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CONTENTS

**Craigslist in Crisis:
Issues of Censorship and Moral Panic in the
Context of Online Communities**
Jo Ann Oravec 1

**Riding On the Waves of Sustained Competitive Advantage:
Consumers’ Perspectives on Walmart Corporation**
Dr. Emmanuel Chekwa, Johanna Martin, & Kathy Wells 13

Practitioner Perspectives on Leadership in Small Business
Daniel E. Holloway & Thomas Schaefer 27

Assessing the Impact of ERP on End-User Jobs
*Tor Guimaraes, Curtis Armstrong, Jose Dutra de Oliveira Neto,
Edson Luiz Riccio, & Gilberto Madeira 37*

The Economic Determinants of Terrorism
Josephine Cruz Lugovskyy 51

**Supranational Culture II:
Comparison of Schwartz Value Survey Data against
Hofstede, GLOBE, and Minkov as
Predictors of Civilizational Affiliation**
Richard Steven Voss, Aaron D. Lucas, & Shakoora A. Ward. 63

**Digital Technology:
Transforming Lifestyles and Business Practices**
Emmanuel Chekwa & Alana Daniel 77

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CRAIGSLIST IN CRISIS: ISSUES OF CENSORSHIP AND MORAL PANIC IN THE CONTEXT OF ONLINE COMMUNITIES

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"Helping people out by doing some good has worked pretty well for us."
Craig Newmark, founder and chairman of Craigslist, quoted in Gloor (2011)

ABSTRACT

Many individuals utilize the Internet in the pursuit of activities that are morally questionable and possibly illegal as well. The activities may be as innocuous as sending nude photos to a loved one or as treacherous as child trafficking or even murder. This paper focuses on how Craigslist and related Internet platforms are construed in their roles in facilitation of such activities, providing a compendium of cases along with legal decisions. It addresses some of the decisions and pronouncements of Craig Newmark, the founder of Craigslist, concerning the role of that website in such activities. Newmark has been battered with an assortment of questions and taunts about Craigslist, including one that stated that Craigslist was in danger of becoming the "Walmart of sex trafficking." Newmark's responses to the criticisms and legal attacks upon Craigslist have provided a template for other Internet figures who encountered related tensions in the "moral panics" that subsequently confronted their own systems. The paper discusses how the social responsibilities of online service providers in relation to the various activities of their participants have been framed, describing how these obligations are constructed by some of the service providers themselves as well as in public and legal discourse. It contrasts the approach of providing a transparent and monitored public marketplace for the advertisement of legally- or ethically-problematic services with strategies that potentially could drive such solicitations underground or place them even more firmly in the hands of exploiters and opportunists.

INTRODUCTION

On September 15, 2010, Craig Newmark announced that Craigslist would no longer carry an "Adult Services" section (previously labeled as "Erotic Services") in the US. On December 22, 2010, Craigslist also dropped the Adult Services sections from Craigslist's international listings (Hennigan, 2010). Prior to these announcements, Craigslist founder and chairman Craig Newmark was barraged with an assortment of questions and attacks concerning these sections, including one from a reporter who stated that Craigslist was in danger of becoming the "Walmart of sex trafficking" (Cooper, 2010; Perer, 2012), a charge that was often repeated in the press. Beginning in 2007, Newmark faced a multi-year initiative on the part of a number of US state attorneys general and other law enforcement officials (including a county sheriff) to diminish Craigslist's role in advertising adult services.

The contexts of the above-described decisions and related attacks upon Craigslist, an online classified ad portal based in San Francisco, are in contrast with the pioneering visions of many Internet developers and promoters. In the early days of the Internet and its predecessor, Arpanet,

a number of individuals projected that the net would precipitate a future of enhanced educational opportunities and enlightened interactions among individuals (Negroponte, 1995; Oravec, 1996). Many of the early attempts to use the Internet for advertising purposes (for example, the "green card" spam on Usenet) were met with scorn (Sandberg, 1994). However, the popularity of the Internet platform Craigslist has provided an example of how more mundane applications of computer networks have often prevailed over more lofty ones over the past two decades. Placements of free or low cost classified ads for everyday products and services maintained the popularity of Craigslist for almost twenty years (since its founding in 1995). Many of Craigslist's efforts have become problematic, though; false identities, fake ads, pranks, and the potential for or manifestation of criminality have indeed occupied the time of its personnel as well as the efforts of law enforcement officials. *Wired Magazine* described the status of Craigslist in 2009 in the following terms:

So how come when you arrive at the most popular dating site in the US you find a stream of anonymous come-ons intermixed with insults, ads for prostitutes, naked pictures, and obvious scams? In

a design straight from the earliest days of the Web, miscellaneous posts compete for attention on page after page of blue links, undifferentiated by tags or ratings or even usernames. Millions of people apparently believe that love awaits here, but it is well hidden. Is this really the best we can do?

Wolf, 2009, para.1

This paper is an attempt to provide some context for the decisions made by Craigslist to remove its Adult Services sections and otherwise engage in public discourse on the difficult issues related to online criminal behavior. This paper outlines the aspects of these issues that relate to “moral panics,” phenomena that are travelling with many varieties of Internet applications and especially social media (Marwick, 2008; Oravec, 2012; 2013) as they did with other anxiety-related entities throughout history. In moral panics, intense societal focus is placed upon certain unfortunate, unsavory, or otherwise newsworthy incidents concerning an entity. In past centuries, such entities could be drug related (such as contraceptive pills) or possibly coupled with new technological or even fashion fads. The focus placed on Internet-related moral panics is often linked to larger social anxieties (for example, about sex, health, crime, or money) and has the purpose of revealing the Internet application’s weaknesses or even ending its existence. Organizational concessions in the face of moral panics (such as the one Craigslist made in 2010) are becoming common in Internet-related organizations, as outlined in this paper. Understanding moral panics can be of aid in crafting rational and appropriate policies concerning the Internet, rather than initiatives driven by fear and related opportunism.

How Craigslist is construed in its roles relating to morally questionable and illegal activities can illuminate the moral status of the Internet in everyday life as well as the problematic nature of the ethical narratives associated with the support of online activities. Craigslist is certainly associated with many positive events and encounters (as well as murders, sex trafficking, and other crimes): the documentary film *24 Hours on Craigslist* (Gibson, 2005) served to immortalize some of its everyday transactions. However, along with the sale of boats and Beanie Babies on Craigslist emerged advertising for illegal and harmful products and services of intense interest to law enforcement. Craig Newmark stated that “crooks are early adopters” (Johnson, 2011), signaling his awareness that his organization had severely negative aspects along with its positive and innovative dimensions.

CRAIGSLIST AS “SOCIAL MEDIA” AND A “NEWSPAPER KILLER”

Craigslist is a private company begun in 1995 by Craig Newmark as an electronic mail distribution list; it was incorporated in 1999. It blossomed into a classified advertisements website serving more than seventy countries and reportedly having an estimated market valuation of two billion US dollars in early 2014. Unlike many Internet ventures, its popularity has been sustained through two decades. Anderson (2014) described it as the “world’s biggest classified ads website. If you need anything from a new car to a new pet, chances are you’ll find something suitable on Craigslist” (para. 1). Craigslist has often been included in listings of the most successful Internet start-ups (Toren & Toren, 2011). Its “factsheet” page states that Craigslist is a .org rather than .com site because “It symbolizes the relatively non-commercial nature, public service mission, and non-corporate culture of craigslist” (<https://www.craigslist.org/about/factsheet>). However, Craigslist as a website can also be reached with cl.com, with “cl” a common shorthand abbreviation. Its sources of revenue are largely from paid employment advertisements in certain cities, including the San Francisco Bay Area, New York City, Los Angeles, San Diego, Boston, Seattle, Washington, DC, Chicago, Philadelphia, Orange County (California) and Portland, Oregon, as well as listings of certain kinds of apartments in New York City (PrivCo, 2014).

Craigslist’s place in the ecology of information systems has changed as the notion of “social media” has developed and expanded. Social media (often labeled as Web 2.0) are Internet platforms that afford structured means for participants to contribute information as well as consume it, linking with others for various collaborative purposes (Drucker and Gumpert, 2013). Popular social media platforms in the US currently include Facebook, Twitter, Pinterest, Myspace, Youtube and Instagram. Like these social media platforms, Craigslist has thousands of discussion areas that accommodate many political and social concerns. In the perspective of its social media affiliation, Craigslist has been labeled a “virtual community” (Schackman, 2010), although it has been widely criticized for the lack of systems for identification of participants, potentially leading to pranks and scams. Long before the Internet, newspapers have recorded hundreds of cases of individuals who have impersonated another individual and offered items or services for sale, including sexual ones (Fahimy, 2011). However, certain Internet websites have been especially targeted for failing to control the emergence of such problems, even though the human personnel needed to monitor millions of interactions for these cases would be enormous and machine-level surveillance

not yet sufficiently sensitive. Some of the Internet classified ad platforms that emerged after Craigslist developed other, related approaches to the formation of community, such as Nextdoor.com, which requires that individuals are associated with a physical location that is linked to the virtual location being created online (Madsen *et al.*, 2014) and Oodle.com, which requires individuals to register for the site using their Facebook accounts or other identification.

The advent of social media was met with a great deal of social anxiety as the secrets of family members were revealed online, as individuals were bullied or harassed, or as other forms of upsetting behavior emerged (Oravec, 2012). Public attention toward social media as a category since 2005 intensified the scrutiny under which the behavior of Craigslist participants was viewed. Craigslist indeed was a successful entity before the category of social media solidified; it fulfilled many of the same functions of providing widely-accessible spaces for the production and consumption of Internet content. Craigslist’s role in the various moral panics involving social media is not diminishing despite the decision described at the beginning of the paper, as narratives that identify a particular killer, thief, or rapist as a “Craigslist” criminal still fill the Internet and broadcast media.

Craigslist indeed has a place in the ecology of social media; it also holds a place in relation to classified ads and the newspaper industry. Craigslist has had a rocky relationship with the newspaper industry for nearly two decades. Newspapers have been long-standing defenders of freedom of speech; however, many newspaper owners and employees have criticized Craigslist, even to the point of labeling it as a “newspaper killer” (Hau, 2006). This struggle between Craigslist (with free ads) and newspapers (generally charging for ads) is potentially linked to the kinds of support (or lack thereof) that Craigslist has received for its censorship-related struggles. The overall impact that Craigslist has had on the newspaper industry has been characterized in nearly apocalyptic terms, with Hirschorn (2009) referring to the “end times” for newspapers. Hoderne (2009) posed the question “Is there life after newspapers?” Consider the classified advertisement section of the local print or electronic newspaper. It provides a steady stream of revenue as well as a local community grounding for the paper. The issue of whether or to what extent Craigslist has indeed affected the newspaper industry has been the topic of a great deal of recent economic and social research. Many other aspects of the economy are related to the decline of the newspaper industry, with the price of newsprint among them (Jelter, 2008).

Part of Craigslist’s overall appeal has been its longevity and consistency in style over its lifetime. Craigslist’s per-

sistence in the face of pressure to change (with the exception of its 2010 decision about adult services) is expressed in its user interface and overall manner of doing business, which have been altered relatively little in the past decades:

Despite its popularity, this well-known website has not made any significant changes to its user interface since the turn of the century. Even in the face of criticism and vibrant discourse on the subject from online commentators regarding its resistance to innovation, craigslist trudges along with its same tried-and-true methods (though there is some suggestion that it may finally give in to pressure).

Davis, 2013, page 379

Amazon.com’s Marketplace and eBay both provide comparable services to Craigslist, creating a centralized, searchable compendium of services, rentals, and sales. However, in contrast with Craigslist, both of these entities have undergone major website transitions and have actively sought various ways of monetizing their services more effectively. In 2008, EBay owned a twenty-five percent share in Craigslist, acquired as a result of the sale of stock of a former part-owner of Craigslist; the shares were reportedly diluted to around ten percent. EBay’s frustration with the methods through which Craigslist does business was manifest in legal action against it, countered by Craigslist’s own suit (“Craigslist strikes back,” 2008). Newmark and Jim Buckmaster, Craigslist’s CEO, reportedly are the other two major owners of Craigslist (a private company); as a consequence, Craigslist did not substantially adjust its ways of doing business in response to these disagreements.

THE “CRAIG” OF CRAIGSLIST: CRAIG NEWMARK

The fact that a single individual has been strongly associated with Craigslist for the past decades can be linked with the extent and quality of public discourse about Craigslist. Craig Newmark is a self-described “nerd,” explaining his approach to the Internet in the following terms:

I am still a nerd at heart, but in ways I think are good, in that when you grow up as a nerd, you do remember what it feels like a little to be left out. In turning that around, it reminds you that the Internet includes, or potentially includes, everyone.

Newark quoted in Freese, 2011

Newmark has a propensity to focus upon technical topics (such as the design of online reputation systems) as well as various social and environmental causes that “potentially include everyone.” Newmark has openly rejected offers of millions of dollars for the purchase of Craigslist, preferring to keep most of its services free and open to the public (Toren & Toren, 2011). His 1997 decision to go against the advice of Microsoft Corporation and refrain from placing banner ads on Craigslist is described by Craigslist as pivotal in its overall corporate strategy and identity (Carney, 2007). In an era in which the mobile messaging service Whatsapp was bought by Facebook for nineteen billion dollars (Goldman, 2014), the ability of Craigslist to eschew monetary payoffs for the rewards gained from public service is notable. Newmark is quoted as stating, “The stuff that works best is driven by passion rather than dollars” (Toren & Toren, 2011).

Craigslist is not entirely being steered by Craig Newmark, despite the name of the service. The current president and CEO of Craigslist is Jim Buckmaster, who played a pivotal role in defending Craigslist during its Adult Services turmoil in 2010 (Buckmaster, 2010). Newmark describes his relationship with Buckmaster in the following way:

In 1995 I started helping my friends out by putting stuff together online about events in San Francisco. That project became craigslist – but who knew? Now we’re one of the 10 most-visited English language web platforms on the planet. Really not because of me, I’m really bad at business stuff, but because at least I was smart enough to hire Jim Buckmaster to run the biz and I mostly got out of the way.

