on the organization. Workplace flexibility enhances workers' ability to serve their personal, family, occupational, and community needs. Prior to the program, organizations viewed workers' needs as secondary to the needs of the organization, but individual's needs are the essential means for the organization to reach their goals (Hill et al., 2008).

The program is set up to allow employees and supervisors the opportunity to have some choice in the decision as to when, where, and how they work. First, workers have the ability to arrange core aspects of the day to modify their work schedules. Employees can arrange when they arrive and leave work, as long as they work the core hours of 9:00 a.m. to 3:00 p.m. Employees can also compress their work week, which means work the weekly hours in a four-day week rather than the standard five-day work week. Employees can also have the option of working from home by telecommuting or virtual office. The two options mentioned provide employees with the freedom to meet business and personal/family needs in a portable sense. According to Glass and Finley (2002), flexible work schedules have been positively correlated to improve employees' productivity, organizational commitment, retention, morale, and satisfaction (Hill et al., 2008). The flextime program has also been connected to reducing employee's morning stress, concerns over childcare, and physical strain. Commuters under the program had lower commuting stress and time urgency than employees without the program. With commute stress linked to problems at work, sleep quality, and health; flextime programs can lead to other

beneficial results in employee job performance (Lucas and Heady, 2002). The flexible work program is the most powerful driver in engagement and retention amongst employees and is linked to higher levels of productivity. Even though workplace flexibility can be difficult for companies to arrange, the outcomes of the program prove that the benefits of flexibility can help an organization reinvent its culture.

CONCLUSION

The implications of long commutes on individuals are evident, but the reaction to the situation is individual and varied. Commutes on average are a longer time commitment, rather than a distance issue, and cause workers to consider trade-offs in factors such as residential or work locations. From an economic standpoint, the availability of land in close proximity to workplace locations is limited; therefore, workers have to suffer the cost of the commute for employment opportunities. Gender differences are evident for women who have been found to have shorter commutes than their male counterpart due to their role in society as the main contributor to childcare and household duties. Commuting costs are increasing for workers with longer commutes to and from work every day. The rising gas prices are causing individuals to make cutbacks on leisure activities so they can afford the commute. The rising gas prices and commuting costs are causing people to consider public transportation, but it is not available for people living outside the metropolitan area. The placement of an individual's house in relation to their employment location can be a large factor in considering if the commuting distance is worth the costs suffered.

For some commuters, the travel time between work and home can be valued as free time to think, converse, sing, escape, or as a transition between work and home. The art of traveling can be a gift to some commuters, but can be a sacrifice for other commuters. Commuting can be viewed for some travelers as a stressful or costly experience and produce negative outcomes physically for the individual and impact job performance. The stress experienced during the commute is largely due to exposure to high volumes of traffic, so some employers have taken action to implement flextime programs and other means to alleviate commuting costs. In conclusion, commuting can be viewed as a stressful or a costly experience, but overall, the commuter has the opportunity to choose the travel time experience of commuting.

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IMPACT OF COMMODITY INDEX INVESTMENTS ON AGRICULTURAL COMMODITY PRICE INCREASES DURING 2006-2011

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INTRODUCTION

Agricultural futures markets primarily function as a mechanism for discovering prices, facilitating financing, and managing market risks associated with price variability and stock holding. Unfortunately, recent volatility and high commodity prices in the commodity futures markets provide uncertainty for agricultural producers, food processors and manufacturers in their price discovery processes. FAO and World Bank data show that food and commodity prices started to rise in 2006 and peaked in 2008 and 2011 (FAO, 2009; FAO, 2011). Other reports indicate that these high agricultural commodity prices have caused inflationary pressures and posed great concern for the global economy and the outlook is that world agricultural prices will continue to remain high and volatile (Abbott, 2009; FAO, 2011).

Many researchers and institutions have linked the recent rise in commodity prices to fundamental economic factors of demand and supply, while others have blamed the speculation in the commodity futures contracts by hedge funds and investors in commodity indexes (CHSGA, 2008; AFPC, 2008; FAO, 2009; Sanders et al, 2010; US Senate, 2009) as the cause of the high prices. Despite these allegations, many investors and financial institutions continue to invest in agricultural commodities through index linked instruments and over-the-counter (OTC) swaps because investments in agricultural commodities are considered low risk against inflation or provide higher return than other asset classes (Kaufman, 2010). These have resulted in significant flow of funds into the agriculture commodity futures markets in recent years. Furthermore, these investments were never viewed as high risks until early 2008 when commodity prices skyrocketed (Sanders et al, 2010). Many argue that the rise of these new class of investments (especially long-only commodity index funds) into the agricultural futures markets may be speculative investments that possibly create "price distortions" and may potentially disrupt traditional cash-futures convergence pattern (AFPC, 2008; Henriques, 2008; US Senate, 2009). Consequently, there have been visible world-wide policy changes to control the role of swap dealers and index traders in commodity futures markets. Indeed, many G-20 governments and several international agencies such as IOSCO, OECD, IFPRI and UNCTAD, have expressed interest in implementing policies and programs (e.g. increased financial

regulation, strict supervision and transparency in commodity derivatives markets) that will curb the high agricultural commodity prices by the end of 2012 (G-20 Agricultural Ministers, 2011). Particularly, the US Congress passed HR 4173 (Dodd-Frank Wall Street Reform and Consumer Protection Act) in 2011 that is intended to regulate the role of swap dealers and index traders in commodity futures markets (US Congress, 2011).

The number and type of investors in the agricultural futures markets, their classifications, and the type of positions they hold potentially impact the price levels in these markets. There have been controversies over the classification of swap dealers and hedge funds in the agriculture commodity futures markets. There is the belief that CFTCs traditional categories of Commitment of Traders (COT) are ambiguous especially when swap dealers are classified as commercials (Peck, 1982; Ederington and Lee, 2002; Sanders, Boris, and Manfredo, 2004). For example, although institutional investments in commodity futures markets are considered speculative, yet the Commodity Exchange Act (CEA) governing futures trading does not prohibit investors from using the futures markets to gain exposure to commodity indexes. Moreover, there may be incentive for speculators to self-classify their activities in commodity futures markets as commercial hedging to circumvent speculative position limits. Indeed, the CFTC has classified the trading activities of swap dealers in the commodity futures market as commercial rather than noncommercial because swap dealers use futures markets for hedging their price risks (US Government Accountability Office, 2009). In addition, the Employee Retirement Income Security Act (ERISA) governing pension plans does not prohibit these plans from investing in commodity futures markets. Furthermore, pension plans investments with commodity-index exposures are considered legitimate and potentially useful investment strategy (Williams, 2009). Since mid-2000s, pension plans, endowments, and other institutional investors have increasingly used investments in commodity indexes in order to diversify their portfolios or hedge inflation risks (US Government Accountability Office, 2009). Commercial banks have also continued to participate in futures markets to hedge OTC commodity index swaps. The concerns of their activities compelled the CFTC to compile the Bank Participation in Futures Markets report (BP) which contains the positions held by commercial banks in 12 major commodity futures having at least five banks with open positions.

As previously indicated, these index investments and banks participation in the agricultural commodity futures markets are allowed by the regulatory bodies and exchanges under the classification of hedgers or commercials. However, traditionally, hedgers tend to be farmers, commodity processors, traders, etc., who have or would have control over the physical commodities being traded. This contradiction has created controversies in the classification of swap dealers and hedge funds under the commercial category of market participant in the commodity futures markets. For example, Till indicates that when swap dealers hedge the exposure of their swaps with positions in the futures markets, they are indeed hedging, and must thus be treated as speculators (Till, 2009).

Evidence in the investment industry suggests that commodity futures portfolios have generated returns comparable to equities (Gorton and Rouwenhorst, 2006). As a result, the industry has developed products that allow individuals and institutions to "invest" in commodity markets through OTC swaps that are linked to commodity indices, such as the Goldman Sachs

Commodity Index (Acworth, 2005). Many researchers (Master *et al*, 2011; Till, 2009; Kaufman, 2010) have indicated that these investments especially commodity index trading have created excessive speculation and are possibly the main cause of price volatility in the commodity markets. Indeed, UNCTAD and some researchers have classified these investments as "financialisation of commodity markets" and indicated that these will potentially cause futures market quotations to be driven more by the speculative activities of financial investors and less by fundamental supply and demand factors (Domanski and Heath, 2007; UNCTAD, 2011).

The conventional method of monitoring speculative positions in the futures markets is through the CFTC's Commitments of Traders (COT) reports. Given the misunderstanding of the real causes of recent price increases in the commodity futures markets and the impact or the lack thereof of speculators in index funds in these markets, additional research efforts are needed to better understand the potential impact and role of speculators in these markets. This paper analyzes the roles of long and short positions of hedgers and speculators in the commodity futures markets and their potential impact on recent commodity price increases or volatility. In order to assess the extent and impact of excessive speculation caused by Commodity Index Traders in these markets, CFTC data from Disaggregated Commitment of Traders (DCOT) in 12 commodity futures market are be analyzed. Specifically, COT data, including positions held by long-only index funds - reported in the Commodity Index Trader (CIT) report are analyzed to better understand the nature and impact of speculation in the commodity futures markets. This study examines the role of commodity-index investments by hedgers and speculators in US agricultural futures markets and their potential impacts on recent prices rise of agricultural commodities – i.e. the "adequacy of speculation" in agricultural futures markets since 2006.

Data and Methods

The study uses CFTCs COT disaggregated open interest data of futures positions, and delta-adjusted futures positions from January 2006 to September 2011. 302 contract observations for 12 commodities (Wheat, Corn, Soy, Soy-oil from CBOT; Wheat from KCBT; Lean Hogs, Live Cattle, Feeder Cattle from CME; and Cotton No.2, Sugar No.11, Coffee C & Cocoa from ICE) are used in the analyses. Index Investments (2007 to Sept 2011) and CFTCs bank participation (BP) data (August 2009 to Sept 2011) are also used in the analyses.

The relative "excessiveness" or adequacy of speculative and hedging activities in agricultural commodity futures markets are generally measured using hedging and speculative ratios, and Working's Speculative "T" Index. The study groups the traders into three main categories in order to use the ratios to evaluate their relative speculative and hedging activities.

Category 1: Includes only reporting and non-reporting traders in commercials (hedgers) and non-commercials (speculators) respectively - i.e. it excludes CIT in commercials and non-commercials and thus assumes that there are no index traders in the market.

Category 2: Consists of reporting and non-reporting traders in commercials (hedgers) and non-commercial (speculators) respectively combined with CIT in commercials (hedgers).

Category 3: Includes reporting and non-reporting traders in commercials (hedgers) and non-commercial (speculators) respectively and CIT in non-commercials.

The Hedging Ratios (HR) used to measure the extent of excess long or short hedging are:

$$HR = HL/HS \qquad \text{if } HS > HL \quad \text{---(1a)}$$

$$HR = HS/HL \qquad \text{if } HL > HS \quad \text{--- (1b)}$$

where HR is hedging ratio, HL is long hedging, and HS is short hedging. The Speculative Ratios (SR) measure the extent of excess speculation in the market in relation to the amount of hedging adjusted for non-reporting traders and CIT for hedgers and speculators respectively – i.e. they determine how long/short hedging positions are offset by long/short speculation. They are:

$$SR = SL/HS \qquad \text{if } HS > HL \quad \text{--- (2a)}$$

$$SR = SS/HL \qquad \text{if } HL > HS \quad \text{--- (2b)}$$

where SR is speculative ratio, HL is long hedging, HS is short hedging, SL is long speculation and SS is short speculation. Working's Speculative Index "T" is used to measure the adequacy of speculative positions needed to balance hedging positions held by commercial traders, i.e. it assists in identifying "excessive" or "inadequate" speculation relative to hedging activities in the futures markets. The "T" index is estimated as:

$$T = 1 + SS/(HL + HS) \qquad \text{if } HS > HL \quad \text{--(3a)}$$

$$T = 1 + SL/(HS + HL) \qquad \text{if } HL > HS \text{ --(3b)}$$

where "T" is the Working's Speculative Index, SS is short speculation, SL is long speculation, HL is long hedging, and HS is short hedging. Generally, "T" values greater than 1 reflect the extent of speculation in excess of the minimum needed to fill the long and short hedging gaps. It therefore, represents the amount of "unnecessary" speculation in the market (Working, 1960). Historically, "T" values in the range of 15% to 35% have been accepted as economically normal for the stability or smooth functioning of commodity futures markets (Sanders et al, 2010; Peck, 1981; Peck ,1982; Leuthold, 1983).

EMPIRICAL RESULTS AND DISCUSSION

Hedging and Speculative Ratio Results

The results of the hedging and speculation ratios for the 12 CFTC COT Supplemental products are presented in Table 1, 2, and 3. Ratio values close to 1 indicate that there are no differences between long and short hedging positions and imply that small participation of open

interests may be required from speculators to fill the gap. However, ratio values that are significantly lower than 1 indicate wide differences between the long and short hedging positions and imply that a larger participation of long or short speculations may be needed to fill the gap.

All the hedging ratios (HR) in Tables 1, 2, and 3 are below 1 (except 2009 KCBT wheat and CBOT soy oil in category 2 that has a ratios of over 1.00), implying that there are significant differences between the long and short hedging positions. Indeed, all the HR ratios in categories 1 and 3 (Tables 1 and 3) are below 0.75, implying that the markets require larger participation of speculators to fill the gap. However, most HR ratios in category 2 (Table 2) are more than 0.75 or closer to 1.00, implying that only a small participation of speculators are needed to fill the gap. Therefore, hedgers (i.e. investments in CIT in category 2 or Table 2) play a significant role in the commodity futures markets than speculators whose activities are less needed to bridge the long and short hedging imbalances in the markets.

Generally, the larger the SR value the greater the amount of speculation in the market, although SR is also affected by the amount of imbalance between the short and long hedging components (Daigler, 1991). With the exception of feeder cattle futures contracts in CME market, the SR results for all commodities in Table 1 are significantly lower than 1.00 (i.e. below 0.50). This implies that there were low levels of speculation in the markets to meet the long/short hedging gaps. Furthermore, all SR values in Table 2 are also below 0.50, except CME feeder

Table 1. H and S Ratios: Non-Reporting and Reporting Traders – Cat. 1

CFTC COT Supplemental Product		2006	2007	2008	2009	2010	2011
CBOT Wheat	HR	0.39	0.38	0.33	0.40	0.45	0.39
	SR	0.24	0.30	0.30	0.31	0.27	0.28
	Total	0.63	0.68	0.63	0.71	0.72	0.68
KCBT Wheat	HR	0.33	0.43	0.61	0.58	0.47	0.42
	SR	0.54	0.46	0.30	0.31	0.39	0.42
	Total	0.86	0.89	0.91	0.89	0.86	0.84
CBOT Corn	HR	0.48	0.55	0.6	0.64	0.44	0.46
	SR	0.32	0.28	0.23	0.25	0.35	0.36
	Total	0.79	0.83	0.83	0.89	0.8	0.82
CBOT Soy	HR	0.74	0.42	0.43	0.46	0.45	0.45
	SR	0.29	0.35	0.31	0.3	0.33	0.34
	Total	1.03	0.77	0.74	0.77	0.77	0.79
CBOT Soyoil	HR	0.44	0.4	0.590	0.64	0.44	0.49
	SR	0.31	0.34	0.18	0.22	0.28	0.30
	Total	0.75	0.74	0.77	0.86	0.72	0.8
ICE Cotton No.2	HR	0.44	0.34	0.41	0.26	0.38	0.49
	SR	0.29	0.33	0.23	0.29	0.30	0.26
	Total	0.73	0.67	0.65	0.55	0.68	0.75
CME Lean Hogs	HR	0.28	0.32	0.26	0.36	0.18	0.23

	SR	0.31	0.33	0.35	0.45	0.39	0.38
	Total	0.58	0.65	0.61	0.80	0.57	0.61
CME Live Cattle	HR	0.43	0.30	0.30	0.43	0.16	0.30
	SR	0.34	0.36	0.37	0.4	0.48	0.38
	Total	0.78	0.66	0.67	0.83	0.64	0.68
CME Feeder Cattle	HR	0.70	0.59	0.82	0.80	0.56	0.57
	SR	0.69	0.64	1.00	0.83	0.76	0.59
	Total	1.39	1.24	1.82	1.63	1.32	1.16
ICE Cocoa	HR	0.74	0.5	0.51	0.55	0.64	0.69
	SR	0.33	0.47	0.50	0.40	0.32	0.23
	Total	1.07	0.96	1.02	0.95	0.96	0.92
ICE Sugar No.11	HR	0.51	0.58	0.43	0.51	0.5	0.43
	SR	0.23	0.23	0.21	0.21	0.23	0.27
	Total	0.75	0.80	0.64	0.72	0.73	0.69
ICE Coffee C	HR	0.46	0.44	0.40	0.41	0.36	0.50
	SR	0.39	0.43	0.29	0.29	0.31	0.23
	Total	0.85	0.86	0.69	0.71	0.67	0.73

Table 2. H and S Ratios: Non-Reporting, Reporting Traders and CIT in Commercials- Cat. 2

CFTC COT Supplemental Product		2006	2007	2008	2009	2010	2011
CBOT Wheat	HR	0.94	0.93	0.89	0.81	0.85	0.93
	SR	0.24	0.28	0.27	0.27	0.24	0.25
	Total	1.18	1.21	1.16	1.08	1.09	1.18
KCBT Wheat	HR	0.53	0.71	0.92	1.00	0.81	0.69
	SR	0.54	0.46	0.30	0.30	0.38	0.40
	Total	1.07	1.17	1.22	1.30	1.19	1.09
CBOT Corn	HR	0.87	0.86	0.93	0.95	0.89	0.78
	SR	0.31	0.28	0.22	0.24	0.34	0.33
	Total	1.18	1.14	1.15	1.19	1.24	1.12
CBOT Soy	HR	0.82	0.76	0.84	0.88	0.90	0.81
	SR	0.28	0.35	0.30	0.29	0.31	0.32
	Total	1.10	1.11	1.14	1.17	1.21	1.13
CBOT Soyoil	HR	0.80	0.70	0.92	1.01	0.90	0.84
	SR	0.31	0.34	0.17	0.21	0.27	0.29
	Total	1.11	1.03	1.10	1.22	1.16	1.13
ICE Cotton No. 2	HR	0.94	0.81	0.84	0.77	0.73	0.78
	SR	0.29	0.32	0.23	0.29	0.29	0.24
	Total	1.23	1.13	1.07	1.06	1.02	1.02

CME Lean Hogs	HR	0.96	0.95	0.98	0.87	0.78	0.85
	SR	0.31	0.33	0.34	0.43	0.38	0.37
	Total	1.27	1.28	1.32	1.30	1.16	1.22
CME Live Cattle	HR	0.97	0.96	0.97	0.94	0.66	0.84
	SR	0.34	0.36	0.36	0.39	0.47	0.37
	Total	1.31	1.32	1.33	1.33	1.13	1.22
CME Feeder Cattle	HR	0.95	0.93	0.68	0.73	0.97	0.94
	SR	0.69	0.64	0.93	0.77	0.73	0.57
	Total	1.64	1.57	1.61	1.50	1.70	1.51
ICE Cocoa	HR	0.87	0.63	0.73	0.75	0.92	0.98
	SR	0.33	0.47	0.49	0.40	0.31	0.23
	Total	1.19	1.10	1.22	1.14	1.22	1.21
ICE Sugar No.11	HR	0.80	0.96	0.86	0.82	0.81	0.79
	SR	0.23	0.22	0.19	0.18	0.20	0.24
	Total	1.03	1.18	1.05	1.00	1.01	1.02
ICE Coffee C	HR	0.89	0.82	0.85	0.85	0.81	0.87
	SR	0.39	0.42	0.29	0.29	0.30	0.22
	Total	1.28	1.24	1.13	1.14	1.11	1.09

cattle futures contracts in CME market. More importantly, all total values of both HR and SR in Table 2 are more than 1.00, but lesser than 1.35. These results imply that there is a low level of speculation in the markets after meeting the demand for long/short hedging gaps. A potential reason for the limited speculation in the markets could be attributed to the activities of CIT in commercials (hedgers) whose data are included in Table 2 – i.e. role of CIT in commercials in these markets made it unnecessary for large infusion of long speculative positions. Therefore, it can be concluded that the investment of long index funds (CIT in commercials) in markets that are traditionally dominated by short hedging, should be considered as market saviors (i.e. improves market stability) rather than causing instability in the markets.

Table 3 shows the HR and SR values for non-reporting traders, reporting traders and CIT in non-commercials. All the SR values in Table 3 are between 0.70 and 1.36 and are significantly larger than the HR values. This indicates excess speculations after meeting the demand for long/short hedging gap during the period for most commodities. One potential reason for the excess speculation (high SR values) in this category is the inclusion of CIT in non-commercials (speculators) who are not considered as traditional participants in these markets but have been blamed for the rise in commodity prices.

Table 3. H and R Ratios: Non-Reporting, Reporting Traders, and CIT in Non-Commercials-Cat. 3

CFTC COT Supplemental Product		2006	2007	2008	2009	2010	2011
CBOT Wheat	HR	0.39	0.38	0.33	0.40	0.45	0.39
	SR	0.94	1.03	1.24	1.31	1.16	1.10
	Total	1.33	1.41	1.57	1.71	1.60	1.50
KCBT Wheat	HR	0.33	0.43	0.61	0.58	0.47	0.42
	SR	0.75	0.75	0.62	0.74	0.75	0.72
	Total	1.07	1.18	1.23	1.32	1.21	1.14
CBOT Corn	HR	0.48	0.55	0.60	0.64	0.44	0.46
	SR	0.72	0.60	0.59	0.73	0.84	0.76
	Total	1.19	1.15	1.19	1.36	1.28	1.22
CBOT Soy	HR	0.74	0.42	0.43	0.46	0.45	0.45
	SR	0.78	0.70	0.74	0.77	0.81	0.77
	Total	1.53	1.12	1.18	1.23	1.26	1.21
CBOT Soyoil	HR	0.44	0.40	0.59	0.64	0.44	0.49
	SR	0.69	0.64	0.53	0.64	0.80	0.70
	Total	1.12	1.04	1.12	1.28	1.23	1.19
ICE Cotton No. 2	HR	0.44	0.34	0.41	0.26	0.38	0.49
	SR	0.91	0.81	0.69	0.83	0.68	0.62
	Total	1.35	1.15	1.10	1.08	1.06	1.11
CME Lean Hogs	HR	0.28	0.32	0.26	0.36	0.18	0.23
	SR	1.08	1.08	1.15	1.29	1.02	1.02
	Total	1.35	1.40	1.41	1.64	1.20	1.25
CME Live Cattle	HR	0.43	0.30	0.30	0.43	0.16	0.30
	SR	0.89	1.03	1.11	1.04	1.00	0.94
	Total	1.32	1.32	1.42	1.47	1.16	1.24
CME Feeder Cattle	HR	0.70	0.59	0.82	0.80	0.56	0.57
	SR	0.89	1.03	1.11	1.04	1.00	0.94
	Total	1.59	1.62	1.93	1.84	1.56	1.51
ICE Cocoa	HR	0.74	0.50	0.51	0.55	0.64	0.69
	SR	0.45	0.61	0.75	0.61	0.63	0.55
	Total	1.20	1.10	1.26	1.16	1.26	1.24
ICE Sugar No.11	HR	0.51	0.58	0.43	0.51	0.50	0.43
	SR	0.55	0.66	0.71	0.64	0.66	0.71
	Total	1.06	1.24	1.14	1.15	1.16	1.14
ICE Coffee C	HR	0.46	0.44	0.40	0.41	0.36	0.50
	SR	0.83	0.82	0.75	0.75	0.78	0.64
	Total	1.28	1.25	1.15	1.17	1.14	1.15

Working's Speculative "T" Index Results

The results of the "T" Index analyses are presented in Tables 4, 5, and 6. The "T" Index values for all the three categories of traders are greater than 1.00, indicating relative evidence of some level of excess speculation in the markets.

The "T" values for markets investments or contracts that exclude CIT in commercials (hedgers) and CIT in non-commercial (speculators) are reported in Table 4. With the exception of feeder cattle contracts, all the "T" values range from 5% to 25%. These values indicate the existence of low level excess speculation in these markets that have no index fund investments and these may be economically necessary for the stability or smooth functioning of the markets.

Table 4. "T" Index: Non-Reporting and Reporting Traders only (Cat. 1)

CFTC COT Supplemental Product	2006	2007	2008	2009	2010	2011
CBOT Wheat	1.19	1.21	1.23	1.22	1.19	1.20
KCBT Wheat	1.05	1.32	1.19	1.19	1.27	1.30
CBOT Corn	1.08	1.18	1.14	1.15	1.25	1.25
CBOT Soy	1.24	1.25	1.22	1.21	1.23	1.23
CBOT Soyoil	1.10	1.24	1.11	1.13	1.20	1.20
ICE Cotton No. 2	1.27	1.24	1.17	1.23	1.22	1.18
CME Lean Hogs	1.22	1.25	1.28	1.33	1.33	1.31
CME Live Cattle	1.15	1.28	1.28	1.28	1.42	1.29
CME Feeder Cattle	1.32	1.40	1.55	1.46	1.49	1.37
ICE Cocoa	1.13	1.31	1.33	1.26	1.19	1.14
ICE Sugar No.11	1.04	1.14	1.15	1.14	1.15	1.19
ICE Coffee C	1.21	1.30	1.21	1.21	1.22	1.15

Table 5 reports the "T" values for market investments or contracts (category 2) that include CIT in commercials (hedgers) but exclude CIT in non-commercial (speculators). Again, with the exception of feeder cattle contracts in CME market, all the speculative "T" values are below 25% for all commodities in all markets. These low "T" values indicate low or minimum levels of excess speculation which are generally considered as economically necessary or needed for the stability or smooth functioning of the markets (Sanders et al, 2010; Peck, 1981; Peck, 1982; Leuthold, 1983).

Table 5. T Index: Non-Reporting, Reporting, and CIT in Commercials-Cat. 2

CFTC COT Product	2006	2007	2008	2009	2010	2011
CBOT Wheat	1.11	1.14	1.13	1.12	1.11	1.12
KCBT Wheat	1.04	1.08	1.07	1.12	1.09	1.05
CBOT Corn	1.07	1.05	1.05	1.09	1.09	1.05
CBOT Soy	1.18	1.04	1.05	1.06	1.08	1.06
CBOT Soy oil	1.08	1.04	1.07	1.12	1.1	1.08
ICE Cotton No:2	1.19	1.09	1.05	1.05	1.03	1.03
CME Lean Hogs	1.15	1.16	1.17	1.2	1.08	1.11
CME Live Cattle	1.11	1.13	1.18	1.19	1.06	1.08
CME Feeder Cattle	1.34	1.31	1.38	1.32	1.26	1.16
ICE Cocoa	1.12	1.08	1.14	1.1	1.12	1.12
ICE Sugar No.11	1.03	1.1	1.05	1.02	1.02	1.02
ICE Coffee C	1.16	1.14	1.08	1.08	1.07	1.05

Table 6 presents the "T" values for category 3 investments in the markets - i.e. market investments or contracts that include CIT in non-commercial (speculators) but exclude CIT in commercials (hedgers). The "T" values in Table 6 reflect excess speculation in markets that

Table 6. T Index: Non-Reporting, Reporting, and CIT in Non-commercials -Cat. 3

CFTC COT Supplemental Product	2006	2007	2008	2009	2010	2011
CBOT Wheat	1.20	1.26	1.39	1.47	1.38	1.33
KCBT Wheat	1.05	1.10	1.09	1.17	1.13	1.09
CBOT Corn	1.09	1.06	1.09	1.16	1.15	1.12
CBOT Soy	1.25	1.06	1.09	1.12	1.14	1.13
CBOT Soy oil	1.10	1.05	1.09	1.19	1.18	1.14
ICE Cotton No:2	1.27	1.14	1.09	1.09	1.06	1.09
CME Lean Hogs	1.22	1.27	1.30	1.45	1.15	1.18
CME Live Cattle	1.16	1.19	1.26	1.28	1.11	1.13
CME Feeder Cattle	1.32	1.32	1.72	1.64	1.37	1.22
ICE Cocoa	1.13	1.09	1.19	1.12	1.17	1.15
ICE Sugar No.11	1.06	1.17	1.12	1.12	1.13	1.11
ICE Coffee C	1.22	1.19	1.12	1.13	1.11	1.11

consider index investments as speculative contracts. Consequently, any large "T" value in Table 6 will indicate excessive speculation and may be the main cause of price spike in that market. However, all "T" values in Table 6 are below 25% with the exception of CBOT wheat contracts (20-47%) and CME feeder cattle contracts (20-72%). Overall, these low "T" values indicate lack of excessive speculation in the markets.

The "T" values reported in Tables 4, 5, and 6 for all the three categories of investments show no significant difference from historical values of 15% -35% reported in other studies and

accepted as normal and economically necessary for the stability or smooth functioning of commodity futures market (Working, 1960; Laby and Granger, 1970; Peck, 1981; Peck, 1982; Leuthold, 1983; Sanders et al, 2008). Table 7 compares this study's upper and lower speculative indexes with previous research results. The comparative results show that there is no pervasive

Table 7. Comparison of "T" Index with Previous Research Indexes

Market	Working [a]	Labys & Granger [b]	Peck[c]	Leuthold [d]	Sanders *et al.,CIT* Adjusted [e]	*CIT[f]*	*CIT[g]*
	1954-58	1950-65	1972-77	1969-80	2006-'08	2006-11	2006-11
Corn	1.16	1.19	1.05-1.20		1.06-1.34	1.05-1.09	1.06-1.16
Soybeans	1.28	1.31	1.06-1.31		1.10-1.45	1.04-1.18	1.06-1.25
Soybean Oil	1.14	1.18			1.07-1.15	1.04-1.10	1.05-1.19
CBOT Wheat	1.22	1.19	1.09-1.32		1.19-1.49	1.11-1.14	1.20-1.47
KCBT Wheat			1.01-1.05		1.05-1.36	1.04-1.12	1.05-1.17
Cotton	1.27				1.16-1.27	1.03-1.19	1.06-1.27
Live Cattle			1.57-2.17	1.05-2.34	1.13-1.60	1.06-1.18	1.11-1.28
Feeder Cattle				1.08-3.80	1.14-2.61	1.16-1.38	1.22-1.72
Lean Hogs				1.10-8.69	1.18-1.68	1.08-1.20	1.15-1.45
Cocoa						1.08-1.14	1.09-1.17
Sugar						1.02-1.10	1.06-1.17
Coffee						1.05-1.16	1.11-1.22
Average	1.21	1.22	1.16-1.41	1.08-4.94	1.12-1.55	1.06-1.16	1.10-1.29

[a.]Working (1960), Table 3. p. 194. Non-reporting traders are allocated to hedging or speculating based on the levels of hedging and speculating in reported positions (see Working's appendix 2, pp. 214-216

[b.]Laby's and Ganger (1970), Table 5-6, p. 127. Non-reporting traders allocated to

hedging or speculating based on the levels of hedging and speculating in reported positions following Working (1960) method.

[c.] Peck (1980), Table 1and Table 2. Peck estimates an upper (lower) bound by assuming all non-reporting traders are speculators (hedgers). The date range represents the most inclusive time period over which the index was calculated across the markets.

[d.] Leuthold (1983), Table VI, p. 131. Leuthold estimates an upper (lower) bound by assuming all non-reporting traders are speculators (hedgers). The date range represents the most inclusive time period over which the index was calculated across the markets.

[e.] Sanders *et al*.(2010), Table 10, p.26. Upper (lower) range results from assuming that non-reporting traders are speculators (hedgers).

[f-g.] Upper (lower) results from assuming CIT as commercials (hedgers) and non-commercials (speculators).

evidence that speculative levels in 2006-2011 are in excess of those recorded historically for agricultural futures markets even after accounting for index trader positions. Therefore, the results of the speculative "T" indexes from this study show that these agricultural futures markets do not have high level of speculative activities. Consequently, the current speculative activities may reflect commercial needs for the stability and smooth functioning of the markets.

SUMMARY AND CONCLUSIONS

Although prices in the agricultural commodity futures markets have risen significantly in recent years, the results of this study support those of many previous studies that concluded that investments of commodity index traders and speculators in the futures markets are not the major causes of the price increases. While the analyses in this study do not directly test for price impacts, the T" indexes, generally reveal the lack of "excess speculation" in the commodities futures markets. However, the ratio and speculative index results revealed a relative low level of abnormality only in CBOT wheat and CME feeder cattle markets. These results debunk the assertion that speculators are to be blamed for the recent increases in commodity prices and that their activities in the futures markets must be curbed. Indeed, the results of this study indicate the possibility that speculators and commodity index traders potentially play appropriate roles in the futures markets by providing liquidity needed for the smooth functioning of the markets.

The results of the study imply that index traders in agricultural commodities do not change futures markets primarily from hedging to "excessive" speculative markets. As a result, the potential causes of the recent price spikes in agricultural commodities may potentially be the results of market fundamentals. Consequently, recent proposed government policies and programs aimed at curbing speculation in the commodities and futures market may potentially be counterproductive in terms of needed liquidity in the markets to ensure stable price levels and market stability.

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NEW REGULATION, PERFORMANCE AND CORPORATE GOVERNANCE

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ABSTRACT

After the adoption of the Corporate Governance Code (Code) in Mexico, many companies increase the financial performance and the leveraged during the following five years; we investigate the effect of how those firms improved the corporate governance practices and how it is translate into better risk return company. We analyzed how and where better corporate governance practices affects performance and what is the relationship with Transparency, New Regulation and Governance Practices. Also we explored the gaps between transparency and information disclosure of Mexican Firms listed in U.S stock exchange and non U.S listed firms our findings are related to the potential growth of the Mexico Financial Market, Law and Finance.

INTRODUCTION

In Cosmology, Dark Energy is related to the form of energy or force that tends to increase the universe expansion; it means Dark Energy is helping galaxies to separate each other in this expansion process, even though the true nature of this Dark Energy process remains unknown. In Business, Agency Theory study the conflict between management and investors, the conflict is translated into economic damage; several remedies to the conflict can be used like new regulation, economic interest or survival, event tough this problem is caused by the agent opportunism, agent incompetence, agent corruption and inadequate decision process, after decades and several remedies we still have the economic damage and also we need to explore more deeply the true nature of this conflict.

During the last two decades, many changes we have experienced in regulation toward public companies, financial institutions and lately governments, in fact all these changes have been trigged by immense economic damage to the investors, taxpayers and government. However, in the long run, it seems we cannot prevent even controlling the economic damage, the problem persists, we know its results and consequences but we still cannot identify and measure the true nature of the dark energy in business.

Corporate Governance (CG) is a set of practices that can be improved inside the organization, mainly can be directly related to the shareholders rights, information and transparency and the responsibility of the board of directors. In the long run, better CG practices should improve every aspect of the company in order to solve the future consumer demand today. We can identify several actions that in the long run should improve the financial position of the company, such actions can be CEO remuneration, relevant information in time and regular

basis, selecting, compensating and replacing key executives, disclose of material risk factors or restrictions in financial leverage.

During the last decade Mexico has been struggled to increase the number of public companies traded in to the Mexican Stock Exchange (MSE) and part of this effort is related to improve and adequate the financial regulation into one similar trade counterparts, USA and Canada. Several improvements we can identify during the last decade, two major overhauls, the first one (see CNBV, 2000) is related to the use of the "Code of Corporate Governance" CCG in 2001 and the second one (see CNBV, 2005) is a complete new law "Ley de Sociedades Anónimas" with the main objective to improve the level of transparency, information disclosure and investor protection.

The purpose of this paper is to identify how the companies improve the financial performance or reduce the financial leverage using this new regulation during the last decade. Specifically, how the companies with better performance are using the CCG into practice and how this new regulation from 2001 has been affected from a long run perspective.

By definition better CG practices can be translated into better financial performance, but the opposite effect can be related to the use of more debt, increasing the use of debt can be directly related to increasing assets with better marginal positive return effect. Also increasing debt due to new assets can increase returns but depending the assets allocation, current assets and long term assets can affect differently the financial performance into the short term and long term perspective, we opt for use financial performance and capital structure and also long term perspective in order to assess this new regulation and how is related to the Best Corporate Governance Practices.

We assess how new regulation in CG practices can improve financial performance into the long run. During the last three decades many countries around the world had been increase controls, practices and the way the investors are protected from the unethical behavior and moral damage mainly derived from the management, as we call the conflict between the agent and principal. The initiative means in the long run better corporate practices, transparency and symmetric information between the investors and the management. Also for many countries like Mexico, means a strong and robust way to attract external and institutional investors into the local economic opportunities.

Mexico has been trying to increase the number of new IPO's (Initial Public Offers) during the last twenty years without any substantial improvement; also as part of the global trend has been improved dramatically the way the public companies disclose information to the investors. It seems an evident paradox, (the Dark Energy analogy) into the MSE, by one side new regulations and controls to the public companies should increase the number of participants (potential investors) and the other side the number of companies traded into the financial market has been declined in the last two decades, we explore for those better financial performance companies how they did change the corporate governance practices. We are going to explore the positive effect of the new regulation and the evident new corporate governance practices. We identify according with the CCG five major domains, corporate governance commitment, shareholders rights, transparency, management and supervision and auditing practices.

THEORETICAL FRAMEWORK

Our study is based on the relationship between management practices and financial performance over a long period of time. Management practices are based with the new CCG practices and mainly according with the OECD standards, see (OECD, 1999) and for Mexico see (CCE, 1999). The new regulation requires to changes five major aspects in how the business is running; mainly these domains can be separated by, corporate governance commitment, shareholders rights, transparency, management and supervision and auditing practices. Figure 1 describes the conceptual framework between law, regulation and firm governance practices effect.

There are strong evidences that the five major domains are positively correlated with financial performance. For example corporate governance commitment and shareholders rights, are related in how the Board of Directors are actually running the business, and how the management care about the minority shareholders interest, to do so, board of directors represent the shareholders interests, in this process better board structure, leadership, independency, responsibility and social awareness are fundamental to improve business performance, according with (Kappler & Love, 2005) those characteristics are positively correlated with Tobin Q, ROA or Operating Performance. Later, in the same line, but specially to minority shareholders, (Chiang and Chia, 2005) found out additional board characteristics, such board size, ownership structure, CEO and ownership structure and institutional ownership are positively correlated with ROA, ROE and EPS financial performance.