<http://craigconnects.org/about>

Newmark often describes his own primary role at Craigslist as “customer service” (<http://digitalcommons.law.scu.edu/highchevents/newmark/conversation/1/>).

Craig Newmark was born on December 6, 1952 in Morristown, NJ. He earned a BS (1975) and MS (1977) in Computer Sciences at Case Western Reserve University. Newmark served as an employee at IBM for seventeen years and also worked at Charles Schwab, Bank of America, and other firms before founding Craigslist.

The figure of Craig Newmark as founder of Craigslist has played a considerable role in how discourse concerning the “Adult Services” issues evolved. Newmark himself became a direct target of criticism of such groups as the Polaris Project, FAIR Fund, Courtney’s House, and Rebecca Project for Human Rights, with his name often invoked in their tirades against adult services:

Where is your outrage? Craig, if this were a bar

and children were being raped in the basement we would close the bar down to protect the children. We are asking you to do what’s right, close down the adult services section until you have an effective solution that ensures children will not be bought and sold online.

Saar (2010)

The celebrity image of Craig Newark has provided problems as well as benefits for Craigslist. A celebrity ambush-style interview by reporter Amber Lyon of CNN included the question “Is Craigslist the Walmart of child sex trade?” followed by a Craig Newark quotation that was disseminated in dozens of formats: Newmark claimed that Craigslist did “more than anyone” to combat inappropriate postings on its site (*The Week* Staff, 2010). Newmark has still persisted in his charitable and philanthropic work, sometimes choosing among various causes enigmatically (such as his offer to donate one dollar to the Nature Conservancy for each tweet concerning squirrels (Dugan, 2012). In 2011, after the Adult Services decision, Newmark launched craigconnects.org to “connect the world for the common good” (<https://www.craigslist.org/about/factsheet>, 2014). His blog posts and public commentaries on books and various public issues are consistently prolific. However, without the streams of negative personal attacks, his potential for making a difference philanthropically might have been greater.

MORAL PANICS... AND ORGANIZATIONAL RESPONSES AND CONCESSIONS

Craigslist has often been linked in newspapers and broadcast media with the various crimes and questionable moral behaviors of its users, with the description of “a cesspool of crime” applied in a 2011 headline in the *International Business Times* (Bercovici, 2011). The label of the “Craigslist Killer” or “Craigslist Rapist” has been variously applied to an assortment of unfortunate incidents and tremendous amounts of negative coverage in newspapers and broadcast journalism. The decision to remove the Adult Services section was precipitated by this negative publicity as well as many months of interaction with law enforcement, social welfare groups, and politicians. The “Adult Services” section had previously been named “Erotic Services”; in 2009, the name was changed and the oversight of the section by Craigslist personnel had increased dramatically. Craigslist issued the following statement comparing Craigslist-related crime to crime associated with other communications contexts:

Unsurprisingly, but completely contrary to some of the sensationalistic journalism we’ve

seen these past few weeks, the record is clear that use of Craigslist classifieds is associated with far lower rates of violent crime than print classifieds, let alone rates of violent crime pertaining to American society as a whole.

“Craigslist gets rid,” 2009

A joint action by state attorneys general was a major precipitating effect in Craigslist’s decision to move from “Erotic” to “Adult.” New York’s Attorney General in 2009 was Andrew M. Cuomo, who did not appreciate Craigslist making this move without consulting with the attorneys general:

“Several weeks ago, we informed Craigslist of an impending criminal case that implicated its Web site,” said New York Attorney General Andrew M. Cuomo in a statement. “Rather than work with this office to prevent further abuses, in the middle of the night, Craigslist took unilateral action which we suspect will prove to be half-baked.”

“Craigslist gets rid,” 2009

Other law enforcement officials joined the attack against Craigslist. Cook County’s (Illinois) Sheriff Tom Dart declared that Craigslist is the “largest source of prostitution” and filed a lawsuit against it (“Sheriff sues Craigslist,” 2009); a judge threw out Dart’s case with Section 230 immunity as the standard (Dixon, 2013). Section 230(c)(1) of the 1996 US Communications Decency Act states that “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider,” effectively protecting Internet service providers from many forms of prosecution related to the behaviors of their clients.

The pressures under which Craigslist personnel were placed in 2009 and 2010 have been labeled as “censorship” by many, although some of the traditional defenders of those who find themselves under the attacks of censors were not as active as could be expected (with the exception of the Electronic Frontier Foundation). Newspaper and journalistic associations often jump to the defense of those who are being censored, but apparently not in this case. Online platform maintainers and newspaper editors both indeed often make judgments as to what to include in their productions; the possibility of a completely uncensored and unpatrolled forum is remote. For an editor or online platform supervisor to be pressured to remove material or otherwise modify his or her practice by outside forces runs counter to the basic notions of freedom of

expression as instituted in US contexts. Although Section 230 of the Communications Decency Act was sufficient to protect Craigslist from some of the attacks against it (as in the case of Sheriff Dart), the efforts to present strong legal defenses in the face of collaborative (and often creative) efforts from state attorneys general and other legal forces can indeed deplete the funding and drain the psychological resources of organizations. Craigslist was under strong pressure to provide some sort of a concession to these forces and it did, both in 2009 (with its movement from “Erotic Services” to “Adult Services”) and in 2010 (with its removal of an “Adult Services” category).

Efforts by Craigslist to patrol the Adult Services site were deemed not sufficient to counter its inherent problems. Craigslist CEO Buckmaster outlined this multi-step system through which Craigslist monitored the Adult Services section in 2009 and 2010:

Indeed, to our knowledge, only Craigslist, out of countless venues, takes any of the following measures, let alone all of them:

- Educating and encouraging users to report trafficking and exploitation
- Prominently featuring anti-trafficking and exploitation resources
- Creating specialized search interfaces for law enforcement
- Providing support for law enforcement anti-crime sweeps and stings
- Actively participating in the National Center for Missing and Exploited Children’s cyber-tipline program
- Leading all awareness efforts for the National Trafficking Hotline
- Meeting regularly with experts at nonprofits and in law enforcement
- Manually reviewing every adult service ad before posting
- Requiring phone verification for every adult service ad
- Implementing the PICS content labeling system.

Last year, we began manual screening of each adult services ad before its posting, and those unwilling to conform to Craigslist’s standards left in droves for the many venues that do not screen ads. This migration is a matter of public record.

Buckmaster, 2010, para. 4

Also in defense of Craigslist’s Adult Services approach, McKenzie (2011) outlined the following odds:

There’s the catch: Look at enough face-to-face interactions, and you’re going to find a certain amount of crime. It’s true whether you’re doing a deal on Craigslist or walking to the corner store for a six-pack...

Since they won’t do it, I will:

- The number of Craigslist postings last year in North America: 573 million.
- The percentage of those posts associated with serious crimes: 0.00005 percent.
- Your odds of picking a random Craigslist post associated with one of those crimes: 1 in 2 million.
- Your odds of being killed on an airplane: about 1 in 844,000.

McKenzie (2011)

In 2010, Newmark claimed Craigslist was adopting a more precautionary approach and took more preventive measures to deal with the problems involving adult service advertisements than any other website dealing with such content (Ross, 2012; Adelson, 2013).

What happened to Craigslist in terms of moral panic can be expected to happen again, either to itself or to comparable social media platforms. As new forms of social media are designed (which happens quite often as ideas for social interaction emerge), moral panics that are rooted in their various contexts and affordances often materialize as well (Marwick, 2008). Such panics often proliferate in circumstances of high levels of public anxiety and change, with the advent of the Internet a good example. Characterizations of “Snapchat cyberbullies,” “Facebook catfishers,” and related villains have figured prominently in news coverage as well as television shows and movies. For example, one of the “Craigslist killers” activities was described in the following terms:

On April 14, 2009, Julissa Brisman was shot to death in an expensive Boston hotel.”The now infamous Philip Markoff-allegedly her murderer—was first put in contact with Brisman through an online ad in the “Erotic Services” section of the popular website Craigslist.

Larkin (2010)

The categories of moral panics that are associated with social media are expanding, benefiting from the affordances of the Internet for connection in various ways. Varieties that are especially interesting to a general audience are emerging in the press and broadcast news services, promoted by journalists and public relations professionals who often coin or at least disseminate a clever name for a particular incident, problem, or syndrome. For example, a recent surge of “sugar dating” has reportedly occurred (Miller, 2012), with younger individuals being treated to dinners and gifts by older, wealthier individuals through connections established online. The notion of “robbery by appointment” (Lee, 2012) emerged as individuals who leave information about the potential sale of goods on Craigslist find that their houses or apartments are subsequently robbed. A *Wall Street Journal* front page story entitled “Nude Webcams and Diet Drugs: the Facebook Ads Teens Aren’t Supposed to See” features a number of online advertisements that reportedly incorporated Facebook-derived pictures of underaged youths. The ads “highlight Facebook Inc.’s challenge in policing a social network that has more than a billion users and a million advertisers” (Elder, 2014) Facebook’s ultimate response to this challenge is still in process.

Moral panics have often been used as dramatic themes in television, film, and print genres. The “Boston Strangler” (a frequent topic of discussion and dramatic treatment) located victims long before the Internet became a factor in communications (Sherman, 2003). However, books such as *Online Killers: Portraits of Murderers, Cannibals and Sex Predators Who Stalked the Web for Their Victims* (Barry-Dee & Morris, 2010) and *The Craigslist Murders* (Cullerton, 2011) frame the various crimes described squarely in terms of their relationship to the Internet. In the moral panic framework, the anxieties that the public may have felt about the Internet were focused into some scripted linkages between particular Internet platforms and particular crimes. Craigslist is indeed not the only Internet site to have ties to unfortunate circumstances and suffer losses as a result: the “Myspace killer” (Angwin, 2008; Marwick, 2008) provided considerable turmoil and consequent damage for an already challenged organization.

CREATING PUBLIC KARMA: CRAIGSLIST’S FOUNDATIONS AND PROJECTS

Craig Newmark has often promoted the idea that “public karma” in the form of online reputation building over time, reportedly stating that “trust is the new black” (Smith, 2010). Newmark’s intense personal and technical interest in the topic of reputation has extended to the in-

formation science study of how reputation systems can be implemented online (Masum & Tovey, 2012). Newmark projects that such reputation building will be a source of personal and organizational power beyond charisma, monetary resources, and political clout. His basic notions of reputation and trust development were outlined in his forward to a volume by Masum & Tovey (2012) and other writings; they may have moved him to attempt to engineer a solution to Craigslist’s Erotic Services/Adult Services transition, with the notion that reputation and trust are built slowly over time by incremental actions recognized by and remarked about by community members. Rather than conceiving of the Adult Services problem as largely related to public relations, Newmark attempted to solve it with the sophisticated, multi-dimensional approach outlined by Buckmaster in a previous section, one that involved intense levels of monitoring by community members as well as Craigslist personnel.

Newmark’s experimentation with the creation of foundations, philanthropic work, and other ways of building reputation other than his direct association with Craigslist operations have often been problematic. The Craigslist Foundation had a troubled existence, ultimately folding substantial funds into other charities in the past several years. Whether the Foundation was a direct attempt to counter the problems Craigslist supposedly fostered, some other non-profits were reluctant to deal with it. Reportedly, the Advocates for Human Rights (based in Minnesota) returned a check for \$25,000 from the Foundation in May 2010, creating publicity in keeping with the “moral panic” described in a previous section (Hartman, 2010).

However appropriate or effective the specific attacks upon Craigslist from a human rights perspective, the openness and transparency with which Craigslist often attempts to handle problematic materials and possibly-troubled individuals can have strong societal uses. Craigslist has assisted in the detective efforts involved with a number of criminal investigations, providing a “public perch from which law enforcement can watch without being seen” (Adelson, 2013). Craigslist has also been instrumental in various online public health information initiatives (Oravec, 2001). For instance, Worthen (2013) describes how Craigslist is being employed for recruitment of subjects for important health research studies dealing with stigmatized groups.

Along with revealing various forms of anti-social behavior in society, Craigslist has also been associated with the more laudable sides of human nature. For example, the documentary *Craigslist Joe* (2013) describes a thirty-one day adventure of Joseph Garner, who lived on the positive, philanthropic behavior of individuals he located through Craigslist. The movie served as a counterbalance to the moral panic approaches with which Craigslist is often as-

sociated. Although the movie did not fare well in terms of box office receipts, it did make some general points about the value of the virtual community supported by Craigslist. This value was underscored with a statement by Microsoft Research’s Danah Boyd (2010), who defended Craigslist against the onslaught of criticisms that lead to the removal of the Adult Services section in the following terms: “what makes Craigslist especially beloved is that it is run by people who truly want to make the world a better place and who are deeply committed to a healthy civic life.”

WEATHERING THE STORM: CRAIGSLIST AFTER THE ORGANIZATIONAL CONCESSION

The September 15, 2010 announcement by Craigslist that it would no longer have an Adult Services category in the US did not drive morally-questionable materials from the Internet; it did not even drive the materials from the Craigslist website. The largely-symbolic organizational concession by Craigslist (complete with the “censored” label over the deleted section from September 4th through the 8th of 2010) apparently served to appease temporarily the attacks of the state attorneys general who were threatening joint action against Craigslist. It also in part buffered Craigslist against the force of the moral panic that was building around it in the advent of sustained attacks by public interest groups and law enforcement. In turn, because of the concession, those attacking entities were able to walk away from the confrontations with some sort of achievement to display to their own stakeholders.

Craigslist has continued to survive if not thrive as an entity: in a highly-competitive environment in which a number of online platforms and social media systems disappeared, Craigslist’s popularity has continued. The Internet adage often associated with the Electronic Frontier Foundation’s John Gilmore that “The Net interprets censorship as damage and routes around it” is certainly applicable to Craigslist’s 2010 concession (Elmer-Dewitt, 1993). Many of the ads that would have once appeared in a personally-monitored Adult Services section have emerged elsewhere on Craigslist or on other websites. Craigslist’s overall popularity as a website did not suffer dramatically from the loss of revenue from the ads; the Adult Services ads would have gained Craigslist ten dollars for their first placement and five dollars for renewal, money that would have easily been consumed in personnel costs. The fact that Craigslist has survived despite the attempts of entities such as Wal-Mart Stores, Inc. to enter the online classified ads arena is some testimony to its overall business strategy (Talley, 2008).