Another domain is related in how the business is managed inside out, covering the most important steps in any organization, such strategic planning, operations, customer relations and incentives to the top management, in this process a strong empirical evidence can be found in (Jensen and Murphy, 1990) specially in the incentives part and firm value. Later (Epstein and Roy, 2005) found out more specific operative management process, such customer and strategic planning activities and how are related with financial performance. The classical relationship about top management compensation and performance are described in several recent empirical studies such (Jiraporn, Kim, Davision, 2005), (Nahar, 2006), (Kang, Kumar, Lee, 2006).

In our study, audit and control function are fundamental to understand the MSE financial resources problem, previous studies such (Machuga, S, & Teitel, K. 2007) and (Chong, Guillen & Lopez de Silanes, 2009) indicate a big problematic situation to access new economic resources for any Mexican public company, part of the problem are related to the number of public companies traded into the MSE, which have been reduced in the last decade, either using stock or bond instruments. Also (Garcia, 2011, 2011(1)) found out the increasing use of debt in the last decade and the decreasing average return for the shareholders, both concepts convergence with the level of debt and return with companies with the free trade counterparts countries.

Figure 1. Theoretical Framework and previous empirical evidence.

	Domains references and empirical references
Legal System	1) Campbell and Wasley, (1999). Agrawal, Charles, Knoeber.(1996) Black, Jang, Kim (2006) Steiner, (1972), Jensen, (1993) Yermack, (1996) Schellenger, Wood, and Tashakori (1989), Beasely (1996), Shen, Hsu and Chen (2006), Li, Lam, Qian and Fang (2006), Klapper and Love (2005) Chiang and Chia (2005), Perry and Shivdasani (2005).
New Legal Requirements	2) Kang, Kumar and Lee (2006), Nahar (2006), Jiraporn, Sang Kim and Davidson III (2005), Epstein and Roy (2005). Jensen and Murphy (1990) and Bebchuk and Fried (2003)
Changes in Governance Practices Domains	
1) Board of Directors. Integration, Ownership, Operation 2) Evaluation and Remuneration functions. 3) Audit and Control functions. 4) Finance and Planning 5) Disclose of Information and Transparency	3) Watts and Zimmerman (1978).Yeh, Lee, and Ko (2002), Myers and Ziegenfuss (2006), Holstrom and Kaplan (2003) Payne (2006), Petra (2006) 5) Fama, Fisher, Jensen and Roll (1969), Akerlof (1970), Bhattacharya (1979), Ross, (1978), Bushman and Smith (2003 and 2004), Mensah, Nguyen, Prattipati, (2006)

Firm Performance Risk and Return	Agency Theory Empirical Evidence	Ownership and Capital Structure

Mexico Case
Bhattacharya, Daouk, Jorgenson and Heinrich (2000), Gibson (2003), Manchuga and Teitel (2007), Chong, Guillen and Lopez de Silanes (2009),Garcia (2011, 2011(1)),

The audit and control function is important to assure better use of resources to the investors, the function specifically is related to oversee the operative performance and the operative objectives of the company as well the practices and actions that have to be done to assure better risk and return to the investors, this function also oversees the use of debt,

investments and correct use of the resources. Previous empirical research can support this line, for example (Myers and Ziegenfuss, 2006) asses the audit process and the internal control mechanism to find out if the company can achieve better responsibility and effectiveness. Also, but using different approach (Petra, 2006) research the rationale behind the corporate governance reforms and the importance to corporate collapses, an expost and exante research.

The last domain we study is the transparency, several research have been indicate the benefits to have information on time and adequately, for example (Bushman and Smith, 2003 and 2004) study how the transparency change across different countries and also across different legal systems, Mexico case is not the exception, several changes in terms of transparency has been improved to be according with the OECD standards and also with the commercial partners, USA and Canada, the CCG incorporates those improvements. The benefits can be measure as productivity and additional economic firm value, as is described in (Bushman and Smith, 2003) reducing information asymmetries.

PREVIOUS RESEARCH AND EMPIRICAL EVIDENCE.

According with the theoretical framework there is positive effect using governance practices and financial performance, according (Machuga, et al., 2007) found out positive quality earnings resulting from new corporate governance practices, they assess the effect of the implementation of the CCG and the financial result using different variables and different financial perspective either operative or resources, the study covered two year timeline. Also another similar study to Mexico is (Chong, et al, 2009) found out positive relationship between firm value and other financial performance variables and corporate governance practices, also using one year short term assess. Both studies conclude positive financial performance in short time range and governance practices, but also they found out one of the major problems into the MSE, the access new capital.

Nevertheless, previous study (Garcia, et al 2011) indicate in the long term analysis there is a misconnection between governance practices and financial performance, using ROA, ROE or Capital Structure analysis in a 10 years window period, the results are the average performance of the public companies traded into the MSE has been steadily declined and using more debt, but also the number of public companies traded into the financial market declined, the agency cost for a typical public companies raised and finally there is a clear disconnection between regulation, CG practices and how the individual firms are managed.

There are several explanations to the disconnection between regulation, CG practices and how the individual firms are managed, especially in emerging markets, (La Porta. Lopez de Silanes and Shleifer, 1998) found out there is a correlation between the ownership structure and CG practices. Later, (Gibson, 2003) found out the relationship between local ownership structure, firm performance and CG practices. Also different explanation previously founded is the potential insider information into the MSE according with (Bhattacharya, Daouk, Jorgenson, Heinrich, 2000).

METHODOLOGY

The purpose of the present research is to answer what or how companies with better financial performance use or adopt new corporate governance practices? We want to explore and identify those companies with better financial performance and finally how kind of actions, strategies or governance practices are implemented inside the company. In other words, we want to identify the connection between new regulation the CCG and then analyze if the companies with better financial performance are really and finally using as states in the law the CCG.

We divide the research in three steps, first we need to discriminate those companies with poor and lower financial performances out of the universe of public companies, then after companies with outstanding financial performance we are going to track down the annuals reports to identify those practices or actions related with the CCG. Finally, we are going to compare and match the actual events, actions and governance practices with the five most important domains extracted from the CCG.

The first step by itself involves identifying those companies with better financial performance before and after the implementation of the CCG; we use the following formulas in order to define for our research better financial performance:

Return on Equity (ROE) = return on equity.
Return on Assets (ROA) = return on assets.
Increase in Revenues (IS) = %Change in revenues.
Increase in Operative Income (MGN) = % Change in Operative income.
Net Income (NI) = % Change in Net Income before extraordinary items.
Income to Sales (NI / S) = ratio in % between net income and net sales.
Debt to Assets (DR) = ratio between total debt and total assets.
Debt to Equity (DER): ratio between total assets and book value of equity.

For each performance variable we use one Hypothesis and we compare the results previous to the new regulation with post regulation results. Previous researches use the same formulas usually in a short term period, we opt to use these same variables in two period windows, the pre code CCG and the post code. The pre code CCG includes quarterly financial data from 1995 to 2000. The implementation of the CCG was in 2000, we opt to use long term perspective analysis so the post code CCG range is from 2001 to 2005. During this step we separate the local companies from the non local companies, we define the non local companies to those companies which regulation, CG practices and stocks are not only traded in the MSE. Table 1 describes the universe of companies we have at the beginning of our research. The null hypotheses are described below; we assess the hypotheses at two levels, the overall level which includes the 55 companies or system perspective and firm level, which assess the individual performance for each company.

The Null Hypothesis for the 55 companies: There is no difference between exante Mean for H1 (ROE), H2 (ROA), H3 (% Sales), H4 (MGN), H5 (NI), H6, (NI / S) H7 (DR), H8 (DER) and expost Mean for H1 (ROE), H2 (ROA), H3 (% Sales), H4 (MGN), H5 (NI), H6, (NI / S) H7 (DR), H8 (DER).

Table 1. Universe of Companies, Sectors, Local and Foreign Companies			
Sector / Industry	Companies	LC*	FSC**
Retail	14	14	
Communications	4	1	3
Building and Construction	9	6	3
Manufacture	15	11	4
Others	7	4	3
Mining	3	3	
Services	3	3	
Total Companies	55	42	13

* Local Company ** Foreign Stock Company

Table 1. Universe of Companies, Sectors, Local and Foreign Companies (Continue)					
Commercial	LC / FSC	Building	LC / FCS	Manufacture	LC / FSC
Alsea	LC	Ara	LC	Bachoco	LC / FSC
Benavides	LC	Cemex	LC / FSC	Bafar	LC
Collado	LC	Ceramic	LC / FSC	Bimbo	LC
Comerci	LC	Cmoctez	LC	Femsa	LC / FSC
Coppel	LC	GCC	LC	GCorvi	LC
Elektra	LC	GEO	LC	Geupec	LC
Fragua	LC	GMD	LC / FSC	Gmodelo	LC
Gigante	LC	Hogar	LC	Gmodern	LC
Liverpool	LC	Lamosa	LC	Gruma	LC
Marti	LC	Mining	LC / FSC	Herdez	LC
GPH	LC	Autlan	LC	Hilasal	LC
Saba	LC	GMexico	LC	Kimberly	LC
Soriana	LC	Peñoles	LC	KOF	LC / FSC
Walmart	LC	Others	LC / FCS	Maseca	LC
Communications	LC / FSC	Alfa	LC / FSC	Vitro	LC / FSC
Cintra	LC	CIE	LC	Services	LC / FSC
Telmex	LC / FSC	Desc	LC / FSC	CMR	LC
Televisa	LC / FSC	Gcarso	LC	Posadas	LC
TV Azteca	LC / FSC	Gissa	LC	Realtur	LC
		Gsanborn	LC		
		Imsa	LC / FSC		

Using the eight variables of performance for the first step we compared both periods the pre and post code CCG using T Test method comparing the means and variances for both periods and identify if they are significantly different, during 1995 there was a economic recession in Mexico that last almost 4 quarters, the negative effect was for the entire population, the rest of time period analysis remains without significant economic changes. Because the data was affected homogenously to the entire population and also the time frame study includes almost 44 quarters we opt not Winsorize the data. The overall performance variables descriptive statistical data are in Table 2.

Table 2. Performance Variables Descriptive Statistics								
	1	2	3	4	5	6	7	8
Exante Mean (Precode)	11.1%	4.6%	12.2%	14.3%	75.2%	10.1%	43.2%	87.8%
Expost Mean (Postcode)	7.2%	3.2%	6.7%	11.9%	60.9%	13.4%	50.5%	125.4%
Variance EXANTE	0.01	0.00	0.01	0.00	1.64	0.01	0.00	0.05
Variance EXPOST	0.00	0.00	0.00	0.00	1.39	0.07	0.00	0.01
N Exante	1384	1384	1335	1384	1335	1376	1384	1384
N Expost	1240	1240	1240	1240	1240	1240	1240	1240
T Test Critical Value	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test Stat (Paired Sample)	1.50	1.76	2.02	4.71	0.39	0.53	8.69	8.00
P Value	0.14	0.09	0.05	0.00	0.70	0.60	0.00	0.00
Standard Error	0.00	0.00	0.00	0.00	0.05	0.01	0.00	0.01

Observations	2624	2624	2575	2624	2575	2616	2624	2624
Mean	10%	4%	10%	13%	68%	12%	47%	106%
Median	9%	4%	5%	13%	5%	10%	47%	103%
Std Dev	19%	6%	26%	6%	480%	31%	10%	53%
Min	-117%	-36%	-37%	-6%	-1594%	-138%	18%	-295%
Max	142%	29%	142%	37%	4072%	812%	73%	391%

1- H1 Return on Equity, 2- H2 Return on Assets, 3-H3 % Increase Sales, 4- H4 Gross Marging. 5-H5 Net Income Margin
6- H6 % Increase Net Income, 7- H7- Debt/Assets Ratio, 8- H8 Debt/Equity Ratio

Initially we start the study with 55 companies, then after the statistical test we have the following results for each variable tested. The null hypothesis for each variable was there is no difference between means, comparing pre code and postcode results; we use Alfa 5%. The T test help us to identify if there is significant change performance before and after the regulation, but the test doesn't asses the direction of the data positive or negative effect, only the difference, for example it means if a company performs pre code ROA mean 10% and post code 5%, there is a difference between pre and post code, but not better performance.

The data was obtained from Bloomberg, directly the "BMV" official web site, "Infosel Financiero" and "El Financiero" all the major and most important information sources in

Mexico, also for the companies selected we visited the companies web pages and we use that information available from 2001 to 2005 into our final report. We excluded in our research the entire financial service sector due to major overhaul during the same period and also major regulations changes. All the data was compiled from 1995 to 2005. We select only those companies with financial information available for the period of analysis; finally we start the first step with only 55 public companies, we identify the universe in 6 major economic sectors, retail 14, communications 4, construction 9, manufacture 15, others 7, mining 3 and services 3, our global Hypothesis by variable results are below.

Statistical Significance Accepted H Alternative								
	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Accepted H Alternative	29	25	22	38	7	30	43	42
Rejected H Alternative	26	30	33	17	48	25	12	13
Total	55	55	55	55	55	55	55	55

At the firm level we calculate same eight variables and using the same statistical test to compare the performance before and after the CCG, we consolidate the information by industry, local and foreign, and firm level in TABLE 3.

Table 3. Firm Level Statistical Test P VALUES Mean Paired Samples (Alfa 5%*)								
Commercial	LC / FSC**	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Alsea	LC	0.01	0.01	0.00	0.00	0.46	0.09	0.07	0.09
Benavides	LC	0.01	0.00	0.06	0.00	0.56	0.00	0.00	0.01
Collado	LC	0.89	0.36	0.10	0.42	0.57	0.54	0.00	0.00
Comerci	LC	0.25	0.77	0.30	0.10	0.58	0.74	0.00	0.00
Coppel	LC	0.25	0.77	0.30	0.10	0.58	0.74	0.00	0.00
Elektra	LC	0.27	0.00	0.09	0.00	0.25	0.00	0.01	0.10
Fragua	LC	0.00	0.00	0.85	0.00	0.16	0.00	0.00	0.00
Gigante	LC	0.00	0.00	0.99	0.67	0.06	0.00	0.00	0.00
Liverpool	LC	0.02	0.27	0.24	0.00	0.43	0.42	0.00	0.00
Marti	LC	0.56	0.06	0.92	0.00	0.05	0.47	0.00	0.00
GPH	LC	0.00	0.00	0.13	0.00	0.14	0.00	0.00	0.00
Saba	LC	0.00	0.00	0.00	0.21	0.28	0.00	0.87	0.73
Soriana	LC	0.00	0.00	0.01	0.01	0.04	0.00	0.00	0.00
Walmart	LC	0.13	0.65	0.25	0.00	0.00	0.00	0.00	0.00
Communications	LC / FSC								
Cintra	LC	0.00	0.00	0.01	0.00	0.09	0.00	0.00	0.00
Telmex	LC / FSC	0.00	0.00	0.01	0.00	0.05	0.33	0.00	0.00
Televisa	LC / FSC	0.00	0.17	0.11	0.00	0.26	0.01	0.00	0.00
TV Azteca	LC / FSC	0.36	0.67	0.06	0.00	0.87	0.90	0.03	0.08

Services	LC / FSC								
CMR	LC	0.00	0.00	0.00	0.00	0.63	0.00	0.00	0.00
Posadas	LC	0.64	0.27	0.00	0.00	0.98	0.14	0.00	0.00
Realtur	LC	0.47	0.50	0.59	0.64	0.14	0.44	0.40	0.01
Construction	LC / FCS								
Ara	LC	0.15	0.70	0.00	0.00	0.78	0.46	0.00	0.01
Cemex	LC / FSC	0.01	0.00	0.07	0.00	0.65	0.00	0.01	0.01
Ceramic	LC / FSC	0.51	0.34	0.18	0.23	0.15	0.36	0.00	0.00
Cmoctez	LC	0.11	0.17	0.00	0.08	0.00	0.61	0.00	0.01
GCC	LC	0.00	0.39	0.00	0.43	0.35	0.16	0.00	0.00
GEO	LC	0.00	0.00	0.02	0.96	0.35	0.01	0.00	0.00
GMD	LC / FSC	0.11	0.21	0.00	0.00	0.05	0.25	0.00	0.01
Hogar	LC	0.10	0.06	0.26	0.12	0.17	0.17	0.00	0.00
Lamosa	LC	0.89	0.39	0.72	0.88	0.08	0.33	0.00	0.00

* Values are statistical significant at < .05,   ** LC Local Companies, FSC Foreign Stock Companies

Table 3. Firm Level Statistical Test P VALUES Mean Paired Samples (Alfa 5%) (Continue)									
Mining	LC / FSC**	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Autlan	LC	0.10	0.45	0.55	0.03	0.89	0.01	0.00	0.00
GMexico	LC	0.44	0.14	0.10	0.16	0.71	0.01	0.00	0.00
Peñoles	LC	0.03	0.02	0.40	0.00	0.94	0.00	0.00	0.00
Manufacture	LC / FSC								
Bachoco	LC / FSC	0.06	0.05	0.03	0.06	0.53	0.04	0.69	0.93
Bafar	LC	0.04	0.02	0.00	0.02	0.02	0.59	0.01	0.25
Bimbo	LC	0.06	0.56	0.50	0.06	0.71	0.99	0.00	0.00
Femsa	LC / FSC	0.99	0.60	0.09	0.00	0.72	0.22	0.05	0.03
GCorvi	LC	0.00	0.00	0.00	0.00	0.26	0.00	0.00	0.00
Geupec	LC	0.10	0.62	0.00	0.02	0.26	0.17	0.00	0.00
Gmodelo	LC	0.00	0.70	0.94	0.00	0.82	0.01	0.00	0.00
Gmodern	LC	0.12	0.54	0.68	0.00	0.80	0.08	0.30	0.37
Gruma	LC	0.02	0.14	0.33	0.47	0.49	0.01	0.81	0.66
Herdez	LC	0.27	0.35	0.62	0.62	0.89	0.16	0.00	0.00
Hilasal	LC	0.00	0.00	0.00	0.00	0.46	0.00	0.00	0.00
Kimberly	LC	0.16	0.02	0.27	0.01	0.31	0.00	0.00	0.00
KOF	LC / FSC	0.01	0.02	0.34	0.00	0.34	0.00	0.59	0.31
Maseca	LC	0.00	0.03	0.53	0.00	0.21	0.00	0.06	0.05
Vitro	LC / FSC	0.26	0.69	0.67	0.00	0.29	0.25	0.00	0.00
Others	LC / FCS								

		ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Alfa	LC / FSC	0.15	0.13	0.36	0.00	0.43	0.03	0.00	0.00
CIE	LC	0.00	0.00	0.00	0.00	0.05	0.00	0.08	0.09
Desc	LC / FSC	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00
Gcarso	LC	0.01	0.01	0.04	0.00	0.35	0.00	0.06	0.09
Gissa	LC	0.00	0.00	0.02	0.00	0.01	0.00	0.00	0.00
Gsanborn	LC	0.02	0.10	0.01	0.04	0.42	0.95	0.20	0.20
Imsa	LC / FSC	0.00	0.00	0.87	0.00	0.83	0.00	0.36	0.32
Statistical Significance Accepted H Alternative									
		ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Accepted H Alternative		29	25	22	38	7	30	43	42
Rejected H Alternative		26	30	33	17	48	25	12	13
	Total	55	55	55	55	55	55	55	55
* Values are statistical significant at < .05 ** LC Local Companies, FSC Foreign Stock Companies									

The second step requires several assumptions to identify those companies with outstanding performance, the companies must have the following requisites, positive performance compared pre and post code, also we select those companies where 5 variables out of 8 improve (minimum 5 rejected null hypothesis) during the pre and post period of study, and also we include the companies with the best performance inside the industry for the entire period of study, to do this last requirement we took the 10 years average industry ratio (variables by industry) and then select the company with the best performance during the period, see Table 4.

Table 4. Selected Companies and results performance variables (pre and postcode)								
Company / Mean Variables	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
ALSEA	14%	9%	22%	11%	33%	10%	33%	51%
TELMEX*	24%	12%	4%	35%	19%	21%	45%	103%
POSADAS	7%	4%	7%	21%	29%	12%	56%	129%
CMOCTEZ	18%	15%	23%	43%	34%	31%	14%	17%
GMEXICO	12%	3%	25%	25%	338%	16%	46%	101%
GSANBORNS	14%	6%	30%	14%	586%	8%	58%	144%
BACHOCO*	14%	11%	10%	12%	55%	12%	21%	27%
KOF*	17%	8%	19%	15%	28%	8%	52%	113%
* FSC Foreign Stock Company								

After we identified those companies with better financial performance then the third step involves identifying the five major CCG domains into the real world implementation, we use

annuals reports from the public companies from 2001 to 2005 and track down every domain during five year window. The CCG most important domains are 1) corporate governance commitment, 2) shareholders rights, 3) transparency, 4) management and 5) supervisory board matters and auditing.

For every public company, the new regulation or the CCG requires to answer a questionnaire where it is included also the five major domains previously discussed, we reviewed also the questions and the answers, but we identified deficiencies such, closed answers like yes or not, limited open wide explanations, very limited information about how really the company addressed the governance inside the firm, we opt for not include this questionnaire in our research. We opt more for reviewed the annual reports and updated news related to the company, also the additional information disclosed by the firm related to activities and board decisions in a traditional form. We found out a wide open and un-systemic ways to disclose qualitative information related to the governance practices inside the firm.

For example one company can disclose a detailed information about the corporate practices and internal controls, such strategic planning activities, capital structure policies, compensation and internal controls after the CGC regulations, but in the opposite direction we also found companies with weak and very vague information about specific actions, objectives and activities devoted to improve governance practices inside the firm. We analyzed the information available to the investors, governance practices and all relevant information that can really translate into better corporate governance practice, we graded the companies in three levels, company with grade A did inform a complete disclosed information from the board members with specific details related to the five major domains and complete transparency, also we track down all annual reports and the consistency of the governance practices year to year. Level B informs about the activities in general forms and the improvements from the previous annual report. Level C informs about the existence of the compromise of the company to respect the new regulation, but not additional information, just one or two vague paragraphs from the annual report.

RESULTS

Basically, the MSE as a system, we can conclude the capital structure for the public companies traded into the MSE has been change during the pre code and post code regulation process, this means 43 out of 55 companies are using more debt. Also in the performance aspect, the returns as a business or shareholder (ROA or ROE) 25 and 29 respectively out of 55 are deteriorating during the time period of analysis. Moreover, the operative margin (MGN) 38 out of 55 companies has been declined. The MSE as whole has been reducing the profitability and increasing financial risk, this is not the expected results from improvements in corporate governance practices.

According with the results, all variables are deteriorating after the 2001 new CCG adoption; we divided performance into two major components, the profitability and the capital structure, the profitability part shows lower returns in terms of assets and shareholders also in terms of change % in sales and net income, but also in terms of use more debt and less equity.

Table 6 describe same data by sector, we have to include the GDP for the same period in order to understand the overall context, in this case the previous pre code GDP was 3.5% compared with the 1.9% for the post code performance, statistically there is no significant difference between both periods, the P-value was .1826. In the overall results we can conclude the public companies in Mexico are using substantially more debt and are decreasing in performance related to assets or equity. For the CCG the domains 1, 3, 4 and 5 are not according with the economic results, we expected more transparency, more detailed governance commitment, better management practices and major overall supervision, none of this domains as a system has been improved.

After the performance filter, we selected from 55 companies only 8 companies and three of them were traded outside the MSE, specifically in the US stock market. Table 7 represent the statistical data for each company and the results pre and post regulation, in the overall 2 out 8 were from the manufacture, one for retail, one for communications, one for services, one for construction, one from mining and one from others. In general terms for the entire period, ROA and ROE for all the companies selected were double digits except for only one, also for the entire period all companies perform net margin, (net profits / revenues) above 8%.

We analyzed the annual reports, board reports, news, most important events and investors available information for the eight selected companies, during post code period, we discovered several gaps that are not included in the regulation framework and CCG practices. First, although there is a written report with questions covered the five domains, the answers are closed or limited answers like yes or no and very limited information explained for the discrepancies with the governance practices, the main issue was there is not specific format or report to inform about the specific discrepancies. Moreover, there was no way to track down any specific activity in the past, related to improve corporate governance practices, for example the Audit Compensation Committee, can disclose actions, findings improvements to perform into the future, but lacking in the future reports, evaluation and impact of changes resulting from past decisions inside the firm, this is one of the most important gaps.

We also found companies with full disclosure information about governance practices, for example in very descriptive form; we discovered how the board was structured, how it is operated and the responsibility in detail. Although those concepts are included in corporate governance questionnaire we discovered documents with a full in detail information about corporate governance practices, actions and specific improvements. Also in the same line we found out, for example the company debt policy and capital structure, compensation policies and strategic planning actions to be implemented inside the firm, But even with the entire full disclosure there was not specific format, structure or specific way to inform the details about the actions and governance practices improvements in the past and the impact for the future, the gap in this example is you can find a wide open diversity to inform and disclose information and how governance practices are performed inside the firm. This problem seems to be very common in all around the world in different corporate governance regulation and law changes.

Our research based on the eight most profitable companies and all qualitative information related to governance practices, we discovered with grade A just two companies out of eight have a complete and full disclosure of the activities, objectives, planning and reports related to governance practices. We found out several important conditions in all the reports disclosed to

the investors, first they disclosed the activities, planning and compromises resulted from previous specific board committees and also the potential solutions in several important business areas, such compensation, planning, financial and budget control and capital structure. They disclose the information with specific activities by area and executives in charge.

By definition all the companies must complain with the law, including CGC code, regulation, transparency and information disclosure, but not all companies really disclose how to protect the investors and governance practices, in full detail, two out eight disclose in a semi complete way, with the grade B, and finally four out eight disclose in a very limited way or not disclose information. The way is simple, the questionnaire (as part of the change regulation) able the public companies to fulfill that gap. See Table 5. Table 5 describes the event or the action implemented inside the firm that was available to the investors as a part of the transparency process, the numbers represent the number of events, news and activities during the post code period and classified by domain, from 2001 to 2005, as you can analyze the information available to the investor in the overall perspective was very limited.

This pattern is not related to specific industry, neither the company experience to inform to the investors, particular sector or specific economic condition the pattern seems to have relationship with the financial culture and ownership structure of the entire MSE. In other words, there is a clear new regulation with specific changes in how to improve corporate governance all around the five domains described and supported theoretically, but in order to facilitate the implementation and operate this new regulation to the public companies at the same time part of the regulation is to fulfill a questionnaire where 95% of the answers are yes or no.

Table 5	Corporate Governance Domains					
Company / Domains*	1	2	3	4	5	Grade
ALSEA	1	1	5	1	1	A
TELMEX	9	1	0	9	7	A
POSADAS	3	0	0	4	3	C
CMOCTEZ	0	0	1	0	0	C
GMEXICO	1	0	0	2	0	C
GSANBORNS	0	0	1	0	0	C
BACHOCO	1	0	1	0	0	B
KOF	0	2	4	0	1	B

*1) Corporate Governance Commitment
2) Shareholders Rights
3) Transparency
4) Management
5) Supervisor

FUTURE AGENDA AND FINAL CONCLUSIONS

Several facts we have to mention before we opt describe our future agenda, first it seems that opportunistic behavior from management, agent principal relationship conflict, moral

damage and all directly or lateral problems has not been controlled during the last two decades, even with all new wave of regulations, law changes and financial controls. More over it seems that the problem has been move from public companies to financial institutions or sector and in some parts of the world even government agencies.

We discover a paradox during our research; new corporate governance practices should improve performance in the long run, for any company, period. With this in mind, we also discover how the MSE has been struggle to improve the number of public companies into the system improving regulation and facilitate law and normative to the investors in order to create a more friendly legal environment and more clear and transparent information, the main purpose is to minimize the effect described in the previous paragraph. This trend is not only for Mexico, this trend is part of the globalization process that the financial system as a whole has been change and evolved in the last twenty years. The problems and all potential solutions are far away to be solved; more over the problems are now more complicated and more virulent (government level) than never before.

We believed that part of the solution is related between the regulation and law changes and how the information is disclosed. Our research let us to pinpoint how a abnormal good performance company can be either, with outstanding governance practices with a full descriptions of activities and at the same time a outstanding performance company with poor and limited information in how they manage and control the resources of the investors. Law enforcement, financial cultural level and ownership structure are part of the solution.

We also pinpoint at this level, the MSE as a whole and with the available information, we cannot conclude if there is a relationship between corporate governance practices and performance, we can conclude there is a new regulation, with all the intentions to improve the investor position and with the purpose to minimize the opportunistic behavior of the management, as we found in others countries. But at the same time, we can describe a series of discrepancies in how the information is disclosed to the investors.

We promote several changes not the law, but to the way the information is disclosed, for example, we can opt to standardize all the information in terms of governance practices and hoe is disclosed to the investors, this apply to all five domains of corporate governance practices described in this research. Second, we can also promote the governance index for all the companies traded in the MSE as a part of information disclosure. Third, is important to control the level of debt and the performance of the firm with specific measures and standards, that allows the managers and investors to understand the consequences if are not controlled, also a specific way to measure (financial ratios in a systematic way) and how are disclosed is very important. Our last comment is related to the questionnaire, we believed that can be improve in how the answers are addressed and also how the information must be disclose.

Table 6 Descriptive Statistics by Industry (Continue)

Variables / Time Period	Services								Construction							
	ROE	ROA	%Sales	MGN	NI	(NI / S)	DR	DER	ROE	ROA	%Sales	MGN	NI	(NI / S)	DR	DER
Exante Mean	0%	2%	7%	17%	-17%	1%	39%	94%	13%	3%	10%	14%	10%	3%	52%	90%
Expost Mean	3%	1%	2%	12%	2%	5%	40%	77%	8%	5%	10%	17%	68%	10%	52%	126%
Variance EXANTE	0.15	0.01	0.00	0.00	10.27	0.27	0.02	0.34	0.04	0.00	0.02	0.00	7.13	0.10	0.00	0.12
Variance EXPOST	0.00	0.00	0.00	0.00	7.36	0.01	0.00	0.00	0.00	0.00	0.01	0.00	8.60	0.00	0.00	0.01
N Exante	67	67	63	67	63	67	67	67	215	215	207	215	207	215	215	215
N Expost	60	60	60	60	60	60	60	60	200	200	200	200	200	200	200	200
All Observations	127	127	123	127	123	127	127	127	415	415	407	415	407	415	415	415
Mean	3%	0.02	5%	14%	-8%	5%	38%	81%	11%	0.04	11%	16%	33%	6%	51%	104%
Median	5%	0.03	3%	14%	-9%	7%	39%	73%	10%	0.05	7%	18%	7%	11%	50%	109%
Std Dev	22%	0.08	10%	6%	353%	31%	12%	40%	21%	0.08	26%	7%	467%	31%	12%	50%
Min	-117%	-0.4	-9%	2%	-1572%	-138%	18%	30%	-33%	-0.3	-28%	-6%	-1290%	-96%	32%	3%
Max	35%	0.2	28%	26%	792%	50%	58%	178%	72%	0.3	107%	24%	2262%	125%	73%	188%

Variables / Time Period	Others								All Sectors								GDP*
	ROE	ROA	%Sales	MGN	NI	(NI / S)	DR	DER	ROE	ROA	%Sales	MGN	NI	(NI / S)	DR	DER	
Exante Mean	15%	8%	17%	14%	126%	10%	49%	105%	11%	5%	12%	14%	75%	10%	43%	88%	3.5%
Expost Mean	3%	2%	1%	8%	59%	2%	53%	122%	7%	3%	7%	12%	61%	13%	50%	125%	1.9%
Std Dev EXANTE	0.01	0.00	0.02	0.00	24.72	0.00	0.00	0.03	0.04	0.00	0.05	0.00	11.60	0.07	0.01	0.20	0.05
Std Dev EXPOST	0.00	0.00	0.01	0.00	3.81	0.00	0.00	0.03	0.01	0.00	0.02	0.00	6.08	0.42	0.00	0.05	0.02
N Exante	200	200	189	200	189	200	200	200	1384	1384	1335	1384	1335	1376	1384	1384	23
N Expost	180	180	180	180	180	180	180	180	1240	1240	1240	1240	1240	1240	1240	1240	20
All Observations	380	380	369	380	369	380	380	380	2624	2624	2575	2624	2575	2616	2624	2624	43
Mean	9%	0.05	10%	12%	112%	6%	51%	113%	10%	0.04	10%	13%	68%	12%	47%	106%	2.8%
Median	10%	0.05	6%	12%	8%	6%	51%	109%	9%	0.04	5%	13%	5%	10%	47%	103%	3.2%
Std Dev	12%	0.06	25%	4%	829%	8%	7%	31%	19%	0.06	26%	6%	480%	31%	10%	53%	4.1%
Min	-23%	-0.1	-27%	2%	-1594%	-13%	37%	61%	-117%	-0.4	-37%	-6%	-1594%	-138%	18%	-295%	-9.2%
Max	0.346	0.17	0.88	0.18	40.718	0.2273	0.64	1.88	1.42	0.29	1.422	0.37	40.72	8.12	0.73	3.91	8.4%

1- H1 Return on Equity, 2- H2 Return on Assets, 3-H3 % Increase Sales, 4- H4 Gross Marging. 5-H5 Net Income Margin   * Gross Domestic Product

6- H6 % Increase Net Income, 7- H7- Debt/Assets Ratio, 8- H8 Debt/Equity Ratio

Table 7 Selected Companies Statistical Results								
	ALSEA							
	ROE	ROA	%Sales	MGN	NI	(NI/S)	DR	DER
Exante Mean	18%	11%	51%	14%	20%	15%	36%	58%
Expost Mean	12%	8%	11%	10%	38%	8%	32%	48%
Variance EXANTE	0.00	0.00	0.02	0.00	0.07	0.01	0.00	0.02
Variance EXPOST	0.00	0.00	0.01	0.00	0.98	0.00	0.00	0.01
N Exante	8	8	8	8	8	8	8	8
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Al	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06
T Test	3.27	3.07	7.31	5.48	0.74	1.93	2.04	1.90
P Value	0.01	0.01	0.00	0.00	0.46	0.09	0.07	0.09
Standard Error	0.02	0.01	0.05	0.01	0.24	0.04	0.02	0.05
Obs	28	28	28	28	28	28	28	28
Mean	14%	9%	22%	11%	33%	10%	33%	51%
Median	14%	9%	17%	11%	30%	8%	32%	48%
Std Dev	5%	3%	21%	2%	85%	7%	5%	12%
Min	3%	2%	1%	7%	-73%	1%	27%	36%
Max	26%	14%	83%	15%	349%	32%	46%	85%
	POSADAS							
Exante Mean	9%	5%	10%	24%	31%	16%	53%	118%
Expost Mean	6%	3%	3%	17%	27%	7%	59%	142%
Variance EXANTE	0.07	0.01	0.01	0.00	24.08	0.09	0.00	0.10
Variance EXPOST	0.00	0.00	0.00	0.00	0.82	0.00	0.00	0.01
N Exante	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Al	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test Stat (Paired Samp	0.48	1.13	3.04	6.59	0.03	1.51	4.27	3.57
P Value	0.64	0.27	0.00	0.00	0.98	0.14	0.00	0.00
Standard Error	0.06	0.02	0.02	0.01	1.02	0.06	0.01	0.07
Obs	44	44	44	44	44	44	44	44
Mean	7%	4%	7%	21%	29%	12%	56%	129%
Median	7%	3%	7%	20%	-12%	8%	57%	135%
Std Dev	20%	7%	9%	5%	364%	23%	5%	27%
Min	-96%	-31%	-5%	13%	-1505%	-94%	45%	81%
Max	52%	21%	25%	33%	1157%	61%	68%	209%

Table 7 Selected Companies Statistical Results (Continue)								
	TELMEX							
	ROE	ROA	%Sales	MGN	NI	(NI/S)	DR	DER
Exante Mean	18%	11%	1%	37%	40%	23%	33%	57%
Expost Mean	32%	12%	6%	34%	-2%	19%	61%	158%
Variance EXANTE	0.01	0.00	0.01	0.00	2.60	0.00	0.02	0.22
Variance EXPOST	0.01	0.00	0.01	0.00	0.03	0.00	0.00	0.08
N Exante	24	24	20	24	20	24	24	24
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Alfa	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test	4.74	1.41	1.65	3.81	1.15	2.90	10.32	8.72
P Value	0.00	0.17	0.11	0.00	0.26	0.01	0.00	0.00
Standard Error	0.03	0.01	0.03	0.01	0.36	0.01	0.03	0.12
Obs	44	44	40	44	40	44	44	44
Mean	24%	12%	4%	35%	19%	21%	45%	103%
Median	22%	11%	1%	36%	1%	21%	51%	105%
Std Dev	12%	3%	9%	3%	115%	6%	17%	64%
Min	-2%	-2%	-17%	29%	-30%	-4%	20%	25%
Max	54%	17%	28%	40%	720%	33%	68%	217%
	CMOCTEZ							
Exante Mean	16%	14%	38%	40%	69%	30%	12%	14%
Expost Mean	19%	16%	11%	45%	6%	31%	17%	20%
Variance EXANTE	0.01	0.00	0.05	0.01	0.53	0.01	0.00	0.01
Variance EXPOST	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00
N Exante	20	20	16	20	16	20	20	20
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Alfa	2.02	2.02	2.03	2.02	2.03	2.02	2.02	2.02
T Test Stat (Paired Sample)	1.65	1.41	4.68	1.81	3.33	0.51	3.02	2.75
P Value	0.11	0.17	0.00	0.08	0.00	0.61	0.00	0.01
Standard Error	0.02	0.02	0.06	0.03	0.19	0.02	0.02	0.02
Obs	40	40	36	40	36	40	40	40
Mean	18%	15%	23%	43%	34%	31%	14%	17%
Median	19%	17%	16%	45%	20%	33%	13%	14%
Std Dev	6%	5%	20%	8%	59%	7%	5%	8%
Min	4%	3%	3%	21%	-30%	14%	6%	6%
Max	29%	23%	88%	52%	251%	41%	25%	33%

Table 7 Selected Companies Statistical Results (Continue)							
	GMEXICO						
	ROE	ROA	%Sales	MGN	NI	(NI/S)	DR	DER
Exante Mean	13%	4%	37%	28%	391%	22%	36%	63%
Expost Mean	10%	2%	12%	21%	275%	9%	58%	146%
Variance EXANTE	0.01	0.00	0.41	0.02	165.94	0.01	0.01	0.14
Variance EXPOST	0.03	0.00	0.11	0.03	47.33	0.02	0.00	0.12
N Exante	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Al	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test Stat (Paired Samp	0.78	1.50	1.68	1.42	0.38	2.96	7.87	7.52
P Value	0.44	0.14	0.10	0.16	0.71	0.01	0.00	0.00
Standard Error	0.04	0.01	0.15	0.05	3.05	0.04	0.03	0.11
Obs	44	44	44	44	44	44	44	44
Mean	12%	3%	25%	25%	338%	16%	46%	101%
Median	10%	1%	-1%	19%	30%	17%	50%	102%
Std Dev	12%	4%	53%	16%	1049%	15%	15%	55%
Min	-8%	-3%	-27%	-2%	-544%	-9%	24%	32%
Max	39%	18%	182%	53%	6112%	47%	65%	189%
	BACHOCO						
Exante Mean	16%	12%	14%	14%	40%	14%	21%	27%
Expost Mean	12%	9%	5%	11%	73%	10%	21%	27%
Variance EXANTE	0.01	0.00	0.04	0.00	1.26	0.00	0.00	0.01
Variance EXPOST	0.00	0.00	0.01	0.00	4.36	0.00	0.00	0.00
N Exante	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Al	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test Stat (Paired Samp	1.90	2.02	2.27	1.97	0.63	2.08	0.40	0.09
P Value	0.06	0.05	0.03	0.06	0.53	0.04	0.69	0.93
Standard Error	0.02	0.02	0.04	0.02	0.52	0.02	0.01	0.02
Obs	44	44	44	44	44	44	44	44
Mean	14%	11%	10%	12%	55%	12%	21%	27%
Median	15%	12%	7%	13%	14%	14%	22%	28%
Std Dev	7%	6%	16%	6%	162%	6%	5%	8%
Min	-10%	-7%	-10%	-1%	-178%	-8%	11%	12%
Max	27%	20%	59%	22%	634%	21%	32%	46%

Table 7 Selected Companies Statistical Results (Continue)								
	GSANBORNS							
	ROE	ROA	%Sales	MGN	NI	(NI/S)	DR	DER
Exante Mean	10%	5%	84%	12%	1208%	8%	56%	133%
Expost Mean	17%	7%	-3%	15%	213%	8%	59%	153%
Variance EXANTE	0.00	0.00	0.97	0.00	1688.12	0.00	0.01	0.18
Variance EXPOST	0.01	0.00	0.07	0.00	37.68	0.00	0.01	0.21
N Exante	16	16	12	16	12	16	16	16
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Alfa	2.03	2.03	2.04	2.03	2.04	2.03	2.03	2.03
T Test	2.54	1.71	3.01	2.25	0.83	0.06	1.32	1.31
P Value	0.02	0.10	0.01	0.04	0.42	0.95	0.20	0.20
Standard Error	0.02	0.01	0.29	0.01	11.94	0.01	0.03	0.15
Obs	36	36	32	36	32	36	36	36
Mean	14%	6%	30%	14%	586%	8%	58%	144%
Median	16%	6%	9%	15%	33%	9%	58%	138%
Std Dev	8%	3%	75%	3%	2542%	4%	8%	45%
Min	-3%	-1%	-69%	4%	-118%	-1%	36%	56%
Max	25%	12%	292%	17%	14252%	18%	71%	243%
	KOF							
Exante Mean	14%	7%	15%	11%	20%	6%	52%	108%
Expost Mean	21%	10%	25%	20%	37%	11%	53%	118%
Variance EXANTE	0.00	0.00	0.07	0.00	0.23	0.00	0.00	0.02
Variance EXPOST	0.01	0.00	0.16	0.00	0.47	0.00	0.01	0.16
N Exante	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20
T Critical Value @ 5% Alfa	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test Stat (Paired Sample)	2.61	2.40	0.97	7.75	0.97	5.67	0.55	1.03
P Value	0.01	0.02	0.34	0.00	0.34	0.00	0.59	0.31
Standard Error	0.02	0.01	0.10	0.01	0.18	0.01	0.02	0.09
Obs	44	44	44	44	44	44	44	44
Mean	17%	8%	19%	15%	28%	8%	52%	113%
Median	15%	7%	7%	15%	21%	7%	52%	110%
Std Dev	8%	5%	33%	6%	58%	4%	6%	29%
Min	2%	1%	-13%	5%	-53%	2%	43%	77%
Max	39%	21%	143%	25%	191%	19%	67%	203%

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LEADER RELIGIOSITY AND VIRTUES AS PREDICTORS OF LEADERSHIP

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ABSTRACT

In an era of widely publicized scandals involving political and financial leaders, the study of leadership ethics has risen in prominence. A relatively new instrument that measures a form of leader ethics is Riggio et al's Leadership Virtues Questionnaire. The instrument measures the virtues a leader possesses, and the self-knowledge and self-discipline that guide the leader's moral actions.