The notion of an organizational “concession” in the realm of information systems may seem counter to the forms of discourse that are common with freedom of speech cases. Many reporters have gone to jail rather than reveal their sources, and a number of publishers risked their lives and livelihoods publishing materials that were somehow offensive to those in power. Craig Newmark had many people criticize his judgment in eliminating the Adult Services category from Craigslist, preferring that he continue his mode of operation without caving to pressure (including Temple, 2010). Some Internet organizations have indeed risked their existences in fighting particular legal and public policy battles: for instance, the encrypted mail service Lavabit suspended operations rather than cooperate with a US National Security Agency request (Poulsen, 2013). What might have happened if Craigslist had not conceded to the point of removing its Adult Services section? Might the legal battles that ensued produce illuminating research, clarifying discourse, and innovative solutions to the problems related to the section? Unfortunately we will not know the answers here, but can readily speculate that the problems of adult services advertisements will extend far into decades to come.

SOME REFLECTIONS AND CONCLUSIONS

Child trafficking, murder, harassment, and sex-related crimes are horrifying, and sustained law enforcement and public service efforts should be dedicated to pursuing them. However, the Craigslist Adult Services situation has demonstrated the need for proportion and sensitivity in the legal and public policy discourse concerning Internet linkage to these crimes. It also exposed the fact that US law enforcement officers, including state attorneys general as well as the Cook County Sheriff, are often enigmatic in the strength in which they pursue certain kinds of Internet-related problems. An assortment of Internet-related issues received comparable treatment as moral panics: students downloading music from Napster were levied hundreds of thousands of dollars of fines for reportedly breaking copyright laws (Patry, 2009), while the deeper issues dealing with online intellectual property rights were not given the thorough societal examination they needed. Another recent situation that ran parallel to Craigslist’s is that of the Internet activist Aaron Swartz. The outlandish threats from law enforcement officials (including many years of jail time) delivered to Aaron Swartz for the crime of downloading academic journal articles from JSTOR may have precipitated his suicide (Leopold, 2013). Developing more rational and well-metered responses to often-delicate Internet quandaries may not provide law enforcement officials with the headlines and publicity they may feel they need to maintain their offices, but could develop better solutions to many complex, emerging problems.

Placing considerable public pressures on Internet platform providers to foment change in particular areas is becoming a commonplace strategy. For example, Facebook is today encountering some of the kinds of strains faced by Craigslist in 2010: the moral panics related to gun violence have precipitated its removal of certain advertisements and postings about guns that are steered toward youth (Trowbridge, 2014). Organizations such as Moms Demand Action for Gun Sense in America and petitions on Change.org were apparently instrumental in affecting Facebook policies on this matter. Facebook’s organizational concession may allow its challengers some sense of satisfaction, whether or not it will make any progress in gun-related concerns. What makes Facebook’s recent move comparable to Craigslist’s concession is that the ad removals are primarily aimed toward materials steered toward children, a category of user that is often protected through various strategies anyway. The concession will most probably not have a large impact upon the overall streams of information concerning guns and weapon sales online to the adults who are very often the initiators of gun violence.

For almost two decades, Craigslist has had a considerable presence on the Internet. It has also attracted controversy concerning its acceptance and online publication of classified ads about certain categories of topics. Some of the controversy has apparently been stoked by its online services and newspaper competitors, as well as various public interest organizations. The consequences of Craigslist’s 2010 decision to remove the Adult Services section, a choice that did not affect positively a complex and highly-troubled situation, clearly demonstrates the need to move from Internet policies driven by moral panic to a more reasoned and thoughtful approach.

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RIDING ON THE WAVES OF SUSTAINED COMPETITIVE ADVANTAGE: CONSUMERS' PERSPECTIVES ON WALMART CORPORATION

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ABSTRACT

Sustained competitive advantage is achieved when a firm is able to consistently create more economic value than rival firms. Wal-Mart Corporation is currently riding on these waves. Economic value is simply the difference between perceived benefits gained by a customer that purchases a firm's products or services and the full economic costs of these products or services. A firm's competitive advantage can be temporary or sustained. How is Wal-Mart winning the hearts of the consumers in the United States and in many parts of the world? This study sheds light on consumers' perspectives on Wal-Mart and on how the company is achieving sustained competitive advantage in the minds of cost and value conscious consumers in the marketplace. The study argues that there are lessons to be learned by companies aspiring to emerge as global market players.

INTRODUCTION

It is no secret that Walmart's leading strategy is to sell consumer products at a lower cost than its competitors. However, recent years in the retail industry have shown that it takes more than just low prices to develop and sustain competitive advantage. Companies that manage to achieve this great feat have done so not only based on sustainable business-sense advantages but also on perceived advantages from the customer's perspective. Our paper examines the rudiments and sustainability of Wal-Mart's competitive advantage and analyzes consumer perspectives on the retail giant.

LITERATURE REVIEW

In 1962, Walmart was established in Rogers, Arkansas as a self-service discounting store by Sam Walton. Since then, Walmart has grown to be the largest retailer and largest private employer in the world with \$2.2 million employees across the globe and over 443 billion in annual revenue for the 2012 fiscal year (Duke). In an industry

characterized by intense competition and thin margins, Walmart has experienced over 50 years of continuous growth and consistently high profitability since Sam Walton opened his first store in Arkansas. During this period, Walmart has transformed itself from a discount retailer serving small towns in Arkansas and Oklahoma to, first, a national discount chain and, subsequently, to an international retailer with multiple retail formats including discount stores, warehouse clubs, supercenters, and neighborhood stores (Galaxy.com). Today the colossal corporation leads the retail industry, dominates its competitors and sustains competitive advantage on many levels.

Growing from a single operation to a world-wide industry leader cannot be obtained without sustainable competitive advantages. How does one create and sustain such advantages?

In answering this question, it is useful to think of tangible and intangible assets. Tangible assets are relatively easy to copy. If a company has computers or machines, its competitors can often copy such capabilities without much difficulty. If a company has a unique culture,

transformational leadership, superior customer service, or similar intangible assets, such benefits can serve as sources of competitive advantage that are difficult to copy and sustainable over long-periods (Dr. Eric J. Romero, 2005). Over the years, Wal-Mart has built sustained competitive advantages based on various business strategies and techniques but at the heart of it all is its product, price, place and promotion strategies.

PRODUCT

Walmart's stores boast a wealth of everyday consumer product categories including food, home & household, automotive, sporting goods, paint & hardware, stationary, and health & beauty aids.

Americans are used to being able to buy just about whatever they want whenever they want it. But this access is a relatively new phenomenon in the U.S. and across the world. "When you step in the front door of a Walmart the range of things that's available within 50 steps of you, 100 steps of you is kind of mind boggling. Fifty years ago, when Sam Walton first started, even the richest person in the world couldn't step into a room and have access to the range of products now offered by Wal-Mart (Mathews, 2012). With a product line-up that emphasizes items seldom cut from consumer budgets this sense of all-in-one shopping has become the main artery of its operations as more than 140 million Americans frequent Walmart stores across the country each week.

PRICE

From the very first store in 1962, Sam Walton's philosophy was "Always Low Prices." He knew that if he could sell products people used in their daily lives at prices just a little bit cheaper than those of the next guy, he'd be successful. That meant doing away with intermittent sales as was common in the retail industry. Instead of offering a very good deal every once in a while, he strove to offer the best possible price every day of the year. For shoppers of everyday goods like toothpaste and toilet paper, this proved an irresistible marketing strategy. The pricing scheme has become widely popular among the big-box stores that dominate the American retail sector (Mathews, 2012).

Walmart's enormous size and industry dominance allows it to benefit from economies of scale and tremendous bargaining power with its suppliers. These elements drive the force that helps sustain a pricing structure that allows it to beat competitors on many products. A key component of Walmart's pricing strategy is that product prices are not centrally set. Pricing is sensitive not only to unit costs but individual store locations as well. Various studies have found that Walmart locations next to its major

competitors (Kmart & Target) had prices roughly 1% lower. For Walmart locations separated by 4-6 miles from competitors, average prices were between 7.6% -10.4% and lower. Research has also shown that in remote locations where there is no direct competition, Walmart prices tend be 6% higher than in locations closer to its competitors. In a recent article in the Wall Street Journal, John Jannarone reports on a study which compared prices on a diverse basket of products: it found Wal-Mart is 19% more expensive than some of its competitors (Denning, 2012). Yet the Walmart reputation of the low-cost leader dominates the minds of most consumers. Over the long-term Walmart's pricing flexibility and responsiveness to customers' demand patterns are key elements that have sustained Walmart's low-price advantage.

PLACE (ENVIRONMENT)

Leadership

The importance of visionary leadership and culture in any organization cannot be overstated as these factors lay the foundation for strategy and securing competitive advantage. Transformational leadership stands at the forefront of an organization's culture. Such leadership creates an adaptive culture and flexible mindset that is sensitive to changing environments while fostering innovation and practices congruent with sustainable growth. The success of Walmart is directly linked to its leadership and culture.

Sam Walton built the company's fundamental principles on thrift and value of money. He established a culture that thrived on its attention-to-detail, and constant cost-savings that are passed directly to the consumers (Galaxy.com). This culture of continually seeking cost-savings and increased efficiency continues to be carried out in the current leadership of the company. Walmart's great leadership and an adaptive culture remain sustainable advantages for the mega-retailer because they keep the company on the forefront of the industry and are not easily duplicated.

Supply Chain / Vendor Relations

Walmart has revolutionized the way retail companies manage their supply chains in more ways than one. But perhaps the most revolutionary development Walmart instigated was the practice of unprecedented coordination with suppliers. The company shares its vast trove of real-time sales data with the firms that stock its shelves and even goes so far as to create large teams to work with partners to streamline costs (Mathews, 2012). However, Walmart's supply chain was deliberately designed to allow no single vendor to constitute more than 5% of its overall

purchase volume. Although Walmart is the top customer for many product manufacturers it has strategically been setup to not become too dependent on any one supplier.

Distribution

Walmart's distribution chain was designed to be self-reliant with about 85% of all merchandise shipped through its in-house distribution and on to its stores, while competitors supplied less than 50% of merchandise through their own distribution centers. Its distribution chain relies on the ability to get products from a distribution center to a store within 24 hours. As a result, distribution centers are generally, strategically located where they can serve up to 150+ Walmart stores within a day.

Furthermore, Wal-Mart's distribution and purchasing are driven by point-of-sale date, resulting in low inventories, few stock-outs, and few forced markdowns. Using point-of-sale, Walmart stores devote just 10% of its square footage to inventory on average, compared with an industry average of 25%. This has provided Wal-Mart unprecedented cost and distribution advantages compared with other competitors in the industry (Quang, 2011).

Data & Technology Management

Wal-Mart has always been a pioneer in using information technology to track and understand consumer behavior. Wal-Mart was the first major retailer to implement state-of-the-art information technology systems, such as Electronic Data Interchange (EDI) and Radio Frequency Identification RFID. Today Walmart is focused on building its own technology instead of buying off the shelf. "We can't do what we need to do and want to do with off-the-shelf solutions," said Neil Ashe, Walmart president and CEO of global e-commerce, speaking at a Barclay's-sponsored retail conference in New York. The chain made the decision to insource its IT development last year, and it has opened or expanded three technology centers in the past 18 months near San Francisco, Bangalore and Sao Paulo, Brazil. One of the first big projects to come from the insourcing is a proprietary search engine that has tighter integration with local stores. With it, Walmart will be able to continuously customize its search without having to wait for outsiders to develop the features it wants. There's a long-standing tension between buying and building tech in retail, and it isn't limited to e-commerce or software. Buying industry-standard products is easier and typically cheaper, but all your competitors can buy exactly the same thing, so there's no competitive advantage. On the other hand, building it yourself gives you an advantage (Hayes, 2013).

PROMOTION & GROWTH

Sam Walton built Walmart's initial growth and promotion strategy on being the low-price leader while expanding market share through store locations. Given its now large presence in the U.S., Wal-Mart has shifted its focus from expanding stores to improving store productivity. To achieve this, the retailer has been remodeling its stores and converting its discount stores into supercenters. Wal-Mart's executives have indicated that the retailer's future stores will occupy 8% less space, cost 16% less and will run more efficiently. Wal-Mart's smaller stores, called Express Stores, are one-tenth the size of a typical Wal-Mart supercenter and offer 15,000 items in comparison to 100,000 offered at a supercenter. Although their size is much smaller, Express stores offer day-to-day groceries and general merchandise. They are focused on attracting customers who shop regularly for their daily needs. Wal-Mart opened its first Express store in June 2011. Wal-Mart Express stores are generating double-digit comparable store sales growth. This is an encouraging sign for the company and will help it continue its growth in the U.S. Express Stores format can be successful in big cities, which have space constraints and where busy schedules limit many customers from driving to a supercenter.

Social Media

Wal-Mart has made strong efforts to improve its IT capabilities and has leveraged social media in order to reach its prospective customers. Its digital technology unit, @WalmartLabs, creates platforms and products around social and mobile commerce. Since its inception, @WalmartLabs has been actively scouting for acquisitions. In November 2011, it acquired Grabble, the maker of 'point of sale technology' that ties in with mobile phones. Walmart is also trying to leverage social media to drive its sales. In 2011, it partnered with Facebook and also acquired Kosmix, a social media company to promote its offerings. U.S. customers are increasingly turning to online shopping and e-commerce channels provide an incredible promotion & growth opportunity for Wal-Mart (Team, 2013).