The Leadership Virtues Questionnaire is based on the four cardinal virtues found in Aristotle's virtue-based ethics. Prudence is often associated with knowledge, practical wisdom, and the ability to decide, based on experience, the right thing to do. Fortitude includes the characteristics of perseverance, patience, endurance and courage directed toward adversity on behalf of a noble cause. Temperance is the ability to control one's emotions. Justice is a sustained or constant willingness to give others what they deserve.

This study analyzed the relationships between leaders' virtues and religiosity and how followers, peers, and supervisors perceived those leaders' leadership styles. One hundred and two participants in executive leadership training and graduate programs in leadership provided a survey monkey link packet to two peers, two followers and a supervisor using the Multifactor Leadership Questionnaire and the Leadership Virtues Questionnaire. All scores were completed before the onset of the leadership training.

The results of a multiple regression analysis found that the more religious and older the leaders were, the less the followers, peers, and supervisors rated the leaders as transformational leaders. The higher the leader scored on Prudence and Fortitude, the more the followers, peers, and supervisors rated the leaders as transformational leaders. Male leaders were found to be more transactional than female leaders. The higher the leader scored on Fortitude, the more the followers rated them as transactional leaders, and lower followers rated them as passive-avoidant leaders. The older the leaders' were, the more the followers, peers, and supervisors rated the leaders as passive-avoidant leaders.

Discussion of why fortitude aligns with the Full Range of Leadership includes the nobility and altruism of being a transformational leader and the active nature of focusing on higher order followers' needs.

INTRODUCTION

In a 2010 Gallup survey, 80 percent of respondents rated nurses and military officers "high or very high" on honesty and ethics. Only 15 percent of respondents, however, rated business executives high or very high. While there are many possible explanations for these striking differences, one obvious one is the idea that military officers and nurses follow a code of conduct that includes service to others, often above their personal needs. Business executives, on the contrary, are often seen as willing to engage in a range of questionable acts in order to increase company profits, and, at its worst, their personal annual bonuses. Respondents in the Gallup survey likely envision this group of leaders as lacking code of conduct and strong personal virtues that emphasize courage in pursuit of noble causes and justice for others.

There have been multiple studies on ethics and the affect it has on a company's culture. Studies have found that an employee's perception of a positive or negative workplace is attributed to the ethical standards the business leaders' employ. Leaders' behaviors are a direct indicator of how ethical or unethical a follower perceives them.

Leadership style has shown to impact multiple areas of follower performance. Transformational leadership has been found to be a significant predictor of ethical justice behaviors. An emerging area of interest in the study of leadership includes the personal virtues that leaders hold. The general idea of a virtue is a guiding principle that is practiced at all times. (Riggio, 2010)

THE BENEFITS OF TRANSFORMATIONAL LEADERSHIP

Transformational leadership has consistently shown to result in high follower satisfaction, high follower assessment of the leader's effectiveness, and high follower willingness to give extra effort at work. In the largest meta-analysis of studies that have used the *Multifactor Leadership Questionnaire,* Wang, Oh, Courtright, and Colbert (2011) meta-analyzed 117 independent samples over 113 primary studies.

Transformational leadership was positively related to individual level performance (N = 16,809, estimated corrected mean correlation ($r_c = .25$), task performance (N = 7,016, $r_c = .21$), contextual performance (N = 7,970, $r_c = .30$), creative performance (N = 3,728, $r_c = .21$), and general performance contextual performance (N = 4,017, $r_c = .18$).

Contingent reward was also positively related to individual, task and contextual measures of performance, with estimated corrected mean correlations ranging from .22 to .28. Conversely, both management by exception active and passive were negatively related to individual, task and contextual measures of performance, with estimated corrected mean correlations ranging from -.03 to -.29.

RESEARCH ON VIRTUES

Although the idea of virtues has been discussed in the theological literature for millennia, the specific application of virtues to leadership as a measureable construct is relatively new. Consequently, there are no empirical studies of leader virtue. While not the same, a related construct is leadership ethics, for which there has been sufficient research to produce meta-analytic findings.

LEADERSHIP AND ETHICS

Meta-Analytic Studies – Leader Behavior

Davis and Rothstein (2006) meta-analyzed 12 studies in which followers rated the integrity of their leader/manager and, in turn, completed job satisfaction instruments. Each of the individual studies reported positive relationships between perceived leader integrity and follower outcomes. The mean corrected correlation ($r_c = .48$) indicated that increased manager/leader behavioral integrity was correlated with followers who reported higher job satisfaction, higher satisfaction with the organization's leadership, and higher commitment to the organization.

Meta-Analytic Studies – Organizational Climate

Martin (2006) meta-analyzed 42 studies that measured leader ethics and follower job satisfaction, follower psychological well-being and dysfunctional behavior. Among the findings were that the more followers believed the organizational climate emphasized self-interest and company profit the less job satisfaction and more dysfunction the followers reported. Conversely, the more followers believed the climate fostered ethical decisions that were based on an overarching concern for the well-being of others, the higher the followers rated their job satisfaction and psychological well-being. O'Fallon and Butterfield's (2005) review of 127 articles related to ethical decision making found that, generally, establishing an ethical climate positively influenced perceptions of ethical decision-making.

TRANSFORMATIONAL LEADERSHIP AND ETHICS

Several studies have specifically addressed the relationship between transformational leadership and ethics. Larsson, Eid, and Kjellevold-Olsen (2010) found a strong relationship between ratings of the leaders' ethical justice behaviors and scores from the *Multifactor Leadership Questionnaire*. High scores on the transformational leadership facet were significant predictors of ethical justice behaviors.

Toor and Ofori (2009) found strong relationships between ratings given to leaders using the *Multifactor Leadership Questionnaire* and ethical ratings using the *Ethical Leadership*

Scale. Ratings of the leaders' ethicality were positively correlated with transformational leadership and negatively correlated with passive-avoidant leadership.

Engelbrecht, Van Aswegen, and Theron (2005) found a positive relationship between leaders rating using the *Multifactor Leadership Questionnaire* and ratings of the ethical climate as measured by Victor & Cullen's *Ethical Climate Questionnaire*.

Hood (2003) found a positive relationship between ratings given to leaders using the *Multifactor Leadership Questionnaire* and the leaders' morality-based, social, personal and competency-based values. Passive leadership style was negatively correlated to competency based values.

GENDER AND ETHICS

Ethical differences between men and women have been studied to the point that meta-analyses exist that summarize the body of literature. Pan and Sparks (2012) meta-analyzed 65 studies with 75 effects reported for gender. Thirty-six of these 75 effects were significant in the individual studies. The meta-analysis represented a sample size of 6,662 participants. Women demonstrated a higher level or more strictness in ethical judgments than did men ($Q = 385$, $p < .05$).

In a 1997 meta-analysis of the literature on gender differences in ethical perceptions of business practices, Franke, Crown and Spake analyzed 66 previous studies representing 20,000 respondents. Women reported higher ethical standards than men when evaluating ethical practices. This difference, however, was more pronounced in studies that used students than those that used working adults. The gender differences were also found to be much smaller if the ethical issue in question was collusion or conflict of interest. Women, however, were much more critical than men when the ethical issue was rule breaking and use of insider information.

AGE AND ETHICS

Pan and Sparks (2012) meta-analyzed 42 studies related to age and ethical judgments representing a sample size of 3,784 participants. Only 15 of these 42 studies reported significant effects as a result of age. The meta-analysis performed found no relationship between participant age and the strictness of ethical judgments of the participants ($Q = 148$, $p > .05$).

GENDER AND LEADERSHIP

Elsesser and Lever analyzed responses from 60,470 women and men who participated in a survey on the MSNBC web site. Among the findings were that men judged their female bosses slightly more favorably than their male bosses, and women judged male bosses slightly more favorably than their female bosses. When analyzing the relationships for leader sensitivity, no differences were found in the relationship quality of sensitive male and female

bosses. Direct male bosses, however, had better relationships with their subordinates than direct female bosses.

No differences in the relationship quality between bosses and followers were found for bosses judged to be highly competent as a result of the gender of the highly competent boss. However, male bosses considered to be low on competence had better relationships with their followers than female bosses considered to be low on competence.

In the seminal meta-analysis of gender and leadership, Eagly, Johannesen-Schmidt and van Engen (2003) meta-analyzed 45 studies which compared men and woman on measures of transformational, transactional, and laissez-faire (passive-avoidant) leadership styles. The studies were conducted with people occupying leadership roles who were rated by their subordinates, peers, and superiors using the *Multifactor Leadership Questionnaire*. The results of the meta-analysis revealed that female leaders were more transformational and scored higher on the subscales of charisma, idealized influence, inspirational motivation, intellectual stimulation, and individual consideration than their male counterparts. Female leaders also scored higher than males on the first subscale of transactional leadership, contingent reward. Male leaders scored higher on the subscales of management by exception active and management by exception passive. The study also found that women surpassed men in areas of leadership styles that were positively related to effectiveness while men's leadership styles had a negative relationship to follower effectiveness.

AGE AND LEADERSHIP

While there are many studies that report leadership style and age, the vast majority of those studies are leader self-assessment studies in which leaders report how they believe they lead, rather than studies in which followers actually rate their leaders. Several, large sample studies, however, in which the leadership ratings are those of the followers do exist. The overall findings of this body of literature seem almost stereotypical. Older leaders tend to be rated higher on dimensions of leadership such as being calm, conservative, considerate, cooperative and deferent to authority. Younger leaders tend to be rated higher on being energetic, exciting and friendly, but tend to emphasize short-term results, have a production focus, and are somewhat self-focused.

In one of the largest studies performed, Sessa et al (2007) analyzed 79,866 direct report ratings of leaders using the *Leadership Effectiveness Analysis* instrument. Participants came from more than 6,000 North American companies in 23 industries across 48 states. Older leaders were rated as more calm and as using a more considered approach that draws on the skills and abilities of others. Younger leaders were rated as more energetic. They were also seen as focused on attaining short-term results and were more self-centered.

Kabacoff and Stoffey (2001) administered the *Leadership Effectiveness Analysis* to 640 managers in the 25 – 35 year range and 640 managers in the 45 – 55 year range. Older managers were rated higher on leadership that emphasized being conservative, practicing restraint, cooperation and deference to authority. Younger leaders were rated higher on strategic thinking, excitement, having a tactical, management focus and emphasizing

production. In a study of 285 team members and 21 team supervisors in the pharmaceutical industry Kearney (2008) found that the relationship between transformational leadership and team performance was positive when the leader was older than the other team members, but non-significant when the leader's age was closer to the mean age of the team members. Barbuto et al (2007) used the *Multifactor Leadership Questionnaire* with 234 followers of 56 leaders from a variety of organizations. The 46+ age group was rated the highest for transformational leadership including the subscales of idealized influence, intellectual stimulation, individualized consideration, and effectiveness. The lowest ratings were given to the 36–45 age groups for intellectual stimulation and individualized consideration.

ETHNICITY AND LEADERSHIP

Ospina and Foldy (2009) conducted a systemic review of 15 quantitative studies on how ethnicity affected the perceptions or enactments of leadership. The results from this analysis found that Hispanic leaders were often rated slightly less positively than non-Hispanics, while White leaders were often rated higher than Black leaders. Asian leaders were rated higher than both Black and Hispanic leaders when participants compared profiles of a successful manager to stereotypical profiles of managers of different races.

LEADERSHIP AND SPIRITUALITY

There are a variety of well-conceived articles that advance models of spiritual leadership or posit that spiritual leadership can have positive impacts in organizations. (See for example Karakas (2010); Marques (2010); Rozuel and Kakabadse (2010); Smith and Malcolm; Bugenhagen (2009); Fry and Cohen (2009); Ferguson and Milliman (2008). While these types of expository articles assist in rich dialogue about spiritual leadership, there is a lack of empirical evidence to support the various models and theories they present. There are, however, several empirical studies related to leader spirituality. Generally this body of literature indicates that leader spirituality is related to positive organizational outcomes such as culture and follower opinions.

Green, Kodatt and Duncan (2011) analyzed the relationship between ratings of transformational leadership done by followers and leader self-assessed spirituality. The higher leaders scored on existential spiritual well-being and extrinsic religiosity, the more followers rated the leaders as transformational.

Reave (2005) reviewed over 150 studies that she loosely linked to spirituality. Reaves used the independent variables of integrity, honesty, humility, respect for others, fairness, expressing caring and concern, listening responsively, appreciating others, and taking time for personal reflection as examples of spiritual values. She found that these leadership values are often related to outcomes such as organizational success and follower motivation.

While these values are likely found in most leaders who are spiritual or religious, they are also seen in almost every popular leadership theory, such as the full-range of leadership,

servant leadership, Project GLOBE and forth. The degree to which these values are exclusive to "spiritual leadership" rather than simply "good leadership" is easily debated.

Sanders, Hopkins and Geroy (2004) collected data on follower spirituality, follower job commitment and leader spirituality Using structural equation modeling the researchers found that spiritual leadership was related to follower spirituality which was in turn related to employee commitment.

Karadağ (2009) asked over 4,500 teachers to rate their leaders' spirituality using the *The Spiritual Leadership Scale* and to rate their organizational culture using the *Organizational Culture Scale*. Using structural equation modeling the spiritual leadership behaviors of principals positively affected organizational culture. Duchon and Plowman (2005) administered the *Meaning and Purpose of Work* questionnaire to both workers and leaders in five emergency room/intensive care and one medical/surgery units. After controlling for leader and follower demographics, spirituality scores for supervisors in the top performing units were higher than those of the lower performing units.

Two studies have reported results from designs in which leaders completed spirituality instruments on themselves as well as instruments that measure how they believe they lead. Hartsfield (2003) administered the *Multifactor Leadership Questionnaire* and the *Spiritual Well-Being Scale* to 124 leaders from a large aerospace company and found a positive relationship between leader spirituality and self-reported leader transformational leadership. Twigg and Parayitam (2007) surveyed 186 participants who were members of the *Academy of Management*. The respondents' self-assessed spirituality scores were also positively correlated with their self-assessed transformational leadership scores.

WORKPLACE SPIRITUALITY

Generally, empirical studies of worker or workplace spirituality indicate it is positively related to worker satisfaction and workplace culture. Usman and Danish (2010), for example. asked 121 bank managers to complete the *Independent Spirituality Assessment Scale*, to rate their own spirituality and the *Minneosota Satisfaction Questionnaire* to rate their organizational commitment. The managers' personal spirituality was consistently correlated with their organizational commitment.

Herman (2010) administered the *Dimensions of Spirituality at Work* inventory to 440 adults. A positive correlation was found between the degree to which the followers believed their leaders engaged in servant leadership and their ratings of their workplaces' overall spirituality. Rego and Pina e Cunha (2008) administered the *Organizational Commitment Questionnaire* and *Spirituality at Work* questionnaire to 361 participants from 154 organizations in Portugal. Worker spirituality was positively correlated with both affective and normative work commitment. Duffy (2010) found that daily spiritual experiences were positively correlated with employees believing they had influence in the organization, influence in their work and were doing meaningful work. Marschke, Preziosi and Harrington's (2011) study of 125 sales managers of a large manufacturing firm found that worker spirituality was positively related to intrinsic job satisfaction.

GENDER AND SPIRITUALITY

Most empirical studies find that women demonstrate higher levels of intrinsic religiosity and spirituality than do men.

Longitudinal Study

Wink and Dillon (2002) analyzed longitudinal data related to spirituality and religion. Members of the cohort analyzed were first studied in 1931 while in grade school and re-interviewed four times in adulthood: in 1958/59 (when they were in their 30's), 1969/70 (40's), 1982 (mid-50's/early 60s), and most recently, in 1997–99 (late 60's/mid-70s). After attrition, a total of 130 members of the 1931 beginning group were studied at all five milestones. Women and men did not differ in spirituality in early or middle adulthood, but women tended to be more spiritual than men in older adulthood.

Intrinsic Religiosity

Duffy (2010), Ghorpade, Lackritz and Singh (2006), Welch and Mellberg (2008) and Watson, Jones and Morris (2004) all administered the *Religious Orientation Scale* to samples of colleges students. In each study females reported higher levels of Intrinsic Religiosity than males.

Daily Spiritual Experiences

Skarupski et al's (2010) study of 6534 older adults (M = 74.2 years old) found that females reported more daily spiritual experiences than males. Greenfield, Vaillant, and Marks (2007) analyzed responses from 1,801 participants who participated in the 2005 National Survey of Midlife in the U.S. Women reported more spiritual experiences than men. Duffy (2010) found that female colleges students reported more daily spiritual experiences than male students.

Other Measures of Spirituality

Dunkin and Dunn (2009) administered the *Spiritual Perspective Scale* to 452 randomly selected participants who completed a telephone survey. Female respondents scored higher on spirituality than male respondents.

ETHNICITY AND SPIRITUALITY

Generally, the literature indicates that minorities report higher levels of spirituality than do whites. Skarupsk et al's study of 6534 older adults found that African Americans reported

more daily spiritual experiences than white participants. Greenfield, Vaillant and Marks (2007) found that Black and Hispanic participants reported more daily spiritual experiences than whites. Ghorpade, Lackritz and Singh (2006) found that African Americans scored significantly higher than did Asian Americans and Latinos on intrinsic religiosity. Underwood and Teresi (2002) found that African-Americans had higher levels of daily spirituality than Caucasians.

INSTRUMENTS

The *Multifactor Leadership Questionnaire* (MLQ) was developed to determine the degree to which leaders exhibited transformational and transactional leadership. The MLQ has undergone many revisions during the past 20 years. The Form 5X contains five transformational leadership subscales, two transactional subscales, and two passive subscales of leadership that together form what is known as the full range leadership theory.

Bass and Avolio (2002) conducted a cross-validation study of the MLQ Form 5X. The study was used to test the convergent and discriminate validities of each subscale through confirmatory factor analysis. The studies consisted of examining nine samples with $N = 2,154$, and a second study using five samples with a total of $N = 1,706$. The two studies combined provided a sample of $N = 3,860$. Reliabilities for the total items and leadership factor subscales ranged from .74 to .94. The validity coefficient for the MLQ was .91 (Bass & Avolio, 2002). Bass and Avolio conducted a second confirmatory factor analysis using LISRELVII to compare the *Goodness of Fit* (GFI) and the *Root Mean Squared Residual* (RMSR) estimates with the MLQ. The GFI values higher than .90 indicated a better fit between the model and the available data (Bentler & Kano, 1990). The RMSR value was considered a good fit if it was less than .05 (Joreskog & Sorbom, 1982).The results if the study indicated that the full range leadership model represented by the MLQ 5X had a goodness of fit (GFI) of .91 and the root mean squared residual (RMSR) was .04. Each was above and below their perspective cut-off criterion respectively.

The *Leadership Virtues Questionnaire* measures four leader virtues: prudence, fortitude, temperance and justice. Prudence is the wisdom that manages or dictates a proper balance between two extremes in a world of shifting contexts and priorities. It is often associated with knowledge, practical wisdom, and insight. Fortitude includes the characteristics of perseverance, patience, endurance and courage directed toward adversity on behalf of a noble cause. Temperance is the ability to control one's emotions by accepting her/his deficiencies. Justice is a sustained or constant willingness to give others what they deserve. The LVQ was developed through four successive pilot tests representing over 1000 managers. Both exploratory and confirmatory factor analyses were used to develop the 19 questions used in the questionnaire. The instrument is strongly positively correlated with relevant measures of authentic leadership ($r = .90, p = .01$), ethical leadership ($r = .93, p = .01$), and transformational leadership ($r = .85, p = .01$).

The *Daily Spiritual Experiences Scale* "is intended to measure a person's perception of the transcendent (God, the divine) in daily life and his or her perception of his or her

interaction with or involvement of the transcendent in life. The items attempt to measure experience rather than particular beliefs or behaviors" (Underwood & Teresi, 2002, p. 23). Evidence of construct validity was developed through in-depth interviews and focus groups with individuals from many religious perspectives. The authors also conducted a review of scales that attempt to measure some aspects of spiritual experience and drew as well on a variety of theological, spiritual, and religious writings provided by examination of correlations of the DSES with health and quality of life variables (Underwood & Teresi, 2002).

The Allport-Ross *Religious Orientation Scale* (ROS) distinguishes intrinsically religious people who are genuinely committed to their faith from the more self-serving extrinsically religious (Allport & Ross, 1967). There is significant support for Allport's assertion that religious individuals with an intrinsic faith are more psychologically adjusted than are those who are extrinsically oriented toward religion (Donahue 1985).

Other studies, however, indicate that the ROS is best described as measuring three factors (Gorsuch & McPherson, 1989; Kirkpatrick 1989; Leong & Zachar, 1990; Genia, 1993). While supporting intrinsic religiosity as a unified construct, analysis of independent data sets has suggested that extrinsic religiousness may consist of two distinct components, use of religion for personal benefits (Ep) and use of religion for social reward.

METHOD

One hundred and two participants in executive leadership training and graduate programs in leadership agreed to participate in the study. The participants provided a survey monkey link packet to two peers, two followers and a supervisor. The generic term for this assessment is often referred to as a "360 degree" assessment, as the leader is being rated from three different organizational viewpoints. The peers, supervisor and followers rated the each participant on the *Multifactor Leadership Questionnaire and the Leadership Virtues Questionnaire*. All scores were completed before the onset of the leadership training.

DESCRIPTIVE STATISTICS

A total of 102 participants agreed to participate in this study. There were 64 females and 38 males. The sample ranged in age from 26 to 63 with a mean age of 42 years. There were 30 Black, 50 Hispanic and 22 White participants in this study.

Because 16 scales were used in this study, an exploratory factor analysis was first conducted using the Principal Component Analysis to determine which scales loaded together on a single component. Four components were found that had an Eigenvalue greater than one. The first component, which was labeled Transformational Leadership had an Eigenvalue of 4.16 and explained 25.9% of the variance in scores. Table 1 shows that the first seven scales of the *Multifactor Leadership Questionnaire* loaded on this component with an Eigenvalue vector score greater than 0.5 or less than negative 0.5. The second component was labeled Leader Virtues. The scales from the *Leadership Virtues Questionnaire* loaded on this component with an Eigenvalue of 3.1. The third component was labeled Religiosity and consisted of Intrinsic

Religiosity, Extrinsic Religiosity, and Daily Spiritual Experiences. This component had an Eigenvalue of 2.08. The final component was labeled Transactional Leadership and consisted of Contingent Reward and Management by Exception Active. This component had an Eigenvalue of 1.8. Because the four different scales of the *Leadership Virtues Questionnaire* and the three different scales of Religiosity loaded on a different component than either Transformational or Transactional leadership, it is reasonable to ask whether leader virtues and Religiosity can predict transformational and transactional leadership.

Table 1
PRELIMINARY FACTOR ANALYSIS
Results of an Exploratory Factor Analysis

Scales Used	Transformational Leadership	Leader Virtue	Religiosity	Transactional Leadership
Idealized Influence – Attributed	**.755**	.238	-.191	.144
Idealized Influence – Behavioral	**.659**	.219	.089	.360
Inspirational Motivation	**.833**	.125	.068	.268
Intellectual Stimulation	**.688**	.274	-.067	.424
Individual Consideration	**.667**	.493	-.103	.292
Management by Exception - Passive	**-.824**	.044	-.178	.379
Liaise-Faire	**-.731**	-.080	-.022	.112
Prudence	.277	**.780**	.131	.119
Fortitude	.257	**.672**	.252	.049
Temperance	.082	**.764**	-.147	-.242
Justice	.031	**.912**	.016	.099
Internal Religious Orientation	-.072	-.036	**.851**	-.154
External Religious Orientation	-.218	-.113	**-.599**	-.216
DSE	-.109	.059	**.894**	-.035
Contingent Reward	.334	.383	-.039	**.520**
Management by Exception - Active	.039	-.139	.014	**.828**

RESULTS

A multiple regression was run using the predictor variables of intrinsic religiosity, extrinsic religiosity and daily spiritual experiences as block 1, leader gender, ethnicity and age as block 2, and prudence, fortitude, temperance and justice as block 3. The stepwise method was used within each block. The criterion variable was the *Multifactor Leadership Questionnaire* rating of the leader's active Transformational leadership style. This score was created by calculating the mean of the five different ratings each leader received. Table 2 provides the results of the most parsimonious model found for predicting transformational leadership.

Table 2
Regression for Predictors of Transformational Leadership

	R	R Square	R Square Change	F Change	Beta-Weight	Partial Correlation	Sig.
1 Intrinsic Religiosity	.21	.04	.04	4.22	-.26	-.30	.04
2 Extrinsic Religiosity	.32	.10	.06	5.76	-.19	-.22	.02
3 Age	.45	.21	.11	11.87	-.27	-.32	.00
4 Prudence	.61	.38	.17	24.11	.33	.35	.00
5 Fortitude	.64	.41	.03	4.99	.22	.23	.03

TRANSFORMATIONAL LEADERSHIP

The leader's Intrinsic Religiosity score explained four percent of the variance in how the participants' followers rated them on transformational leadership ($R^2 = .04$, $\beta = -.26$, $r_p = -.30$, $p = .04$). The Beta weight was -.26, and the partial correlation, controlling for the effects of the other independent variables, was -.30. The leader's Extrinsic Religiosity score explained six percent of the variance in how the participants' followers rated them on transformational leadership ($R^2 = .06$, $\beta = -.19$, $r_p = -.22$, $p = .02$). The Beta weight was -.19, and the partial correlation, controlling for the effects of the other independent variables, was -.22. These indicate that the more religious the leader is, the lower the followers rated them as transformational leaders.

The leader's age explained an additional eleven percent of the variance ($\Delta R^2 = .11$, $\beta = -.27$, $r_p = -.32$, $p = .00$). Here the older the leaders were, the lower the followers rated them as transformational leaders.

The leader's Prudence score explained an additional seventeen percent of the variance in how the participants' followers rated them on transformational leadership ($\Delta R^2 = .17$, $\beta = .33$, $r_p = .35$, $p = .00$). This indicated that the more prudence the leader exhibits, the higher the followers rated them as transformational leaders.

The leader's Fortitude score explained an additional three percent of the variance in how the participants' followers rated them on transformational leadership ($\Delta R^2 = .03$, $\beta = .22$, $r_p = .23$, $p = .03$). This indicated that the more fortitude the leader exhibits, the higher the followers rated them as transformational leaders.

Table 3
Regression for Predictors of Transactional Leadership

	R	R Square	R Square Change	F Change	Beta-Weight	Partial Correlation	Sig.
1 Gender	.33	.11	.11	11.09	.37	.37	.00
2 Fortitude	.39	.16	.05	5.62	.23	.24	.02

TRANSACTIONAL LEADERSHIP

The leader's gender explained eleven percent of the variance in how the participants' followers rated them on transactional leadership ($R^2 = .11$, $\beta = .37$, $r_p = .37$, $p = .00$). The Beta weight was .37, and the partial correlation, controlling for the effects of the other independent variables, was .37. Males (M = 5.18) were rated higher on transactional leadership than females (M = 4.57).

The leader's Fortitude score explained an additional five percent of the variance in how the participants' followers rated them on transactional leadership ($\Delta R^2 = .05$, $\beta = .23$, $r_p = .24$, $p = .02$). This indicated that the more fortitude the leader exhibits, the higher the followers rated them as transactional leaders.

PASSIVE AVOIDANT LEADERSHIP

A multiple regression was also run using the same predictor variables with the criterion variable of the *Multifactor Leadership Questionnaire* rating of the leaders' passive avoidant leadership style. Table 4 provides the results for those predictors of Passive Avoidant leadership.

Table 4
Regression for Predictors of Passive Avoidant Leadership

	R	R Square	R Square Change	F Change	Beta-Weight	Partial Correlation	Sig.
1 Age	.32	.11	.11	11.01	.35	.36	.00
2 Fortitude	.41	.17	.06	6.67	-.25	-.26	.01

The leader's age explained an eleven percent of the variance ($\Delta R^2 = .11$, $\beta = .35$, $r_p = .36$, $p = .00$). Here the older the leaders were, the higher the followers rated them as passive avoidant leaders.

The leader's Fortitude score explained an additional six percent of the variance in how the participants' followers rated them on passive avoidant leadership ($\Delta R^2 = .06$, $\beta = -.25$, $r_p = -.26$, $p = .01$). This indicated that the more fortitude the leader exhibits, the lower the followers rated them as passive avoidant leaders.
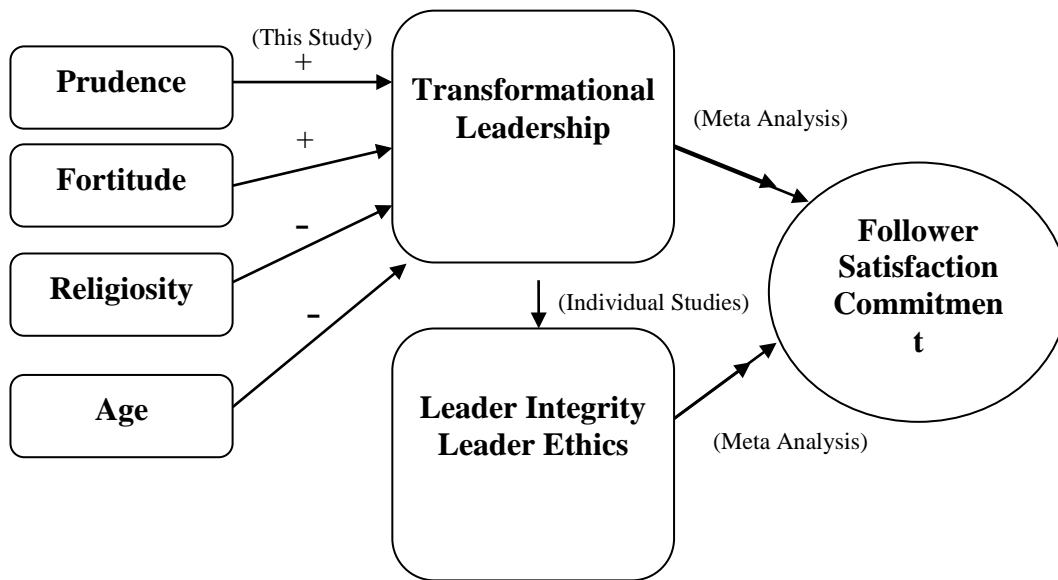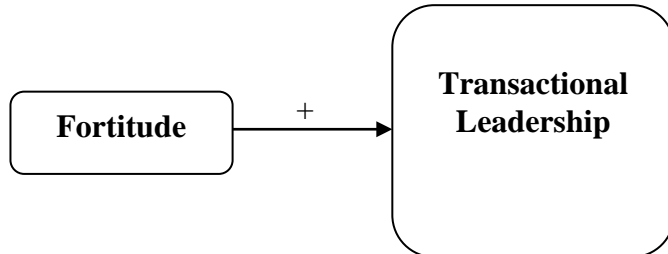
Figure 1. Model for Transformational Leadership

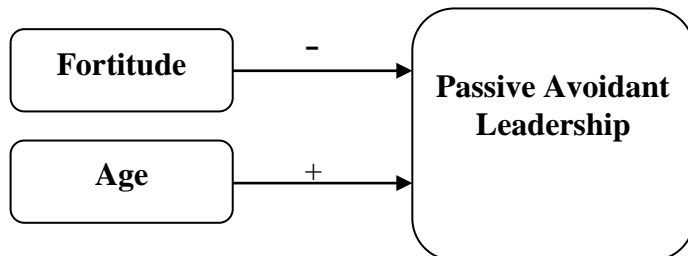*Figure 2. Model for Transactional Leadership*

Figure 3. Model for Passive Avoidant Leadership

DISCUSSION

Figure 1 reminds us that meta-analytic studies have found that both leader transformational and ethical behaviors are related to follower satisfaction and commitment. Some studies have found that the more transformational leaders are the more ethical they are perceived to be. This study found that the more leaders' are considered to demonstrate the virtues of prudence and fortitude, the more the followers viewed them as transformational, and the older and the more they are considered to be religious, the less followers viewed them as transformational leaders.

Figure 2 illustrates the finding's that the more leaders' demonstrated the virtue of fortitude, the more followers viewed them as transactional leaders.

Figure 3 illustrates that the older the leader and less leaders' are considered to demonstrate the virtue of fortitude, the more the followers viewed them as passive-avoidant leaders.

The Exploratory Factor Analysis indicated that leader virtues are somewhat different than transformational leadership. The relationship between transformational leadership and ethics can be interpreted by comparing the scales of the *Multifactor Leadership Questionnaire* and those predictors of transformational leadership from the *Leadership Virtues Questionnaire*.

Leaders who have practical wisdom are admired by their followers and are likely seen as role models to emulate. Leaders who provide insight inspire their followers to find meaning within themselves. Leaders who demonstrate endurance are admired for their courage which motivates followers to challenge themselves. Those leaders who demonstrate leadership virtues are looked at as mentors, who the followers want to emulate.

Figure 4 provides a conceptual model of the relationships between transformational leadership and the leadership virtue of Fortitude.
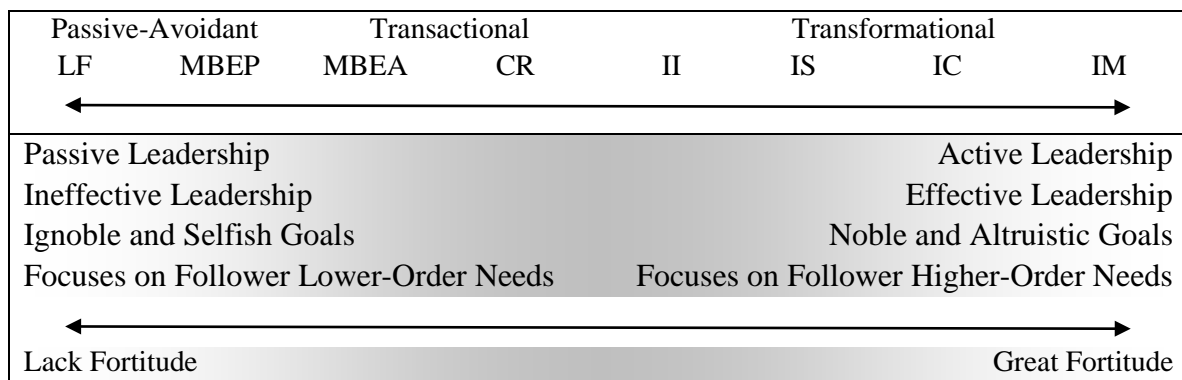
Passive-Avoidant		Transactional			Transformational		
LF	MBEP	MBEA	CR	II	IS	IC	IM

Passive Leadership   Active Leadership
Ineffective Leadership   Effective Leadership
Ignoble and Selfish Goals   Noble and Altruistic Goals
Focuses on Follower Lower-Order Needs   Focuses on Follower Higher-Order Needs

Lack Fortitude   Great Fortitude

Figure 4. Conceptual Model of Relationships between the full range of leadership and the virtue of fortitude.

Fortitude and the Active Nature of Transformational Leadership

In their seminal work, Bass and Riggio (2006) describe a continuum for the full range of leadership in which transactional leadership is somewhat active in nature and moderately effective. Transformational leadership is also active as well as effective. This continuum which is illustrated in Figure 4 is likely associated with the very active nature of the virtue of fortitude. The ideas of perseverance, endurance and courage directed toward adversity on behalf of a noble cause that comprise fortitude align well with the active nature of transformational leadership.

Fortitude and the Noble Motivation of Being Transformational Leaders

Previous studies have found a relationship between leaders sacrificing their personal needs for more important or noble, goals and being transformational leaders. Other studies have found that deontological ethical values such as altruism are strongly associated with follower ratings of transformational leadership. (Engelbrecht, Van Aswegen and Theron, 2005; Groves and LaRocca, 2011)

In this study fortitude was possibly related to transformational leadership because of the degree to which leaders pursue noble causes. Transformational leaders are known to be motivating, intellectual, influential and most importantly selfless. Transformational leaders are considerate of their followers, and thought of as being an altruistic leader. Those qualities that make up a transformational leader are aligned to the same descriptors that illustrate leaders who score high on the virtue of Fortitude.

Fortitude includes the characteristics of perseverance, patience, endurance and courage directed toward adversity on behalf of a noble cause. Leaders who are perceived as being altruistic are considered to work on behalf of a noble cause. The belief that transformational leaders are motivated by their righteous morals helps people believe that the more leaders exhibit the virtue of fortitude, the more transformational they are as a leader.

Fortitude and the Higher Order Needs of Transformational Leadership

A third possible explanation of the relationship between fortitude and the three measures of leadership is the similarities of the goals of the behaviors. Transformational leadership is typically envisioned as focusing on the developmental needs of the follower. Conversely, Passive-avoidant leadership is focused on the needs or frustrations of the "leader." The virtue of fortitude likely has similar foci. A leader high on fortitude is likely courageously persevering for a cause that ultimately benefits her/his followers, while a leader low on fortitude is likely much more focused on her/his own personal needs.

CONCLUSION

As the theory of leadership developed, the first step was to focus on what leaders do. An evolution occurred in which research and dialogue changed from from what leaders do to a focus on the organizational tasks and productivity of the followers. This focus, however, has also evolved to include a much stronger emphasis on the development of the follower. The leadership model that is most widely used is the Full Range Leadership Model. This model challenges leaders to transform their followers.

This study adds to the overarching goal of developing leaders. Followers want to feel as they are working towards a noble cause, and look for a leader who models those qualities – the virtue of fortitude.

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AUTHENTICITY IN TEACHING AND LEADERSHIP

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ABSTRACT

Most people can remember that teacher they really did not like. Dislike for a teacher can stem from different things, including the teacher being unfriendly, rude, condescending, or not trustworthy. These same negative characteristics can also cause dislike of leaders. Most people can also remember that teacher or that leader that they really liked, respected, and admired. The characteristics of an effective teacher are often the same characteristics of an effective leader. In order to be effective, both teachers and leaders must be able to have an influence and make an impact. If that person is unapproachable and unreliable, why would anyone want to follow them? Students and subordinates may be forced to comply with their actions, but are they giving their full attention and effort in learning and working?

Authenticity is using basic morals in being true to oneself and applying these to one's position. A leader is seen as authentic through being unique and "the genuine article." Authentic leaders are conscious of who they are and what they stand for. This authenticity should be seen in leaders to inspire others to follow. Authenticity must be seen in education because students bring in their own unique experiences and expectations to the educational process. Being an effective business teacher can use the guidelines presented to effectively communicate to students through authentic behavior.

The purpose of this paper is to explore being an authentic teacher, being an authentic leader, and combining teaching and leading for the authentic classroom. In addition to presenting a review of the literature on this topic, personal interviews were conducted to provide insight into many of the topics discussed. Using a regional university in Texas as a base, recent winners of the University's Teaching Excellence Award were asked for interviews. Four of those agreed to personal interviews, and some of their views will be presented.

AUTHENTICITY IN TEACHING AND LEADERSHIP

Most people can remember that teacher they really did not like. Dislike for teacher can stem from different things, including the teacher being unfriendly, rude, condescending, or not trustworthy. These same negative characteristics can also cause dislike of leaders. Most people can also remember that teacher or that leader that they really liked, respected, and admired. The characteristics of an effective teacher are often the same characteristics of an effective leader. The common ingredient between great teacher and great leaders is that they both must have the ability to influence others and make an impact on their lives (Quinn & Anding, 2005). If that person is unapproachable and unreliable, why would anyone want to

them? Students and subordinates may be forced to comply with their actions, but are they giving their full attention and effort in learning and working?

Finding a good leader is a challenge. The leader should inspire, encourage, and motivate. Putting an ineffective leader in a position of power can cause more harm than good, so it is imperative that the right person is chosen. According to George (2006), those who must make the decision of who will be a leader "fall into the trap of choosing leaders for their style rather than their substance, for their image instead of their integrity." (para. 1). This paradox causes a bad decision that makes the institution suffer.

Authenticity is a quality that involves basic morals, in particular being true to oneself (Starratt, 2005).   Begley (2001) states that authentic leadership is a metaphor for "professionally effective, ethically sound, and consciously reflective practices in educational administration" (p. 353). He sees leaders as knowledgeable, moral, and skillful. George (2006), sees the leader as "being authentic, uniquely yourself, the genuine article. Authentic leaders know who they are" (para. 5). This authenticity should be seen in leaders to inspire others to follow. Authenticity must be prevalent in education, too, because of experiences are value-based. Society acquires a lot of its morals from education (Duignan & Bhindi, 2006).

This article will explore being an authentic teacher, being an authentic leader, and combining teaching and leading for the authentic classroom. In addition to presenting a review of the literature on this topic, personal interviews were conducted to provide insight into many of the topics discussed. Using a regional university in Texas as a base, recent winners of the University's Teaching Excellence Award (TEA) were asked for interviews. Four of those agreed to personal interviews, and some of their views are presented. The ability of a teacher to be authentic can be explained by defining credibility, finding a style, showing emotion, addressing intimidation, and acknowledging differences.

Being an Authentic Teacher

Palmer (1998) states that teachers must have an authentic call to teaching. This call comes from within. Palmer stresses that "The inward teacher is a living core of our lives that is addressed and evoked by any education worthy of the name" (1998, p. 31). Part of finding this inward teacher is using critical reflection.

Critical reflection is important to becoming a better teacher (Brookfield, 1995; Cranton & Carusetta, 2004; Dirkx, 2006). One must reflect to understand how behavior influences classroom learning. Looking at one's own self is not meant to be judgmental, instead it is "open, questioning, mindful, consideration of how we think about ourselves and our teaching" (Cranton & Carusetta, 2004, p. 21). This is reiterated by Dirkx (2006) when he states, "Teaching with a sense of authenticity reflects a profound sense of self-awareness and self-understanding" (p. 29). The teacher's character is important in expressing this authenticity.

Defining Credibility

An effective teacher is not only about technique. Good teaching "comes from the integrity of the teacher from his or her relation to subject and students, from the capricious chemistry of it all" (Palmer, 1990, p. 1). Great teachers expect something greater than the average from their students; they expect students to expect great things from themselves (Quinn & Anding, 2005). TEA winner G. Wurtz (personal communication, November 18, 2011) uses this concept of high expectations in his teaching. He states that he "sets the bar high and put the ball in their court."

A good teacher allows the students see him as something other than the holder of knowledge (Palmer, 1990). A teacher should maintain this credibility throughout the course term. According to Brookfield (1990), student perceptions of credibility are based on the following four behaviors: (1) a teacher's words must match his actions, (2) a teacher must admit his faults and be able to admit them openly, (3) a teacher must be willing to allow students to see him outside of class and office settings (in other words, be a real person.), and (4) a teacher must show respect through active listening of student concerns.

A teacher's credibility is paramount to ensuring students see the value the teacher has to offer (Brookfield, 1990). Another TEA winner, L. Bond (personal communication, November 17, 2011), believes that many students today feel that learning is a commodity; that they can pay for anything. Some students don't understand the value in a course, but the teacher who has the ability to adapt the course to the students' needs can build in the value needed. According to another TEA winner, Scifres (personal communication, November 17, 2011), if students fail to see the credibility of the teacher, they will not listen. Providing insight into actual experience in the field will help students to believe the teacher really knows what he is talking about. T. Clipson (personal communication, November 16, 2011), another TEA winner, concurs that it is extremely important that student know the teacher's background so that when criticism is given, the students realize that this comes from experience of knowing what is expected outside a classroom.

Finding a Style

There is not one way to teach. Each teacher must bring his own style and personality into the classroom. Cranton and Carusetta (2004) discuss the importance of bringing one's individual style into the classroom. Using professional development literature is important to becoming a better teacher, but one must critically question every aspect of a class to develop a style, communicate effectively, and show ingenuity.

Great teaching involves more than just behavior and techniques, according to Quinn and Anding (2005), it is "about the expression of who we are" (p. 488). Unfortunately, this plethora of teaching styles makes it difficult to discuss methods among educators. It is important to find an approach that values this diversity, "which methodological reductionism fails to do" (Palmer, 1998, p. 12). Scifres agrees with this; a teacher should not copy others because there is more to motivation than methods.

Showing Emotion

Another struggle of teaching is how to transmit the teacher's knowledge (credibility) of the topic in an understandable mode. But, it is often more than that; teaching is rooted in emotions that stem from the relationships present in the classroom. According to Dirkx (2006), "we in higher education often minimize or ignore the potent emotional context in which our work is embedded" (p. 28). These emotions are important in transmitting this knowledge and how it is received.

TEA Winners provide insight into the use of emotions in when dealing with students. Scifres suggests talking to students at their level and using humor to release tension. Bond takes times to know each student's name and ensures that students know each other, too. She creates many opportunities for students to speak throughout the semester. Conversely, Wurtz uses intimidation to instill accountability in his students. He feels that if students are intimidated by him, it creates an environment that motivates the students to take action in their own learning. Although this method is not widely used, Wurtz believes that his strong reputation of holding high expectations motivates students to do their best at all times. However, intimidation to extremes can create a threatening environment, so a teacher should use caution with this tactic.

The challenge of emitting credibility can be affected by relationships. Teachers display their morals through actions: showing consideration, planning special activities, avoiding petty gossip, and giving special attention to students. Wynne and Ryan (1997) state "It is still important that students recognize moral gestures and civic actions in their teachers (p. 123). Wurtz states that his students watch him situations when he deals with colleagues and other students. His morals are reflected in his actions, and they are visible to students. He leads by example and he believes this directly impacts the lives of his students.

Addressing Intimidation

Students can easily feel intimidated by the classroom environment, and this feeling can be stronger if the students are from a historically discriminated group. Class participation can be affected by culture. According to Anderson (1998), "Students struggle with teachers over control and with one another and the dominant culture over issues of identity and status" (p. 591). This cultural power must be understood by the teacher (Starratt, 2005). Teachers must be able to show awareness of students' needs; the more this can be expressed, the more authentic a teacher appears (Cranton & Carusetta, 2004).

Using the virtue of care and respect, the teacher needs to accept the learner as he is and carefully design the learning experience to meet the students' needs (Starratt, 2005). As changes have occurred in family lives, sometimes the teacher is the only stable figure. Teachers should create an environment that allows all voices to be heard, and the teacher will gain credibility when he can show empathy through effective listening (Palmer, 1990). Teachers have a powerful impact because they are placed as the designated leader over

students (Wynne and Ryan, 1997). Teachers must be objective in their approach to students. All interactions must be unbiased and true understanding of how past experience relate to each person (Moustakas, 1967). Generalizations must be avoided.

Groups that have been marginalized in the past are more like to feel threatened in a school environment. This makes the struggle for authenticity even harder. Many teachers have felt these same feelings when interacting when their own sources of authority. In this, Grimmett and Neufeld (1994) state that this "struggle for authenticity represents a daily grappling with dilemmas of practice and is continually reconstituting itself" (p. 6). Teachers should use their own struggles to relate to students. This is where emotions can be used to understand student perspectives (Beatty, 2000). Scifres uses this perspective. When interacting with students, he feels it is important to admit when he does not know the answer. He is honest and lets the students know that he is learning, too.

Acknowledging Differences

According to Brookfield (1995), it is important to understand the different ways that students learn and what their expectations are in order to build a connection. Understanding past experiences and how they affect each learner is learned from direct interaction between the student and the teacher (Moustakas, 1967). In Brookfield's classes students are required to use a journal to discuss their views of weekly classroom experiences. Brookfield then uses class time to address issues that students write about. This activity helps to build the authenticity of the teacher. This authenticity demonstrates the teacher's trustworthiness to the student (Brookfield, 2006).

Everyone can be guarded when being critiqued, but teachers must learn to realize that student feedback is the best for improving teacher performance. And, according to Wiggins (2010), a teacher can show authenticity by actually reading and acting on feedback during a time when it can have a direct affect on the person making the comments. Therefore, it is in the teacher's best interest to gather such feedback often during the course. Moustakas (1967) discusses the importance of confrontation, which is a meeting to resolve conflict or controversy. In this, Moustakas states, "Paradoxical as this seems, only when persons can openly disagree, if this is the reality of their experience, is it possible for them to establish genuine bonds" (1967, p. 23).

In Brookfield's (2006) perspective, "If the teacher is effective, it is because she combines the element of having something important to say, demonstrate, and teach with being open and honest with students. The former quality is that of credibility, the latter the concept of authenticity" (p. 5). Grimmett and Neufeld (1994) introduce a term called authentic motivation of teachers which strives to use intrinsic motivation. This leads to doing what is right and important for the learner in all situations. As they state, authentic motivation "is moral; it is caught up in a struggle to do what is necessary and of value, not just for the organization nor just for oneself, but ultimately in the important interests of learner." (pp. 4-5).

Many of society's values are based from the educational system. According to Brookfield (1990), "The problem with pursuing authenticity and credibility …is that the

actions associated with these ideas often seem contradictory. In pursuing one you risk threatening the other." (p. 175). For example, emphasizing one's credentials can be viewed as arrogant; however, failing to acknowledge it can lead to diminished credibility. Understanding the differences that each student brings to the classroom is one way to build authenticity.

BEING AN AUTHENTIC LEADER

The need for effective leaders is essential in all fields: government, business, and education. Credibility is lacking in most facets of organizations, so there is widespread distrust of all leaders, regardless of industry or field (Starratt, 1993; Duignan & Bhindi, 2006). Understanding morals, creating a style, showing one's true self, building trust, and balancing life are essential to being considered as authentic.

Understanding Morals

According to Duignan and Bhindi, (2006), "In order to become an authentic leader, it is important to know where one stands on important moral and professional issues and then act accordingly" (p. 199). The moral leader must be prepared to make a decision and persevere when a challenge presents itself (George, 2006). The leader must be objective and know his authentic self. Values originate from one's own experiences, but it is also derived from groups, organizations, and cultures which will vary for each person. Therefore, leaders must "establish a balanced appreciation of the relationships among personal values, professional values, organizational values, and social values" (Begley, 2001, p. 356).

It is important to create systems that help build processes that encourage leaders to use moral and ethical judgments in their decision making (Duignan & Bhindi, 2006). Hodgkinson (1991), states "education as a moral force, will ensure that the struggle for survival is worth while as it provides purpose and meaning to our existence" (p. 202) According to George (2006), "The test of authentic leaders' values is not what they say but how they act under pressure" (para. 10). Actions will tell the truth behind the person (Starratt, 2005).

An authentic leader acts within his own values to work toward a high degree of agency to make right and ethical decisions (Hannah, Lester, & Vagelgesand, 2005). However, which are the values that are considered right (Begley, 2001)? Although values differ between individuals, society creates these norms and impresses and pressures on others help to guide actions. Leaders must be good moral agents to display the values expected.

Creating a Style

There is not one way to lead. Each leader will bring his own style to the leadership position as stated by Evans (2000), "authentic leadership is highly personal and therefore can take many forms" (p. 301). A style that works in one situation can be ineffective in another (Sergiovanni & Starratt, 1979). Theory X's authoritarian idea and Theory Y's democratic management styles can both be effective for leaders, and Quinn and Anding (2005) give an

example of this. A teacher-centered, Theory X teacher/leader can be effective because students know exactly what to expect; whereas a student-centered, Theory Y teacher/leader can also be effective because students feel a sense of empowerment. Beatty (2000) sums this idea up with the statement, "closed and open, authoritarian and transformative, leaders with various styles get results" (p. 336).

Showing One's True Self

Nobody is perfect, and not being afraid to show this is another trait of an authentic leader. Duignan and Bhindi (2006) state that "authentic leaders are aware of their own limitations, are tolerant of imperfection in others, and help others learn, grow, mature, and succeed" (p. 206). When showing these weaknesses, the leader creates a connection that actually creates more trust and empowers others (George, 2006).

An authentic leader does not dictate compliance; instead he will inspire others and challenge those who do not follow. Savviness is seen as the ability to solve problems and find practical solutions (Evans, 2000). However, according to Begley (2001), observable behaviors do not always accurately reflect the leader's values. This idea is reinforced by Anderson (1998), "leader authenticity is obtained when principals practice what they preach" (p. 588).

Authentic leaders tend to shy from the public spotlight. According to Moore (2008), an authentic leader should act as though their reward is their service. However, they "desire to know privately that they left a tangible, lasting mark" (p. 181). This can be attributed to self-fulfillment.

Building Trust

Effective leaders must inspire trust. This can be earned by honesty, consistency, and confidence. To inspire innovation, one must have trust, which leads to authenticity as a leader by showing integrity and savviness (Evans, 2000; Evans, 2010). He states (2000), "Integrity is a fundamental consistency between one's values, goals, and actions" (p. 289). This can be shown by commitment through action.

According to Duignan and Bhindi, 1996), "Truth is the foundation for trust. And trust is the principal building and bonding force for all organizations" (p. 195). Effective leaders must consistently show their trustworthiness through their actions. If workers do not trust their leaders, they cannot be expected to excel.

Balancing Life

An effective leader must learn to balance work and home life. A savvy school leader will recognize when it's time to reevaluate this balance. According to Evans (2010), "They've learned that you must take care of yourself so that you can take care of others" (p. 110). Because of an intense pride in their work, effective leaders continue to overburden themselves with work, creating more work for themselves.

COMBINING TEACHING AND LEADING IN THE CLASSROOM

There are three essential characteristics to becoming an authentic leader: some leadership characteristics cannot be taught, leaders must be resilient, and authentic leaders must base their decisions on their core values (Evans, 2000). These guidelines can be transferred to teachers to build their leadership skills. Essentially, teachers are the leaders in the classroom, and they must have the ability to use resources to effectively motivate and lead students toward a better understanding of course content. Building authenticity into teaching styles is just one way to do this. Brookfield (1990) gives steps to take to build trust in students' perceptions:

- Don't deny your credibility
- Be explicit about your organizing visions
- Make sure your words and actions are congruent
- Be ready to admit your errors
- Reveal aspects of yourself unrelated to teaching
- Show that you take students seriously
- Don't play favorites
- Realize the power of your own role modeling (pp. 165-172)

According to Duignan and Bhindi (2006), authentic teacher-leaders are "aware of their own limitations, are tolerant of imperfection in others, and help others learn, grow, mature and succeed" (p. 206). A leader can be compared to a philosopher and person of action, using ethics in all their dealings (Hodgkinson, 1991; Duignan & Bhindi, 1996). Using savviness, an effective leader in the classroom will learn to accept the uncertainties and adjust their behavior to fit the needs, all why "leading from strength, clarifying their core commitments, [and] fostering recognition" (Evans, 2010, pp. 109-110).

Leading Democratically

Leading in a classroom can follow democratic leadership ideals that promote participation. According to Anderson (1998), "participation is authentic if it includes relevant stakeholders and creates relatively safe, structured spaces for multiple voices to be heard" (p. 575). Students can use their voices to promote their ideals for classroom discussions. This form of participation allows for historically under-represented groups to have their say in the classroom. This in turn leads to "more equal levels of student achievement and improved social and academic outcomes for all students" (Anderson, 1998, p. 575).

Good teaching involves many conversations to allow for input from all stakeholders. Good leaders understand this and know that they should use this, too. According to Palmer (1998), "They lead from the same model we have been exploring for teaching itself, creating a space centered on the great thing called teaching and learning around which a community of truth can gather" (p. 160). A teacher-leader can ensure there are open spaces for

communication to occur. To help promote conversations that lead to participation, Scifres believes that teachers should reveal their own weaknesses and show some vulnerability to help earn respect. Students should be able to see the teachers as a real person.

Inspiring the Love of Knowledge

Much like the goal of the organization leader is to motivate employees to work toward a common goal, the goal of the teacher leader is to instill a desire to continue lifelong learning. A positive relationship between teachers and students is necessary to increase student knowledge beyond the basics to allow students to learn through trial and error (Evans, 2010). This focus is on the journey of the education process, not a final destination.

An authentic relationship must be built between teacher and student that includes "a relationship of mutuality and reciprocity, where levels of self-disclosure are both possible and honored" (Starratt, 2007, p. 169). Good teachers have the capacity to create a web of relationships between the teacher, the subject, and the students. This leads the students to learn to create their own webs of relationship in the world for themselves (Palmer, 1998). This will help inspire life-long learning.

CONCLUSION

Authentic leadership helps subordinates to increase their power; this power then acts like waves in an organization to affect power relationships in other areas (Anderson, 1998). Being authentic is not a convenience characteristic – one that can be used when it fits the moment. Instead, a teacher/leader must constantly work to develop being authentic (Cranton & Carusetta, 2001). Numerous stories have be told of teachers that have made a lasting difference in a student's life. Moustakas (1967) describes this "we know from adult reports in later life that many individuals have singled out the experience with a teacher as the turning point toward increased self-esteem, creative accomplishment, originality, and effective living" (p. 224). Wurtz shares a recent account of a student sending him a random text message thanking him for being a great teacher – years after graduating and becoming a teacher herself.

Palmer (1990) discusses having the courage to teach. He sums up the issues presented here for authentic leadership in the following statement, "Good teaching requires courage -- the courage to expose one's ignorance as well as insight, to invite contradiction as well as consent, to yield some control in order to empower the group, to evoke other people's lives as well as reveal one's own" (p. 15). This is re-emphasized by Palmer (1998) with the premise that teaching is a result of the individual identity and integrity of the teacher.

There are many sources on authentic leadership and authentic assessment in schools, but few that directly appeal to teacher personalities in the classroom setting. This is reflected in Cranton and Carusetta (2004) when they discuss the move toward standardization, "Authenticity in teaching has been a relatively neglected area of study," (p. 21). The Teaching Excellence Award winners were used as primary sources to add insight into the values presented in research. Since teachers are the direct connection to student learning, they must

show their genuine spirit to helping students learn. This is especially true in higher levels of education as more students begin to question authority. As more faculty members model authenticity, student learning can increase – an important goal of higher education.

Recommendations to Business Communications

In a rapidly-changing world, business leaders must be knowledgeable about how to manage this change and its effects. Change can be created, sustained, or managed by effective communication (Ford & Ford, 1995). Communication skills are essential to instill the importance of change and move beyond the status quo. Communication provides a sense of urgency and instills a motivation to act (Denning, 2005; Gilley, Gilley, & McMillan, 2009).

Communication is just one step in the change process. According to Ford and Ford (1995), "In the absence of communication there is no intentional change and no intentional change process." (p. 560). Further, "Motivating employees and providing effective communications are highly and significantly associated with effective implementation of change" (Gilley, Gilley, & McMillan, 2009, p. 88). For business educators, this is especially useful as they are challenged by both students and society. Employers expect them to teach students to effectively communicate when they graduate. In order to do this, we must find a way to reach the student to instill this importance. Being an authentic teacher is an essential step to reaching students.

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FAIR TRADE: AN ANALYSIS OF THE RELATIONSHIP AMONG PRODUCERS AND CONSUMERS

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ABSTRACT

With the discord over the ethics of child labor and sweat shop production increasing, it is becoming increasingly important to look for viable solutions which could provide meaningful changes to the way that trading happens in the world. One alternative is the fair trade movement. This paper will look at this movement by analyzing the relationship between the producers and the consumers who are involved in this movement.

This paper discusses many aspects of the fair trade movement- a social movement working to empower those in developing countries by creating a partnership between producers and consumers built on dialogue and respect in order to allow all involved to come together bettering the world. First, it examines the history of fair trade, the differences between fair trade and other markets, the goals and objectives, and the impact fair trade has on the producers. The paper will go on to analyze the lifestyle of the producers and consumers, and end with an analysis of the relationship between the two.

Through research for this paper, the main difference between fair trade and other trading markets, mainly free trade and conventional trade, was found to be the focus of the market and how/when the payment for the goods is received. In terms of the relationship between producers and consumers, this analysis discussed many characteristics that affect the relationship between the producers and consumers. Religion, the recession, and the state of both consumer and producer economies were found to influence the relationship between the producers and the consumers and the way in which consumers buy these goods.

INTRODUCTION

The population of the world is approximately seven billion people. Each one of whom is considered a consumer in some way, shape, or form. In order to satisfy those people, the world needs producers who are willing to dedicate their lives to making products for the use and satisfaction of others. The need of the producers to get items to the consumers has led to the formation of different types of trade and different markets in which a producer can trade. The type of trading market a producer decides to engage in has the ability to change the way that their products are distributed. The market the producer is engaged in may also have the ability to change the producer's relationship with the consumer. The fair trade market is one of these trading markets that are able to influence the way producers and consumers are able to interact with each other.

This paper will analyze many aspects of fair trade including the following: the history, the differences between free trade, fair trade, and the conventional market, the certification process of fair trade goods, the goals and objectives, and the impacts. All of these things

influence the producers, the consumers, and the relationship between the producers and consumers, which will be discussed as well. The paper will explore all of these aspects in order to answer the question: How have producers influenced the market for and consumers of fair trade products?

ABOUT FAIR TRADE
Definitions

The term fair trade means many of different things depending on who is reporting on it. Miller (2010) describes it simply as "an organized social movement and market-based approach" (p1). Wilkinson (2007) describes fair trade as a social movement that has three main components to it. The three components Wilkinson describes are the following: the organizing of alternative trading networks, the marketing of fair trade labeled products (in which the products are based on the fair trade Labeling Organization (FLO)'s registered producer groups and licensed traders and retailers) being prominent in different countries, and the campaigning to promote fair trade purchasing practices to change the rules of the conventional trading market. In other words, Wilkinson is saying that fair trade must be promoted well, be in well established co-operatives, and must be trying to change lives. It is only when these three components work together that a fair trade market can exist and work to change the world. One more thought of how fair trade is defined comes from Sick (2008) who defines fair trade as:

> "a movement that attempts to address the problems of market inequities and uncertainties facing small scale producers in a number of ways, the most significant being a commitment to return a larger proportion of the retail value of the product to producers, thus providing a fair living wage safe for works and a living income for small producers." (Sick, 2008, p. 197)

No matter how fair trade is officially defined, there are components every definition includes. The first one of these things is fair trade trying to change the world by empowering persons in developing countries. Secondly, in order for fair trade to be successful, the movement must be a partnership between the producers and the consumer. Third, the partnership must be built on dialogue and respect on behalf of both parties (DeCarlo, 2011). There must be a sense of togetherness to better the world.

For consistency in this paper, fair trade shall be defined as the following: a social movement working to empower those in developing countries by creating a partnership between producers and consumers built on dialogue and respect in order to allow all involved to come together bettering the world.

Now that a definition of fair trade has been established, other words will appear throughout this paper that are important to note and define.

Free Trade: A market model where goods and services are exchanged between or within countries unhindered by government restrictions (Handmade Expressions, 2011).

Conventional (traditional) market: A market model where goods and services are exchanged between or within countries where barriers to sale and trade do exist (tariffs, import taxes, etc) (Eisenberg, 2005).

Co-operative: A producer or worker organization that engages in commercial activities that is based on voluntary membership and is democratically controlled (Fair Trade Federation, 2009).

Producer: One that grows agricultural products and manufactures …materials into articles of use (Merriam Webster, 2011).

Social Movement: A loosely organized, but sustained, campaign in support of a social goal, typically either the implementation or the prevention of a change in society's structure or values. Although social movements differ in size, they are all essentially collective. That is, they result from the more or less spontaneous coming together of people whose relationships are not defined by rules and procedures but who merely share a common outlook on society (Britannica.com, 2011).

History of Fair Trade

Fair trade may be difficult to define, as can be seen by the multiple definitions at the start of the paper, but its concepts are fairly easy to grasp and its history short. The general concept of fair trade emerged in the post World War II era when "trade, not aid" was being promoted. In order to demonstrate that, by changing things about the conventional trading market, the producers in the south could come to know economic independence and see more development (Hutchens, 2010). The Union of Indigenous Communities of the Isthmus Regio (UICIR), found in the Mexican state of Oaxaca, is credited as having the first fair trade co-operative. It was comprised of many small communities of producers that came together to develop what are now recognized as standard fair trade practices (Boersma, 2009).

UICIR began their operations in 1985 with the production of organic coffee and soon began penetrating the world market. In 1988, the Mexican state of Oaxaca wrote a proposal to a Dutch Development organization asking for a certification process for fair trade in order to keep standards the same across the globe (Boersma, 2009). The proposal resulted in the establishment of Max Havelaar (the first certifying body of fair trade goods), the certification of the first fair trade product, coffee, and the beginning of the fair trade social movement. Coffee was the first product to be certified, the first fair trade product to be sold in the United States, and the product that now represents 80% of the fair trade products sold in the United States (Roethel, 2010). In addition to coffee, there are 6,000 fair trade labeled products in the United States that are spread across 105 different product categories (Roethel, 2010).

What Fair Trade is and What It is Not

Now that the background of fair trade has been explored, it is important to understand what fair trade is and what it is not. Similar to the many definitions of fair trade, there are many different ways to describe fair trade. Neyland & Simakova (2009) describe fair trade in general terms as a movement that attempts to move people in the developing countries of the world out of poverty by giving them access to markets, connecting the producers directly to the consumers in developed countries, and having a more equitable distribution of profits across the supply chain. According to Walton (2010), fair trade is:

"a trading partnership based on dialogue, transparency, and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to and securing the rights of, disadvantaged producers and workers, especially in the south." (pg 43)

The first thing of significance in this description is the word partnership. Stark (2011) describes fair trade to mean that the products developed allow the producers to gain a greater awareness of the developed world consumers for whom they are producing. This relationship is turning into a partnership between consumers and producers with each having an effect on the other. These effects will be discussed later in the paper. The second thing to note from the description of fair trade is that the partnership is built on dialogue, transparency, and respect. In order for fair trade to be effective, producers must talk within the co-operatives. The certification officials must also be able to put their life on the line and allow others in so that lives can be changed. Additionally, respect must be shown from all parties involved.

Although there are many ways that people are able to describe what fair trade is, saying what fair trade is not may prove to be easier. Fair trade, as some consumers who have not experienced it before may describe, may be looked at as a market of traditional handcrafts with loud colors and a look that does not come close to meeting consumer's tastes (Bushey, 2010). Those who advocate for fair trade however, would argue that this is not true and producers meet consumer's wants and needs in many ways. Consumers, advocates argue, are drawn to fair trade for several different reasons, as will be discussed later in this paper.

How Fair Trade Differs from Other Trading Systems

Now that fair trade has been discussed in terms of what it is and what it is not, looking at how it differs from other trading systems that exist in the world today, particularly free trade and conventional trade, is important. Fair trade, as described previously, is a relatively new movement, only about 23 years old. It is not a movement focused entirely on charity work, relief work, or any other type of non-reciprocal form of aid (Boersma, 2009). Instead, fair trade advocates say that it aims at providing fair market prices for all. The work of fair trade is about empowering and teaching producers, making it a two-way form of aid. According to Boersma (2009), the one problem with the conventional trading market is that it takes the focus off of the production location and off of the social relations involved in the production. When the consumers are not fully aware of how the products they are buying and using are produced, the social relations surrounding the product become incomparable to the price.

Fair trade products aim to change this idea of uninformed consumers and to make the social relations surrounding the product more important to the consumer than the price. This can be done in two ways. First, the fair trade market seeks to incorporate the full costs of production into the price of the products. Second, the fair trade movement tries to change the production process so that rather than big corporations having the power, the local producers have the power (Boersma, 2009). This is a difference from the conventional market which typically gives the power to large corporations.

In the conventional trading market, profit is seen, typically, as the overriding concern and payment for the goods, which are being received, is set to be due at a certain number of days after delivery. Profit is also dependent on the buyers being pleased with the goods. In the fair trade market, concerns are for all people involved and the planet. Some who advocate for fair trade argue that the profit is not very important and is not the front line concern. The advance credit present in fair trade allows for producers to receive income during times of non-cultivation or production to always be receiving money.

In terms of the supply chain for the conventional market, low cost labor, raw material items, and middlemen are used. The marketing of these products is then used to increase the

profitability. In the fair trade world however, the supply network is made up of disadvantaged groups, such as women and ethnic minorities. The profits are made through consumer education and the advocacy for fair trade leads to socially responsible business innovators who help to raise further awareness (DeCarlo, 2011).

The conventional market system, in contrast to free trade and fair trade, does nothing to alleviate poverty, which Boersma (2009) says is a symptom that fair trade is working to assuage. By raising awareness with the business innovators, however, not only can the fair trade sales increase, but the poverty level can work to be reduced. The traditional accumulation of wealth that is present in the conventional market creates problems for the disadvantaged producers. This wealth accumulation, according to Boersma (2009), creates political conflicts on an enormous scale and distorts the social relationships between producer and consumer. Fair trade tries to remedy this by bringing producer and consumer closer together. The table (comprised from Handmade (2011) and Eisenberg (2005)) on the next pages summarizes the fair trade advocates view of the differences between fair trade, free trade, and the conventional market.

Table 1 Differences in Types of International Markets		
Fair Trade	Free Trade	Conventional Market
Concerned about people and planet	Concerned about people, planet, and profit	Concerned about profit and adding value to shares
Producers are given technical assistance, training, education, and assistance	Producers are given training and assistance	Workers are given brief training for a mundane, repetitive job
Producers are given access to credit	Producers must seek out private sources of credit	No access to credit or loans
Women and ethnic minorities are sought out as partners	The poor are targeted as workers	The lowest cost labor is used and workers are exploited whenever necessary
Aims to educate the consumer about what is good for them, the planet, and the producers	Aims to educate the producer about what is good for them.	No education is involved and creation of shallow needs and wants is present
Payment present on a rolling basis	Payment after goods are made	Payment present only have goods are inspected and up to standards
Prices based on living wage	Prices based on supply and demand	Prices are very low
Focuses on globalization	Focuses on making work for the poor	Focuses on making products

Summarized from Handmade Expressions (2011) and Eisenberg (2005)

It is important to note however, that this table was developed by those who advocate for fair trade. Those who advocate for free trade would take issue with some of this though. Rothbard (n.d.) articulates that those involved in free trade have mutual benefits with the exchange and that anyone, not just the poor, are welcomed to be involved in free trade. In contrast to what fair trade advocates say, free trade is focused on the exchange of economic goods as either tangible or non-tangible commodities (Rothbard, n.d.). Similarly to Rothbard, Vitez (n.d.) speaks about how free trade offers several benefits and is not just for the poor but

works to increase resources, quality of life, help foreign relations improve, and help production efficiency to people in all countries.

Goals and Objectives

Now that the differences between markets have been explored, the goals and objectives that fair trade aims to accomplish should be explored. One of the goals of fair trade is to open up the opportunities available to those in developing countries in regards to credit (loans) and direct sale to the consumers. This helps the producers to become less dependent upon the 'middle man' present in the conventional trading market, allowing the producers to keep more money and the consumers to get the products quicker (Doran, 2009). In addition, fair trade aims to promote sustainability among producers in order to help send their children to school and have money to put food on the table. It also creates sustainability for better trading conditions (Miller, 2010). Fair trade aims to develop opportunities for people who are economically disadvantaged while creating accountable, respectful trading partners (Ohnmacht, 2007).

Analyzing these goals, one can see that fair trade is trying to create a fair price for all producers. One can also see that by creating gender equality (something fair trade strives to do as seen above and expressed by Handmade (2011)) in areas that do not typically practice or recognize women empowerment, women may be provided with opportunities to be involved in fair trade. This is done by promoting sustainability through fair trade practices to the producers, developing lines of credit throughout the co-operatives and villages, and creating opportunities for those who are economically disadvantaged such as women and those who live impoverished lifestyles. Without these goals and objectives in place, the producers and consumers of fair trade would not be able to interact as they currently do. A discussion of this interaction will be presented later in the paper.

Impacts

Now that fair trade has been defined, differentiated from other types of markets, and the goals and objectives of fair trade have been discussed, it is important to know what the impacts of fair trade are on the world. Litvinoff (2007) talks about the impacts that fair trade has not only the producers, but on people all over the world. Some of the impacts of buying fair trade that he mentions are the following: changing the world, defending diversity, rebuilding and transforming lives, and freeing child workers. The alleviation of poverty is another impact of fair trade which is prominent to all those involved in the process. One way that this can be measured is by the 'Millennium Development Goals to be Achieved by 2015' that are developed by the United Nations and described by Walton (2010). The goals that can be achieved, or somewhat achieved by the fair trade movement include: saving children's lives, protecting the environment, building a global partnership for development, education for all, and ending poverty and hunger.