The elements of product, price, place and promotion have laid the foundation for business strategies across the board but to sustain competitive advantage requires looking beyond these factors. In 1979, *Harvard Business Review* published "How Competitive Forces Shape Strategy" by a young economist and associate professor, Michael E. Porter. Porter identified five leading factors now known as "Porter's Five Forces" that drain profits, weaken competitive advantage and dissolve market share. These fac-

tors revolutionized the way we analyze the sustainability of competitive advantage (Porter M. E., 2008).

In analyzing the sustainability of Walmart's competitive advantages, we considered the context of Porter's Five Forces. As Porter explained there are five major competitive forces that can diminish competitive advantage:



1. **Established rivals:** Competitors in the market with well-developed strategies and business practices.
2. **Threat of new market entrants:** Aspiring entrants, armed with new capacity and hungry for market share, can intensify the investment required for you to stay in the game.
3. **Bargaining power of buyers:** Savvy customers can force down prices by playing you and your rivals against one another.
4. **Power of suppliers:** Powerful suppliers may constrain your profits if they charge higher prices.
5. **Threat of substitute products (including technology changes).** Substitute offerings can lure customers away.

By analyzing all five competitive forces, you gain a complete picture of what's influencing profitability, identify game-changing trends early on, spot ways to work around constraints and reshape the forces in your favor (Porter, 2008). In reviewing industry analysis we addressed Walmart's sustainability in terms of Porter's Five Forces:

Industry Rivalry Among time-honored Companies

In the consumer retailers sector, there are three large firms that are currently operating in the same market as Wal-Mart. These firms include Sears, Target and K Mart. Among these companies, Target is the main company

in the retail industry. Target has grown over the years in their domestic market; the company has clearly defined its niche and is very effective in implementing its business model. On the other hand, Sears and K-Mart do not present a major challenge to Wal-Mart. Looking at the industry in general, it is clear that the retail market is mature. In general, competitor rivalry is medium (Yahoo Finance, 2011).

Potential Competitors

Wal-Mart is the world's largest retail chain with revenues exceeding \$401 billion. In the US alone, the company has about 4,200 retail facilities, while 3600 stores are spread globally (Wal-Mart, 2011). Industry competition is analyzed as follows:

1. Grocers are highly likely to enter into the retail industry. This could potentially affect Wal-Mart's market share in the consumer retail sector.
2. However, looking at the entry barriers in this market, entry barriers are comparatively elevated. This is because; Wal-Mart has set-up exceptional distribution systems. This is supported by the company's locations, strong brand name, and a deep pocket that competitors and potential competitors may find hard to break.

It is clear that Walmart has an upper hand when it comes to cost over its competitors. In summary, competitors' force against Wal-Mart is medium. According to Porter (1980), a company must identify its factor of competitiveness and focus on it. For Wal-Mart, cost advantages are passed onto the consumer in terms of low prices.

The Bargaining Power of Buyers

Wal-Mart is a well-established company with stores located in major places of the world. The individual buyer does not have much bargaining power on Wal-Mart. In the past, consumer lobby groups have expressed their anger about Wal-Mart's pricing strategies. The company has also faced criticism regarding its workplace practices. As a result, consumers would opt to shop at alternative stores, however, by doing so; they lose the convenience of Wal-Mart stores.

Bargaining Power of Suppliers:

Wal-Mart enjoys a significant part of the market share. Their business is wide and hence they offer a large number of businesses to manufacturers and suppliers. This gives the company an upper hand over its suppliers. If the company just threatens to switch to an alternative supplier, it would leave the existing supplier in panic mode. In addition, Wal-Mart has the opportunity of vertically integrating.

Substitute Products

In the retail market, there are not as many substitutes who offer the weight of Walmart's low prices and convenience to consumers. Wal-Mart ensures that the customer gets what they want under one roof, as opposed to moving from one specialty store to another. The development of online stores further allows customers to gain price advantages since the lack of a physical presence and related costs allows the company to pass greater savings onto the consumer (Porter, 2000).

METHODOLOGY:

In conducting this review of Wal-Mart's sustainable competitive advantage, our research associates distributed 200 questionnaires to local business offices in the greater Birmingham (AL) metropolitan area. We collected responses from one hundred fifty (150) participants. To further develop our analysis, we also conducted an in-depth focus group with a subset of 10 survey respondents. Our examination of consumers' perspectives on Wal-Mart focused on 3 areas:

1. Reasons customer's shop or do not shop at Wal-Mart.
2. Customer opinions on Wal-Mart's prices, products, convenience, customer satisfaction, shopping experience and domination of world's retail market.
3. Customer perception of Wal-Mart's effect on shopping lifestyles, small businesses, small towns, local communities, economy and global society.

FINDINGS:

1. Reasons customer's shop or do not shop at Wal-Mart.

From the 150 responses collected in this study, ninety (90%) of the respondents stated that they shop at Walmart. When asked to verbalize the reasons they choose to shop or not shop at Walmart, the most prevalent and recurring reasons were as follows:

- Low Prices Trumps All
- Broad Selection/Variety
- One-stop shop convenience
- Accessibility
- Hours of Operation
- Savings
- Ad-Matching
- Try to patronize locally-owned business
- Crowded stores, long-lines
- Lack of customer service/satisfaction
- Un-American, killing employment for US workers

In analyzing survey responses involving why participants shop or do not shop, the most recurring theme focused on low prices. This is the driving force behind 90% of our survey respondents, followed by convenience in terms of locations, hours, product variety and accessibility.

2. Responses on prices, products, convenience, customer satisfaction, shopping experience and domination of world's retail market.

Of the one hundred fifty (150) surveys analyzed in this study, seventy one percent (71%) of participants believe Walmart has the lowest prices, sixty four percent (64%) think Walmart provides good service, and seventy seven percent (77%) think Walmart sells quality products. When asked if Walmart seeks to provide customer service/satisfaction, sixty six percent (66%) of respondents stated that they do not. In our Likert rating scale of 1 to 6, the greatest percentage of participants who agreed that Walmart provides a positive shopping experience was twenty four (24%).

This analysis indicates that customers seek and have come to expect low prices and quality products from Walmart. However, they do not have the same expectations or requirements of Walmart when it comes to customer service and satisfaction. They are in essence willing to trade the customer-focused experience in lieu of low-price and convenience.

3. Customer perceptions of Wal-Mart's effect on, small towns, local communities, small businesses, competition, economy and global society.

In reviewing the data collected, our survey results revealed that seventy seven 77% of respondents think Walmart is good for society, while only 24% think Walmart is good for local communities. Specific comments on why Walmart is or is not good for the economy or local communities included:

- Jobs for unskilled workers
- Increased productivity in economy
- Access to variety of products/services for low-income neighborhoods
- More bang for your buck
- Kills mom & pop shops
- Drives out competition
- Limits options for many communities
- Leaves blighted buildings when relocating
- Does not give back to community programs

When responding to our Likert scale questions concerning Walmart's effect on small businesses and competition, our participants had strong responses: Fifty three percent (53%) agree that small businesses that sell products similar to Walmart have little chance of survival and fifty percent agree that Walmart is replacing the downtown shopping experience in small towns. Fifty six percent (56%) of participants also agree that small businesses are losing employees to Walmart because it pays more than minimum wage, (although the average worker only earns slightly more than minimum wage) and forty four percent (44%) believe that people choose to work for Walmart over small business because it offers better medical & dental benefits. Analysis of these questions reveals that more than half of our participants believe Walmart has a negative effect on local competition. What's interesting is that when respondents were asked if they were wanted Walmart to be the only store in town, fifty six percent (56%) disagreed, yet when asked if they were prepared to pay higher prices at other stores to save local competition and prevent Walmart from becoming the only store in town, sixty percent (60%) disagreed or did not know if they were willing to do so.

Our study also asked participants to comment on how Walmart is changing the shopping lifestyles of Americans. Some of our direct responses included:

- Customers expect low prices every day, not just special sales
- Customers expect large variety of products in one shopping outlet

- Customers expect competitors to match ads like Walmart
- Customer expect convenience to their lifestyles in terms of hours and accessibility
- Customers no longer expect to shop in multiple places
- Making people more likely to accept poor service for good price.

In addressing how Walmart is dominating the retail industry, our participants had the following opinions and responses:

- By offering the lowest prices on many products
- Offering one-stop shopping experience
- Penetrating international markets
- Driving out competitors and becoming a monopoly
- Opening more stores globally
- Bringing jobs to communities
- Providing advantages to price-sensitive customers
- Exploiting other countries and shutting down their small business market
- They have what people want

Finally in asking our participants if they had any other comments concerning Walmart they responded with direct responses below:

- Great prices, great store
- I love Wal-Mart
- I hate Wal-Mart
- Make customer service a priority
- Buy and build more in USA
- Sell higher quality merchandise
- If they do not improve customer service they are going to be in trouble
- Get lay-a-way plan back up and running year round
- Clean up your stores and open more cash register during over-night hours.
- Wal-Mart has opened the door and ideas for many opportunities.
- They are the true-American dream story
- They are anti-American
- Treat your workers better (wages, benefits)

Implications & Lessons Learned:

In today's global economy, competition is continually becoming fiercer as companies fight for their customer base and market share. That means it becomes more difficult for companies to sustain their competitive advantage. Companies that compete on single elements such as price or quality must fight to maintain ground as today's consumer behaviour becomes more hybrid. Customers have a wider choice of less distinguishable products and they are more informed than ever before. Customers are widely aware of this greater power, which raises their expectations on how companies should care for them. Therefore it becomes more difficult to differentiate a product or service by traditional, silo categories like price, quality, functionality etc. (Recklies, 2006)

Wal-Mart pioneered the "every day low price" strategy and effectively reinforced it through advertising, promotion and in-store signing almost to the point of cult adoration. Over time it expanded its product offering by adding groceries, evolving its supercenter concept and successfully transporting its business model into foreign markets. Yes, there's a lot to respect in what Wal-Mart has accomplished over the past 50 years (Pohmer, 2007). However, there are lessons to be learned by companies aspiring to emerge and sustain their positions as global players.

1. Price-sensitive customers are finicky. In times of hardship, they are not loyal and will abandon ship for a better bargain elsewhere. Your strategy base has to be more than just price.
2. Customers value low –price options, but they also seek satisfaction from customer service which builds loyalty.
3. Targeting a low/middle class consumer-base put you at serious risk if the economy slows or your customer's employment or spending power decreases.
4. When building your business model on low prices, you are forced to operate on a low cost operating structure, meaning you must employ low-wage staff; which makes you a target of unionization activity as well as government officials who are concerned with the social and financial welfare of workers (Pohmer, 2007). A low-cost strategy also means that you cannot provide the bells and whistles consumers expect like great customer service or appealing stores/ environments.

CONCLUSION

Wal-Mart like any other international company faces all facets of these concerns. Sustaining competitive advantage is being able to continually create those intangible customer benefits and values that are not easily duplicated. Like many companies before it, Walmart sits at the leading edge of its industry, but to sustain its position it must be able to quickly respond to customer's needs and market changes and continue to lead in innovation and reinvention of itself and the retail industry.

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**APPENDIX
WALMART SURVEY:
CONSUMERS' PERSPECTIVES**

Following are our survey questions and results:

1) Do you ever shop at Wal-Mart? Yes No

90% of respondents shop at Wal-Mart
10% of respondents do not shop at Wal-Mart
Why or why not?

2) Does your family shop at Wal-Mart? Yes No

71% of responded yes
29% of responded no
Why or why not?

3) Do you think Wal-Mart is good for society? Yes No

77% of respondents think Wal-Mart is good for
society
18% of respondents think Wal-Mart is not good for
society
5% of respondents had no opinion
Why or why not?
Most Common response (s)/comment:
Jobs for the unskilled workers
Low income neighborhoods
Especially for small towns, everything in one place,
tires, automotive, prescriptions, groceries, etc...

For certain parts of society, like the ones on a budget
Economy – states it all

Open 24-hours

You can shop and get more stuff for your money.

No – drives out competition

Because it puts small businesses out of business

Outlet for poor folks

Great atmosphere

Revenue; rumors of associates being overworked and
underpaid.

Bad service

**4) Do you think Wal-Mart generally has the low-
est prices? Yes No**

71% of respondents think Wal-Mart generally has the
lowest prices
29% of respondents think Wal-Mart generally does
not have low prices

5) Do you think Wal-Mart provides good service? Yes No

64% of respondents think Wal-Mart provides good
service
34% of respondents think Wal-Mart does not provide
good service
2% of respondents had no opinion

6) Do you think Wal-Mart sells quality products? Yes No

77% of respondents think Wal-Mart sells quality
products
23% of respondents think Wal-Mart does not sell
quality products

**7) Do you think Wal-Mart seeks customer satis-
faction? Yes No**

34% of respondents think Wal-Mart seeks customer
satisfaction
66% of respondents think Wal-Mart does not seek
customer satisfaction

*Please use the following designations to answer questions
#8–19*

1 Strongly Agree

2 Agree

3 Neutral

4 Strongly Disagree

5 Disagree

6 Don't know

**8) Small businesses are losing employees to
Wal-Mart because Wal-Mart pays employees
more than minimum wage although their aver-
age employee makes only slightly more than the
minimum wage average?**

27% of respondents strongly agree
18% of respondents agree
20% of respondents were neutral
6% of respondents strongly disagree
7% of respondents disagree
21% of respondents don't know

**9) People choose to work for Wal-Mart, instead
of small businesses because Wal-Mart offers
employees medical and dental insurance at rea-
sonable rates?**

29% of respondents strongly agree
15% of respondents agree
16% of respondents were neutral
10% of respondents strongly disagree
9% of respondents disagree
21% of respondents don't know

**10) Small businesses that sell similar products
as Wal-Mart have little chance of survival?**

25% of respondents strongly agree
18% of respondents agree
15% of respondents were neutral
18% of respondents strongly disagree
8% of respondents disagree
15% of respondents don't know

**11) Wal-Mart is fast displacing the downtown
shopping experience, especially in small
towns.**

29% of respondents strongly agree
21% of respondents agree
14% of respondents were neutral
9% of respondents strongly disagree
9% of respondents disagree
18% of respondents don't know

**12) Wal-Mart provides positive shopping experi-
ence**

24% of respondents strongly agree
16% of respondents agree
21% of respondents were neutral
12% of respondents strongly disagree
13% of respondents disagree
14% of respondents don't know

**13) Wal-Mart will eventually displace other gro-
cery chains.**

16% of respondents strongly agree
13% of respondents agree
11% of respondents were neutral
18% of respondents strongly disagree
13% of respondents disagree
30% of respondents don't know

**14) Wal-Mart will get into other businesses, such
as banking and car dealership.**

21% of respondents strongly agree
15% of respondents agree
16% of respondents were neutral
10% of respondents strongly disagree
6% of respondents disagree
31% of respondents don't know

15) Wal-Mart is good for the community

24% of respondents strongly agree

20% of respondents agree
21% of respondents were neutral
11% of respondents strongly disagree
7% of respondents disagree
18% of respondents don't know

16) Wal-Mart is becoming a gathering place for the community.

16% of respondents strongly agree
18% of respondents agree
16% of respondents were neutral
7% of respondents strongly disagree
14% of respondents disagree
28% of respondents don't know
17) I want Wal-Mart to be the only store in town
8% of respondents strongly agree
3% of respondents agree
6% of respondents were neutral
41% of respondents strongly disagree
15% of respondents disagree
27% of respondents don't know

18) I am prepared to pay higher prices at other stores to prevent Wal-Mart from becoming the only store in town.

16% of respondents strongly agree
9% of respondents agree
14% of respondents were neutral
19% of respondents strongly disagree
15% of respondents disagree
26% of respondents don't know

19) Wal-Mart provides pleasurable shopping experience

20% of respondents strongly agree
21% of respondents agree
17% of respondents were neutral
17% of respondents strongly disagree

13% of respondents disagree
13% of respondents don't know

20) I have definite thoughts on why Wal-Mart is dominating the world's retail market. Yes No

34% of respondents have definite thoughts on why Wal-Mart is dominating the world's retail market
66% of respondents do not have definite thoughts why Wal-Mart is dominating the world's retail market
Please elaborate:
Lower prices and many locations
Bigger and more
Globally extended
They kill small towns by under-cutting prices.
They advertise the lowest prices but they do not always have the lowest prices. But because you are there you go ahead and buy it.
Highly competitive; one stop shopping from groceries to mattresses
They are able to provide shoppers with a variety of clothes, groceries, home items, etc..., at lower prices.
24 hours; ad matching
Wal-Mart is not just a food store, it has many different departments
Wal-Mart is a fast growing grocery store; it has already taken over many cities.
Wal-Mart is taking over because it is a place that has all your shopping needs in one place.
Just that a monopoly is not good and they have the potential to become that
You can shop for multiple items while in one location
Because they offer a lot of different products and services, which allows customers to purchase all their goods in one shopping trip
They have what people want.
Wal-Mart sells everything
Greedy
Because they are convenient and offer everything from car care to groceries to clothing all under one roof.
Logistically efficiency. Building distribution centers closes to stores to lower cost of goods

Wal-Mart is a good company, however they dominate areas, then they eliminate products and drive up cost
You can get everything at one stop, groceries, gas, oil change and tires, and clothes
Sometimes easy to get in and out
Job awareness! A plethora of opportunities
We need choices as we compare and shop
adheres to low-income people
They move into areas, kill the competitors. Once Sam died (along with his principles) their service is awful. We may see a decline in the next 10-20 years.

21) Please comment on how Wal-Mart is changing shopping lifestyles of people in America and the world.

More stores globally
Standards of achievement for employees
Bring jobs to communities
Convenience
Supplies jobs to low income areas
Advantages for the poor
People seem to forget that there are other places to shop.
It is exploiting other countries and shutting down small businesses
Ad matching; 24 hours; one stop for everything, prescriptions, groceries and clothing.
They are bringing different parts of the world together
You do not expect to get help in the store and you will wait in line.
Eliminates expectations of customer service
Making people be more likely to accept poor service for good price.
Not enough emphasis on treating the customer well.
Wal-Mart dominates society because they are a one stop shop

22) Do you have anything else you wish to say about Wal-Mart?

Buy and build more in USA

Higher quality merchandise is not available at Wal-Mart
IF they do not improve customer service they are going to be in trouble
I love Wal-Mart!!!
I hate Wal-Mart!
Make shopping easy for everything I need
Hire more cashiers and put them to work

23) My sex is

Female
Male
66% of respondents were female
34% of respondents were male

24) My marital status is (please circle)

Married
Single
Widowed
Separated/Divorced
47% of respondents were married
38% of respondents were single
4% of respondents were widowed
11% of respondents were separated/divorced

25) My race is (please circle)

American Indian
Asian
Black
Hispanic
White
Other
2% of respondents were American Indian
5% of respondents were Asian
64% of respondents were Black
7% of respondents were Hispanic
20% of respondents were White
2% of respondents were Other

26) My length of service with my company is

30 years or more

25 to 29 years	6% of respondents' highest grade of education was College (3-4 years, no degree)
20 to 24 years	24% of respondents' highest grade of education was College Degree (BS, BA, etc.)
15 to 19 years	2% of respondents' highest grade of education was Graduate Work (no degree)
10 to 14 years	10% of respondents' highest grade of education was Graduate Degree (MS, MA, MBA, etc.)
5 to 9 years	3% of respondents' highest grade of education was Graduate Degree (PHD, LLB, etc.)
0 to 4 years	
9% of respondents' length of service with their company was 30+ years	
10% of respondents' length of service with their company was 25 to 29 years	
16% of respondents' length of service with their company was 20 to 24 years	
9% of respondents' length of service with their company was 15 to 19 years	
16% of respondents' length of service with their company was 10 to 14 years	
22% of respondents' length of service with their company was 5 to 9 years	
17% of respondents' length of service with their company was 0 to 4 years	

27) What is your highest level of education?

Grade school	
High school	
College (1-2 years, no associate degree)	
College (1-2 years, associate degree)	
College (3-4 years, no degree)	
College Degree (BS, BA, etc.)	
Graduate Work (no degree)	
Graduate Degree (MS, MA, MBA, etc)	
Graduate Degree (PHD, LLB, etc)	
2% of respondents' highest grade of education was Grade School	
22% of respondents' highest grade of education was High School	
20% of respondents' highest grade of education was College (1-2 years, no associate degree)	
10% of respondents' highest grade of education was College (1-2 years, associate degree)	

6% of respondents' highest grade of education was College (3-4 years, no degree)
24% of respondents' highest grade of education was College Degree (BS, BA, etc.)
2% of respondents' highest grade of education was Graduate Work (no degree)
10% of respondents' highest grade of education was Graduate Degree (MS, MA, MBA, etc.)
3% of respondents' highest grade of education was Graduate Degree (PHD, LLB, etc.)

28) My city of residence is

29) My age group is

18-25	13% of respondents' age was 18 to 25
26-33	16% of respondents' age was 26 to 33
34-41	19% of respondents' age was 34 to 41
42-49	27% of respondents' age was 42 to 49
50-above	25% of respondents' age was 50 & over

30) My income level is

Under 30,000	37% of respondents' income was under \$30,000
31,000-60,000	40% of respondents' income was \$31,000 to \$60,000
61,000-90,000	16% of respondents' income was \$61,000 to \$90,000
91,000-above	7% of respondents income was \$91,000 & above

SUMMARY OF RESULTS:

Reasons customer's shop or do not shop at Walmart.

As the world's largest retailer, largest corporation and private employer in the United States our study found there are many reasons people shop at Walmart.

- Low /Good Prices
- Broad Selection/Variety
- Convenience/Accessibility
- Savings
- Ad-Matching

Customer opinions on Walmart's prices, products, convenience, customer satisfaction, shopping experience and domination of world's retail market.

- Prices are generally good/better than competitors
- Prices are not always lower
- Product selection covers most general needs
- Not the best quality of products
- All-In-One Shopping
- Selections for all members of the family including pets
- Dirty stores
- Customer service deployable
- Always long lines
- Great return policy
- Cashiers never smile/friendly
- Crowded stores
- Low price trumps all

Customer perception of Walmart's effect on shopping lifestyles, small businesses, small towns, local communities, economy and global society.

- Customers no longer shop in multiple places
- Customers expect to have all needs met in one place
- Customers become lazy
- Saves customers time
- Kills small businesses
- Constrains the growth of proprietorships
- Discourages competition
- Provides a retail source for small towns communities
- Provides jobs for the economy

- Provides employee opportunity for growth
- Provides education assistance to employees
- Products not made in the US
- Unfair to employees/benefits/wages
- Too large/dominating
- Doesn't give enough back to society
- Greedy, only concerned with profits
- Will become a global monopoly

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PRACTITIONER PERSPECTIVES ON LEADERSHIP IN SMALL BUSINESS

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ABSTRACT

Small businesses constitute 95% of all businesses in the United States. Unfortunately, nearly 50% of all small businesses fail after 5 years, having a negative impact on local and national economies. The purpose of this phenomenological study was to explore small-enterprise leader-operators' experiences regarding practices that aid sustainability beyond 5 years. Twenty small enterprise leaders in the United States shared their lived experiences through semistructured interviews. The central research question for this study addressed skills and practices needed by small-business practitioners to ensure success beyond 5 years. Three major themes emerged as long-term practices used by practitioners. These themes included (a) collaboration and forms of communication, (b) mentoring, and (c) people-skills. The implications for positive social change include the potential to stabilize the economic wellbeing of the businesses and therefore a strong and more vibrant community.

INTRODUCTION

There is a need for a better understanding of leadership in the area of small business to reduce failure rates and promote sustainable success in that sector of business (Teng, Bhatia, & Anwar, 2011). Information and appropriately applied knowledge from the experiences of successful practitioners might help alleviate problems in business (Atamian & VanZante, 2010). A gap between educators and practitioners in the transference of knowledge appropriate to businesses have caused failures and drawn criticism in leadership development (Isomura, 2010). Datar, Garvin, and Cullen (2011) identified small businesses as resource constrained and neglected in terms of research. Lewis and Cassells (2010) noted that there is little commitment to sustainability in the small business sector because of limited resources and a lack of usable information to reconcile corporate social responsible actions to their daily operational routines.

There is a significant influence of the small business sector on both the environment and economics of the United States (Small Business Report, 2010). It is essential to reach this segment with information on best practices. Small business leaders are multifunctional, often restricted by daily operational demands, yet encouraged to facilitate sustainability. How the leader resolves these issues might be the difference between operational success and failure (Atamian & VanZante, 2010). Leadership in small businesses needs information appropriate for their business operations. Universities, community colleges, and

business forums must find the most effective means of imparting practices that will drive sustainability to leaders of small businesses (Djordjevic & Cotton, 2011).

Teng et al. (2011) suggested that small businesses could succeed through additional leadership information and the adoption of suitable small business policies by the government. A better understanding of leadership based on the experiences of practitioners should have relevance for the small business operator while bridging the gap between academia and industry.

The way small business managers identify and use leadership information might prove to be the key to success or failure (D'Amato & Roome, 2009). Barnard noted problems in understanding the thought processes of business practitioners as early as 1937 (Isomura, 2010). Isomura noted that, while academia provided a platform for theory, there is a need to use practitioner-based knowledge to further the leadership training process. This transference of knowledge gap between educators and practitioners has caused failures in the practice field and has drawn criticism from leadership development researchers (Isomura, 2010).

Mintzberg and Fayol claimed that there is a gap between academics and practitioners (as cited in Pryor & Taneja, 2010). Fayol based his theories on his career as a practitioner, whereas Mintzberg's theories originated from his studies as an academic (as cited in Pryor & Taneja, 2010). Both Fayol and Mintzberg contributed to the knowledge base of business practitioners (as cited in Pryor & Taneja,

2010). Exploration of the lived experiences of successful practitioners in small enterprise leadership might lead to a better understanding of leadership, reduce small business failures, and positively affect social change.

Small business leaders need an array of skills and knowledge not often found in an individual (Atamian & VanZante, 2010). New demands of society and the business field call for a complete transformation of traditional business structures, leadership, and methodologies that meet the demands of future generations (Hamel, 2009). Organizational leaders and educators need to prepare future business practitioners to lead into the next generation (Isomura, 2010). Atamian and VanZante argued that learning for leadership is indispensable, and programs taught in ways relevant to everyday business practices to see a return on investment. Small businesses need information for leaders that encourage corporate global responsibility through vision, top management buy-in, and learning processes. Information from the research should add to the knowledgebase and bridge a gap in usable research for the small-business sector (Teng, Bhatia, & Anwar, 2011).

The faculty of many business schools emphasizes profit without attending to corporate social responsibility initiatives needed for sustainability (Blewitt, 2010). As leaders of small- and medium-sized enterprises explore new markets to further growth, they need tools to adapt to change (Goxe, 2010). These leaders and the enterprises they operate play a role in the economics of most industrialized nations and require knowledge and management information to keep up with the rapid globalization of society (Singh, 2011). Many companies do not benefit from leadership programs and need appropriate information to find effective methods to develop their leaders (Hotho & Dowling, 2010). There is a need for additional investment in human capital and information for creating better leadership for long-term success (Ling & Jaw, 2011).

METHOD

Purpose and Sample

The purpose of this qualitative, phenomenological study was to understand small-enterprise leader-operators and the skills or practices that allow sustainability beyond 5 years. Semistructured interviews with recording devices and journal notes were used on a purposive sample of 20 small enterprise leaders, having a minimum of 5 years of leadership experience located in the Midwest United States. The use of the minimum criteria ensured that the study focus is on organizations and people with a history of durability and success (Small Business Report, 2010).

Researchers for the Small Business Report (2010) defined these small enterprises as having less than 500 employees. The interviews were conducted over a 30-day period in the summer of 2013.

Research Question

The experiences of successful small business practitioners form the central research question for this study. What skills and practices do small-business practitioners need to ensure success beyond 5 years? The following interview questions were used to develop a better understanding of small-business leadership practices.