Skeptics of fair trade, and other ethically labeled products, claim it is a fad, a niche market, or some cheap public relations ploy by retailers that has no chance for sustainability (Hainmueller, Hiscox, & Sequeira, 2011). Supporters of fair trade, according to Hainmueller, Hiscox, & Sequeira (2011), argue that with the growth of fair trade, and how it continues to grow and appeal to producers around the world, "the politicized consumption could have large

impacts on [consumer] behavior" (p. 1). They argue that consumers would be more willing, and would prefer, to pay extra for products that are labeled as being produced in an ethical way. To be fair to those who may not advocate for fair trade, the authors also say that no clear evidence exists that would prove that consumers behave this way when given the choice. As fair trade consumption around the world grows, more consumers are "jumping on board," it appears, and are willing to pay extra for any products that can be identified as being made and produced ethically. FairTrade USA (2011b) shows this as true by reporting an overall growth of 63% from the second quarter to the third quarter in 2011. The percentage is found from averaging the 87% growth in the grocery fair trade sector (coffee, fruit, etc.) and the 32% from the specialty and gourmet sectors (handmade products, milk, eggs, etc.) (Fair Trade USA, 2011b).

FAIR TRADE PRODUCERS

The experiences that The Union of Indigenous Communities of the Isthmus Regio (UICIR) partook in were able to provide the world with more than just fair trade products. UCIRI showed the world that when the poor, and extreme poor, are able to come together, gather, and organize into a cohesive co-operative, the road, and journey, out of poverty for the members of the co-operative opens up and the journey is now a viable option in which new orders (social, political, and cultural) begin to emerge (Boersma, 2009). Boersma (2009) said, "People are not just another factor of production, but the subjects of production" (p. 55). This is what fair trade is all about; enabling people to produce and be the subject of something greater than his/herself; to be part of a movement that is changing the world.

Background on Producers

There are currently around 7 billion people living in the world today. Of those 7 billion, 1.3 million live below the poverty line. Of the 1.3 billion living below the poverty line, 70% are women or children. In 41 developing countries over the past 21 years, poverty among rural women, who are generally affected the worst, has grown 17% (Hutchens, 2010). By being engaged and involved in fair trade co-operatives, these women can work to change their lives and begin the journey of moving their family and themselves out of poverty. The idea of being able to help her family move out of poverty is one of the reasons that women get involved in the fair trade movement. The idea of making, sometimes, twice as much as one would make working on a more 'conventional' market entices the producers to fair trade. In addition, in many parts of the world, there is insufficient access to the conventional market so the producers have no way of selling their product in these markets (Nicholls & Opal 2005).

Life of the Producer: Why are They Involved and How Has Fair Trade Impacted their Life?

With some background on potential producers from developing countries, it is important to address why these people get involved with fair trade and how their personal lives have been impacted. Along with there being a lack of access to the conventional market, there are several other reasons an artisan may choose to be involved with the fair trade market. Globally in the conventional market, there is an unclear sharing of information. Those

producers in developing countries who are under- or uneducated may not be able to understand the terms and conditions associated with the conventional market, and buyers of the products will not share all of the information with producers, cheating the producers out of money (Nicholls & Opal, 2005). In addition, Nicholls and Opal (2005) suggest that fair trade producers get involved in the fair trade market because of the insufficient access to financial markets and the lack of access to credit. Ohnmacht (2007) states that the global fair trade movement has worked to solve these problems by requiring producers to organize into co-operatives, where they can pool the money they are making for production purposes and have access to different lines of credit. These producers receive more money for their work, and the others in the co-operative can assist in financing the 60% pre-financing cost if one person in the co-operative cannot afford it.

The reasons for joining a fair trade co-operative also go back to moving out of poverty. As these producers stay in fair trade, they will begin to save money and be able to move out of poverty. As producers, and therefore co-operatives, move out of poverty, the money they make is able to be saved and put back towards the community, as well as used for future endeavors or events. Ashenagi Argaw, a fair trade farmer in Ethiopia, said,

> "The marriage between fair trade and producers [in my village] has helped to lessen the poverty for the people. Fair trade has saved the lives of poor producers. …By participating in fair trade [it is] required that both buyers and growers are disciplined, honest, and fair." (DeCarlo, 2011, 72)

In addition to Argaw's village in Ethiopia, the addition of fair trade markets to over 50 developing countries around the world has affected the lives over 7 million producers, their families, and their co-operatives (Nicholls, 2010). Not only do the profits from fair trade goods go back to the producers and their families, but they go back to the villages the producers live in, thus enabling the villagers who may not be involved in fair trade to reap the benefits of the producers 'new' work. A co-operative in Nicaragua was able to use the profits made to establish a women's health clinic. The clinic is now able to provide a variety of different tests, provide information on general health practices and reproductive health. The village has seen an increase in women carrying babies to term and the infant survival rate has since increased (Marcovitz, 2011).

When producers first get involved in fair trade co-operatives, two-thirds of them are living at, or below, the poverty level (Litvinoff, 2007). Now that these producers are involved with fair trade co-operatives, they are able to send kids to school and put food on the table. According to Litvinoff (2007), of the world's two billion plus children, more than 120 million of them do not go to school. More than half of the girls in the world's poorest countries get no primary education (Litvinoff, 2007). After getting involved in these co-operatives, the fair trade process is able to help these people to raise their income, send kids to school, and boost the local economies. Those involved in fair trade are only a small percentage of those in the world who are struggling, but are still getting the benefits of fair trade. As the fair trade movement grows, more of these people will, in theory, be able to have the impacts that fair trade provides its producers. The central concept of fair trade, to pay producers more reasonably, is the key for these producers to turning their lives around and the lives of their families. Bertilda Gamez Peres, a fair trade coffee grower in Nicaragua, says the following:

> "There are big advantages [to being involved in fair trade]… We get more money for our crop. We didn't make enough money to live on before. Now we get a better price

and the money comes directly to us. I can buy more food. I can help support my daughter at university…take care of my son." (Litvinoff, 2007, p. 15).

Other reasons that Litvinoff (2007) says producers become involved include the following: building confidence and reducing risk, transforming lives, making tomorrows business happen today (p. 151), and keeping families and communities together (p. 177).

The reasons that producers become involved in fair trade, as discussed, are for the direct impacts to their village, co-operative, and family. In addition to these direct impacts, there are also indirect impacts. Nicholls & Opal (2005) describe the indirect benefits in terms of increased benefits and relationships with the northern trading partners in the fair trade market as well as having support for the co-operative that the producer is a part of. Ohnmact (2011) echoes these benefits but adds that fair trade helps the producers to generate "progressive plantations." That is, growing the 'plantation' where production takes place in order to hire more workers and enabling those workers to start possibly bettering his/ her life.

How are Producers Found

After looking at who the producers are, it is important to look into how the producers are found in order to obtain the benefits of fair trade. The requirement that producers of fair trade goods must be part of a co-operative is helpful when trying to find new producers. Most the co-operatives that are fair trade certified are started by charitable organizations or persons doing relief work (Nicholls & Opal, 2005). It is by this same process that farmers or artisans (producers) are typically found. According to Nicholls and Opal (2005) these relief organizations send volunteers into developing countries, to the rural areas, to meet with potential producers. The volunteers explain the concepts associated with fair trade and impacts of fair trade, then provide training for these producers before arranging connections within a co-operative for these producers to sell their goods in a market.

Producers of fair trade goods must have intrinsic, competitive qualities that are defined and required by the fair trade market (Wilkinson, 2007). Persons in developing countries who produce goods that are present in the fair trade market may seek out a local co-operative in order to have stability in their income while also having the guarantee of sales. Wilkinson (2007) argues however that that in order to have the solidarity of sales, a producer must pay significant attention to the product they are producing in terms of production quality, appearance, taste and aroma (if producing sustenance), and packaging.

The last argument that will be addressed as to why producers decide to engage in fair trade co-operatives is that the co-operatives help these producers gain additional leverage in negotiations with potential buyers or suppliers (DeCarlo, 2011). In addition, DeCarlo states that these cooperatives cover the cost of services provided to farmers, such as training, quality improvement, and exportation management. Producers in developing countries who are looking for help with these qualities are generally referred by relief workers, friends, or neighbors to a local co-operative.

As can be seen, there are several ways a producer can become a "fair trade producer." As fair trade spreads among third world countries and the residents of these countries, the ways that people are getting involved is growing. Currently the most common way of these producers becoming involved with fair trade is by references from charitable organizations or relief work.

Certification and Criteria

After the producers are found, they need to be certified according to certain fair trade criteria. This involves undergoing a lengthy process before they can begin taking steps of bettering their lives by being associated with fair trade. Currently, sixteen international organizations can certify producers of fair trade crafts, food, and products (Nicholls, & Opal, 2005). The difference in these organizations is where they are located in the world and what type of products they certify. All of these organizations, however, are looking for the same criteria in a co-operative, or producer, in order to hand down a certification. Before one of these sixteen organizations arrives to start the certification process however, producers

> "…must agree to abide by certain fair labor, production, and environmental standards. They must also invest a percentage of their income into their communities which helps to fund schools and hospitals as well as building village infrastructure like transportation and gaining access to clean water." (Roethel, 2010, p. 3)

In return for producers taking these steps, the buyers of their products agree with the certification organizations to pay a price higher than conventional market price for the goods received.

Producers wanting to become certified in fair trade practices are going to have to meet an array of criteria laid down by the Fair Trade Labeling Organization (FLO), who oversees the sixteen certifying organizations. Criteria being evaluated include the following: verifying that foods (in the case of farmers) are grown or manufactured under conditions of social equity and environmental sustainability, making sure that the co-operative that the producer plans to join is financially sound and has a venture plan in place, checking to see if the health and safety measures the producer follows meets national guidelines, and lastly making sure that the principles of the venture and the employees all line up. Before leaving and providing, or denying, certification the certification organization will visit surrounding villages and communities to talk with other members of co-operatives in order to better gain a sense of the to-be co-operative member's reputation and social responsibility history (Bondy & Talwar, 2011; Sick, 2008). In addition to the process that Bondy & Talwar (2011) described, producers must also attest to the regulatory criteria handed down by the FLO saying that foods are grown and/or manufactured under condition of social equality and environmental sustainability (Lyon & Moberg 2010).

CONSUMERS

In 2009, TransFair USA (a non-profit fair trade certifying organization) conducted a study of fair trade labels and their influences on consumer buying decisions. It was found that 81% of people said the fair trade label on a product had influenced them to buy the product. In addition, 81% (a different sample in the same study) of United States consumers say that they believe that United States companies that do business abroad have a moral obligation to be socially responsible in that other country and contribute to the community development in those areas (Nicholls & Opal, 2005).

Who are They?

In the world today, there is pressure on all people to be socially responsible, 'go green,' and to take care of others. According to Doran (2009), there has been a shift in consumers from self-centric consumption to a more values-centric consumption model. This model shift implies that consumers are looking for values that encompass the self behind the product as well as the self consuming the product. Doran also suggests that fair trade consumers are likely to be older Caucasians.

Attitudes and Behaviors of the Consumers

In addition to Doran's above mentioned shift in the consumption model, Bondy & Talwar (2011) suggest that a fair trade consumer would feel responsible towards society therefore, striving to demonstrate their feelings through their purchasing behavior. For example, Nicholls & Opal (2005) classify consumers into five categories based on the level of their ethical consumption. The top level of their five categories is the "global watchdog." This is a person who is an affluent professional, age 35-55, who is well educated and feels like they have a voice as a consumer. The other categories of consumers that Nicolls & Opal identify for ethical consumption include the following: brand generation, conscientious consumers, 'look after my own,' 'do what I can' (pg. 186).

According to Schwartz's theory of Human Values (1992), as presented in Doran (2009), which discusses the relationship between the content of one's values and the structure of their values in relation to how those values are lived out, the content of one's values is the source of motivation for human behavior and the structure of those values is dependent upon the relationship between them. Schwartz based his theory on 57 single values that were categorized into value groups. The second component of this theory describes the relationships among the ten value groups. The conflict and compatibility between these values was found to be such that behavior that was consistent with one value, will be consistent with certain other values (Schwartz, 1992, as stated in Doran, 2009). By means of this information, fair trade advocates can find out one behavior that is important to a consumer and to then analyze it to find other things important to that consumer

Taking Nicholls & Opal's (2005) guide and applying it with Schwartz's Theory of Human Values, one is able to begin to see who the consumers of fair trade products are and how fair trade can spread. Marketers can study one human trait that is associated with the "global watchdogs" and apply Schwartz's theory to it in order to find other values that may be important to these consumers.

Why do they Buy?

Consumers have many attitudes, beliefs, and knowledge levels about the producers of fair trade goods. So the question that still remains about the consumers is the following: why do they buy fair trade products? This question was explored in Hainmueller, Hiscox, and Sequeria's (2011) study, as reported in Fair Trade USA (2011b), which found that 75% of consumers who were studied said that buying fair trade certified products made them feel positive. In addition, 30% of consumers said that seeing a fair trade label would make them buy fair trade products. Some of the reasons that these people want to buy are addressed by

Jaffee (2010), who says that when consumers buy these products they are helping to send kids to school, bring clean water to rural farming communities, and enabling producers.

In addition to these reasons, Litvinoff (2007) says that consumers buy these products to help end child exploitation, to promote basic human rights, and to save lives. The reasons that consumers, not just in the United States, but in all developed countries are buying fair trade appear to be fruitful. The idea that consumers continue to buy fair trade products and have many reasons to buy, tells fair trade advocates that there is a strong relationship between the producers and the consumers of these goods. In addition, the fact that consumers are buying these products shows fair trade advocates and producers that consumers in the developed world care about the disadvantaged producers.

CONSUMER/PRODUCER RELATIONSHIP

Now that the history, characteristics, producers, and consumers of fair trade have been examined, the relationship between the producers and the consumers can be analyzed.

Influences

The influences of the producers of fair trade on the potential and existing consumers are many. The influences first go back to Schwartz's previously examined theory of human values. The more that the consumers and producers can relate on these seemingly simple, yet complex, values, the more likely, it would seem, that consumers will procure these products. The power of relationships, feelings, and emotions are what many consumers use to relate to producers in developing countries. Although advocates for fair trade argue that fair trade is not a charitable movement, the idea that many consumers do not like to see, or hear of, struggling children in these developing countries, moves them to take action.

Another connection between producers and consumers comes in the alliance between the two parties and the agreed upon terms and conditions of the way that the fair trade market is governed (Boersma, 2009). Boersma continues to say that when the parties work together to agree upon these terms, both are able to receive greater benefits which go beyond monetary and pecuniary concerns.

Recession

The 2008 recession that influenced the world, also, incidentally, affected the way that the producers and consumers of fair trade products interact with each other. Hainmueller, Hiscox, and Sequira's (2011) study showed that the recession had impacted the amount of fair trade goods being consumed, but there were no major changes in the attitudes of fair trade consumers. This echoes patterns seen in many other purchases though. As money gets tight, people tend to cut back on "luxury" or "high end goods." Many consumers outside of the "global watchdog" category may categorize their fair trade consumption in this way, therefore cut back their consumption of these goods when the recession hit. According to FairTrade USA (2011a), the consumption of fair trade goods at grocery stores that were studied grew by 87% from the first to second quarter of 2011. Overall, the study found that fair trade consumption grew by 63% in this same time. This being said, as the world economies attempt to recover from the global recession, the consumption of fair trade will likely rise again.

The recession affects the consumer producer relationship in couple ways. First, because consumers are typically seen as driving markets, companies and producers are forced to respond to consumer demand (Boersma, 2005). During the recession, consumer's tastes changed. As consumer's tastes change, producers responded to this and tried to give the consumers what they wanted. Thus, consumers affected what was being produced. Secondly, the recession led to people buying less, as described above. In short, if people buy less, producers produce less, and make less money. Although fair trade is argued to pay producers a living wage at all times, it does not seem comprehendible that, in a time when people are buying less, producers can make more. Consumers, it would seem, can only afford to do good under certain economic conditions. If consumers do not have enough money to support their families, it is inconceivable for analysts to think that the consumers would support poor producers half a world away. As the global economy moves out of the recession however, FairTrade USA (2011b) predicts that the upward trend in buying fair trade goods will continue.

In contradiction to FairTrade USA (2011b), Rothbard (n.d.) and Vitez (n.d.) say that free trade is a more sustainable option because it is hard to pay a living wage in the downward sloping economy. Advocates for fair trade say that at some point in time, fair trade producers must find a way to switch over to the free trade market in order to make long term success a more viable option.

Religious Awareness

Because many people who do not advocate for, or who are not familiar with fair trade think of it as a charitable or relief organization, many consumers may find themselves associating religion with fair trade. According to Doran and Natale (2011) who looked at fair trade consumption among religious and non-religious people, those who were non religious were slightly more prone to buy fair trade products. In the case of the relationship between producer and consumer, consumers who travel to developing countries to work for charitable or relief organizations or on mission/service trips may be apt to purchase fair trade products from these countries which may spark a debate for fair trade buying being related to religious beliefs.

In a similar manner, those producers who are involved in a faith based co-operative may make religious items. These religious goods may then be marketed toward certain consumer groups. When connections are made between the three groups, it takes on a triangle shape (as diagramed below) connecting all parties to one another.

Religious
Awareness

Producers   Consumer
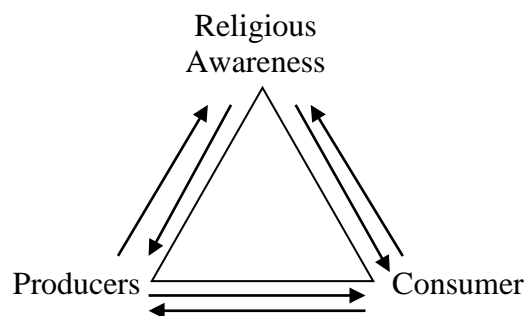
As can be seen, this model allows for interactions to be made in multiple directions, between all aspects. Religious awareness for fair trade can also come from the consumer side.

Because many advocates for fair trade seem to be associated with a religious organization, many of the products made for the fair trade market will have some religious aspect to them. In addition, many of the top fair trade companies (Ten Thousand Villages, Global Mamas, and Serrv) were all built upon some religious aspects (Ransom, 2001).

However in contrast to the model described above, Doran and Natale (2011) propose that it is more difficult to make connections between the three groups {as outlined above}, and religious awareness or affiliation is not enough to propel people to buy fair trade goods. However, they propose that the use of religious beliefs, when used as criteria to buy, is linked to the consumption behavior of fair trade products. They go on to describe that religious individuals tend to be more altruistic and empathetic than non-religious individuals which could play a part in the fair trade consumption of religious individuals.

When trying to determine if ones religious awareness or beliefs play a part in the consumption of fair trade products, there are different views, two of which are described above. There does not seem to be enough conclusive evidence on either side of the argument to say one way or another whether religious awareness and beliefs drive consumption of fair trade goods.

Local Economies

Another connection that can be drawn between the producers and consumers of fair trade goods is through local economies. As discussed above, one of the objectives of fair trade is to open up the opportunities to the producers and allow them to sell more directly to the consumers of their products. The more steps that are involved in getting a product from point A (the producer) to point B (the consumer), the higher the cost of the product to the consumer and the less money the producer receives (Ransom, 2001). Ransom claims that only 10% of the cost of the goods makes it back to the producer. The rest of the money, Ransom says, is spent trying to get the product from point A to point B. By cutting out some of the hands that a product must go through, more of the cost of the goods can make it back to the producer. If prices are lower for goods, it would, in theory, increase the amount of goods being sold, which would increase the amount being produced, giving producers more money and more opportunities. However, fair trade advocates would agree with Boersma (2009) who says that producers are making about twice as much in the fair trade market as they would in a more traditional market.

Looking back on the 2009 study that TransFair USA conducted, 81% of consumers believed that companies within the United States had a moral, social, and ethical obligation to be socially responsible and support the economies that they were doing business within (Nicholls & Opal, 2005). In the same manner, if these consumers felt that companies should be responsible for others in developing areas, theory would say that consumers should be concerned about their own social responsibility to developing nations as well. However, as was discussed earlier, the amount that consumers spend on products, and in turn, the social responsibility of the consumer, is limited by the economic realities of the world.

In addition to the previously listed reasons, there are a few other events that affect the consumer-producer relationship. The first one, as discussed by Stiglitz and Charlton (2005) is the institutionalization of new trade agreements. The more trade agreements or restrictions that are imposed on the producers, the more steps, they argue, will be required to get a product

from producer to consumer. It should also be addressed that a trade agreement could also help the transfer of goods move from producer to consumer.

CONCLUSION

Fair trade has been discussed in terms of its history, differences from other trading systems, goals and objectives, and the impact it has on producers. This led to an analysis of the relationship between the producers and consumers of fair trade and what might influence that relationship. Historically, fair trade was founded after World War II by a group of Mexican Farmers looking to get certification for their products. This led to the creation of fair trade and the need for certifying bodies to review the production style of the goods being produced. As the fair trade movement grew, it began to be compared to the free trade market.

The paper went on to analyze the differences between free trade, conventional trading markets, and fair trade. The main difference was found to be on the focus of the market and how/when the payment for the goods is received. The differences from these markets helped fair trade advocates to set up goals and objectives for fair trade which also helped distinguish fair trade from these other trading systems. The main goals/objectives of fair trade are to provide producers a living wage for their work and to provide them with training and education in order to continue producing these goods. When the goals and objectives of fair trade are met, the impacts that fair trade has on the consumer can be seen. Some of these impacts include the following: sending kids to school, putting food on the table, providing wells for communities, and sometimes even providing health clinics for villages.

These subjects all led to an analysis of how the producers influenced the market for and consumers of fair trade products. This analysis discussed many aspects that affect the relationship between the producers and consumers. Religion, the recession, and the state of both consumers and producers economies influence the relationship between the producers and the consumers and the way in which consumers buy these goods. This paper has shown how producers influenced the market for and consumers of fair trade products. The paper shows that the producers and the consumers of fair trade goods are just two parts to a flurry of things that can affect the fair trade market.

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TEACHING METHODS OF THEOREM AND PROOF TO STUDENTS OF FINANCE

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ABSTRACT

Many very good finance students will get to graduate school unprepared to read logical arguments, and yet logical argument is the tool that one uses to produces finance theory, and it is the language of theorem and proof by which theoretical results are made known. This paper is designed to help finance professors help these students learn how to read and understand theorems and logical proofs of these theorems. Two theorems, one related to the Law of Demand and the other related to the Law of One Price are selected for study. The level of mathematical sophistication required in the work of this paper is very low, but the logical development of the proof work is detailed. An appendix sketches the historical development of attitudes toward theorem and proof work.

Were one to only count the number of finance journal articles published, one would conclude that finance is in large part an empirical discipline. Nevertheless, the large, important ideas in finance do not come from empirical studies. They come instead from theorem and proof work. And it also true that empirical work is not often successful in speaking to the quality of finance theory. Consider the famous case of the Sharpe (1964), Lintner (1965) Capital asset pricing model, the CAPM, a theory produced by methods of theorem and proof that has been the subject of many, many empirical tests. None of these tests have been decisive.

Perhaps the manufacture of what is now thought about capital asset pricing models could have been worked out differently. Sharpe (1963) and others could have attempted in deriving a CAPM as a logical argument constructed atop assumptions which are necessarily true or, if failing at that, from assumptions that are demonstrably true in certain real-world settings. Instead, assumptions were nominated in the hopes that empirical, testable results could be obtained. There was no concern that some of the assumptions used in the derivation of the CAPM were unrealistic. Freidman (1953) had championed this positive approach to model building which maintains that what matters is the empirical tests of the model predictions, not the realism of the assumptions used to derive model results. But the empirical testing of CAPM results that had been counted upon to sit as judge and jury has itself been called into serious question. It is arguably the case that empirical testing shall not provide the guidance required to settle the issue of the CAPM.

Nevertheless, Fama and French (1992) dismiss the CAPM as empirically useless, and they go on to suggest that other pricing models could be developed that would do a better job of describing the reality of price movements in capital markets than the CAPM. But no

consensus in this matter had been (or has been) reached. Later, in response to many other studies pro and con on the merits of the CAPM, Fama and French (1996) concede that empirical testing of this theory is impossible at present. They go on to say that proxies for the market portfolio are the problem that stands in the way of empirical testing of the CAPM theory, an idea they borrow from Roll (1977) who concludes by way of theorem and proof analysis that unless the market portfolio can be measured empirically, CAPM cannot be tested by way of statistical data analysis. All agree that there is almost no chance that this market portfolio will ever be an empirical object. Most recently, Levy and Roll (2010) reopen this CAPM testing controversy saying as many have that doubts about the CAPM's empirical worth are not decisive, and that the CAPM makes reasonable predictions that have not been proven to be false by empirical data analysis. For those interested in the current state of this back-and-forth controversy as to whether or not the CAPM is useful as an empirical description of investor behavior found in capital markets, see Fama and French (1996; 2004) and Levy and Roll (2010).

Given this CAPM experience, I would argue two things about the creation and the quality of finance theory. First, empirical data analysis can never settle this CAPM question or any other theory question in finance. The data available for this work does not exist and the data proxies that have been employed have failed to be decisive in settling whether or not theory is telling the truth about the real world. Second, the understanding that we seek to know better as to why security prices in financial are what they are can only come from models like the CAPM and these models can only answer questions about why if they are the results of theorem and proof analysis. Said another way, what is needed by those who study finance is better theory where model assumptions describe real-world behavior.

SOME LOGICAL BACKGROUND FOR STUDENTS

Theorem and proof work answers the question why one should believe that something is true, even in the absence of empirical data analysis. A proof is an argument that justifies belief in a proposition. This argument is a collection of statements. The proposition to be proven is the conclusion of the proof argument. The statements that justify belief in the conclusion are called premises. The subject matter of any proof argument is not limited in any way except by the requirement that each statement used in an argument be a complete sentence that must be either true or false. The organization of any argument is determined by statements and the order of the statements that are used to describe the argument. A proof argument ends with a conclusion, a proposition, but when writing a proof argument, the proposition comes first. It is always appropriate to be skeptical of a proposition, to ask if a proposition must be true when all of the premises are first true. In this way one questions the necessity of the proposition. In this regard, one wishes to know if the conclusion of an argument has been proven to be true.

Proof is a logical concept. The creation of an argument where the conclusion must be true either under certain circumstances or always true under any circumstances is the construction of a proof. A proof is a guarantee of the truth of the conclusion. This guarantee is

good under circumstances which should be made apparent by the proof argument but not otherwise.

Clear thinking in a logical proof first lays bare the justification for a conclusion, premise statements that describe what is known or what is assumed about reality. A conclusion statement explains what must ultimately be true if the picture of reality found in the statements that are used in the construction of the proof are each true. The guarantee of the truth of the conclusion of a valid logical argument is limited by the premise statements used in the argument to justify the conclusion. If each of the premise statements leading up to the conclusion of a valid logical argument are true, then the conclusion must be true. On the other hand, if one or more than one of these premise statements are false, then the conclusion may be true or it may be false.

Logical Necessity

Some statements are said to be necessarily true. Aristotle distinguishes between two kinds – *de dicto* necessity and *de re* necessity. Often statements that are necessarily true *de re* are true by virtue of definition. Consider the balance sheet equation as a first example, total assets equal total debt plus total equity. Other examples of *de re* necessity will follow in the next paragraph. In contrast to *de re* necessity there are conclusion statements produced be logically valid arguments, These statements are necessarily true *de dicto*. (*De dicto* necessity was the topic of the preceding paragraph.)

Consider now *de re* necessity. The statement – the market portfolio contains all risky assets – is true as a matter of *de re* necessity. Why is this so? One of the essential properties of the market portfolio is that it contains all risky assets. Essential in the sense that if this property is removed from this concept, the market portfolio, then its meaning is destroyed. (Whatever might remain after this portfolio is reduced can be something else, but it is no longer possible for this something else to be the market portfolio.) Statements which are true as a matter of *de re* necessity are immune to any empirical efforts which might be mounted to disprove them. So, one can say that whether or not the value of the market portfolio can be measured with empirical means there is, both as a matter of concept and as a matter of fact, such a thing called the market portfolio. The same kinds of things can be said of the efficient set, systematic and unsystematic risk. These proof-generated concepts found in CAPM theory all are defined by their essential properties which obtain in every possible state-of-nature, including those of the real-world. In this way it can be said that these theoretical objects exist both in theory and in reality as a matter of necessity.

By contrast, the matter of *de dicto* necessity is concerned with logical entailment, the relationship of the conclusion of an argument to the premises of that argument. As a second example of *de dicto* necessity, consider a logical consequence of the CAPM made famous by Roll (1977): given that the CAPM is true, the market portfolio is mean-variance efficient. This statement is true *de dicto*, for if the assumptions under which the CAPM is logically derived are all true, then it must be the case that the market portfolio is mean-variance efficient. The only legitimate way to deny the mean-variance efficiency of the market

portfolio is to also deny the truth of one or more of the assumptions underlying the CAPM. So, if it can be shown in fact that the market portfolio is not mean-variance efficient, then the CAPM is false, and it is false because one (or more than one) of the assumptions used in creation of a CAPM argument is false. Denial of the *dictum*, the conclusion, always entails denial of one (or more than one) of the premise statements used in order to justify the conclusion.

These two notions *de re* and *de dicto* necessity do not exhaust the concept of necessity. There are statements which are necessarily true that are not true as a matter of definition and not true in the same way that a conclusion which follows of necessity from its premises is true. Consider the following statement as an example – at present, human beings command limited economic resources. One would be hard put to posit a state-of-the-world where this statement is false. If one claims that this statement is true in every possible state-of-the-world, then one claims that this statement is necessarily true. Examples of statements such as the one above which are necessarily true not by virtue of their logical form, either *de re* or *de dicto*, but nonetheless true descriptions of reality in every possible state-of-the-world are not easily discovered. Thus finding an assumption set consisting only of premise statements which are necessarily true that also adequately describes capital markets is not easily done, if it can be accomplished at all. But if such an assumption set could be found then financial economists may rely upon logical necessity *de re* and *de dicto* even in the absence of empirical evidence.

Choice Between Belief and Unbelief

Some arguments produce conclusions that rest on assumptions that make sense in the real world and some do not. Positive economics notwithstanding, the act of a theorist choosing assumptions influence scholars as they consider whether or not they should believe what that theorist has to say. This choice to believe or to refuse to believe is described in modern philosophy in connection with the notion of a warranted belief.

Plantinga (1993) describes three essential properties of what is meant by this concept, a warranted belief. First, for a belief that a statement is true to be warranted this statement must be true. Second, the person considering this statement must believe that it is true. And third, this person must be justified in believing it to be true. This first requirement is a matter of truth or falsehood, the second a matter of opinion, the third a matter of evidence. The strength of an individual's opinion concerning the truthfulness of some statement varies with the quantity and quality of evidence available and their interpretation of that evidence.

It is our position that it is easier to believe in a model derived from empirical assumptions when empirical testing of the conclusions of an argument is problematic. Choosing assumptions determines the relevance of theoretical arguments to the real world because the conclusion of a valid argument is restricted to the circumstances where all of assumption statements (and any other premise statements) are first true. So this process of choosing assumptions is also a process of defining, of limiting the states-of-the-world where conclusion statements are guaranteed to be true.

THEOREM AND PROOF

Why should one care about proof? First, we find answers to important questions. These answers may be useful in describing the way reality works. But one must be careful about this. Proof as a guide to what will actually be true depends upon the quality of assumptions employed within the proof. If the proof is based on assumptions that are themselves always true, no matter what, then the conclusion is also always true, no matter what. If the proof is based on premises (assumptions) that are true under certain conditions, then the conclusion is limited in its safe application by these same assumptions. Second, we learn from the arguments devised to produce conclusions about connections of one concept to another that we did not know before, and sometimes these connections change the way we think about issues that are important to us. For example, from theorem and proof work, we learn how to price calls, puts, and other derivative contracts, and we learn that these prices are connected to the absence of arbitrage in capital markets.

How do we read and annotate someone else's proof? It is important to write down every statement, one by one. Order often matters in an argument, so it is often important to read these statements in the proper order. Every statement in a proof argument should be justified. One should give a reason as to why each statement is thought to be true. The following template is useful in reading a proof.

Statement one:........................   Reason for one being true
....
Statement last:........................   Reason for last being true

As an example of the application of this template consider the proof below which is an explanation how a consumer must respond to an increase in price. The proposition below can be attributed to a large number of economists going back at least as far as Alfred Marshall. However, the proof of this proposition is original to this paper.

The Material Conditional Statement

The first statement below is called the proposition. It is the conclusion statement of a valid proof argument that is given after it. Thus it is claimed that the proposition is true *de dicto* which means that it must be true in the same states-of-the-world where all of the statements contained in the proof argument that justifies this conclusion are true.

This proposition below is a particular kind of statement called a material conditional. Material conditional statements are of the form If A is true, then B must be true. The A part is called the hypothesis of the material conditional, and the B part is called the consequent of the material conditional. The hypothesis of the proposition below is: resources are finite and a consumer sees that the price of one good or service increases. The consequent of the proposition below is: either the quantity demanded of that good or service decreases or the quantity demanded of other goods or services decreases.

Proposition: If resources are finite and a consumer sees that the price of one good or service increases, then either the quantity demanded of that good or service decreases or the quantity demanded of other goods or services decreases.

Proof:
Assume that resources are finite so that consumers are constrained by their own budgets. If this assumption is met then any of these consumers, designated as consumer i, could write her budget equation as follows:

$$B_i = p_1 Q_{1,i} + p_2 Q_{2,i} + p_3 Q_{3,i} + ... + p_n Q_{n,i}$$

to describe how much is spent on various activities. The symbol B_i is used to record this budget amount that is spent or saved. The right hand side defines what and how much is purchased by this or any other individual. One of these accounts of the right-hand side of the budget equation could represent a savings account. The symbol p_1 records the price paid for a good or service and the symbol $Q_{1,i}$ records the quantity of that good or service designated 1 that is purchased by an individual, designated as i. There are n different goods and/ or services that are purchased. If this first assumption is met then the consumer cannot increase their budget B_i. Next assume that consumers acting alone cannot set prices but that they can decide what and how much to purchase. If this second assumption is met then the consumer cannot change the prices in the budget equation above. So if one of the prices p_1 increases as per the hypothesis of the proposition the one or more of the quantities demanded must decrease since the consumer cannot change the other prices or change the budget.
Q.E.D.

It is useful to reflect on the proof argument. Does it matter that we do not know the exact nature of the goods and services that are purchased by a consumer? No it does not. The proof argument is very general; it applies to anyone. Does it matter that we do not know who this consumer is? Again, the proof argument is very general, it applies to anyone. Does it matter that consumers do not write down budget equations? No. The budget equation that we see in the proof argument describes any budget. There is no requirement that any consumer describes their own budget. Does it matter that consumers can save or borrow? No. A part of a budget could be financed by borrowing but as long as borrowing and infinite amount of money is impossible, the proof argument still works. If the consumer saves money, there is still a budget limit. So saving is no problem. The proof argument is driven by the assumption of scarcity: everyone has spending limits. If there is no scarcity, then the proof argument falls apart.

Logical Equivalence and a Contrapositive

Below one may find an explanation of a second proof, a proposition of option pricing theory. In this second proof the student is introduced to a finance concept, arbitrage, and two additional logical concepts: logical equivalence and the contrapositive statement of a material conditional. Before going on to the next proof, the answer to the question, "What is arbitrage?" is addressed, and some of the concepts and terminology of option pricing is described.

Arbitrage occurs if the Law of One Price is violated. Consider this Law of One Price which says that if two investments produce identical future cash flows in every possible state-of-the-world, then these two investments must have the same prices. If this law is violated, then investors will by the cheap asset and short the expensive asset thereby creating arbitrage profits. Arbitrage profits a risk free and without any net investment cost. It is easy to see that if arbitrage profits could frequently be generated then traders could become immensely wealthy without taking any risk and without investing any money. One of the major themes of modern finance theory is that prices in capital markets will move so that arbitrage profits become nonexistent. After all when traders buy the cheap asset of the arbitrage and short the expensive asset they are driving up the price of the cheap asset and down the price of the expensive one, so arbitrage opportunities should be fleeting.

In the proof below the main idea is that the prices of call options and the underlying assets on which these call options are written must move in such a way as to eliminate any opportunities for arbitrage. In this proof there exists a call option written on an underlying asset. The purchaser of this call option, prior to contract expiration, has the right to purchase the underlying asset referred to in the contract for a price equal to K. The price of this call option today is equal to $C(0)$, the contractual exercise price is equal to K, and the price of the underlying asset today is equal to $S(0)$. Prior to the expiration of the option contract, the writer of the call option will pay the purchaser on demand an amount equal to max $[0, S(0) - K]$ which is the maximum of two numbers, zero or the current value of the underlying asset less the exercise price. The proposition below is similar to Merton (1973), but the proof is original to this paper.

As with the first proof above, this proposition below is a particular kind of statement called a material conditional. As you remember, material conditional statements are of the form If A is true, then B must be true. The A part is called the hypothesis of the material conditional, and the B part is called the consequent of the material conditional. The hypothesis of the proposition below is: there are no arbitrage opportunities. The consequent of the proposition below is: $C(0) \geq$ max $[0, S(0) - K]$. This proposition is rewritten as the contrapositive statement of this material conditional statement.

Proposition: If there are no arbitrage opportunities, then $C(0) \geq \max [\, 0, S(0) - K \,]$.

Proof:
Rewrite the proposition above in the contrapositive:
If $C(0) < \max [\, 0, S(0) - K \,]$ then there are arbitrage opportunities.
By hypothesis of the contrapositive statement one may say that we are only considering cases where it is true that: $C(0) < \max [\, 0, S(0) - K \,]$.
See if arbitrage exists in these circumstances by trying to create arbitrage profits:
(1) Immediately borrow an amount of money $= C(0)$
(2) Immediately buy $C(0)$ with the borrowed money. Net investment is equal to zero.
(3) Exercise immediately and receive $S(0) - K$.
(4) Sell $S(0) - K$.
(5) Immediately repay loan. Investment positions are closed – thus there is no risk.
Profit is equal to $S(0) - K - C(0)$ which is positive when $C(0) < S(0) - K$.
An arbitrage profit has been created in these circumstances. Why? Net investment of zero produces a risk free profit. This is what is meant by arbitrage.
The contrapositive has been shown to be a true statement.
By logical equivalence it must also be that the proposition is a true statement.
Q.E.D.