1. What is your experience with leadership?
2. What situations have influenced your experiences with leadership and sustainable success?
3. What would be an effective method of delivering leadership knowledge to small businesses?
4. What skill-sets, both hard and soft help improve current and future small-business operators?
5. How is leadership developed in your organization, does it return value, and has it been a success?
6. How can educators and business-owners work together to communicate successful leadership practices?
7. How can business-owners and their local communities communicate needs and expectations for leaders?
8. What would be the best method to communicate a sustainable strategy (people, products, and planet) versus the short-term profit strategy to leaders of small organizations?
9. What role might government play to help initiate sustainable objectives for leaders of small businesses?
10. How does your organization reinforce positive leadership practices?
11. What additional information could you provide to improve leadership in small businesses?

CONCEPTUAL FRAMEWORK

The conceptual framework relating to this qualitative study included common themes from the literature to

understand leadership practices in small business. Mostovicz, Kakabadse, and Kakabadse (2009) presented the dynamic theory of leadership development based on the supposition that leadership is a developmental process founded on the choices a leader makes. Mostovicz et al. noted the importance of finding the right fit for a leader's worldviews and their organizational practices. Mostovicz et al. presented two schools of thought held by scholars regarding leadership traits: (a) born leaders as in the great man theory or (b) human beings develop traits of leadership through their life experiences and eventually emerge as leaders. Mostovicz et al. argued that leaders develop from past, present, and future life experiences. In the first stage, individuals develop self-awareness like the understanding of an individual's emotions, strengths, and weaknesses. In the second, they engage in social encounters. In the third stage, they find their unique purpose in life. The practitioners participating in this study developed from experiences pertaining to leadership.

Leadership developed from lived experiences includes human characteristics derived from interaction with other people. Holt and Marques (2012) examined the developmental path of leadership and argued that certain interhuman skill sets developed over time. These interhuman skills were similar to the soft characteristics Hamel (2009) espoused. In these characteristics, Hamel encouraged leaders to become social architects, characterized by purpose and vision. Some of these leadership characteristics focus on appropriate fit for leaders in organizations (Claydon, 2011). Successful leaders who have experienced this developmental process might influence future practitioners and benefit society by reducing small-business failures.

It is important for small business leaders to understand both failings and skills-sets relating to sustainability. Researchers claimed (The Small Business Report, 2010) that smaller enterprises (defined as employing fewer than 500 workers) have a high attrition rate and only 50% are still in existence after 5 years. Small businesses need transformation from the traditional approach of profit, to businesses that meet the demands of future generations, with vision and purpose (Hamel, 2009). Small businesses require the tools, skill-sets, and characteristics to transform and embrace a sustainable future (Goxe, 2010). Organizational structures with resilience, adaptability to the environment, and responsiveness to social imperatives succeed through organizational leaders (Barrett, 2009). It might prepare small-business leaders better if decision processes included an understanding of sustainable initiatives, corporate global responsibility, strategic vision, and management integrity. The soft skill characteristics espoused in the above discussion emerged as a part of the semistructured interviews. They might help practitioners

understand the needs and actions appropriate for small-business leaders.

Many small companies do not benefit from leadership programs and their operators need better ways of gaining new knowledge tools (Hotho & Dowling, 2010). The long-term success of small businesses is dependent on investment in human capital and training for sustainability (Ling & Jaw, 2011). Appropriate training for small-business leadership is necessary, designed with flexibility, knowledge relevance, and an environment where participants can apply what they learn (Atamian & Van Zante, 2010).

Society needs the collective voice of experienced practitioners working together to help small-business operators understand leadership for their enterprises to succeed. The interviews with participants allowed for the exploration of their lived experiences and provided information regarding leadership that might be appropriate for small businesses. Common themes emerged from the research that might lead to a better understanding of leadership in small enterprises, further benefiting society by reducing small-business failures. Solutions developed by understanding patterns and common themes, from a better understanding of the problem as a whole (Mehrjerdi, 2011).

RESULTS

The significance of the study lies in its finished product. Information from the interviews with participants produced practices from the experiences of successful practitioners applicable to the rigors of small enterprises. Common themes developed from the participant's practices that might serve as a resource for understanding leadership in small businesses.

Participants (identified as P1 through P20) shared personal information contributing to the diversity of the study. Each participant met the 5-year requirement for the study. The lowest tenure in leadership was 6 years and the highest 50 years. All participants attended college with additional training and accreditation pertinent for their career. The participants included 12 males and 8 females, of which three were minorities. The average experience level in leadership was 22.2 years. Five participants had advanced degrees in medicine or law.

The research question: What skills and practices do small-business practitioners need to ensure success beyond 5 years? Thematic software from NVivo and significant statements from the interviews helped establish a list of practices common to successful practitioners. Themes from the participant's experiences regarding skills and practices formed clusters of information from significant statements gathered during interviews and include:

1. Collaboration and forms of communication
2. Mentoring
3. People skills and motivations

Participant's significant statements and word searches produced themes relating to people. Although only mentioned directly in themes three the term *people relates to each theme. The practices developed from the participants' significant statements follow in this section. As an observation, each leader exhibited a passion for their work and the commitment to stay at the task under all circumstances.*

DISCUSSION OF THE RESULTS

Theme 1: Collaboration and Forms of Communication

This practice engages the following leadership activities and is a vital part of collaborative management both internally and externally to the organizations. Collaboration and communication directly related to the participant's practices of mentoring, relating to people, networking and associations, setting an example, and planning. New leaders will need to collaborate and engage people to lead competitive organizations (Hamel, 2009).

Interview Questions 1 and 2

Questions 1 and 2 solicited participant's experiences relating to personal examples. The design of the questions helped elicit responses that allowed each participant to share relevant information regarding personal leadership experiences. The participants responded to some form of communication, collaboration, and information sharing in 80% of their responses to Interview Questions 1 and 2. Additionally, 100% of participants mentioned some form of collaboration in their responses to the 11 interview questions. P4 summarized the importance of communication stating, "Communication is key, you cannot over communicate." P1 noted the importance of working with people and collaborating with institutions stating, "Having a strong relationship between our schools and our businesses is important." P10 noted, "It is sharing and collaboration, then nurturing, and then you have leaders standing up."

Interview Questions 3, 4, 5, and 10

These questions solicited responses from participants, designed to address skill sets, leadership development, leadership practices, delivery methods, and how these practices affect the person and organization. These questions,

aided by the responses of the first two questions helped build a foundation to understand the practices of the participants within the organizations they operated.

According to participants, communications becomes the vehicle used to deliver the practices. A part of the communication process involves a listening component. P3 addressed communication stating, "I am constantly sharing vision, mission, and what we are trying to accomplish and then I listen for people that seem to buy into it...so I'm looking for people that are hearing and buying into the vision." P7 noted their field of practice "did not encourage collaboration." Additionally, P7 noted soft skills included leading by example and in relation to communications to "encourage people and ask for inputs, then value the inputs from them." P12 supported the duality of communication by stating, "Sharing, listening, and really paying attention to what they say."

Interview questions 6, 7, 8, and 9

I grouped Interview Questions 6, 7, 8, and 9 for the purposes of understanding how a leader related to institutions outside their organization. The questions directly confront how business leaders relate to educators, communities, government, and a larger group of stakeholders. The practice of communicating outside of their organizations often helped participants extend resources and organizational longevity.

Collaboration and communications affect relationships in each of the stakeholder groups and is vital to the longevity of the relationship. To support the importance of communication to this larger stakeholder group P16 stated, "A total and absolute collaboration between them...by collaborating everyone benefits...by collaborating you increase your sphere of knowledge on both sides." P17 supported another side of communication including an unspoken aspect, but equally as important, of setting an example. P17 noted that setting the example was how they engaged the community, "I have been very involved in community, helping others, creating opportunity, and it returns value to the individual and the community." P18 and P20 supported the setting example, P18 stating, "Examples, lessons, need to come from home and school." P19 supported information sharing saying, "educate, and share information."

The participants related how communication and collaboration was important to maintaining and growing their relationships. The participants addressed why sharing information, collaborating with others, and communicating appropriately helped people understand the purpose or what they were doing. These communication practices were something that these leaders did well and incorpo-

rated into their own practices to improve organizational performance. Trust and communications enhanced personal relationships, delivery of skill sets, training, education, and knowledge improved through collaborative processes (Darabi & Clark, 2012).

Theme 2: Mentoring

Participants remarked about mentoring as a practice in two respects. In the first category, mentoring related to the participant's personal and organizational experiences. In the second category, participants addressed mentoring in terms of a delivery method or support mechanism. Participants mentioned mentoring 70% of the time in the interviews. When combined with people as a term mentoring becomes a strong influence in the experiences of all participants.

Interview Questions 1 and 2

These questions addressed personal and situational leadership experiences from each participant and allowed them to share relevant experiences regarding mentoring. Many of the participant's personal experiences included mentors that significantly influenced their careers. In addition, the participants used mentoring to engage and motivate the people around them. It was my observation that participants continued the mentoring process by extending the experience to others.

Participant P6 noted, "Putting oneself in a position with someone that you can trust and learn from, the owners I worked for were great coaches or mentors and helped me make assessments and create effective actions." P7 commented that their mentor "was a great communicator, not so much by his words but through his actions and philosophy, another mentor was a good person and example of how one should work with people." Supporting the idea of mentoring and working with someone over a long period P8 stated, "I was mentored and am still being mentored, we share notes and work through struggles." The mentor for P8, while retired, actively helps this participant through the leadership process. Participant P9 commented about learning best practices from several mentors, "I learned a lot from them and we spoke often, I used a lot of their procedures." Participant P11 addressed mentoring from the role taking and giving advice. P11 stated, "Mentoring has been a part of my practices...I model and try to improve and lead by example." P15 supported the give and take role of mentoring stating, "I have had good mentors, surround oneself with good people, and continue to train them." Surrounding oneself with good people in this context meant to use other people's strong skill sets to com-

plement your own. The mentors influenced participants outside the work environment, noted P18, "My dad was a person that always stepped up and did the right thing, and I would say he was a mentor to me." Supporting the concept of having mentors outside the work environment P20 noted, "My dad was clearly a mentor, primarily by example."

Interview Questions 3, 6, 7, 8, and 9

The questions solicited how participant's experiences engaged leadership practices to a larger community of stakeholders. These questions solicited responses from participants, designed to address skill sets, leadership development, leadership practices, delivery methods, and how these practices affect the person and organization. The aspect of mentoring as it related to these questions included short and long-term mentoring. In addition mentoring was reciprocal, both giving and receiving to other individuals or their communities.

Mentoring served as a communication vehicle for some of the participants; they saw it as a delivery method through people-to-people communications. Participant P1 noted that mentoring allowed one to approach the small business operator with real-world experience, "one cannot just come in and tell a small business owner what to do. You have to do it together through mentoring." P7 stated that greater collaboration along with mentoring opportunities is needed." P7 stated, "We lack mentoring opportunities...we do not collaborate enough in our profession." In support of mentoring through collaboration P20 stated, "The best mentoring is to have someone witness what you are doing." To reach a broader stakeholder base P14 added, "I think mentoring and showing by example is a way to do that...if people see me do things they will model that behavior." Mentoring actively engaged people and allowed the participants to learn and develop with guidance and direction.

Participants noted mentoring in two areas, first, how mentoring affected them and the impact it had on their practices. Second, as addressed in the discussion mentoring served as a solution to what needed to occur to deliver leadership practices. As discussed by many of the interviewees, mentoring served them well as they developed into their roles, and was an effective practice that helped the long-term viability of their enterprises.

Mentoring, identified as a process for the transmission of knowledge and social capital by the recipient, entails both formal and informal communications between parties in which one has greater knowledge and experience (Price & McMullan, 2012). Mentoring is a practice that might serve as a solution for getting appropriate informa-

tion to small enterprise leaders. The UK Government and European Commission recognized mentoring as a potential solution for entrepreneurs to get usable information (Price & McMullan, 2012). Price and McMullan noted one mentoring system that had encompassed many of the practices found in the themes identified in this study including planning, networking, training, and information sharing.

Theme 3: People Skills and Motivations

We identified this practice set as intuitive skills, knowing, understanding, discernment, and identifying how and why people-to-people relationships work. Additionally, including dedication in the theme was critical. In business, a difficult part of running an operation is managing the people within the processes. Participant P20 described this dedication to work as “loving what you do, much of what you do is drudgery.” P20 went on to say, “Those that do that well (love the drudgery), succeed.” Leadership dedication, commitment to the task, and loving or having a passion for what one does is an important practice. Although difficult to measure, each of the participants demonstrated an attitude of dedication to their enterprises and the people within the organizations. My observation was that their commitments reached deep into their families, organizations, and community. P14 noted this about a mentor, “She loved what she did, and you have to love what you do.”

Each of the participants mentioned people, working with them, aligning resources with them, guiding and planning with them. One hundred percent of all participants cited people in some context during their interviews. When coupled with sharing information, collaboration, mentoring, setting examples, and other people skills this category of practice becomes important. People skills are intuitive; they have basic understandings and concepts and are iterative and heuristic.

Interview Questions 1 and 2

These questions identified certain people based practices in the lived experiences of the participants. Applying the skills is developmental, one learns as situations repeat, sometimes by trial and error. In addressing their business, P5 acknowledged, “One must have a well-defined outline and scope of work performed daily, weekly, or monthly... and flexibility is important.” This repetitive action lends to acquiring the skills necessary to motivate and engage people. P6 addressed people and motivations by stating in his experience, “Measured goals and team concepts keep people on track.” Additionally, P6 noted that one uses dis-

cernment to find the person who is worthy of investment. P9 added, “If I made a commitment to a person I kept it... honesty and integrity are so important.” This dedication to doing the right thing and being dependable was a mainstay for the vitality of the business owned by P9.