The contrapositive of the material conditional has the form: IF not B is true, then not A must be true. So first consider B which is written, $C(0) \geq \max [\, 0, S(0) - K \,]$. Not B is what must be true when B must be false. So not B is written, $C(0) < \max [\, 0, S(0) - K \,]$. So now consider A which is written, there are no arbitrage opportunities. Not A is what must be true when A must be false. So not A is written, there are arbitrage opportunities. Putting all this together for the proof work below, one may write the contrapositive of the proposition statement like this: If $C(0) < \max [\, 0, S(0) - K \,]$ then there are arbitrage opportunities.

The hypothesis of the contrapositive: IF not B is true, then not A must be true, is the statement not B. And the consequent of this same contrapositive statement is not A. So the hypothesis of the contrapositive in the proof below is written, $C(0) < \max [\, 0, S(0) - K \,]$ and the consequent of this contrapositive is written, there are arbitrage opportunities.

When two statements are logically equivalent to one another they each have identical meanings, even though they may appear to not mean the same thing at all. If statement A were logically equivalent to statement B, then in every circumstance where A was a true statement B would also be a true statement, and *vice versa*. And, in every circumstance where A was a false statement, B too would be false, and *vice versa*. To write that A and B are logically equivalent to one another, write A if and only if B.

The material conditional statement, IF A is true, then B must be true, is logically equivalent to its corresponding contrapositive statement, If not B is true, then not A must be true. This means that the two statements (IF A is true, then B must be true) and (If not B is true, then not A must be true) have identical meanings in every possible circumstance. Why is this important? If one proves that the contrapositive is true, then one has also proven that the

other is true too. The application here to this proof above is straightforward. In the proof above, the proposition: If there are no arbitrage opportunities, then C(0) ≥ max [0, S(0) - K] is logically equivalent to If C(0) < max [0, S(0) - K] then there are arbitrage opportunities. Since the contrapositive is proven true then so is the original proposition proven to be true.

It is useful to reflect upon this proof argument. Notice that in the proof the reader is shown exactly how arbitrage profits can be created if the proposition is in fact false. This is a persuasive reason to believe that in the proposition must be true in fact. Otherwise we can all become rich without any of our own money invested and without taking any risk. Since we really cannot achieve this, it seems safe to say are reasoning is based in the way the world must actually work. What theorem and proof work is supposed to do is to explain how the real world actually works.

SUMMARY

This paper is designed to help finance professors help these students learn how to read and understand theorems and logical proofs of these theorems. We work on the logic of the material conditional: what it means to say, If A is true, then B must be true, and the concept of logical equivalence: what it means to say, A if and only if B. We look at one proof related to the law of demand and related to the Law of One Price. In this second proof we consider the application of the contrapositive of the material conditional: If not B is true, then not A must be true.

This paper is also about why finance professors ought to help students with theorem and proof methods. While it is true that finance professors generate many empirical papers, it is not the case that we have proven any finance theory true or false with empirical methods. And it is not the case that we are able produce pricing models with empirical methods alone. What is needed is better theory, which can only come from theorem and proof methods. An appendix to this paper traces some of the history of theorem and proof work and the response of Hume, Mill, Kant and others to the question, What can be accomplished by theorem and proof?

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APPENDIX

Ancient Greek philosophers preferred (and some insisted) that each step in an argument be verified by way of empirical data analysis..In this connection both English words theorem and theater are derived from the same ancient Greek word *theoros*. This word from the classical Greek refers to a showing or to a demonstration. This word *theoros* was borrowed by Greek geometers of Euclid's day who insisted that logical proofs of geometric propositions must begin and end with a demonstration, a showing of the equivalence between logical results and physical reality. The foundation of every acceptable logical proof for these geometers was an axiom structure thought to be true because each axiom must be nothing more than an accurate description of physical reality, the truth of which is beyond dispute. Authors of geometric proof of the time of Euclid named their conclusion a *theoros* only if two standards were met. First, the logical steps in the reasoning process must have been shown to be without defect; and second, the concluding statement of the proof must have been verified by empirical measurement. Such a practice of demanding a demonstration in the real-world of theoretical propositions was to these ancients a safeguard against error.

Even apart from geometry, a poor connection between logic and empirical reality in either the premises of an argument or in its conclusion rendered the reputation of that argument tenuous. Even before Aristotle began a systematic study of logic, scholars knew that meaningless results could be achieved with an application of a flawless logic to a foundation of flawed first principles. Plato, among the first of the western philosophers to know that the method of an argument can be known and studied separately from its contents, did not approve of sophists – those who entertained in ancient Athens by creating logical arguments which produced absurd results, which were contradicted by real-world experience. Sophists were able to produce these entertaining arguments because they built them atop an axiom set which contained a contradiction.

To defend logical argument from the manipulation of sophists, Plato and his contemporaries classified arguments into two categories. Demonstration proofs were those based in premises well-connected to physical reality. Dialectic proofs were not constrained by empirically verifiable premises. Neither demonstration proofs nor dialectic proofs were permitted to contain a contradiction.

Demonstration proofs because of their strong connections to empirical reality were thought by the great philosophers of ancient Athens to be superior to dialectical proofs. Demonstrations were declared to be true always, immune from fallacy with regard to both form and content. By contrast, dialectical arguments, the tool which Plato and other scholars often shared unwillingly with the sophists, were considered to be provisionally true and not immune from a contradiction which might come from a later discovery.

Euclid was very much concerned about the missing empirical connections for two of his ten axioms used to create plane geometry. To mitigate the possible mistakes associated with employing these two questionable axioms in theorem-and-proof work, Euclid was driven to derive as many theorems as he was capable of without relying upon either the parallel line axiom or the axiom which states that a line segment can be extended to any length. The

reluctance of Euclid to employ these two axioms was caused by an inability to demonstrate in the real-world that they are in fact true statements. This reluctance, as it later turns out, is not without foundation.

It was the replacement of these same two axioms, and the willingness to interpret the notion of the line of Euclid's work as something other than a straight-line in a plane, that produced Non-Euclidian geometries, initially the separate work of three mathematicians – Gauss, Lobatchevsky, and Bolyai. Scholars, including Gottlob Frege, Bertrand Russell, and Alfred North Whitehead, responded to the creation of these Non-Euclidian geometries by doubting the ability of anyone to devise a single, unique axiom structure capable of adequately describing reality. Thus the advent of Non-Euclidian geometry caused many scholars to permit the divorce of mathematical space from physical space. If these two spaces are separate concepts, then the knowing of physical space is beyond the reach of pure mathematicians and at the same time irrelevant to their explanations of mathematical spaces. It was left to the mathematician Kurt Gödel to cast doubt upon the mathematicians ability to adequately describe the workings of mathematical spaces alone.

Prior to these mathematical advances, during the Enlightenment, David Hume and James Stuart Mill a rebelled against the notion that methods of theorem-and-proof could produce a coherent theory capable of describing a physical-material world. Hume held that there could be no such thing as logical proof. He believed that no proof argument could be understood in the same way different individuals and that no one could move by way of a valid logical argument from an axiom structure to conclusions that could actually explain how the real-world works. Hume denied the work of Euclid, and the latter works of his near contemporaries, Galileo and Newton, who both derived a description of the real-world from an axiom structure consisting of natural laws. It was Hume's position that they were all mistaken: there could be no such thing as causal necessity used to explain the consistent behavior of a solar system nor could there be any such thing as logical necessity used to explain the working of a geometric argument and the connection of that argument to the real-world. Hume held fast to two beliefs: matters of fact are only known by immediate experience, and these facts, these present experiences, are in no way reliable guides for understanding what our future experiences might be like.

Immanuel Kant reacted to this complete skepticism. Kant's position was that there are necessary truths and that theorem and proof work could be useful approach in scientific research. However, in Kant's view, there were limits to what theorem-and-proof work could accomplish. In these limits Kant sought to deny the medieval rationalism of St. Thomas Aquinas and of St. Anselm of Canterbury, both of whom claimed to have proven with the methods of theorem and proof alone the existence of God. It was Kant's view that rationalism, a belief that reason alone is capable of accurately describing what is beyond the reach of our senses, was flawed. Kant believed that the ability of human beings to accurately describe reality with theorem and proof was limited to matters that are understood in reference to a possible experience which someone might have in the real-world. So it was in this way that

Kant refused to admit that one who employs logical deduction alone can derive arguments that produce conclusions about the human condition which are immune to empirical criticism.

However, Kant did not go on to heap praise on empirical data analysis. It was his view that empirical reality could not be understood as it really is. Instead, those who analyze data perceive it and organize it according to the dictates of basic preexisting categories of the human mind. Because this process of analysis is both involuntary and subjective, it is not within the power of anyone to see clearly empirical reality.

One of the vital contributions of Kant to the problem of knowing was in terminology. Kant used two broad categories to identify statements. In describing what is analytic, Kant followed after the work of Leibniz who held that a valid definition of a concept may be had by a complete listing of its essential properties that taken together fully describe the concept. Kant said theorem and proof methods may employ analytic statements even though these statements are immune to experimental investigation. Knowledge of analytic statements is always *a priori* in Kant's terminology. Analytic statements are necessarily true – true in all possible states-of-the-world – describing the essential nature of an object, whether this object exists in the real-world or not.

Kant classified all statements that are not analytic as synthetic. A synthetic statement is a description of a concept in its relation to empirical reality. Kant accepted that some synthetic statements are knowable in the absence of experience - *a priori*, but knowledge of others - the synthetic *a posteriori* - are not understood without real-world experience.

By contrast, those who are Logical positivists demanded that all statements which describe reality be justified *a posteriori* – be justified only after the empirical evidence could be evaluated. Logical positivism admits belief in necessary truths only in regard to language that refers to empirical objects. Beyond this limited admission, experience remains a prerequisite for knowing the real-world.

A foundational belief of logical positivism is that only theoretical conclusion which is connected to what can be observed in the real-world could have any meaning. Therefore, theoretical conclusions which are not referenced to physical reality should be out-of-bounds; theories that could never be tested against real-world data are not worthy of scientific consideration. This is the famous verification principle of logical positivism, attributed by Malcom (1967) to Wittgenstein, a twentieth-century philosopher who studied the connection of language to reality.

Such a demand for verification could be a mistake. Sir Karl Popper (1959) argued that this demand for empirical verification can never be met. Popper's position was that verification is an unworkable plan in any scientific program, for to verify theory with real-world data is a matter of comparing every possible observed value to its corresponding predicted value, clearly an impossible task when the number of possible outcomes and corresponding predictions is large.

Popper proposed an alternative to the verification principle that would yet permit the evaluation of theoretical predictions against real-world data. Popper's alternative is known as falsification, a search for empirical counterexamples in an attempt to prove a theory wrong. Unlike the demand for verification, a search for counter-examples need not go on forever. It

can end when a sufficient number of counterexamples to theoretical predictions are found. At this point the theory is falsified and then abandoned.

Much of the current discussion in philosophy of science is concerned with how old theories are adjusted to accommodate the finding of counterexamples, how much evidence against a theory is to be tolerated before it is considered obsolete and overthrown in its entirety. In any case, the existence of these empirical counter-examples are only made possible when actual outcomes can be compared to the predictions of a theory. In this way Popper's doctrine falsification imposes requirements upon a theory, for it must be the case that theoretical predictions can be measured and compared against actual outcomes.

But not all theories are subject to being analyzed in this way. If theoretical predictions cannot be well-measured empirically, then they cannot be compared to actual outcomes. These theories then have no empirical content. They cannot be verified, they cannot be falsified, and such is arguably the case with the asset pricing models of financial economics.

AN EMPIRICAL INVESTIGATION OF THE COMMUNICATION CONTENT IN REPUTABLE MANAGEMENT JOURNALS

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ABSTRACT

I used one-way analysis of variance to testmean differences among theoccurrences of the five communications (business communication, organizational communication, management communication, corporate communication and technical communication) as content in 39 management and specialized journalsacross five tiers. I found that among the five communications organizational communication was the only communication subject that differed between tiers 4 and 5. Means also differed among "super-cited" seminal articles, based on a Google Scholar search, and tiers. The occurrences of communication across five journal tiers were statistically the same on four of six null hypotheses tested; therefore, there appears to be no inherent bias in the occurrences of communication content in the management journals.

INTRODUCTION

Ask any management professor walking around an Ivy League campus, "What are the top journals in management?" He or she would respond, rather matter of fact, "Everyone knows the top management journals." That statement reflects the more common belief held among many academics working at the top ranked business schools. Furthermore, numerous studies confirm that there are top journals in economics, entrepreneurship, marketing, accounting, finance, management, MIS and business communication (Azar, 2007; Bell, 2010; Bonner, Hesford, Van der Stede,&Young, 2006; Mort, McColl-Kennedy, Kiel,& Souter, 2004;Rogers, Campbell, Louhiala-Salminen, Rentz,& Suchan, 2007; Yuyuenyongwatana & Carraher, 2008).

As business communication faculty gain a better foothold in schools and colleges of business there is a need to know if communication content occurs equally in the management journals across journal ranks (tiers). This is extremely important for disciplinary identity and other reasons, especially now, since communication is firmly recognized as a management competency area. Principles of management textbooks have included chapters on communication for many years;one recent 9th edition textbook not only includesa chapter on communication, but goes as far as defining communication as *"The transmission of information and meaning from one party to another through the use of shared symbols"* (Bateman & Snell, 2011, p. 516).Bell and Martin (2008, p. 130) define management

communication similarly as "*the downward, horizontal, or upward exchange of information and transmission of meaning through informal or formal channels that enables managers to achieve their goals.*"

If communication is truly a management competency the five communications (business communication, organizational communication, management communication, corporate communication and technical communication) as content should occur equally across management journals, regardless of tiers. Furthermore, how business school faculty are judging the qualityof a journalis extremely important because these views impinge onfaculty's merit pay increases, their promotions and whether of not tenure will be awarded, where these journal lists have been adopted by faculty members and college administrators (Miller, Taylor,& Bedeian, 2011). Cyphert (2009, pp. 264, 267) writes:

> *In special JBC issues on the topic, editors Kathy Rentz (1993) and Margaret Graham and Charlotte Thralls (1998), citing the practical issues of working with promotion and tenure committees that don't understand or value our work, recognized institutional politics as a driving force toward disciplinary self-examination. Even so, the search for identity is no less important simply because external relationships have forced a crisis. Granted, the search for a disciplinary identity might well be "hopelessly old-fashioned" in the contemporary educational climate (Eisenberg, 1996) and might even represent a nostalgic yearning for a romanticized academic existence that doesn't actually exist in any discipline. Still, it would be nice to have a recognizable and impressive self-identifier ready for cocktail party conversations.*

Knowing if communication content occurrences differ significantly among journal tiers is very important because the five communications continue to struggle to be recognized as core business subjects that are on par with the main business subjects of accounting, finance, management, marketing and MIS.

Specialized journals (i.e., Business Communication Quarterly, Journal of Business and Technical Communication, Journal of Communication Management, etc.) that predominately publish content on the five communications are not routinely included on lists of "acceptable"journals created by the management faculty of the top ranked business schools, despite the fact that communication has been a management competency formany years. This is in direct conflict with business communication trying to achieve a disciplinary identity. The exclusion of specialized communication journals from such lists is troubling, especially since the perceptions of the quality of a journal seem to be affecting merit pay, tenure and promotions. In others words, journal quality perceptions influence a harsh reality.

Mypurpose, therefore, was to test a list of management journals,developed by a top business school, for occurrences of the five communications ascontent in order to ascertain if mean differences in occurrences among journal tiers existed. I also wanted to know if there was any mean difference among citations of the most cited articlefor each journal. My purpose wasfurthermore predicated on whether or not the occurrences of the five communicationsas

content were equally represented in a set of specialized journals compared to management journals. Therefore, two very important research questions needed to be answered:

Q_1 *Do the occurrences of the five communications as content differ in articles published across management journals, regardless of tiers?*

Q_2 *Can it be argued that the five communications occurring in articles published by both specializedjournals and management journals support the proposition that communication is a management competency being explored by researchers and refined in the management literature?*

Answersto these two questions would show evidence that the five communications are treated as content in the management literature or, that communication content is being ignored or unevenly represented by a certain tier of journals, namely the specialty journals that publish an abundance of communication subjects.

RELATED LITERATURE

Although ranking journals using survey methodology tends to be subjective (Katerattanakul, Razi, Han,& Kam, 2005),many journal quality studies appear to base their ratings on surveying the opinions and perceptions of academicians.Some of journals that are deemed top journals appear to be specifically targeting the faculty working at the Carnegie classified research extensive institutions to publish their work—to the dismay of the lesser classified institutions' faculty (Bell & Chong, 2010).The bias on perception of journal quality is pervasive. Nonetheless, the literature has helped to shape academic perceptions that top business journals do exist in each field.

Fouror five journals in each of the business fields consistently appears at the top of the list when professors are surveyed about their opinions as to the quality of a journalor when they are asked to rank journalsbased on their perceptions of a journal's quality(Alexander, Scherer,& Lecoutre, 2007). Furthermore, one recent study finds the Academy of Management Review, Academy of Management Journal, AdministrativeScience Quarterly, and Journal of Managementare topamong 50 other management journalsthey are compared against(Yuyuenyongwatana & Carraher, 2008).

Among the 50 most frequently cited finance journals the top finance journals are: 1) Journal of Finance, 2) Journal of Financial Economics, 3) Journal of Financial and Quantitative Analysis, and 4) Review of Financial StudiesAlexander and Mabry (1994). The journals with the most importance to operations management research were 1) Management Science, 2) Decisions Sciences, 3) Operations Research, 4) the Harvard Business Review, 5) Journal of Operations Management, and 6) IIE Transactions(Vokurka, 1996;Vastag & Montabon, 2002). Olson (2005) measures whattop-25-business-school-professors rated as quality in operations management journals concludes with similar findings for top journals. Azar (2007) determined three economics journals to be top: 1) Journal of Economic Behavior and Organization ranked

first, 2) Journal of Economic Psychology ranked second, and 3) Journal of Socio-Economics ranked third. Mort et al. (2004) derived a list of top-tier marketing journals: 1) Journal of Consumer Research, 2) Journal of Marketing, 3) Journal of Marketing Research, 4) Journal of the Academy of Marketing Science, and 5) International Journal of Research in Marketing. Similarly, Bauerly and Johnson (2005) determined there were five journals cited mostly in marketing syllabi for doctoral programs. These are 1) Journal of Marketing, 2) Journal of Consumer Research, 3) Journal of Marketing Research, 4) Marketing Science, and 5) Journal of the Academy of Marketing Science. Among these, they account for 66.5 percent of citations in syllabi analyzed from 109 doctoral programs accredited by AACSB.

Bonner et al. (2006) reported four accounting journals consistently were at the top rank in their field: 1) Accounting, Organizations and Society, 2) Contemporary Accounting Research, 3) Journal of Accounting and Economics, and 4) Journal of Accounting Research. Business ethics scholars have searched for the top journals in their field only to determine there are two dominant academic communities: one in Europe and one in North America (Albrecht, Thompson, Hoopes,& Rodrigo, 2010). Carraher and Paridon (2008) found that four journals to be top in the field of entrepreneurship: 1) Entrepreneurship: Theory & Practice, 2) the Journal of Business Venturing, 3) the Journal of Small Business Strategy, and 4) the Journal of Small Business Management. Business communication has joined in on journal quality rating research fray, citing the Journal of Business Communication, Business Communication Quarterly, and Journal of Business and Technical Communication as top journals (Rogers, et al. 2007).

Although publication patterns do exist among 25 top economics departments (Rupp &McKinney, 2002) attempting to create a universally acceptable list adoptable to every school or department would appear brash and somewhat naïve (Polonsky, 2004; Polonsky & whitelaw, 2005). Different disciplines require different methods. Accounting, finance, marketing, MIS, organizational behavior, human resources, operations management, and related fields such as economics or business communication resolve disciplinary issues from somewhat esoteric approaches.

It should be noted that top business journals do not guarantee top articles nor do these journals represent a proxy for guaranteed quality of the articles they publish(Chow, Haddad, Singh, & Wu, 2007; Smith, 2004). The top journals publish articles that are infrequently cited in the management literature and vice versa, relatively obscure management journals publish articles that are cited frequently in the management literature. Singh, Haddad, and Chow (2007) find that "top" articles and "non-top articles" are too often misclassified in the management literature for any journal to be a proxy for quality and, vice versa. A top journal does not guarantee a top article.

Despite the drawbacks of inferring lesser quality to articles not published in a top journal researchers are still confirming that top journals exist. Mason, Steagall, and Jeffrey (1997) examined economic journal ratings and rankings based on a survey of economics department chairs' perceptions. They found, when data was stratified according to the degree of research versus teaching orientation of institution, remarkable symmetry across school types, although significant variations occur in a few journals. Department chairs' rankings were

significantly correlated to rankings reported in previous studies, including quality-adjusted rankings. They concluded department chairs tend to rank journals both consistently and in accordance with generally accepted measures of quality.

Bell and Chong (2010) used chi-square analyses to show refereed business journals predicted an institution's Carnegie 2000 Classification, AACSB accreditation status, and the number of coauthors appearing on a single publication. Bell (2010) investigated if the relative frequencies of faculty's publications in eight refereed business journals were the same for gender, professorial rank, and number of authors on a published article; refereed business journals significantly predicted that two or more authors meant being published in journals with lower acceptance rates but he found no difference between male and female authors.

Polonsky and Whitelaw (2005) argue that it might not be possible to develop a universal set of criteria that is applicable to a set of journal rankings. And, as the reliance on academic journal rankings increases the importance of journal impact may also encourage indiscriminate citation or erroneous use of references (Nkomo, 2009). Davis (1998) provided evidence of the inconsistency in rating journals in economics. Davis warned economists about results derived from depending on Social Sciences Citation Index (SSCI) used to rank existing journals to evaluate scholarly productivity and evaluate economics departments. Among the economics disciplines, little consistency has been found empirically on rating the quality of the hundreds of economics journals. Beed and Beed (1996) determined the citation method measures influence rather than excellence and the correlation between influence and quality was uncertain. However, they found some consistency in the literature when rating the top four or five economics journals.

In an intriguing study, Smith (2004) compares the rankings of 15 leading finance journals by the average number of Social Sciences Citation Index cites per article for articles published in 1996. A "top article," was compared to an "article in a top journal" an examination of Type I error (a "top" article is rejected by a particular decision rule, e.g., in top three journals) and the Type II error (a "non-top" article is accepted as a top article) for each journal and combinations of the journals. Due to the high error rates, Smith found the results suggested that identifying top articles requires looking beyond the Top 3 finance journals, as well as examining each article more carefully for their intrinsic qualities.

A similar study in accounting, Chow et al (2007) stressed empirical research is rife with evidence that discounting an article as not being a top quality article because it did not appear in one of the top accounting journals is faulty thinking. Too many articles that should have been rated as top articles were too often discounted as not being so merely because they had not been published in one of the three top accounting journals; and there are other business fields producing empirical results on the journal quality questions.

Polonsky and Whitelaw (2004) developed a weighted multi-dimensional perceptual ranking based on respondents' evaluation of a journal's prestige, contribution to theory, contribution to practice, and contribution to teaching, adding fuel to the fire. Reinstein and Calderon (2006) found rankings used by both doctoral-granting and non-doctoral-granting accounting programs to confirm the existence of set of top journals whose rankings are invariant to school type, faculty size, resource base or mission.

From the published reports, there is very little consistency in criterion for rating the quality of a scholarly business journal, beyond the popularity of four or five journals in each of the academic business fields; each field is dominated by a handful of journals that are rated top.Despite the fact there is apparent inconsistency of judging the quality of hundreds of scholarly business journals, a handful of journals consistently appear as top journals named in various empirical studies.The literature, moreover, confirms there is academic agreement on the topjournals in each of the business fields, including business communication (Rogers et al. 2007).Therefore, for this study's purpose, I assumed top journals do exist, as top journal existence is continually substantiated in the literature.Yuyuenyongwatana and Carraher (2008) recently reported that among 50 management journals they compared there is a suggestion of consensus of rankings based on survey research. Given there is so much agreement on the top management journals it is plausible for the faculty working for schools of business to create lists of journals and rank those journals by tiers(Marsh&Hunt, 2006). I located online a list of management journals already ranked by tiers.

RESULTS AND FINDINGS

Scholars at the University of Houston's Bauer College of Business (a U.S. News & World Report "Top 50" Business School) created a list of 61 management journals in 2009 and ranked them by tiers from 1 to 4, with 1 being highest. (See Appendix A for an original list of the 61 management journalsthat Bauer ranked) The following information is reported online by Bauer: (http://www.bauer.uh.edu/prospective/where-we-rank.asp)

U.S. News & World Report
Undergraduate program: 49th among public business schools (Best Undergraduate Business Programs, 2012)
Entrepreneurship program: 21st overall among entrepreneurship programs (Best Undergraduate Business Programs – Specialty Rankings in Entrepreneurship, 2012)
Full-time MBA program: Top 50 among public business schools (Best Business Schools, 2011)
Part-time MBA program: 26th among public business schools (Best Business Schools: Part-Time MBA Programs, 2011)

The Bauer list adheres to the consensus of what management professors perceive to be top management journals that has been substantiated in the literature. In this study, I assumed the Bauer list to have face validitybased on the numerous studies that show agreement among management researchers that there exist top management journals.

I added a fifth tier to Bauer list because it did not include any of the specialty journals that publish predominately communication subjects. This was necessary to answer aforementioned research question 2. Since none of these types of journals were included in the original Bauer list of 61 management journals it was important to add them. Ialso acknowledge the limitation that some of the journals listed in the tier 5 category, not included on the original

Bauer list are considered top tier by departments of communication and schools of business with business communication faculty offering core business communication courses (Rogers et al. 2007).

Nevertheless, listing the specialty journals in tier 5 serves my research purpose. By adding an additional level to the tier variable does not necessarily make an argument about the quality of the journals in tier 5;in this case, the tiers are treated in the data analyses as five levels in one nominal independent variable, rather than ordinal rankings. Therefore, I wrote six null hypotheses to test whether means differed among the five tiers of journalsand the five communications that occurred as content in each journal.

Six Null Hypotheses

H_1 *Means do not differ among the five tiers of journals and the most cited Google Scholar article per journal within each tier.*

H_2 *Means do not differ among the five tiers of journals and the occurrences of organizationalcommunication content within them.*

H_3 *Means do not differ among the five tiers of journals and the occurrences of management communication content within them.*

H_4 *Means do not differ among the five tiers of journals and the occurrences of corporate communication content within them.*

H_5 *Means do not differ among the five tiers of journals and the occurrences of technical communication content within them.*

H_6 *Means do not differ among the five tiers of management journals and the occurrences ofbusiness communication content within them.*

For the sake of brevity and to be consistent with the way data are reported in the forthcoming tables, I will henceforth refer to business communication as BCOM, organizational communication as OCOM, management communication as MCOM, corporate communication as CCOM, and technical communication as TCOM. Collecting data on the number of times BCOM, OCOM, MCOM, CCOM, and TCOM occurred as content in the 39 journals analyzed in this study across five tiers was relatively simple. I used IBM's SPSS 19.0 software for all the data analyses. I used one-way analysis of variance (ANOVA), an excellent method for comparing one dependent quantitative variable that is an interval or ratiomeasure on one independent variable with three or more levels, to test mean differences using six null hypotheses.

I searched Google Scholar for the most cited article for each of the 39 journals used in the data analyses. For example, I requested 100 results per page. Next, I typed in the journal's

name in the "publication" search window and found the most cited Google Scholar article for the Academy of Management Review is "Building Theories from Case Study Research" with 14,561 citations, as of October 3, 2011. The most cited Google Scholar article for the Journal of Management is "Firm Resources and Sustained Competitive Advantage" with 20,325 citations, as of October 3, 2011. I checked the most cited article out of 100 results per page for each of the 39 journals shown in Table 1. I included this variable because the literature suggests a journal that has published a seminal article is an important criterion for that journal's reputation as "top" among management professors. I call this type of article a "super-cited" article because a seminal article spawns a generation of research and is cited thousands of times after it is published.

I used the ProQuest library subscription database to find occurrences of the five communications as content in each of the 39 journals. Since this database allows for searches within a journal using quotations marks, I simply selected the journal and then searched for communication terms within that journal within quotation marks. For example, I went to Academy of Management Journal (AMJ) in ProQuest and within quotes searched "business communication." This search resulted in four occurrences of BCOM within that journal. Another example, I searched for "organizational communication" within the Administrative Science Quarterly (ASQ) and found 25 for OCOM within that journal. I used this approach to find occurrences of the five communications for each of the 39 journals.

Interestingly, the 29 management journals representing tiers 1, 2, 3, and 4 had 238 occurrences of BCOM, 303 for OCOM, 130 for MCOM, 104 for CCOM, and 96 for TCOM. The 10 specialized journals representing tier 5 had a much larger aggregate of the five communications with 2,671 occurrences of BCOM, 723 for OCOM, 926 for MCOM, 947 for CCOM, and 766 for TCOM. The number of times BCOM, OCOM, MCOM, CCOM, and TCOM occurs in the management and professional journals across all five tiers is shown in Table 1.

In the ProQuest search the five communications occurred as content in tier 1 management journals 186 times, in tier 2 management journals 96 times, in tier 3 management journals 331 times, in tier 4 management journals 258 times and in tier 5 professional journals 6,033 times. As an aggregate the occurrences of the five communications as content increases as a journal's tier decreases. Communication content is indirectly related to a journal's tier. The lower ranking tiers publish more communication content than the higher ranking tiers.

The mean (and standard deviation) for articles cited in tier 1 journals was 9,690.75 (5,284.31), tier 2 journals was 6,056.20 (8,138.47), tier 3 journals was 1,456 (2,367.87), tier 4 journals was 942.30 (670.52) and tier 5 journals was 170.50 (248.52). The total mean (and standard deviation) for the 39 total articles' citations was 2,429.03 (4,481.15). An article cited more than 2,429 was labeled "super-cited" seminal article. All means and standard deviations shown in Table 2 seem to substantiate the claim made by Singh, Haddad, and Chow (2007, p. 319) that, "articles published in the five journals most often considered to be the top ones in management tend to be cited more often than ones published in the other journals." Means and Standard deviations for BCOM, OCOM, MCOM, CCOM, and TCOM for each tier are also shown in Table 2.

Shown in Line Chart 1, based on an October 03, 2011 Google Scholar search for most cited article in each of the 39 journals, the four journals that comprised tier 1 had four articles cited a total of 38,763 times;the five journals that comprised tier 2 had five articles cited a total of 30,281 times;the 10 journals that comprised tier 3 had 10 articles cited a total of 14,560 times; the 10 journals that comprised tier 4 had 10 articles cited a total of 9,423 times; and the 10 journals that comprised tier 5 had 10 articles cited a total of 1,705 times. Tiers 1 and 2 journals had the most super-cited seminal articles, with 7 of 9 articles exceeding 3,500 citations each.

Tier	Bauer List of Journals by Tier	BCOM	OCOM	MCOM	CCOM	TCOM	Google
	Table 1 **ProQuest Results for Number of Times BCOM, OCOM, MCOM, CCOM, TCOM Occurred in a Journal, with Most Cited Article as of a Google Scholar Search October 3, 2011**						
1	Academy of Management Journal (AMJ)	4	35	8	8	18	4,149
1	Academy of Management Review (AMR)	5	35	8	2	4	14,561
1	Administrative Science Quarterly (ASQ)	0	25	0	2	10	13,842
1	Strategic Management Journal (SMJ)	4	7	2	1	8	6,211
	Total	13	*102	18	13	40	38,763
2	Journal of International Business Studies (JIBS)	15	15	8	4	7	4,402
2	Journal of Management (JOM)	0	1	1	0	0	20,325
2	Journal of Management Studies (JMS)	1	1	0	1	0	1,857
2	Leadership Quarterly (LQ)	0	0	0	0	1	181
2	Personnel Psychology (PP)	10	16	7	4	4	3,516
	Total	26	*33	16	9	12	30,281
3	Academy of Management Perspectives (AMP)	3	7	2	7	1	117
3	Corporate Governance (CG)	6	3	2	24	0	238
3	Human Relations (HR)	18	77	38	16	7	7,798
3	IEEE Transactions on Engineering Management (IEEETEM)	0	2	0	0	6	363
3	International Journal of Human Resource Management (IJHRM)	0	0	0	0	0	893
3	Journal of Occupational and Organizational Psychology (JOOP)	0	9	9	0	1	826
3	Journal of Managerial Issues (JMI)	5	14	6	0	4	97
3	Journal of Organizational Behavior (JOB)	4	15	10	2	10	2,468
3	Organization Dynamics (OD)	6	6	2	8	1	8
3	Personality and Social Psychology Bulletin (PSPB)	0	0	0	0	0	1,752
	Total	42	*133	69	57	30	14,560
4	Academy of Management Learning And Education(AMLE)	0	0	0	0	0	1,145
4	Asia Pacific Journal of Management (APJM)	2	4	5	2	2	405
4	British Journal of Management (BJM)	0	0	0	0	0	495
4	Business and Society (BS)	7	8	4	10	0	1,542
4	California Management Review (CMR)	6	4	3	4	1	1,102
4	Human Performance (HP)	0	0	0	0	0	764
4	Human Resource Management (HRM)	3	4	2	5	0	1,049
4	Human Resource Management Review (HRMR)	0	2	0	0	0	2,403
4	Journal of Education For Business (JOEB)	139	11	12	2	11	157
4	Journal of World Business (JWB)	0	2	1	2	0	361

		Total	*157	35	27	25	14	9,423
5	Business Communication Quarterly (BCQ)		1,084	40	63	27	101	41
5	Corporate Communications (CC)		133	81	82	518	22	9
5	Journal of Business Communication (JBC)		1,107	156	111	58	98	293
5	Journal of Business And Technical Communication (JBTC)		117	41	37	15	514	91
5	Journal of Management Inquiry (JMI)		4	9	8	1	2	816
5	Journal of Organizational Culture, Communication And Conflict (JOCCC)		9	4	6	2	0	25
5	Journal of Communication Management (JOCM)		51	53	47	134	9	111
5	Management Communication Quarterly (MCQ)		72	298	546	41	16	265
5	Strategic Communication Management (SCM)		72	32	17	139	4	37
5	Supervision (S)		22	9	9	12	0	17
		Total	*2,671	723	926	947	766	1,705

*Denotes which of the five professional communication areas (BCOM-business communication, OCOM-organizational communication, MCOM-management communication, CCOM-corporate communication, and TCOM-technical communication) occurs the most in each of the tiers.

Table 2

Means and Standard deviations for BCOM, OCOM, MCOM, CCOM, TCOM and Google Scholar Most Cited Articles for Each Tier

Tier		Google	BCOM	OCOM	MCOM	CCOM	TCOM
1.00	Mean	9690.75	3.25	25.50	4.50	3.25	10.00
	N	4.00	4.00	4.00	4.00	4.00	4.00
	Std. Deviation	5284.31	2.22	13.20	4.12	3.20	5.89
2.00	Mean	6056.20	5.20	6.60	3.20	1.80	2.40
	N	5.00	5.00	5.00	5.00	5.00	5.00
	Std. Deviation	8138.47	6.91	8.14	3.96	2.05	3.05
3.00	Mean	1456.00	4.20	13.30	6.90	5.70	3.00
	N	10.00	10.00	10.00	10.00	10.00	10.00
	Std. Deviation	2367.87	5.47	23.00	11.53	8.33	3.56
4.00	Mean	942.30	15.70	3.50	2.70	2.50	1.40
	N	10.00	10.00	10.00	10.00	10.00	10.00
	Std. Deviation	670.52	43.40	3.63	3.74	3.17	3.44
5.00	Mean	170.50	267.10	72.30	92.60	94.70	76.60
	N	10.00	10.00	10.00	10.00	10.00	10.00
	Std. Deviation	248.52	438.69	91.12	163.11	157.08	158.52
Total	Mean	2429.03	74.59	26.31	27.08	26.95	22.10
	N	39.00	39.00	39.00	39.00	39.00	39.00
	Std. Deviation	4481.15	243.26	53.90	88.66	86.55	83.77

Line Chart 1
Representing Citations and Tiers based on Data in Table 1
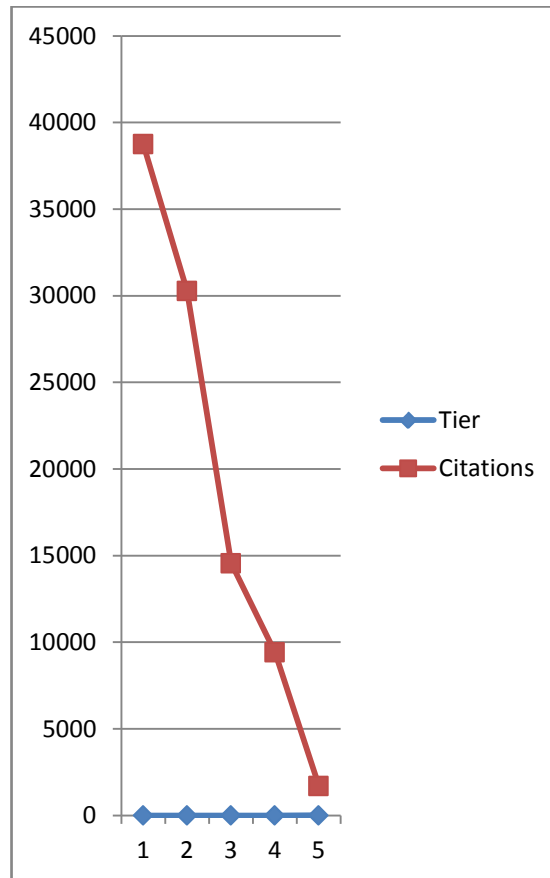
Significant Hypotheses

Hypothesis $_1$ was rejected: Means differ (p <.000) among the five tiers of journals when compared to the most cited Google Scholar article per journal within each tier. The Eta Squared of .471 shows a large effect, where n^2 is interpreted in SPSS 19.0 using the Cohen (1988) rule that .01 ~ small, .06 ~ medium and .14 ~ large, which means 47.1 percent of the variance in the dependent variable (most cited Google Scholar article per journal by tier) was accounted for by the independent variable (journal tiers). ANOVA results for all six null hypotheses are shown in Table 3. These finding are very interesting for several reasons.

Table 3							
One-Way ANOVA Results for Most Cited Google Scholar Article per Journal, BCOM, OCOM, MCOM, CCOM and TCOM Comparedto Tier							
ANOVA			Sum of Squares	df	Mean Square	F	Sig.
Google * Tier	Between Groups	(Combined)	3.593E8	4	89823308.206	7.564	***.000
	Within Groups		4.038E8	34	11875715.887		
	Total		7.631E8	38			
BCOM * Tier	Between Groups	(Combined)	499261.286	4	124815.321	2.426	.067
	Within Groups		1749438.150	34	51454.063		
	Total		2248699.436	38			
OCOM * Tier	Between Groups	(Combined)	29991.408	4	7497.852	3.171	*.026
	Within Groups		80386.900	34	2364.321		
	Total		110378.308	38			
MCOM * Tier	Between Groups	(Combined)	57835.569	4	14458.892	2.041	.111
	Within Groups		240867.200	34	7084.329		
	Total		298702.769	38			
CCOM * Tier	Between Groups	(Combined)	61803.647	4	15450.912	2.358	.073
	Within Groups		222830.250	34	6553.831		
	Total		284633.897	38			
TCOM * Tier	Between Groups	(Combined)	40161.590	4	10040.397	1.507	.222
	Within Groups		226528.000	34	6662.588		
	Total		266689.590	38			

Measures of Association		
	Eta	Eta Squared
Google * Tier	.686	**.471**
BCOM * Tier	.471	.222
OCOM * Tier	.521	**.272**
MCOM * Tier	.440	.194
CCOM * Tier	.466	.217
TCOM * Tier	.388	.151

Post hoc tests multiple comparisons, Tukey HSD, for Hypothesis $_1$ shows that mean differences are significant at the p <.05 level for nearly every comparison. First and second tier management journals do not differ significantly when compared. Nevertheless, the lower tiers of 5, 4, and 3 show negative mean differences when compared to tier 1 and tier 2 management journals. And, when tier 5 is used as (I) in the comparison the mean difference is negative with every other tier and significantly negative with tiers 1 and 2. Notice in Table 4 the number of citations when tier 5 is (I), the citation differences precipitously decline as tier level declines. This evidence confirms the Bauer School of Business list to be valid if the criterion for a journal's placement in a tier is based in part on having published at least one super-cited seminal article. I will discuss the implications for this finding later.

		Mean			95% Confidence Interval	
(I) Tier	(J) Tier	Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
1.00	2.00	3634.55000	2311.72493	.525	-3022.1716	10291.2716
	3.00	8234.75000[*]	2038.74975	.003	2364.0733	14105.4267
	4.00	8748.45000[*]	2038.74975	.001	2877.7733	14619.1267
	5.00	9520.25000[*]	2038.74975	.000	3649.5733	15390.9267
2.00	1.00	-3634.55000	2311.72493	.525	-10291.2716	3022.1716
	3.00	4600.20000	1887.51550	.130	-834.9905	10035.3905
	4.00	5113.90000	1887.51550	.073	-321.2905	10549.0905
	5.00	5885.70000[*]	1887.51550	.028	450.5095	11320.8905
3.00	1.00	-8234.75000[*]	2038.74975	.003	-14105.4267	-2364.0733
	2.00	-4600.20000	1887.51550	.130	-10035.3905	834.9905
	4.00	513.70000	1541.14995	.997	-3924.1144	4951.5144
	5.00	1285.50000	1541.14995	.918	-3152.3144	5723.3144
4.00	1.00	-8748.45000[*]	2038.74975	.001	-14619.1267	-2877.7733
	2.00	-5113.90000	1887.51550	.073	-10549.0905	321.2905
	3.00	-513.70000	1541.14995	.997	-4951.5144	3924.1144
	5.00	771.80000	1541.14995	.987	-3666.0144	5209.6144
5.00	1.00	-9520.25000[*]	2038.74975	.000	-15390.9267	-3649.5733
	2.00	-5885.70000[*]	1887.51550	.028	-11320.8905	-450.5095
	3.00	-1285.50000	1541.14995	.918	-5723.3144	3152.3144
	4.00	-771.80000	1541.14995	.987	-5209.6144	3666.0144

Table 4
Post Hoc Tests Multiple Comparisons, Tukey HSD, on the Google Most Cited Articles across Five levels of Journal Tiers

*. The mean difference is significant at the 0.05 level.

Hypothesis $_2$ was rejected: Means differ (p <.05) among the five tiers of journals and the occurrences of OCOM content within them.The Eta Squared of .272 shows a large effect, where n^2 is interpreted in SPSS 19.0 using the Cohen (1988) rule that .01 ~ small, .06 ~ medium and .14 ~ large, which means 27.2 percent of the variance in the dependent variable (communication content occurring in the journals) was accounted for by the independent variable (journal tier). ANOVA results are shown in Table 3 above; nonetheless, means are the same for professional communication content across tiers except for OCOM. Tiers 4 and 5 differ on organizational communication with a significant negative mean difference indicating tier 4 management journals do not favor publishing OCOM content.

Post hoc tests multiple comparisons, Tukey HSD, for Hypothesis $_2$ shows that mean differences are significant at the p <.05 level for tiers 4 and 5 comparison only. This is

interesting because when tier 4 is used as (I) the mean difference is negative. Notice in Table 5, tier 4 journals differ in published OCOM content, while all the other tiers of management journals do not differ statistically from the tier 5 specialized journals group, which one would think should be more prone to publish OCOM content than all the other tiers. However, I find this not to be the case.

Table 5
Post Hoc Tests Multiple Comparisons, Tukey HSD, on Organizational Communication Appearances across Five levels of Journal Tiers

(I) Tier	(J) Tier	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00	2.00	18.90000	32.61816	.977	-75.0255	112.8255
	3.00	12.20000	28.76651	.993	-70.6345	95.0345
	4.00	22.00000	28.76651	.939	-60.8345	104.8345
	5.00	-46.80000	28.76651	.491	-129.6345	36.0345
2.00	1.00	-18.90000	32.61816	.977	-112.8255	75.0255
	3.00	-6.70000	26.63261	.999	-83.3899	69.9899
	4.00	3.10000	26.63261	1.000	-73.5899	79.7899
	5.00	-65.70000	26.63261	.122	-142.3899	10.9899
3.00	1.00	-12.20000	28.76651	.993	-95.0345	70.6345
	2.00	6.70000	26.63261	.999	-69.9899	83.3899
	4.00	9.80000	21.74544	.991	-52.8170	72.4170
	5.00	-59.00000	21.74544	.073	-121.6170	3.6170
4.00	1.00	-22.00000	28.76651	.939	-104.8345	60.8345
	2.00	-3.10000	26.63261	1.000	-79.7899	73.5899
	3.00	-9.80000	21.74544	.991	-72.4170	52.8170
	5.00	-68.80000*	21.74544	.025	-131.4170	-6.1830
5.00	1.00	46.80000	28.76651	.491	-36.0345	129.6345
	2.00	65.70000	26.63261	.122	-10.9899	142.3899
	3.00	59.00000	21.74544	.073	-3.6170	121.6170
	4.00	68.80000*	21.74544	.025	6.1830	131.4170

*. The mean difference is significant at the 0.05 level.

Non-Significant Hypotheses

I did not reject H_3: Means do not differ among the five tiers of journals and the occurrences of MCOM content within them.

I did not reject H_4: Means do not differ among the five tiers of journals and the occurrences of CCOM content within them.

I did not reject H_5: Means do not differ among the five tiers of journals and the occurrences of TCOM content within them.

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I did not rejectH_6: Means do not differ among the five tiers of management journals and the occurrences of BCOM content within them.

SUMMARY AND DISCUSSION

When reviewing the related literature, no studies were found that directly compared mean differences among the tiers of management and specialtyjournals and the occurrences of the five communications as content within articles published in journals across tiers. I found that when I used ANOVA to compare the means of occurrences of the five communications (BCOM, OCOM, MCOM, CCOM, and TCOM) with each of the respective journaltiers, differences existed across tiers. I also found among the five communications organizational communication differed between journal tiers4and 5. Tiers 3, 4and 5 journals published more articles that included communication content than tiers 1 and 2. Tier 1 and 2 journals also had more super-cited seminal articles than tiers 3, 4, and 5. Although in the communication circles, several of the specialty journals that comprise tier 5 are considered top journals (Rogers, et al. 2007); they were not listed in the original Bauer list of 61 management journals.

Interestingly enough, journals comprising tier 4 and 5 have failed to produce anysuper-cited articlesthat can be said to have spawned a generation of research per article. The average number of citations for the entire list of 39 journals analyzed in this study was 2,429 citations. None of the tier 4 or 5 journals published an article that was cited more than the total mean of 2,429 but, AMLE, BS, CMR, HRM, HRMR had articles cited 1,145, 1,542, 1,102, 1,049, and 2,403 respectively. The HRMR came close to the total mean with its article "A Three-Component Conceptualization of Organizational Commitment" that was cited 2,403, as of October 03, 2011. In tier 3, HR and JOB had an article each with 7,798 and 2,468 citations respectively.Furthermore, shown in Exhibit 1 is the total number of articles that were published by the AMR from 1976 to 2010 in all of its issues 4.

Exhibit 1				
Number of articles in the Academy of Management Review, all issues 4 since 1976-2010				
AMR, Issues 4	**Articles**	**AMR, Issues 4 (continued)**	**Articles**
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Oct 2010; Vol.35, Iss.4	6	Oct 1992; Vol.17, Iss.4	23
Oct 2009; Vol.34, Iss.4	8	Oct 1991; Vol.16, Iss.4	26
Oct 2008; Vol.33, Iss.4	17	Oct 1990; Vol.15, Iss.4	15
Oct 2007; Vol.32, Iss.4	16	Oct 1989; Vol.14, Iss.4	10
Oct 2006; Vol.31, Iss.4	22	Oct 1988; Vol.13, Iss.4	12
Oct 2005; Vol.30, Iss.4	16	Oct 1987; Vol.12, Iss.4	15
Oct 2004; Vol.29, Iss.4	16	Oct 1986; Vol.11, Iss.4	13
Oct 2003; Vol.28, Iss.4	15	Oct 1985; Vol.10, Iss.4	16
Oct 2002; Vol.27, Iss.4	13	Oct 1984; Vol.9, Iss.4	15
Oct 2001; Vol.26, Iss.4	20	Oct 1983; Vol.8, Iss.4	17
Oct 2000; Vol.25, Iss.4	23	Oct 1982; Vol.7, Iss.4	12
Oct 1999; Vol.24, Iss.4	25	Oct 1981; Vol.6, Iss.4	16
Oct 1998; Vol.23, Iss.4	19	Oct 1980; Vol.5, Iss.4	15
Oct 1997; Vol.22, Iss.4	18	Oct. 1979; Vol.4, Iss.4	11
Oct 1996; Vol.21, Iss.4	32	Oct. 1978; Vol.3, Iss.4	16
Oct 1995; Vol.20, Iss.4	55	OCT. 1977; Vol.2, Iss.4	16
Oct 1994; Vol.19, Iss.4	40	OCT. 1976; Vol.1, Iss.4	15
Oct 1993; Vol.18, Iss.4	25		

$\sum$ 649 articles/35 issues 4 = a mean of 18.54; rounded up equals 19 articles per issue 4.

What this demonstrates is a very important element of critical mass of articles and that the chance of publishing a super-cited seminal article is greatly increased by increases in the aggregate of articles. The tier 5 journals are especially vulnerable to shortages of a critical mass of articles because obviously they are publishing too few articles per issue which seems to be working against their ISI citation rankings. And the chance of them publishing a super-cited seminal article is greatly reduced when they publish only four or five articles per issue while, AMR is averaging 19 articles per all of its issues 4 since 1976 to 2010.

Tiers 4 and 5 journals will need to produce more super-cited articles (a seminal article spawns a generation of research many years after its publication) before they will move up in the journal rankings and are perceived as top journals by management faculty working in the top business schools. The evidence is compelling.The Bauer tiers seem valid if the argument of such ranking is in part based on higher tiers having more super-cited seminal articles than the lower tiers. Super-cited seminal articles help shape academic perceptions of the quality of management journals. Apparently, these type articles catapult a journal's reputation into the stratosphere, and not vice versa.

It appears that among the 39 journals analyzed in this study the most reputable journals have super-cited articles that are at least 10-years-old. These articles tend to invoke in

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researchers a sort-of perfunctory or obligatoryneed to cite them. For example, in just 23 days, there was a large increase in new citations added to the most cited articlesin the top tiers but a precipitous drop-off of new citations as a journal's tier decreased.Of nine articles representing tiers 1 and 2, sevenare super-cited seminal articles. Notice in Exhibit 2the differences in new citationsfor 10 articles over 23 days that represent the two most cited articles from each of the five tiers, based on two Google Scholar searches,one on October 3, 2011 and one on October 26, 2011. The titles for the 10articles referenced in Exhibit 2 are highlighted in Appendix B.

Exhibit 2 Differences in Increases in Citations of the Ten Most Cited Articles across Tiers over 23 Days*									
	Tier 1		Tier 2		Tier 3		Tier 4		Tier 5	
	AMR	ASQ	JIBS	JOM	HR	JOB	BS	HRMR	JBC	JMI
DATES	(1989)	(1990)	(1977)	(1991)	(1954)	(1981)	(1999)	(1991)	(1997)	(1993)
10-26-2011	14592	13844	4395	20350	7805	2478	1547	2415	293	816
10-03-2011	14561	13842	4402	20325	7798	2468	1542	2403	293	816
Differences	31	2	-7	25	7	10	5	12	0	0

*Tiers 1 and 2 means are statistically the same. ( ) denotes publication date of each article.

Tiers 1 and 2 combined gained 51 new citations and tiers 3, 4, and 5 combined gained 34 new citations. Tiers 1 and 2 compared to tiers 3, 4, and 5 represents 50% more (51/34 – 1 * 100 = 50%) new citations from October 3, 2011 to October 26, 2011—just 23 days! Tiers 1, 2, and 3 compared to tiers 4 and 5 represents 300% more (68/17 – 1 * 100 = 300%) new citations from October 3, 2011 to October 26, 2011. Imagine how staggering these differences will be in just one year. Six of the 10 articles were published in the 1990's. Shown in Appendix B is the extended list of articles, journals, publication dates, and titles of articles, as of October 26, 2011.

Answers to the Aforementioned Research Questions

Most important, however, since the means for the occurrences of the five communications are scientifically the same across tiers (except for tier 4 and 5 which differed at the $p < .05$ level on OCOM) I can now answer the two aforementioned research questioned.

Q1: Do the occurrences of the five communications ascontent differ in articles published across management journal tiers?For the most part, no they do not differ except for tiers 4 and 5 on the OCOM subject. The negative mean difference is an indication that professional communication professors should not be targeting journals listed in tier 4 on subjects that include OCOM as the crux of their research or theory building efforts.

Q2: Can it be argued that the five communications occurring in articles published by both specialized journals and management journals support the proposition that communication is a true competency being explored by management researchers and refined in the management literature? Yes communication is a true management competency because means for the most part are equal across tiers on the occurrences of the five communications. Clearly, since the means for four of the five communications are the same on all five tiers (except for tiers 4 and 5 on the OCOM variable) of journals this indicates management professors are including the five communications in their references as well as many of them publishing articles on the communication areas in many of these journals.

Just because the specialty (JBC, BCQ, MCQ, JBTC, and CC) journals are publishing more quantity of articles on the five communications this did not appear to show any scientific difference when means were compared, especially since top tier journals are showing statistically the same occurrences of communication as all the other tiers of journals. This is good news for business communication faculty and the five communications. Cyphert (2009, p. 271) writes:

> We spend more time arguing over the historical and institutional distinctions among management communication, business communication, professional communication, corporate communication, organizational communication,strategic communication, and technical communication thanabout the theories, concepts, and principles that might arise in any of them.

According to Hellriegal, Jackson and Slocum (2005) "what it takes to be agreat manager" is 1) Communication Competency, 2) Planning and Administration Competency, 3) Teamwork Competency, 4) Strategic Action Competency, 5) Global Awareness Competency and 6) Self-Management Competency. They express that a manager's competency in communication is predicated on proficiency in formal communication, informal communication and negotiations skills.

In this study I found that communication has been incorporated into the published works of management researchers with little to no bias against any of the five communications overall. Thus, I find that the five communications should henceforth be considered a true competency of the field of management and that the five communications are occurring with such equality in the five tiers that it appears to be amanagement competency areawhich seems

to be continually explored in the management literature. Differences in the occurrences of the five communications were insignificant from tier-to-tier.

To answer Cyphert's(2009) question, "Who are we?" seems now to be that the disciplinary identity of the five communications should be, or at least in part should be, that we are a management competency area essential to be a great manager.

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Tiers	Bauer's 2009 List of 61 Management Journals by Tier
	APPENDIX A
	University of Houston Bauer College of Business' 2009 List of Management Journals by Tier
1	Academy of Management Journal (AMJ)
1	Academy of Management Review (AMR)
1	Administrative Science Quarterly (ASQ)
1	Strategic Management Journal (SMJ)
2	Journal of International Business Studies (JIBS)
2	Journal of Management (JOM)
2	Journal of Management Studies (JMS)
2	Leadership Quarterly (LQ)
2	Personnel Psychology (PP)
3	Academy of Management Perspectives (AMP)
3	Corporate Governance (CG)
3	Human Relations (HR)
3	IEEE Transactions on Engineering Management (IEEETEM)
3	International Journal of Human Resource Management (IJHRM)
3	Journal of Occupational and Organizational Psychology (JOOP)
3	Journal of Managerial Issues (JMI)
3	Journal of Organizational Behavior (JOB)
3	Organization Dynamics (OD)
3	Personality and Social Psychology Bulletin (PSPB)
4	Academy of Management Learning and Education (AMLE)
4	Advances in Strategic Management (ASM)
4	Asia Pacific Journal of Management (APJM)
4	British Journal of Management (BJM)
4	Business and Society (BS)
4	California Management Review (CMR)
4	Decision Sciences Journal of Innovative Education (DSJIE)
4	Group and Organization Studies (GOS)
4	Human Performance (HP)
4	Human Resources Management (HRM)
4	Human Resource Management Review (HRMR)
4	International Business Review (IBR)
4	International Journal of Innovation and Technology Management(IJITM)
4	International Journal of Innovation Management (IJIM)
4	International Journal of Management Reviews (IJMR)
4	Journal of Applied Behavioral Science (JABS)
4	Journal of Applied Social Psychology (JASP)
4	Journal of Behavioral Decision Making (JBDM)
4	Journal of Business Ethics (JBE)
4	Journal of Business Strategy (JBS)
4	Journal of Business Venturing (JBV)
4	Journal of Conflict Resolution (JCR)
4	Journal of Education for Business (JOEB)
4	Journal of Engineering & Technology Management (JETM)
4	Journal of High Technology Management Research (JHTMR)
4	Journal of International Management (JIM)
4	Journal of Management Education (JME)
4	Journal of Small Business Management (JSBM)
4	Journal of Vocational Behavior (JVB)
4	Journal of World Business (JWB)
4	Law and Human Behavior (LHB)
4	Long Range Planning (LRP)
4	Management and Organization Review (MOR)
4	Management International Review (MIR)
4	Management Learning (ML)
4	Organization Studies (OS)
4	Public Personnel Management (PPM)
4	Research Policy (RP)
4	Research-Technology Management (RTM)
4	Sex Roles (SR)
4	Thunderbird International Business Review (TIBR)
4	World at Work Journal (WWJ)

APPENDIX B				
Management Journals by Tier, Google Scholar Most Cited Article andTitle with Publication Date				
Bauer Journal List	**Tier**	**Google**	**Most Cited Google Scholar Search Article: 10/26/11**	**Date**
Academy of Management Journal (AMJ)	1	4155	The impact of human resource management practices on turnover, productivity, and corporate financial performance	1995
Academy of Management Review (AMR)	1	14592	Building theories from case study research	1989
Administrative Science Quarterly (ASQ)	1	13844	Absorptive capacity: a new perspective on learning and innovation	1990
Strategic Management Journal (SMJ)	1	6217	Toward a knowledge-based theory of the firm	1996
Journal of International Business Studies (JIBS)	2	4395	The internationalization process of the firm-a model of knowledge development and increasing foreign market commitments	1977
Journal of Management (JOM)	2	20350	Firm resources and sustained competitive advantage	1991
Journal of Management Studies (JMS)	2	1860	The internationalization of the firm—four Swedish cases 1	1975
Leadership Quarterly (LQ)	2	182	Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective	1995
Personnel Psychology (PP)	2	3527	The Big Five personality dimensions and job performance: A meta-analysis	1991
Academy of Management Perspectives (AMP)	3	177	Why does affect matter in organizations?	2007
Corporate Governance (CG)	3	241	What do we mean by corporate social responsibility?	2001
Human Relations (HR)	3	7805	A theory of social comparison processes	1954
IEEE Transactions on Engineering Management (IEEETEM)	3	1430	Innovation characteristics and innovation adoption-implementation: A meta-analysis of findings	1982
International Journal of Human Resource Management (IJHRM)	3	894	The death of the social? Re-figuring the territory of government	1996
Journal of Occupational and Organizational Psychology (JOOP)	3	828	Re-examining the components of transformational and transactional leadership using the Multifactor Leadership	1999
Journal of Managerial Issues (JMI)	3	97	Employee reactions to temporary jobs	1995
Journal of Organizational Behavior (JOB)	3	2478	The measurement of experienced burnout	1981
Organization Dynamics (OD)	3	9	Learning aerossa living company: the shell companies experiences	1998
Personality and Social Psychology Bulletin (PSPB)	3	1752	The social self: On being the same and different at the same time	1991
Academy of Management Learning and Education (AMLE)	4	1147	Bad management theories are destroying good management practices	2005
Advances in Strategic Management (ASM)	4	281	Integrating organizational behavior and strategy formulation research: A resource based analysis	1996
Asia Pacific Journal of Management (APJM)	4	406	Cultural dimensions in management and planning	1984
British Journal of Management (BJM)	4	499	Supply chain management: relationships, chains and networks	1996
Business and Society (BS)	4	1547	Corporate social responsibility	1999

California Management Review (CMR)	4	1104	If only we knew what we know: identification and transfer of internal best practices	1998
Decision Sciences Journal of Innovative Education (DSJIE)	4	91	The Determinants of Students' Perceived Learning Outcomes and Satisfaction in University Online Education: An Empirical Investigation	2006
Group and Organization Studies (GOS)	4	373	Behavioral norms and expectations: A quantitative approach to the assessment of organizational culture.	1988
Human Performance (HP)	4	764	Organizational citizenship behavior: It's construct clean-up time	1997
Human Resources Management (HRM)	4	28	Downsizing organisations: the dilemmas of change	2011
Human Resource Management Review (HRMR)	4	2415	A three-component conceptualization of organizational commitment	1991
International Business Review (IBR)	4	686	The internationalization of born globals: an evolutionary process?	1997
International Journal of Innovation and Technology Management(IJITM)	4	33	Entrepreneurial intentions of business students: a benchmarking study	2004
International Journal of Innovation Management (IJIM)	4	253	Knowledge-intensive business services as co-producers of innovation	2000
International Journal of Management Reviews (IJMR)	4	564	Assessing knowledge assets: a review of the models used to measure intellectual capital	2001
Journal of Applied Behavioral Science (JABS)	4	790	Leadership: The management of meaning	1982
Journal of Applied Social Psychology (JASP)	4	1304	Extrinsic and Intrinsic Motivation to Use Computers in the Workplace1	1992
Journal of Behavioral Decision Making (JBDM)	4	753	The affect heuristic in judgments of risks and benefits	2000
Journal of Business Ethics (JBE)	4	589	Corporate social responsibility theories: mapping the territory	1994
Journal of Business Strategy (JBS)	4	381	Postmerger integration	1986
Journal of Business Venturing (JBV)	4	994	The role of networks in the entrepreneurial process	1985
Journal of Conflict Resolution (JCR)	4	345	Conceptual and methodological considerations in the study of trust and suspicion	1970
Journal of Education for Business (JOEB)	4	157	The Relationship between Academic Dishonesty and Unethical Business Practices.	1993
Journal of Engineering & Technology Management (JETM)	4	406	Transferring R&D knowledge: the key factors affecting knowledge transfer success	2003
Business Communication Quarterly (BCQ)	5	41	Doing more to teach teamwork than telling students to sink or swim	1998
Corporate Communications (CC)	5	9	Environmental fate of Imidacloprid	2002
Journal Of Business Communication (JBC)	5	293	Face-to-face versus computer-mediated communication: A synthesis of the experimental literature	1997
Journal Of Business And Technical Communication (JBTC)	5	91	Learning to write professionally	1996
Journal Of Management Inquiry (JMI)	5	816	Culture and organizational learning	1993
Journal Of Organizational Culture, Communication And Conflict (JOCCC)	5	25	The effect of transactional and transformational leadership styles on the organizational commitment and job satisfaction of customer contact personnel	2007
Journal Of Communication Management (JOCM)	5	111	Do consumers really care about corporate responsibility? Highlighting the attitude—behaviour gap	2000
Management Communication Quarterly (MCQ)	5	265	Choosing the right words	1995

Strategic Communication Management (SCM)	5	37	Critical success factors for global virtual teams-A look at some of the critical success factors helping to improve the performance of global virtual teams	2005
Supervision (S)	5	17	It's not difficult to change company culture	2000

THE RELATIONSHIP BETWEEN FOLLOWERS' PERSONALITY AND PREFERENCES IN LEADERSHIP

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ABSTRACT

This study analyzed the relationship between follower personality and leadership preferences. One-hundred thirty-two working adult participants from a variety of organizations in South Texas, ranging from Fortune 500 companies to small businesses, completed the NEO-PI Big-five personality assessment, and the GLOBE Project leadership assessment. The GLOBE leadership assessment asks participants to answer 112 questions about behaviors that contribute to or inhibit the general idea of outstanding leadership. These questions can be scored as 21 dimensions of leadership. This study found that participant personality predicted 13 of the 21 dimensions of leadership.

The Big-five personality trait of agreeableness was the most consistent predictor of attitudes about leadership. Generally the more agreeable the participant's personality, the stronger she/he felt about the importance of integrity, administratively competent, team 2, humane oriented, and modesty. The more agreeable the participant's personality the stronger she/he felt that conflict inducer, self-centered, and autocratic inhibits outstanding leadership. Implications for leadership in the workplace are discussed.

INTRODUCTION

When studying leadership several methods are common. One method is for followers or other stakeholders to assess the behaviors of actual leaders. Typically those behaviors are treated as an independent variable and analysis done on dependent variables such as follower satisfaction, commitment and performance.

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A different type of leadership study is often called *Implicit Leadership*. In this type of study, no "actual" leader is rated. Rather, the concept of desired or outstanding *leadership* is measured. In these types of studies, participants complete a survey concerning their prototypes of what constitutes outstanding leadership. There may be a second instrument, such as personality, as well, in order to look at associations between the second construct and participants' implicit views or what constitutes outstanding leadership, or the leadership scores obtained may be analyzed for participant demographics.

To date, the largest study of implicit leadership was the Global Leadership and Organizational Behavior Effectiveness Research Program (GLOBE) (House, Hanges, Javidan, Dorfman, & Gupta, 2004). This study surveyed over 17,000 participants worldwide about what contributed to the participants' concepts of outstanding leadership. The 17,000 participants were from 62 countries/societies.

The primary focus of the GLOBE Study was to analyze how cultural preferences predicted leadership preferences. While the study added significantly to the body of literature related to implicit leadership, the study did not report how participants' personality moderated their views of leadership. The present study builds upon the findings of the GLOBE Study by analyzing how participant personality impacts implicit leadership views.

PREVIOUS STUDIES

Project GLOBE

To date, the largest study of international leadership preferences was the GLOBE Research Project (House et al., 2004). This study surveyed over 17,000 participants worldwide about what contributed to the participants' concepts of outstanding leadership. The 17,000 participants were middle managers from 62 countries/societies.

GLOBE measured six high-order dimensions of leadership. *Charismatic/value-based leadership* is the ability to inspire, to motivate, and to expect high performance outcomes from others based on firmly held core values. *Team-oriented leadership* emphasizes effective team building and implementation of a common purpose or goal among team members. *Participative leadership* reflects the degree to which managers involve others in making and implementing decisions. *Humane-oriented leadership* reflects supportive and considerate leadership but also includes compassion and generosity. *Autonomous leadership* reflects independent and individualistic leadership attributes. *Self-protective leadership* consists of ensuring the safety and security of the individual and group through status enhancement and face saving.

To simplify interpretation of global differences, the GLOBE Study created clusters of countries. The ten clusters created were Eastern Europe, Latin America, Latin Europe, Confucian Asia, Nordic Europe, Anglo, Sub-Saharan Africa, Southern Asia, Germanic Europe and the Middle East. Table 1 provides the means for each global cluster for each of the second-order dimensions of leadership.

Societal Cluster	Table 1 LEADERSHIP PREFERENCES FOR 10 GLOBAL CLUSTERS CLT LEADERSHIP DIMENSIONS					
	CV	TO	P	HO	A	SP
Eastern	5.74	5.88	5.08	4.76	**4.20**	3.67
Latin	5.99	**5.96**	5.42	4.85	3.51	3.62
Latin	5.78	5.73	5.37	4.45	3.66	3.19
Confucia	5.63	5.61	4.99	5.04	4.04	3.72
Nordic	5.93	5.77	5.75	**4.42**	3.94	**2.72**
Anglo	**6.05**	5.74	5.73	5.08	3.82	3.08
Sub-	5.79	5.70	5.31	5.16	**3.63**	3.55
Southern	5.97	5.86	5.06	**5.38**	3.99	3.83
Germanic	5.93	5.62	**5.86**	4.71	4.16	3.03
Middle	**5.35**	**5.47**	**4.97**	4.80	3.68	**3.79**
Notes: CV – Charismatic/Value-Based, TO - Team Oriented, P – Participative, HO – Humane-Oriented, A – Autonomous SP – Self-Protective						

Items shown underlined and in bold are highest and lowest societal preferences for that dimension of leadership. In interpreting the scores, it is important to understand that participants responded to 112 leadership behaviors on a Likert scale that ranged from 1 – 7. A rating of 1 was actually a very strong, negative rating, indicating that the respondent believed that that leadership behavior greatly inhibits a person from being an outstanding leader. A rating of 7, on the other end of the Likert scale, represented a belief that that leadership behavior greatly contributes to a person being an outstanding leader. Scoring options of 2 or 6 represented somewhat inhibiting or somewhat contributing to outstanding leadership. Scoring options of 3 or 5 represented slightly inhibiting or slightly contributing to outstanding leadership. The middle Likert choice, 4, represents that that behavior has no impact on a person being an outstanding leader. Table 1 illustrates that charismatic/value based leadership and team-oriented leadership are desired in leaders worldwide.

Charismatic/value-based leadership, however, can be further clarified by considering fundamental or "first-order" dimensions. These include (a) *Visionary Charisma* - having foresight, being prepared, anticipatory and able to plan ahead (b) *Inspirational Charisma* - being enthusiastic, positive, a morale booster and a motive arouser and *Self-Sacrificing Charisma* - being a risk taker, self-sacrificial and convincing. Similarly, Team-oriented leadership can be further divided into *Collaborative Team Leadership* - being group-oriented, collaborative, loyal and consultative and *Team Integrator* - being communicative, a team builder, informed and an integrator.

Personality and Leadership Perceptions

Felfe and Schyns (2006), in a study of undergraduate students, found that the more extraverted the participants, the more they recognized and reacted positively to transformational leadership. No relationships, however, were found for the personality traits of neuroticism, occupational self-efficacy and need for structure. Bono, Hooper, and Yoon (2012) found positive relationships between follower agreeableness, extraversion, and conscientiousness and ratings of transformational leadership. Schyns and Sanders (2007) found positive relationships between follower extraversion, agreeableness and conscientiousness and ratings of transformational leadership. In contrast, neuroticism was also positively related to the perception of transformational leadership.

A study of 166 participants found that personality influences the preference of leadership style. Moss and Ngu's (2006) study found extraversion and conscientiousness to correlate positively with transformational leadership, while agreeableness and openness were negatively related with transactional leadership. In addition, agreeableness was adversely related with laissez-faire leadership, while neuroticism was positively related. In another study of 267 participants, leadership preferences for charismatic leaders versus two other types of leader behavior (relationship oriented leader and task-oriented leader) were predicted by values and personality dimensions. Ehrhart and Klein (2001) asked participants to choose one leader for whom they would best like to work; the researchers found 51.3% of the participants chose the relationship oriented leader, while 28.8% of the participants chose the charismatic leader, and 19.9% chose the task-oriented leader.

Do and Rhee (2007) conducted a web-based survey of 141 students to examine followers' personality and whether personality influenced (positively or negatively) perceptions of transformational leadership. The investigators found that followers with high agreeableness perceived leaders as more transformational, and those with neuroticism perceived leaders as less transformational. However, no relationships were found between followers' extroversion and perceived transformational leadership or openness and perceived transformational leadership.

A 2010 study conducted by Felfe and Schyns in a financial service company included 153 clerical workers; 115 participants were females, and 38 participants were males. The researchers found that followers who scored high in extraversion and agreeableness rated their leaders higher on transformational leadership than other participants. Additionally, followers high in neuroticism rated leaders lower on the individualized consideration component of transformational leadership, and conversely, followers who were high in emotional stability rated their leaders high on individualized consideration. For openness, no relationship was found.

Van Kleef, Homan, Beersma, and van Knippperberg (2010) studied how followers' agreeableness affects how they relate to their leader's anger. The study of 112 students found that followers with lower levels of agreeableness were more motivated and performed better when their leader expressed anger. However, the higher the followers' level of agreeableness,

the worse the followers performed when the leader expressed anger rather than no emotion or happiness.

PARTICIPANTS

One-hundred and thirty-two working adults from south Texas completed two instruments: The *NEO-PI Big-five* personality assessment and the *Project GLOBE Leadership Questionnaire*. There were 81 females and 48 males in the study. There were 75 Hispanic, 30 Black, 12 white participants and 15 who were of other ethnicities. The sample consisted of college-educated, full time workers from a variety of business types and sizes. The ages of the participants ranged from 26 to 58 with a mean of 40 years. Participants could best be described as mid-level managers or leaders in their organizations

INSTRUMENTS

Project GLOBE Leadership Questionnaire

The instrument used was the *Project GLOBE Leadership Questionnaire*. This instrument has been used by over 20,000 participants worldwide. To develop the *Project GLOBE Leadership Questionnaire*, two empirical pilot studies were conducted in 28 countries to assess the psychometric properties. In the first pilot study, the survey was distributed in 28 countries to people who had full-time working experience as a white-collar employee or manager. Exploratory factor analysis, aggregation analysis, reliability analysis, and intra-class correlations were then conducted on the results of the surveys. A second pilot study was then conducted in 15 countries that did not participate in the first pilot study in order to replicate the scales in a different sample. The results confirmed the findings from the first pilot study and verified through aggregation tests their target level of analysis (House et al., 2004)

The GLOBE instrument consists of 112 questions. For each question, the participant is asked to rate to what degree that behavior or characteristic inhibits or contributes to outstanding leadership. The rating scale ranges from one to seven. The instrument measures 24 first-order dimensions of leadership that can be combined to comprise six second-order dimensions. The second-order dimensions of humane-oriented leadership, autonomous leadership and self-protective leadership, however, are very similar to the first-order dimensions that comprise them. Consequently, they were not used in this study. This resulted in the use of 21 first-order dimensions and three second-order dimensions. The 21 first-order dimensions are: *Administratively Competent, Autocratic, Autonomous, Charismatic I: Visionary, Charismatic II: Inspirational, Charismatic III: Self-Sacrifice: Risk Taker, Self-Sacrificial, Convincing, Conflict Inducer, Decisive, Diplomatic, Face Saver, Humane Orientation, Integrity, Malevolent, Modesty, Participative, Performance Oriented. Procedural, Self-Centered, Status Conscious, Team I: Collaborative Team Orientation and Team II: Team Integrator.* Definitions of each measure are provided (see Appendix A: Aspects of Leadership Measured by the *Project GLOBE Leadership Questionnaire).*

NEO-PI

The NEO-PI was developed by Costa and McCrae (1985). The 181-item questionnaire was developed through rational and factor analytic methods to measure the five major factors of personality: Neuroticism, Extraversion, Openness, Agreeableness and Conscientiousness. Items are answered on a 5-point scale ranging from strongly agree (1) to strongly disagree (5), and scales are balanced to control for the effects of agreement.

RESULTS

Multiple Dimensions of Leadership

Table 2 provides an overview of an initial analysis of the five measures of personality and the 21 measures of leadership. In cases in which more than one dimension of personality was significant, a stepwise multiple regression was run using all five dimensions of personality as predictor variables. The results of the regression are shown in those cases, giving a sense of which dimension of personality was the strongest predictor of that aspect of leadership.

Table 2 DIMENSIONS OF PERSONALITY AND THEIR ASSOCIATIONS TO PREFERENCES IN LEADERSHIP							
Leadership	Associatio	O	C	E	A	N	Mean
Contributes to Outstanding Leadership							
Integrity	R				.21**		6.64
PerfOrient	R	18**					6.55
AdmComp	R				.18**		6.31
Participati	R	.16*					6.22
Decisive	R		.21**				6.18
Team2	R	.15*		.21**	.27***		6.13
	R^2	.08*		$\Delta.02**$	$\Delta.01***$		
HumaneOr	R				.17*		6.08
Modesty	R				.15*		5.86
Autonomo	R			-.23**		-.16*	4.62
	R^2			$\Delta.01**$		.07*	
Inhibits Outstanding Leadership							
StatusCon	R	-.27***					4.30
Conflict_Inducer	R				-.24**	.15*	3.47
	R^2				$\Delta.01**$	.09*	
Self_Cente	R				-.18**		1.94
Autocratic	R	-.15*			-.21**	.15*	1.86
	R^2	.10*			.02**	$\Delta.09*$	
Note. Only significant dimensions shown. * $p < .10$, **$p < .05$, ***$p < .01$							

Reduced Dimensions of Leadership

An exploratory factor analysis using the Principle Components Method with Varimax rotation was next conducted. Five components were found that had an Eigenvalue greater than one. Each component from the rotated model was then analyzed. The components are shown in Table 3. The first component, which was labeled *Charismatic, Value Based Team Leadership* had an Eigenvalue of 7.3 and explained 38.9% of the variance in scores. Table 3 shows that the three scales loaded on this component with an Eigenvalue vector score greater than 0.6 or less than negative 0.6. The second component was labeled *Self-Serving Leadership*. The third component was labeled *Bureaucratic Leadership* and the fourth component *Directive Leadership*.