Participant P10 addressed people skills by noting, “Being exposed and working side by side was huge in building my awareness for what worked and what did not.” P10 noted, “Working with people and sharing ideas was important, along with being flexible and adaptive has worked for me.” P11 stated, “I have always been intuitive, I model best practices and try to improve.” Participant P12 noted, “People are my business,” and it is from people that P12 learned and developed. Participant P13 acknowledged learning from people and taking the best attributes and using them to motivate others. P13 stated, “I pay attention to how people present themselves and work as bosses.” P14 supported learning from people and stated, “I collaborated and learned from others, on the job type training. I look at others and use their best practices as models.” P16 noted the importance of learning to work with all kinds of people, stating, “I had the ability to work with high profile people, ones that led the industry.” Working with people, being respectful of them, collaboration, and sharing are all important aspects of how P18 leads the organization. P20 noted, “It is achievement that makes people satisfied, placing value on them is important.” Each of these participants had attributes that allowed them to identify needs, align resources, and meet the needs of people by being flexible. The participants learned how to deal with people and developed motivations that allowed them to succeed.

Interview Questions 3 through 10

The questions addressed certain practices and traits, knowledge deployment, and how small business leaders related to stakeholders outside their organizations. Observation during the interviews led me to understand the dominant skill sets used were generally people skills. Participants highly regarded personal improvement through education and knowledge growth, they either complemented their limitations with people who had the knowledge necessary or used the knowledge base to improve their craft. P7 stated, “Soft skills are so important, hard skills, we did not get enough business training.”

People skills, methods of motivation, and learning to value others helped these participants be successful. As businesses increase their base of operations, and additional people engage in the processes, the dynamics of working with others will be important to getting things done. The participants addressed how they interacted, accommodated, and used people to successfully complete tasks. According to the participants, what was important

was learning to work with people, find motivators, and become involved with others. The people component of the participants was evident as I observed their planning, ideas, and operations. The participants had a keen awareness of people around them, and used that to their advantage.

The practice of appropriately managing people and aspects of human resources is important to small business owners. Small business owners ranked human resources issues as the second most important management activity after general management (Hargis & Bradley, 2011). In the interviews, participants mentioned hiring right as a people practice. Hargis and Bradley noted small business practitioners considered this aspect important in organizations having more than 10 employees. Likewise, working with people, hiring right, training, and motivating people were practices that small enterprise leaders actively engaged in their organizations.

TIE TO CONCEPTUAL FRAMEWORK

The conceptual framework tied the development of leaders to their experiences. Mostovitz et al. (2009) presented the dynamic theory of leadership development in 2009 noting leadership is a developmental process and presented the developmental pathway theory. Mostovitz et al. argued that leaders who develop traits of leadership through life experiences shape their styles from their past, present, and future. The themes identified from the thoughts and experiences of the participants with the phenomena of leadership support the theory as presented in the dynamic theory of leadership development. The resulting themes related to skills and practices developed over time, accumulated from learning situations, and applied from the knowledge gained through heuristic and iterative processes. The lived experiences of the participants might further the understanding of the developmental theory introduced by Mostovitz et al.

Understanding that the right leader should fit the appropriate position is important to organizational success. Mostovitz et al. (2009) noted the importance of finding the right fit for a leader's worldviews and their organizational practices. Mostovitz et al. presented two schools of thought held by scholars regarding leadership traits: (a) leaders have traits inherent from birth, as in the great man theory, or (b) human beings develop traits of leadership through their life experiences and eventually emerge as leaders. Data gathered from the 20 semistructured interviews with successful enterprise leaders who developed through personal experiences might reduce the information gap concerning appropriate knowledge for small businesses. As common themes developed from interpretation of interviews, a better understanding of leadership activ-

ity in small enterprises might benefit society by reducing small-business failures.

Holt and Marques (2012) examined the developmental path of leadership and argued that certain inter-human skill sets developed over time. These inter-human skills were similar to the soft characteristics Hamel (2009) espoused. In these characteristics, Hamel encouraged leaders to become social architects, characterized by purpose and vision. The participants, all successful leaders who have demonstrated success have exhibited some or all of the themes identified in this research study. Different opportunities allowed these participants to hone the practices most appropriate for their organizations. Leaders having experienced this developmental process might positively influence future practitioners, and benefit society by reducing small-business failures.

Participants P6, P7, P8, P10, P11, P14, P17, and P20 noted gaps between the education process and practitioners. Some participants trained and had access to higher education; others had strong influences, usually mentors that aided their development. It became apparent throughout the interviews that the participants developed through the sum of their experiences. The participants used their practices as situations arose and needed attention. The participants applied their knowledge and skills to adapt to the situation at hand and find solutions. Xue, Bradley, & Liang (2010) argued for a leadership model driven by the situation. Recognizing situations to use appropriate leadership training and knowledge comes from skill sets developed over time (Holt & Marques, 2012). Results from this research might help bridge the gap between educators and practitioners and find a common delivery method for appropriate information.

RECOMMENDATIONS FOR ACTION

Components of the research project contained evidence for additional field research in the area of small business. The literature review contained examples of small business resource constraints, leadership deficiencies, and educational opportunities that might help reduce the number of failures in small businesses. The results of the interviews led to concluding that small-business practitioners need a variety of tools to compete in the global market and initiate more sustainable practices that might lead to long-term viability. These practices include collaboration, mentoring, and using people skills.

The level of higher education institutions offering entrepreneurial classes has grown (Smith & Beasley, 2011), and curriculum to meet future demand is critical. An increasing number of women entering the small business sector (Lawton, 2010), requires a better understanding of the

resources needed to succeed and might prove valuable for future practitioners. The service industry represents 50% of small businesses (Yallapragada & Bhuiyan, 2011) and people owning service companies will need to evaluate their practices as well. The information from the interviews lends a clearer understanding of the practices needed to succeed. Existing practitioners and those embarking on owning or operating a small enterprise might benefit by adopting practices found relevant by successful small-enterprise leaders. It is our intention to reach other practitioners through networking associations, local business incubators, and educational forums with the information from this study so that some type of action might begin.

Leaders educated and trained with practices appropriate to the small-business sector might also positively affect the behavior of leaders in other areas. As noted by the participants, hard skills are necessary to evaluate and understand one's position, but soft skills motivate people and allow them to focus on the vision. An interview participant noted, "The best instructors were once practitioners themselves." One of our goals was to reach out to local business programs at several levels of education with the information from the study, perhaps it only builds awareness at first, but the results might influence an audience of practitioners as well. Additionally, upon completion of the study publication it is our intention to further the results through journals, networking, trade associations, and the educational system to foster awareness and change in small enterprise operators.

RECOMMENDATIONS FOR FURTHER STUDY

Field research included interviews with 20 participants in small enterprises; all participants had greater than 5 years of experience in leadership. The analyzed interviews might contain data that will reduce the failures in small businesses. Demographic data from the interviews contained, years of experience, gender, education, and minority status. The participants included 12 males, eight females, of which three were minorities. All of the participants had some college education, with 15% involved in the educational process. Six of the participants had professional degrees including two medical doctors, three attorneys, and two certified public accountants. The average length of time the participants spent in leadership was 22 years.

An interesting element worth noting, eight of the participants acknowledged a gap in knowledge transference between the classroom and the practice field. Closing this gap with further information from similar participants might reduce the small business failure rate, provide a method of delivery appropriate for small businesses, and evaluate educational curriculum with practices that matter to practitioners. Research in the field might produce

more collaboration between academia and practitioners and help bridge this gap for the benefit of society.

As noted by the participants, hard skills are necessary to evaluate and understand one's position, but soft skills motivate people and allow them to focus on the vision. Education appropriate for the needs of small business is important (Atamian & VanZante, 2010). According to the participants, it is equally important to balance the theory with real-world practice. More research made available to small-enterprise leaders in terms of using and implementing practices of on-the-job training, job shadowing, service learning, and situational leadership training would benefit both current and future practitioners.

Mentoring is another opportunity for research. Understanding the best practices of mentors, how they function and practice their craft, when does one become a mentor, or how would a mentor program work all need further understanding as the demand for sustainable leadership grows. None of the participants in the study had a formal mentoring program, but invested in people who showed a strong desire to improve. Informal programs in small enterprises need measured results and communications that allow people engaged in the process an opportunity for feedback. As one interviewee P6 noted, feedback and measured results are important in understanding where one is in the process.

This study began with a desire to help strengthen small businesses with workable solutions that might lead to reduced failures and sustainable actions that encourage practices suitable for long-term viability. Our careers have allowed us to be involved with a few large businesses, but mostly was in the field dealing with small businesses and small strategic business units. This allowed observations that included both success and failures of small businesses. Leadership was a key ingredient in all of the field observations. Certain indicators of success and failure became apparent and needed further explanations. This need for additional understanding became the impetus for the study.

It was apparent from the interviews that the participants demonstrated a strong work ethic and were willing to stretch their mental and physical resources to improve their enterprise. Participants cited that having a mentor and surrounding oneself with good people was important to having a sustainable business. The phenomenon of mentoring and surrounding oneself with good people included the actions of using the talents and abilities of others to complement one's shortcomings. Most of the participants serving as mentors would take an initial first step in leadership development by investing in people who had a strong desire to improve. This investment included, time, money, continuing education, and working to increase the knowledge base. Some of the investments were cautionary

with a caveat for leadership candidates to have a strong desire to share in the company vision. Mentoring would be a subject that needs further research. Collaboration both inside the company and through networking outside the organization helped add to the knowledge base and further ones value. Networking and collaborative practices would make topics for additional research. The research was conducted in association with Walden University under Institutional Review Board (IRB) approval number: 07-10-13-0178096 and it expires on July 9th, 2014.

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ASSESSING THE IMPACT OF ERP ON END-USER JOBS

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ABSTRACT

The need for organizations to provide IS support for cooperating business processes has been widely recognized to reduce human error, speed the flow of information, and hopefully improve overall decision making throughout the organization. Enterprise Resources Planning (ERP) software systems have been designed to provide such benefits. While the successful implementation of ERP is likely dependent on many technical as well as human factors, using a relatively well established theoretical foundation, this study focuses on the human aspects of ERP implementation. Specifically, six major factors considered important to success with this increasingly used technology are studied as independent variables: the degree of end-user involvement in the ERP implementation process, end-user characteristics, system developer skills, management support, user training and user/developer communication for the ERP project. Further, the IT literature has proposed several surrogate measures of ERP success, such as its usage and the level of end-user satisfaction with the system, and these have been widely used as the dependent variable. For this study an extremely important but relatively neglected measure for system success has been selected as the dependent variable: the ERP system impact on end-user's jobs. The results indicate that four of the six independent variables explain a significant percentage of the variance in the dependent variable. Based on the results, recommendations are made for the management of ERP projects and for further research on this important area.

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INTRODUCTION

As an increasingly used technology, the results from ERP implementation look quite mixed. While a small decline in ERP software expenditures was experienced in 2011, a Gartner Research report (2011) expects the ERP market is likely to experience significant growth in the immediate future. On one hand, an increasing number of companies are making substantial investments in the technology and some organizations are claiming good results (Kouki, Poulin, & Pellerin, 2010; O'Leary, 2004). However, the extent to which specific organizations have converted legacy systems to or developed/implemented ERP systems varies dramatically from company to company. Despite the serious organization commitments to ERP, implementation success is far from assured and there are many problems (Ehie & Madsen, 2005). The literature and electronic media is full of reports of negative experiences by individual companies with ERP systems (Kanaracus, 2008; Ehie & Madsen, 2005). Despite the setbacks most organizations continue their implementation efforts, with not yet a single report that the ERP project was discontinued. Apparently, managers are willing to slowly climb the ERP learning curve. In summary, despite the many potential implementation problems, one may conclude that the significant rewards promised by ERP vendors can eventually be derived from ERP implementation (Fan & Fang, 2006). As put by an IS director summarizing ERP benefits, problems and success factors from an ERP user group meeting attended by one of the authors: "The overall business results from ERP should be considered less than a complete success. On the other hand, the software choices and performance seem to be improving significantly. The primary question is whether or not companies have the time, patience, and resources to withstand the learning curve toward implementation success." Clearly, there is need for a better understanding of the important factors for successful ERP implementation.

Some research has explored the impact of ERP on job performance and user satisfaction with the system (Park, Suh, & Yang, 2007; Bueno & Salmeron, 2008) but the potentially important human related success factors studied here have not been empirically tested for their impact on ERP user jobs. That is the primary objective of this study.