	Charismatic, Value Based Team Leadership	Self-Serving Leadership	Bureaucratic Leadership	Directive Leadership
	Table 3 **PERSONALITY AND PREFERENCES IN LEADERSHIP** **Exploratory Factor Analysis**			
AdmComp	**.693**	-.088	.244	.251
Charisma1	**.895**	-.158	.045	.194
Charisma2	**.715**	.186	.310	-.020
Charism3	**.753**	.151	-.280	-.016
Decisive	**.628**	.040	.346	.110
Diplomatic	**.784**	-.271	.068	.123
HumaneOriented	**.747**	-.201	.356	-.085
Integrity	**.794**	-.349	.176	-.037
Malevolent	**-.863**	.292	.051	-.077
Modesty	**.698**	-.376	.204	-.034
Team1	**.547**	-.245	.251	-.165
Team2	**.618**	-.468	-.046	.142
Autocratic	-.259	**.810**	.120	.000
Self_Centered	-.381	**.624**	-.006	.004
FaceSaver	.091	**.835**	.055	-.043
Proc_Beau	.257	.042	**.769**	.074
StatusConsc	.018	.126	**.889**	.148
Autonomous	.212	.061	.037	.061
PerfOrient	.448	-.214	-.204	**.619**

Conflict_Inducer	.030	.028	.351	**.869**
Participative	.480	-.405	-.125	-.015

Following the exploratory factor analysis, a confirmatory factor analysis was conducted. Each of the tested components had a *Goodness of Fit Index* greater than .90. As a final step to better understand the relationships among the participants' personality and their attitudes about what contributes to and inhibits outstanding leadership, a structural equation model was run using the five observed dimensions of personality, the four latent variables of *Charismatic, Value-Based Team Leadership*, *Self-Serving Leadership*, *Bureaucratic Leadership*, and *Directive Leadership*. The significant correlations found as a result of a structural equation model are provided (see Figure 1: Personality and Reduced Dimensions of Leadership). Among the dimensions of leadership, positive relationships were found among *Charismatic, Value-Based Team Leadership*, *Bureaucratic Leadership,* and *Directive Leadership*. These were, in turn, generally inversely related to *Self-Serving Leadership*.

Extraversion and Openness

The more Extraverted and the more Open the participants' personalities, the more they believed *Directive Leadership* contributed to being an outstanding leader. Conversely, the more Extraverted and the more Open the participants, the less they believed *Bureaucratic Leadership* contributed to outstanding leadership and the more they believed that *Self-Serving Leadership* inhibited outstanding leadership.

Agreeableness

The more Extraverted the participants' personalities, the more they believed *Charismatic, Value-Based Team Leadership* and *Directive Leadership* contributed to being an outstanding leader. Like Extroversion, the more Agreeable the participants, the more they believed *Self-Serving Leadership* behaviors inhibited good leadership.
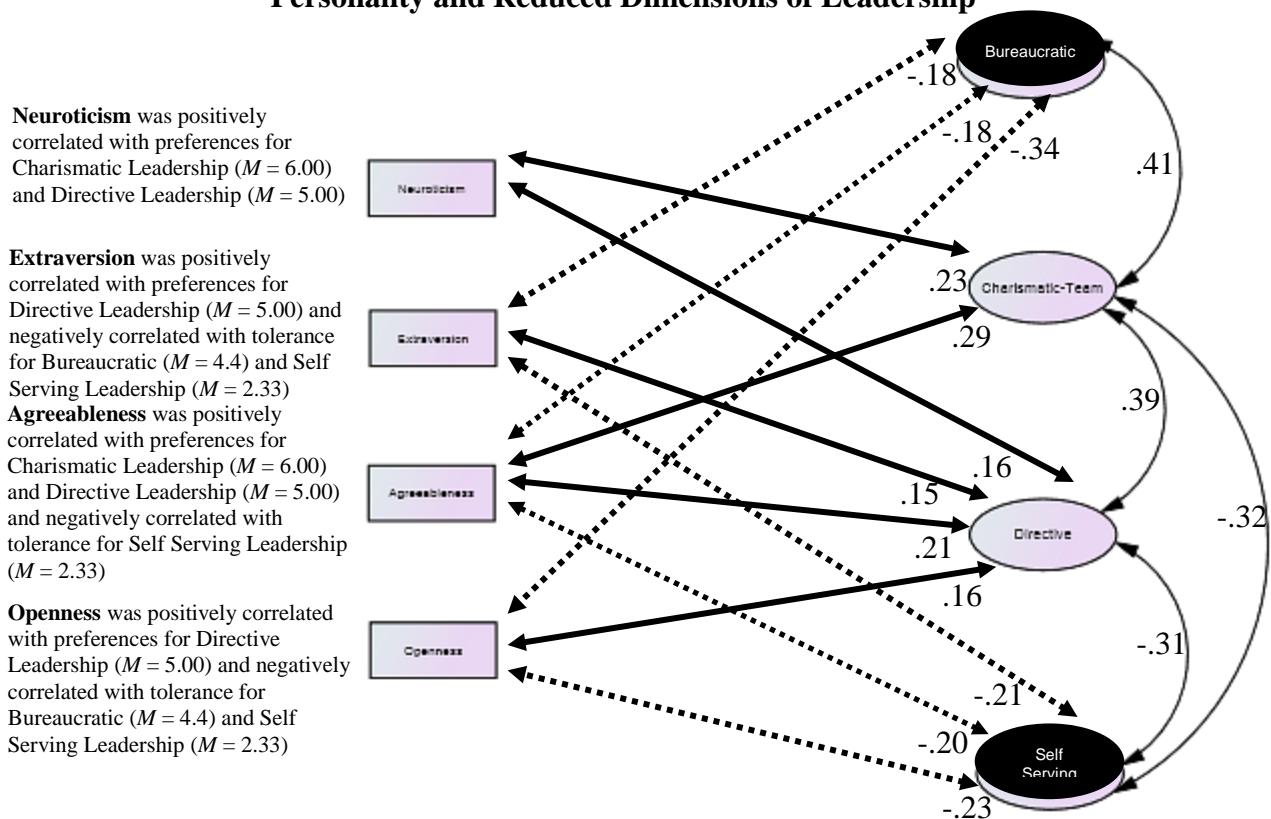
Neuroticism

Perhaps the most surprising finding from the SEM was that the more Neurotic the participants' personalities, the more they believed both *Charismatic, Value-Based Team Leadership* and *Directive Leadership* contributed to outstanding leadership. This connotes that "good leadership" seems to appeal to followers across four of the five aspects of personality. Conscientiousness, the fifth personality dimension was not significant.

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DISCUSSION

Judge, Bono, Ilies, and Gerhardt (2004) meta-analyzed 60 studies consisting of 222 correlations from 73 samples that studied leader personality. Their findings were that leader extraversion (p = .31) (where p = estimated corrected correlation) was the strongest correlate of effective leadership. Conscientiousness (p = .28) and then Neuroticism (p = -.24) and Openness to Experience (p = .24) displayed the next strongest correlations (where p = estimated corrected correlation) with leadership. Agreeableness showed a relatively weak correlation with leadership (p = .08).

The current study found that the follower personality trait of Agreeableness was a consistently strong predictor of attitudes about leadership. Openness was particularly incongruent with *Bureaucratic Leadership*. Perhaps the most interesting finding is that personality traits were positively related to *Charismatic, Value-Based Team Leadership* and *Directive Leadership* and negatively related to *Bureaucratic Leadership* and *Self-Serving Leadership*.

Figure 1
Personality and Reduced Dimensions of Leadership

Neuroticism was positively correlated with preferences for Charismatic Leadership (*M* = 6.00) and Directive Leadership (*M* = 5.00)

Extraversion was positively correlated with preferences for Directive Leadership (*M* = 5.00) and negatively correlated with tolerance for Bureaucratic (*M* = 4.4) and Self Serving Leadership (*M* = 2.33)

Agreeableness was positively correlated with preferences for Charismatic Leadership (*M* = 6.00) and Directive Leadership (*M* = 5.00) and negatively correlated with tolerance for Self Serving Leadership (*M* = 2.33)

Openness was positively correlated with preferences for Directive Leadership (*M* = 5.00) and negatively correlated with tolerance for Bureaucratic (*M* = 4.4) and Self Serving Leadership (*M* = 2.33)

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Appendix A

Aspects of Leadership Measured by the *Project GLOBE Leadership Questionnaire*

1. *Administratively Competent*: Orderly, Administratively Skilled, Organized, Good Administrator
2. *Autocratic*: Autocratic, Dictatorial, Bossy, Elitist
3. *Autonomous*: Individualistic, Independent, Autonomous, Unique
4. *Charismatic I: Visionary*: Foresight, Prepared, Anticipatory, Plans Ahead
5. *Charismatic II: Inspirational*: Enthusiastic, Positive, Morale Booster, Motive Arouser
6. *Charismatic III: Self-Sacrifice*: Risk Taker, Self-Sacrificial, Convincing
7. *Conflict Inducer*: Normative, Secretive, Intragroup Competitor
8. *Decisive*: Willful, Decisive, Logical, Intuitive
9. *Diplomatic*: Diplomatic, Worldly, Win-Win Problem Solver, Effective Bargainer
10. *Face Saver*: Indirect, Avoids Negatives, Evasive
11. *Humane Orientation*: Generous, Compassionate
12. *Integrity*: Honest, Sincere, Just, Trustworthy
13. *Malevolent*: Hostile, Dishonest, Vindictive, Irritable
14. *Modesty*: Modest, Self-Effacing, Patient
15. *Performance Oriented*: Improvement-Oriented, Excellence-Oriented, Performance-Oriented
16. *Procedural*: Ritualistic, Formal, Habitual, Procedural
17. *Self-Centered*: Self-Centered, Nonparticipative, Loner, Asocial
18. *Self-protective* leadership focuses on ensuring the safety and security of the individual and group through status enhancement and face saving.
19. *Status Conscious*: Status-Conscious, Class-Conscious
20. *Team I: Collaborative Team Orientation*: Group-Oriented, Collaborative, Loyal, Consultative
21. *Team II: Team Integrator*: Communicative, Team Builder, Informed, Integrator

CULTURE PREDICTING LEADERSHIP

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ABSTRACT

In this age of globalization, one of the most important challenges that face organizations is acknowledging and appreciating the different cultural values and practices that exist in different parts of the world. Project GLOBE initially began with 21 primary dimensions of outstanding leadership that were subsequently reduced to six global leadership dimensions, which have come to be referred to as the culturally endorsed implicit leadership theory (CLT) behaviors. In addition to its research on leadership, the GLOBE research project provided empirical findings of the nine cultural dimensions (performance orientation, future orientation, gender egalitarianism, assertiveness, individualism, collectivism, power distance, humane orientation, and uncertainty avoidance).

In the current study, 852 working adults completed the Project GLOBE Questionnaire. For each question, the participant was asked to rate to what degree that behavior or characteristic inhibits or contributes to outstanding leadership. Participants were recruited from a variety of social networking sites. In the analysis, the two dimensions of leadership valued worldwide – charismatic/value based leadership and team-oriented leadership – were used as dependent variables. Two separate multiple regressions were run using the nine cultural preferences as primary predictor variables and the participants' age, gender and years of leadership experiences as control variables. Results of the predictors of preference for charismatic leadership indicated that six cultural dimensions were significantly related to charismatic/value–based leadership. Findings revealed that uncertainty avoidance, humane orientation, and power distance were inversely related, while gender egalitarianism, in-group collectivism, and institutional collectivism were positively related. The control variable of gender was a significant predictor of preference for Team-Oriented leadership. The more the respondents wanted their workplace culture to emphasize gender equality, reward collective distribution of resources and collective action, and are assertive, dominant and demanding in their relationships with others the more they wanted a team-oriented leader. The more the respondents wanted their workplace culture to rely on social norms, rules and procedures to alleviate unpredictability of future events; to encourage and rewards individuals for being fair,

altruistic, generous, caring and kind to others; to reward group members for performance improvement and excellence; and for power to be distributed equally the less they wanted a team oriented leader.

INTRODUCTION

When conducting research in the field of leadership many options exist. Some researchers, for example, perform focus group interviews or case studies. The information garnered in these types of studies is very rich. However, typically these types of studies are conducted with small samples, which limit the ability to generalize their results. Additionally, even with methods of triangulation, these types of studies tend to lack something equivalent to an alpha level for establishing significance. They are primarily very rich, but descriptive information.

Many quantitative leadership studies tend to use the survey method. Generally, these types of studies fall into one of three designs. In *Leader-Only* types of studies, researchers ask leaders to complete self-assessments of how they lead. Demographic comparisons are often made, such as self-assessed leadership styles of women versus men. Leaders might also take a second instrument such as a personality assessment to assess the relationship between the constructs measured. For example, a researcher might explore relationships between leaders' personality scores and self-assessed leadership scores.

Leader-Only types of studies suffer from the problem of leader self-perception. Any working adult has encountered at least one leader who was a megalomaniac. The followers of that particular leader believed she/he was a very poor leader. Yet, the leader's inflated sense of self would result in that leader completing a self-assessment that would indicate she/he was an extraordinary leader. To some degree, the law of large numbers eventually accounts for some of this self-assessment bias, but it will still be present in leader-only types of studies.

In an *Other-Than-Leader* type of study, some combination of stakeholders assesses how the leader leads. Often these raters are the leader's followers, but they can also be peers, the leader's own boss or some other stakeholder group. This type of assessment provides a more realistic assessment of how the leader actually leads than does a leader-only study. One challenge to an other-than- leader study, however, is co-variation. While not absolute, in a large percentage of these types of studies follower independent variables such as age, experience and education often co-vary with the leader.

For example, a 60 year old leader who holds a masters degree and has been leading for 20 years "typically" is at an elevated level of an organization, compared to a leader who is 22, holds a bachelors degree and who is in her/his first year as a leader. More times than not, the followers who work directly for the 20 year veteran are also likely to have many years of leadership experience, advanced education, and so forth (Hang, van den Brink, & Groot, 2009). Conversely, the followers of the younger, new leader, more than likely hold educational credentials of college or less and have more than likely had limited leadership experiences themselves (Ng & Feldman, 2010; Reeves, Culbreth, & Greene, 1997). These co-variations between leader and follower demographics can be, to some degree, controlled for statistically,

but a large number of other-than- leader types of studies do not report the results of the many spurious follower variables that might influence ratings of the leader.

A third type of study is often called *Implicit Leadership*. In this type of study, no "actual" leader is rated. Rather, the concept of desired or outstanding *leadership* is measured. In these types of studies, participants complete a survey concerning their prototypes of what constitutes outstanding leadership. There may be a second instrument, such as personality, as well, in order to look at associations between the second construct and participants' implicit views of what constitutes outstanding leadership, or the leadership scores obtained may be analyzed for participant demographics.

To date, the largest study of implicit leadership was the GLOBE Research Project (House, Hanges, Ruiz-Quintanilla, Dorfman, Javidan, & Gupta, 2004). This study surveyed over 17,000 participants worldwide about what contributed to the participants' concepts of outstanding leadership. The 17,000 participants were from 62 countries/societies.

The primary focus of the GLOBE study was to analyze how cultural preferences predicted leadership preferences. While the study added significantly to the body of literature related to implicit leadership, the study did not report how participants' gender and education moderated their views of leadership. The present study builds upon the findings of the GLOBE Study by analyzing how participant variables of education, gender, age and leadership experience impact implicit leadership views.

PREVIOUS STUDIES

Project GLOBE

Although the pioneering work of Geert Hofstede in measuring the dimensions of leadership is seminal, over the last decade, a global study of culture and leadership in 62 societies has been published as Project GLOBE (House, Hanges, Javidan, Dorfman, & Gupta, 2004, p. xv). The Global Leadership and Organizational Behavior Effectiveness (GLOBE) Project consisted of 17,370 middle managers from 951 organizations in three industries (finance, food processing, and telecommunications), making it the "most ambitious and large-scale international management research project that has ever been taken" (Morrison, 2000, p. 126; Leung, 2008, p. xiii). Its goal was to propose and validate an integrated theory of the relationship between culture and societal, organizational, and leadership effectiveness.

As defined by Project GLOBE, leadership is "the ability to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members" (House, Javidan, Dorfman, & de Luque, 2006, p. 102; Graen, 2006). Empirical evidence indicates that leader attributes, behavior, status, and influence vary as a result of the cultural forces in the countries or regions where leaders work. In addition, leadership differences may be the result of a person's implicit assumptions regarding requisite leadership qualities. This assumption, developed by Lord and Maher (1991), would eventually come to be known as the implicit leadership theory (ILT) and helped guide the GLOBE research project. Using the implicit leadership theory, the GLOBE researchers set out to show that societal and organizational culture influences the type of leadership found to be acceptable

and effective by people within that culture. Project GLOBE initially began with 21 primary dimensions of outstanding leadership that were subsequently reduced to six global leadership dimensions, which have come to be referred to as the culturally endorsed implicit leadership theory (CLT) behaviors (Javidan, Dorfman, Howell, & Hanges, 2010). These six leadership dimensions, which include team-oriented leadership, charismatic leadership, humane-oriented leadership, self-protective leadership, participative leadership, and the autonomous leadership style, reflect the ways in which managers worldwide differentiate between effective and ineffective leadership. Additionally, the data from this research also help present which leadership attributes are globally regarded as positive and negative, and which differ from one societal culture to another.

Culture and Leadership

In this age of globalization, one of the most important challenges that face organizations is acknowledging and appreciating the different cultural values and practices that exist in different parts of the world. In addition to its research on leadership, the GLOBE research project contains crucially important findings for the cross-cultural field, particularly with the two aspects of culture that are frequently discussed in literature: generalizable cultural aspects that are common to all cultures to some extent and culturally specific aspects that occur in only some cultures and are not comparable across all cultures. The GLOBE research provided empirical findings of the nine cultural dimensions (performance orientation, future orientation, gender egalitarianism, assertiveness, individualism, collectivism, power distance, humane orientation, and uncertainty avoidance, House et al., 2004). Each cultural dimension was measured from two perspectives and at two levels; the extent to which they *valued* each of the nine cultural dimensions, followed by the extent to which they *practiced* each of the nine cultural dimensions.

As defined by Project GLOBE, culture is "shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generations" (House et al., 2004, p. 15). The findings in Project GLOBE help identify the significant differences in values and practices for each of the nine cultural dimensions among the following ten global societal clusters; Eastern Europe, Latin America, Latin Europe, Confucian Asia, Nordic Europe, Anglo, Sub-Saharan Africa, Southern Asia, Germanic Europe, and the Middle East (House et al., 2004, p. 494-495).

Gender and Leadership

Elsesser and Lever (2011) analyzed responses from 60,470 women and men who participated in a survey on the MSNBC web site. Among the findings were that men judged their female bosses slightly more favorably than their male bosses, and women judged male bosses slightly more favorably than their female bosses. When analyzing the relationships for leader sensitivity, no differences were found in the relationship quality of sensitive male and female bosses. Direct male bosses, however, had better relationships with their subordinates than direct female bosses. No differences in the relationship quality between bosses and

followers were found for bosses judged to be highly competent as a result of the gender of the highly competent boss. However, male bosses considered to be low on competence had better relationships with their followers than female bosses considered to be low on competence.

In the seminal meta-analysis of gender and leadership, Eagly, Johannesen-Schmidt and van Engen (2003) meta-analyzed 45 studies which compared men and woman on measures of transformational, transactional, and laissez-faire (passive-avoidant) leadership styles. The studies were conducted with people occupying leadership roles who were rated by their subordinates, peers, and superiors using the *Multifactor Leadership Questionnaire*. The results of the meta-analysis revealed that female leaders were more transformational and scored higher on the subscales of charisma, idealized influence, inspirational motivation, intellectual stimulation, and individual consideration than their male counterparts. Female leaders also scored higher than males on the first subscale of transactional leadership, contingent reward. Male leaders scored higher on the subscales of management by exception active and management by exception passive. The study also found that women surpassed men in areas of leadership styles that were positively related to effectiveness while men's leadership styles had a negative relationship to follower effectiveness.

Age and Leadership

While there are many studies that report leadership style and age, the vast majority of those studies are leader self-assessment studies in which leaders report how they believe they lead, rather than studies in which followers actually rate their leaders. Several, large sample studies, however, in which the leadership ratings are those of the followers do exist (Ng & Feldman, 2010). The overall findings of this body of literature seem almost stereotypical. Older leaders tend to be rated higher on dimensions of leadership, such as being calm, conservative, considerate, cooperative, and deferent to authority. Younger leaders tend to be rated higher on being energetic, exciting, and friendly, but tend to emphasize short-term results, have a production focus, and are somewhat self-focused.

In one of the largest studies performed, Sessa, Kabacof, Deal and Brown (2007) analyzed 79,866 direct report ratings of leaders using the *Leadership Effectiveness Analysis* instrument. Participants came from more than 6,000 North American companies in 23 industries across 48 states. Older leaders were rated as more calm and as using a more considered approach that draws on the skills and abilities of others. Younger leaders were rated as more energetic. They were also seen as focused on attaining short-term results and were more self-centered.

Kabacoff and Stoffey (2001) administered the *Leadership Effectiveness Analysis* to 640 managers in the 25 – 35 year range and 640 managers in the 45 – 55 year range. Each manager underwent 360-degree evaluations from followers, peers and supervisors. Participants were from 282 North American companies. Older managers were rated higher on leadership that emphasized being conservative, practicing restraint, cooperation and deference to authority. Younger leaders were rated higher on strategic thinking, excitement, having a tactical, management focus and emphasizing production.

In a study of 285 team members and 21 team supervisors in the pharmaceutical industry, Kearney and Gebert (2008) found that the relationship between transformational leadership and team performance was positive when the leader was older than the other team members, but non-significant when the leader's age was closer to the mean age of the team members

Barbuto, Fritz, Matkin and Marx (2007) used the *Multifactor Leadership Questionnaire* with 234 followers of 56 leaders from a variety of organizations. The 46+ age group was rated the highest for transformational leadership including the subscales of idealized influence, intellectual stimulation, individualized consideration, and effectiveness. The lowest ratings were given to the 36–45 age groups for intellectual stimulation and individualized consideration.

Gilbert, Collins, and Brenner (1990) asked 1,634 employees to rate their immediate supervisors on 12 dimensions of leadership. Significance for leader age was only found on four of the 12 dimensions. Older leaders tended to delegate more effectively than younger leaders, while younger leaders were rated higher in the leadership dimensions of being a calming influence, being friendly and enjoyable.

Experience and Leadership

The literature on experience is mixed. Several studies have found no relationship between leadership experience and ratings of leadership. Laurent and Bradney (2007), for example, in a study of 238 athletic training leaders, found no relationship between years of leadership experience and any of the five measures of the *Leadership Practices Inventory*. Corona (2010) found no relationship between years of professional experience, and emotional intelligence among a population of 103 individuals from a national Hispanic American business organization. In a study of 870 elementary school principals. Eren and Kurt (2011) found no relationship between the experience of the principals and their technological leadership behaviors. Juras and Hinson (2008) analyzed differences in financial performance of top performing and worst performing bank holding companies as a result of a series of board of directors' characteristics. No differences were found in the companies' Return on Assets or Return on Equity as a result of the average tenure of the board of directors of the companies.

Other studies have found limited relationships between experience and leadership. In a meta-analysis of 64 independent samples representing 10,884 leader-member dyads, Sin, Nahrgang, and Morgenson (2009) found that the length of the leader-follower relationship was positively related to leader-member-exchange (LMX) loyalty, but unrelated to LMX affect, contribution and professionalism. In a study of 3,900 teachers from 81 schools, Williams (2009) found that the tenure of the principal was unrelated to student achievement, negatively related to the number of disciplinary incidents on campus and positively related to campus culture. Ejaz, Rehman, and Zaheer (2009), in a study of 93 respondents from the Pakistani banking system, found that experience was positively related to the leadership dimensions of developing others, developing self, supporting team, pursuit of excellence and accountability

but was not related to the leader's ability to identify follower pain, business acumen, commitment or interpersonal skills.

PARTICIPANTS

In this study, 852 working adults completed the *GLOBE Research Questionnaire*. Participants were recruited from a variety of social networking sites. There were 260 male and 592 female participants. The participants' ages ranged from 21 to 72 with a mean of 43. Management or leadership ranged from 0 to 36 years. The mode was 1 year of experience, the median was 3, and the mean was 5.

INSTRUMENT

The instrument used was the *Project GLOBE Leadership Questionnaire*. This instrument has been used by over 20,000 participants worldwide. To develop the instrument, two empirical pilot studies were conducted in 28 countries to assess the psychometric properties. In the first pilot study, the survey was distributed in 28 countries to people who had full-time working experience as a white-collar employee or manager. Exploratory factor analysis, aggregation analysis, reliability analysis, and intra-class correlations were then conducted on the results of the surveys. A second pilot study was conducted in 15 countries that did not participate in the first pilot study in order to replicate the scales in a different sample. The results confirmed the findings from the first pilot study and verified through aggregation tests their target level of analysis.

The instrument consists of 112 questions. For each question, the participant is asked to rate to what degree that behavior or characteristic inhibits or contributes to outstanding leadership. The rating scale ranges from one to seven. The instrument measures six second-order dimensions of leadership and nine dimensions of culture.

CONSTRUCTS MEASURED

Power distance: The degree to which members of a collective expect power to be distributed equally. Followers are (should be) expected to obey their leaders without question.

Uncertainty avoidance: The extent to which a society, organization, or group relies on social norms, rules & procedures to alleviate unpredictability of future events. Most people lead (should lead) highly structured lives with few unexpected events.

Humane orientation: The degree to which a collective encourages & rewards individuals for being fair, altruistic, generous, caring and kind to others. People are generally (should be generally) very tolerant of mistakes. Aging parents generally live (should live) at home with their children.

Institutional Collectivism: The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action Leaders encourage (should encourage) group loyalty even if individual goals suffer.

In-Group Collectivism: The degree to which individuals express pride, loyalty and cohesiveness in their organizations or families. Aging parents generally live (should live) at home with their children.

Assertiveness: The degree to which individuals are assertive, dominant and demanding in their relationships with others. People are (should be) generally dominant.

Gender egalitarianism: The degree to which a collective minimizes gender inequality. Boys are encouraged (should be encouraged) more than girls to attain a higher education. (Scored inversely.)

Future orientation: The extent to which a collective encourages future-oriented behaviors such as delaying gratification, planning & investing in the future. More people live (should live) for the present than for the future. (Scored inversely.)

Performance orientation: The degree to which a collective encourages & reward group members for performance improvement & excellence. Students are encouraged (should be encouraged) to strive for continuously improved performance

Charismatic/value-based leadership – ability to inspire, to motivate, and to expect high performance outcomes from others based on firmly held core values.

Team-oriented leadership – emphasizes effective team building and implementation of a common purpose or goal among team members.

METHOD

In this analysis, the two dimensions of leadership valued worldwide – charismatic/value based leadership and team-oriented leadership – were used as dependent variables. Two separate multiple regressions were run using the nine cultural preferences as primary predictor variables and the participants' age, gender and years of leadership experiences as control variables.

RESULTS

Predictors of Preference for Charismatic/Value Based Leadership

The control variables of age, gender and years of management experience were entered as block one in the regression, using the stepwise method. None of the control variables were significant predictors. Block two contained the nine ratings of organizational cultural preference. As shown in Table 1, using the stepwise method, six cultural preferences were significant.
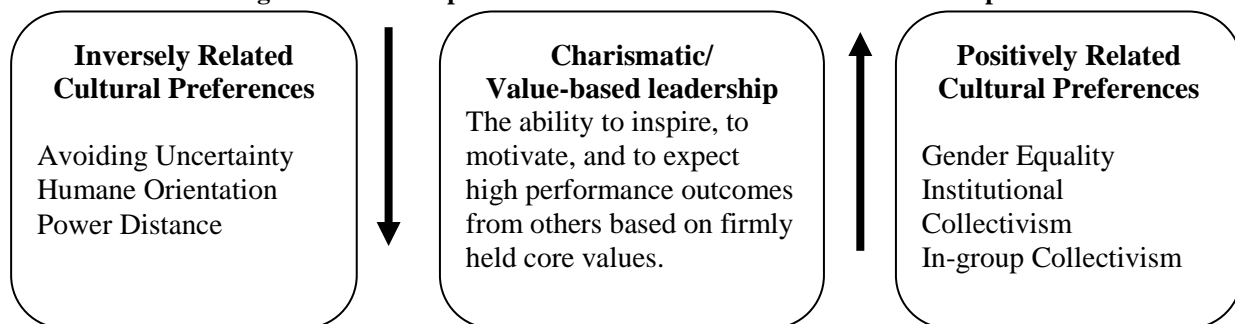
Table 1
CULTURE PREDICTING LEADERSHIP
Results of Multiple Regression for Charismatic/Value Based Leadership

Model	R	R Square	R Square Change	F Change	Sig. F Change	Beta Weight	Partial Correlation
1 GE	.163[a]	.026	.026	20.732	.000	.132	.126
2 UA	.228[b]	.052	.026	20.594	.000	-.155	-.140
3 IGC	.242[c]	.059	.007	5.256	.022	.230	.151
4 HO	.294[d]	.087	.028	23.304	.000	-.305	-.199
5 PD	.308[e]	.095	.008	7.088	.008	-.122	-.112
6 INC	.317[f]	.100	.005	4.485	.035	.083	.077

Predictors: 1) Gender Egalitarianism (GE), 2) GE, Uncertainty Avoidance (UA), 3) GE, UA, In-Group Collectivism (IGC), 4) GE, UA, IGC, Humane-Orientation (HO), 5) GE, UA, IGC, HO, Power Distance (PD), 6) GE, UA, IGC, HO, PD, Institutional Collectivism (INC)

Using both the beta weights and partial correlations for interpretation, the more the respondents wanted their workplace culture to emphasize gender equality, express pride, loyalty and cohesiveness in their organizations and reward collective distribution of resources and action collective action, the more they wanted a charismatic leader who inspires, motivates, and expects high performance outcomes from others based on firmly held core values and a team oriented leader who emphasizes effective team building and implementation of a common purpose or goal among team members

The more the respondents wanted their workplace culture to rely on social norms, rules and procedures to alleviate unpredictability of future events; to encourage and rewards individuals for being fair, altruistic, generous, caring and kind to others; and for power to be distributed equally the less they wanted a charismatic leader.

Figure 1. Cultural predictors of charismatic/value-based leadership.

Inversely Related Cultural Preferences	**Charismatic/ Value-based leadership** The ability to inspire, to motivate, and to expect high performance outcomes from others based on firmly held core values.	**Positively Related Cultural Preferences**
Avoiding Uncertainty Humane Orientation Power Distance		Gender Equality Institutional Collectivism In-group Collectivism

Predictors of Preference for Team-Oriented Leadership

The control variables of gender was a significant predictor of preference for Team-Oriented leadership ($R^2 = .01$, $p = .03$). Female participants ($M = 5.86$) rated team oriented leadership as slightly more important to being an outstanding leader than did male participants ($M =$

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5.72). As shown in Table 2, using the stepwise method, seven cultural preferences were significant.

Model	R	R Square	R Square Change	F Change	Sig. F Change	Beta Weight	Partial Correlation
			Table 2				
			CULTURE PREDICTING LEADERSHIP				
			Results of Multiple Regression for Team-Oriented Leadership				
1 G	.089[a]	.008	.008	6.115	.014	.031	.032
2 GE	.180[b]	.033	.025	19.359	.000	.108	.101
3 UA	.216[c]	.047	.014	11.288	.001	-.130	-.118
4 INC	.243[d]	.059	.012	9.941	.002	.311	.182
5 PO	.274[e]	.075	.016	13.356	.000	-.182	-.097
6 PD	.293[f]	.086	.010	8.517	.004	-.125	-.116
7 AS	.301[g]	.091	.005	4.259	.039	.079	.080
8 HO	.310[h]	.096	.005	4.474	.035	-.135	-.077

Predictors: 1) Gender (G), 2) G, Gender Egalitarianism (GE), 3) G, GE, Uncertainty Avoidance (UA), 4) G, GE, UA, Institutional Collectivism (INC), 5) G, GE, UA, INC, Performance Orientation (PO), 6) G, GE, UA, INC, PO, Power Distance (PD), 7) G, GE, UA, INC, PO, PD, Assertiveness (AS), 6) G, GE, UA, INC, PO, PD, AS, Humane-Orientation (HO)

Using both the beta weights and partial correlations for interpretation, the more the respondents wanted their workplace culture to emphasize gender equality, reward collective distribution of resources and collective action, and are assertive, dominant and demanding in their relationships with others the more they wanted a team-oriented leader who emphasizes effective team building and implementation of a common purpose or goal among team members.

The more the respondents wanted their workplace culture to rely on social norms, rules and procedures to alleviate unpredictability of future events; to encourage and rewards individuals for being fair, altruistic, generous, caring and kind to others; to reward group members for performance improvement and excellence; and for power to be distributed equally the less they wanted a team oriented leader.

Figure 2. Cultural predictors of team-oriented leadership.

Inversely Related Cultural Preferences Avoiding Uncertainty Performance Orientation Humane Orientation Power Distance	**Team-oriented Leadership** Emphasizes effective team building and implementation of a common purpose or goal among team members	**Positively Related Cultural Preferences** Gender Equality Institutional Collectivism Assertiveness
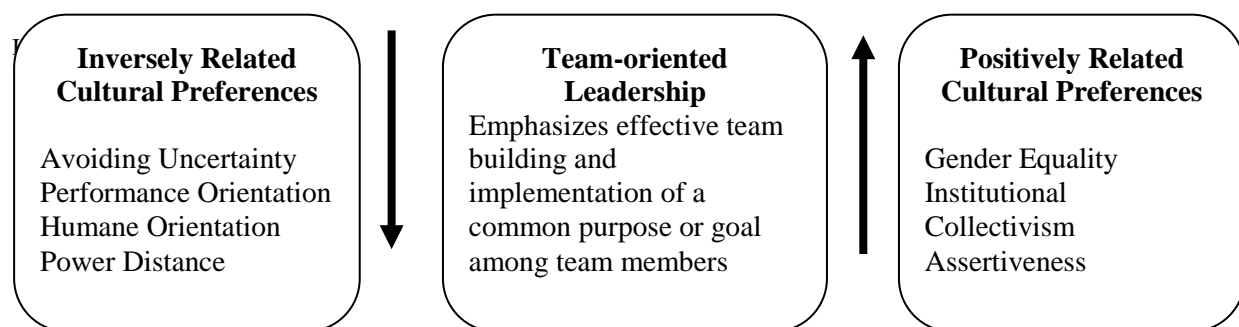
DISCUSSION

Results of the predictors of preference for charismatic leadership indicated that six cultural dimensions were significantly related to charismatic/value–based leadership. Findings revealed that uncertainty avoidance, humane orientation, and power distance were inversely related, while gender egalitarianism, in-group collectivism, and institutional collectivism were positively related.

With regard to uncertainty avoidance, results indicated that the more respondent's wanted to avoid uncertainty avoidance, the less they desired a charismatic leader. In other words, the more the respondents wanted their workplace culture to rely on social norms, rules, and procedures to alleviate unpredictability of future events, the less they wanted a charismatic leader. This coincides with results of the GLOBE Study, which found charismatic leadership to be less likely to be a part of the shared leadership belief system in societies reported to espouse uncertainty avoidance values (House et al., 2004, p. 642-643).

Results indicated that the more respondents wanted a humane-oriented workplace, the less they wanted a charismatic leader. In short, the more respondents wanted their workplace culture to encourage and reward individuals for being fair, altruistic, generous, caring, and kind to others, the less they wanted a charismatic leader. These results did not coincide with results of the GLOBE Study, which showed a positive relationship where charismatic leadership was more likely to be a part of the shared leadership in organizations reported to espouse humane orientation values (House et al., 2004, p. 594). It is important to note that societal and organizational values will be more strongly related to CLT leadership dimensions than societal and organizational practices. With regard to humane orientation, all of the explained variance was associated with forces at the organizational level of analysis only. Thus, only the organizational (and not societal) humane orientation value scores were positively related to the charismatic dimension in the GLOBE Study. This may explain why our results do not match those of the GLOBE Study.

With respect to power distance, results indicated that the more respondents wanted more power distance in the workplace, the less they wanted a charismatic leader. To further enumerate, the more respondents wanted power to be distributed equally in the workplace, the less they wanted a charismatic leader. These conclusions correspond with those of the GLOBE Study, which found charismatic leadership to be part of the shared leadership belief system in societies reported to espouse power distance values (House et al., 2004, p. 552).

Concerning gender equality, the more respondents wanted their workplace to emphasize gender equality, the more they wanted a charismatic leader. These results agree with those of the GLOBE Study, which found that charismatic is more likely to be part of the shared leadership belief system in societies with high gender egalitarianism value scores (House et al., 2004, p. 382).

In relation to institutional collectivism, results indicated that the more respondents wanted a more collectivistic environment, the more they wanted a charismatic leader. In other words, the more respondents wanted their organization to express pride, loyalty, and cohesiveness, the more they wanted a charismatic leader. These results were similar to those of

the GLOBE Study, which found that charismatic leadership is more likely to contribute to effective leadership in organizations with high institutional collectivism practices and values (House et al., 2004, p. 496-497).

Lastly, in reference to in-group collectivism (individualism), results indicated that the more respondents wanted a more individualistic workplace, the more they wanted a charismatic leader. To elaborate, the more respondents wanted a workplace that rewards the collective distribution of resources and collective action, the more they wanted a charismatic leader. These results coincide with those of the GLOBE Study, which found that charismatic leadership is more likely to contribute to effective leadership in organizations with high in-group collectivism value scores (House et al., 2004, p. 498).

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THE RELATIVE VALUE RELEVANCE OF
U.S. GAAP AND IFRS

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ABSTRACT

The SEC has allowed foreign private issuers prepared under IFRS without reconciliation since November 2007 and is in the process of making a decision in 2012 mandating US issuers to adopt IFRS. This study re-investigates the usefulness of recent 20-F data on accounting based valuation models: earnings capitalization, book value of equity, and Ohlson (1995). The purpose of this study is to provide the effect of other information in 20-F captured by differences between IFRS and U.S.GAAP accounting numbers on value relevance of earnings, book value, and both. Using 35 European firms during 2006-2007 in a number of European countries and a range of industries, this study shows no value relevance of differences in earnings and book value between IFRS and U.S. GAAP. These results imply that IFRS is comparable to U.S. GAAP and the elimination of 20-F reconciliation is suitable. In addition, these findings also support the current SEC consideration of mandating US issuers to adopt IFRS.