THE THEORETICAL MODEL

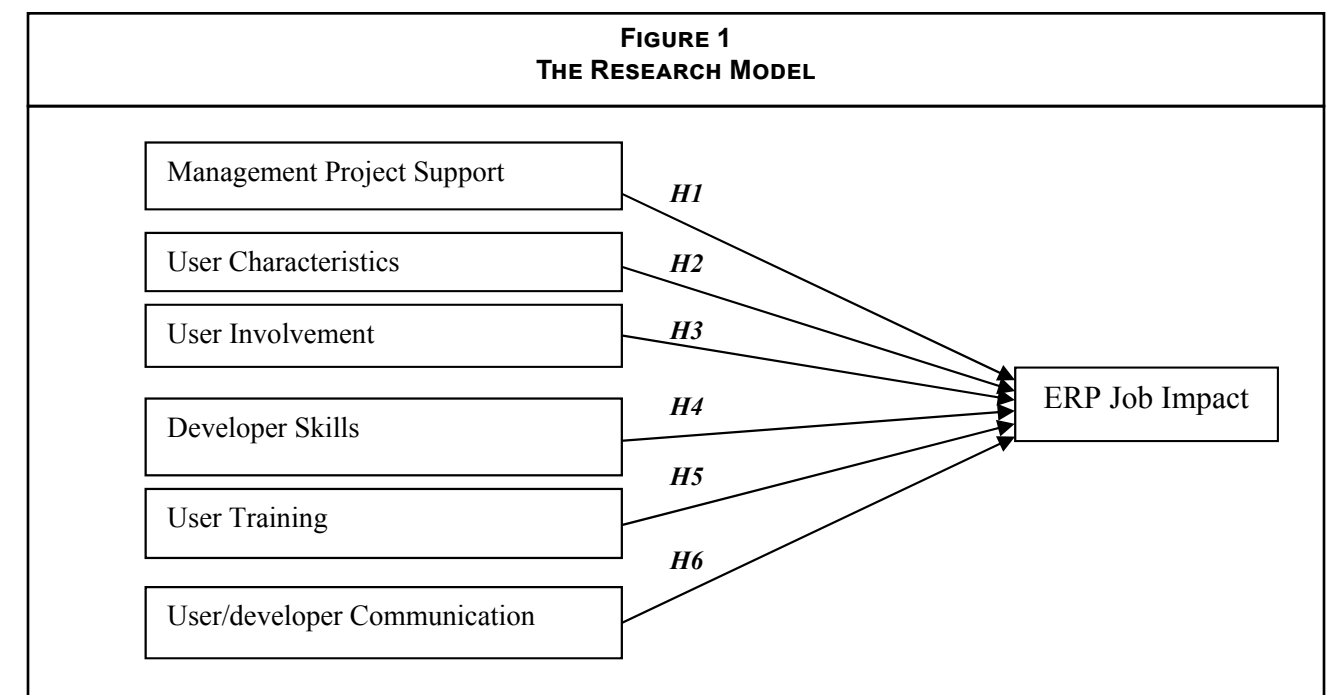
Much of the research on system implementation has been focused on identifying the factors which appear to be conducive to either success or failure of computerbased information systems (Dezdar & Ainin, 2011; Chung, Skibniewski, Lucas, & Kwak, 2008; Nah & Delgado, 2006; Guimaraes, Igbaria, & Lu, 1992). Prior research

has employed various measures of system success such as end-user satisfaction (Yoon, Guimaraes, & O'Neal, 1995; Au, Ngai, & Cheng, 2008; Sharma, & Yetton, 2007; Wu, & Wang, 2007), impact on end-users' jobs (Park, Suh, & Yang, 2007; Bueno & Salmeron, 2008; Yoon, Guimaraes & Clevenson, 1996), and level of system usage (Igbaria, Guimaraes, & Davis, 1995). The choice of "best" measure for system success clearly depends on the study objectives. Also a wide variety of possible success factors or factors affecting information system success have been studied previously, including end-user involvement (Chung et al., 2008; Nah & Delgado, 2006; Yoon et al., 1995), management support (Yoon et al., 1995; Lee, 1986), endusers expectation and attitude (Ginzberg, 1981; Maish, 1979; Robey, 1979), politics (Markus, 1983), communications between developers and endusers (Igbaria et al., 1995), task structure (Sanders & Courtney, 1985; Guimaraes et al., 1992), and endusers training and experience (Nelson & Cheney, 1987).

The main reason for focusing on the human side of ERP is because of its very essence as an integrative technology which emphasizes the joint participation of people from many parts of the business organization, rendering people rather than technology related factors more significant to successful implementation. Thus, while the technical aspects of ERP software selection, tailoring, and installation remain important given the increasing selection of products and vendors, the human side of ERP implementation is the main focus for this study. Its main premise is that ERP implementation success can be explained to a significant extent by the attitude and behaviors of people related to the project. The parsimonious model in this case specifically tests the relationship between management support for the project, end-user characteristics, developer skills, end-user involvement in the ERP development process, and user developer communication with system success as defined by the ERP system impact on end-users' jobs. Figure 1 graphically presents the model of ERP success examined in this study. In the next section, the ERP success variables are addressed in more detail, followed by a discussion of the major independent variables and the proposed relationships.

The Dependent Variable

ERP Impact on End-User(s) Jobs: Traditionally several different measures for the impact of computer-based systems on end-users' jobs have been considered. Benbasat and Dexter (1982) used the average time to make a decision. Chervany and Dickson (1974) measured the confidence in the decision made. Byrd (1992) assessed impact based



on fear of loss of control and fear of loss of jobs. Sviokla (1990) measured the impact of XCON on enduser jobs by examining the changes on input and output, the increase in the task accuracy and the amount of work completed, the shifts in the enduser role and responsibilities, and job satisfaction. Most prior studies have used one or two items to measure system impact on enduser jobs. Similar to previous studies (Yoon & Guimaraes, 1995; Yoon et al., 1996), we employed 11 variables to measure the impact of an ERP system on enduser jobs; these include the change in the: importance of the end-users' job, amount of work required on the job, accuracy demanded on the job, skills needed to do the job, job appeal, feedback on job performance, freedom in how to do the job, opportunity for advancement, job security, relationship with fellow employees, and job satisfaction.

The Independent Variables

As mentioned earlier, researchers have proposed many factors possibly affecting ERP system success (Longinidis & Gotzamani, 2009; Lin & Rohm, 2009; Chung et al., 2008; Nah & Delgado, 2006; Ngai, Law, & Wat, 2008). Within the human related framework chosen for this ERP study, six widely accepted independent variables were chosen as particularly relevant to understand the ERP phenomenon: management support for the project, end-user characteristics, user involvement in ERP development/implementation, developer skills, user training, and user/developer communication.

Management Project Support: The importance of top management support for project/system success has been emphasized by several authors (Dezdar & Ainin, 2009; Ngai, Law, & Wat, 2008). Igbaria (1990), and Igbaria and Chakrabarti, (1990), successfully used a measure of management support encompassing two broad categories of support: (1) enduser support, which includes the availability of system development assistance, specialized instruction, and guidance in using computer applications; and (2) management support for the project, which includes top management encouragement, political support (Francoise, Bourgault, & Pellerin, 2009), and allocation of resources. For this study, we focus on management support for the ERP project and excluded the end-user support items which are being addressed as separate constructs. High levels of management support for a project are thought to promote more favorable beliefs about the system among end-users as well as IS staff (Wang, Shih, Jiang, & Klein, 2008). Management support was found to be associated with favorable user attitude toward the system and with greater system usage. Igbaria et al. (1995) found management support directly related to system usage. Keyes (1989) reported that lack of management support was a critical barrier to system success, and Barsanti (1990) said that a key predictor success in an organization is the existence of topdown corporate support. Several reasons for the importance of management support can be described. First, management support is essential to receive personnel and monetary resources necessary to the development. Without their

support, a system development cost will not be funded, resulting in a system failure. Second, the adoption of a new technology by an organization always results in some change in the manner in which decisions are made, business tasks are performed, and power is allocated. Changes in a work environment frequently increase enduser fears about their jobs and in turn may generate resistance against a new system (Bueno & Salmeron, 2008; Sloane, 1991). Since ERP projects tend to address several organization units/functions, affecting many people, these factors may be relatively more important for ERP implementation. Based on the above discussion, we propose the first hypothesis:

H1: Top management support is directly related to ERP system impact on end-users jobs.

End-User(s) Characteristics: While this success factor has long been proposed by many authors as important for successful systems implementation in general, it has been severely neglected in the ERP related literature. Based on the theoretical model of Zmud (1979), individual characteristics have been reported to play an important role in the eventual success of IS. The acceptance of computer technology depends on the technology itself and the level of skill or expertise of the individual using the technology (Kwahk & Lee, 2008; Nelson, 1990). End-user training and experience, representing individual skills and expertise, were found to be related to end-user beliefs and usage. The impact of beliefs and usage has been well documented (Igbaria, 1990; Schewe, 1976; Zmud, 1979). These studies and others suggest that end-user training plays a very important role in influencing end-user beliefs toward the system and that training programs are likely to increase end-user confidence in their ability to master and use computers in their work (Gist, 1987). Other research (Davis & Bostrom, 1993; Igbaria & Chakrabarti, 1990; Nelson & Cheney, 1987) provides evidence that the type of training will influence subsequent task performance and end-users' belief that they can develop skills necessary to use computers. Additionally, opportunities to gain experience using computers and information systems are thought to improve end-users' beliefs about the system (Igbaria, 1990; Rivard & Huff, 1988). End-user training and computer experience were also found to be positively related to system usage (Igbaria, Pavri, & Huff, 1989; Kraemer, Danziger, Dunkle, & King, 1993). It was found that lack of training is a major reason for the lack of IS success. In addition, prior computer experience promoted increased computer usage. The dominant enduser characteristics affecting success include end-user attitude, end-user expectation and end-user knowledge of ERP technology (Smith, 1988). End-user attitude has been viewed as an important factor to success since endusers

with a negative attitude will tend to be unhappy with the system and to not use it, completely wasting development costs. Further, poor user attitude is likely to lead to lower satisfaction with the system. Based on the above discussion, we propose:

H2: Individual user characteristics are directly related to ERP impact on end-users jobs.

End-user Involvement: ERP systems successes are expected to be heavily dependent on end-user involvement (Francoise et al., 2009; Igbaria & Guimaraes, 1994; McKeen, Guimaraes, & Wetherbe, 1994) for information requirements definition, software package tailoring to specific company requirements, etc. Similar to what was used by Yoon et al. (1995), involvement in nine different activities were studied: initiating the project, establishing the objective of the project, determining end-user requirements, accessing ways to meet end-user requirements, identifying the sources of data/information, outlining the information flow, developing the input forms/screens, developing the output forms/screen, and determining the system availability/access. Based on the above discussion, we propose:

H3: User involvement is directly related to ERP impact on end-users jobs.

Developer(s) Skills: A number of developer characteristics were thought to affect system implementation success: including their knowledge of the business problem being addressed, their skills and knowledge regarding the IS tools used, their experience with alternative ways to address the problems encountered, and the developers' abilities to minimize conflicts with endusers users (Francoise et al., 2009; Bueno & Salmeron, 2008; Green, 1989; Yoon et al., 1995). White and Leifer (1986) explored the impact of developer(s) skills on IS success and reported that a range of skills, including both technical and process skills, are important for system success. Although the range of developers' skills and abilities varies slightly between studies, according to Nunamaker, Couger, and Davis (1982) they have been classified in to six general categories: people, models, systems, computers, organizations, and society. People skills refer to communication and interpersonal skills. Model skills are defined as the ability to formulate and solve models of the operation research type. System skills refer to the developer's ability to view and define a situation as a system specific set of components, scopes, and functions. Computer skills refer to knowledge of hardware/software, programming languages, and ERP development techniques. Organizational skills are defined as knowledge of the functional areas of an organization and organizational conditions. Strong knowledge of various functional areas in an organization

improves developers' communication with end-users, and helps save everyone's time and effort. Last, societal skills generally refer to the ability to articulate and defend a personal position on important issues about information technology's impact on society. More specifically, it refers to the ability to perceive and describe the impact of an ERP on a particular part of society. Due to the special nature of ERP emphasis on system integration and friendliness to many groups of end-users and its relatively complex system design, new development methods and tools, the importance of skillful ERP developers is expected to be relatively greater than for most other systems. Based on the above discussion, we propose:

H4: Developers' skills are directly related to ERP impact on end-users jobs.

User Training: The importance of user training for system success has been widely recognized (Francoise et al., 2009; Ngai et al., 2008; Bueno & Salmeron, 2008; Lemmetty, Häyriinen & Sundgren, 2009; Santhanam, Guimaraes, & George, 2000; Igbaria et al., 1995; Yoon et al., 1995). Training is important to provide a general background to familiarize users with the general use of computer technology, the process of systems development, and to help users to effectively use the specific system under development. Based on this we propose:

H5: User training is directly related to ERP impact on end-users jobs.

User-Developer Communication: User-developer communication indicates the quality of the communications that exists between the systems designers and the user participants (Ngai, Law & Wat, 2008; Bueno & Salmeron, 2008; Monge, Buckman, Dillard, & Eisenberg, 1982; Guinan, 1988). Communication plays a key facilitating role within the process of application system development (Limpornpugdee, Janz & Richardson, 2009; Gallivan & Keil, 2003). According to McKeen et al. (1994), "what facilitates productive, collaborative effort in the conduct of systems development is effective communication ... due to the necessity of users to convey their understanding and insight of business practice accurately and completely to developers who, in turn, must receive this information and translate it into a working computer system. Accordingly, effective communication works to the benefit of both parties".

It is through articulation, conveyance, reception and feedback that user/system requirements gain currency and have effect. Communication, to be effective, must flow both ways – from sender to receiver and vice versa. With effective user-developer communication, participation will be more meaningful (Francoise et al., 2009).

Users' input will be heard and understood by developers and users will be able to understand technical tradeoffs as described by developers. As a result, effective communication will provide clarity. Beliefs will be based on a more comprehensive understanding of the system deliverables and the system itself will be implemented as articulated. In situations where effective communication is lacking, the benefit of user participation is lessened – users fail to convey their needs for (and understanding of) the system under development accurately and developers fail to seek, explain, and translate user needs into system requirements effectively. As a result, ineffective communication weakens the relationship between user participation and system success. Conversely, we argue that the relationship between user participation and system success is stronger where user-developer communication is of high quality. Empirical research bears this out. In a study of 151 application systems, McKeen et al. (1994) found that user-developer communication moderated the relationship between user participation and user satisfaction as well as having a direct impact on user satisfaction. They found that, in situations where there was effective user-developer communication, the relationship between user participation and user satisfaction was stronger than in situations where communication was less effective.

The quality of communication has a psychological impact on systems development as well. With ineffective communication, users convey/form ideas, impressions and expectations of the end system based on incomplete (or inaccurate) information due to misunderstandings between themselves and the design team. Although we are not able to cite empirical evidence to support this assertion, we expect that the relationship between user participation and user involvement will be stronger where there is effective communication and weaker where there is not. Thus we propose the final hypothesis:

H6: User-developer communication is directly related to ERP impact on end-users jobs.

METHODOLOGY

Sampling Procedure

A questionnaire containing the variables and their measuring scales as discussed below was developed and pilot tested for content and readability by four ERP project managers from different companies who also are ERP users. Based on their suggestions some of the questions were reworded to make them easier to understand. Six hundred questionnaires were mailed out to IS managers who attended a series of seminars organized by vendors of ERP equipment and development services. Each

questionnaire had a cover letter from the researchers explaining the purpose of the study, promising anonymity and a copy of the results upon request. The questionnaire was addressed to these IS managers but it contained two detachable parts: one with questions for the IS managers and the second part with questions for the end-users most directly related to the specific ERP project being reported on. Each of the two separate parts was foldable and pre-stamped for mailing directly to the researchers. Multiple respondents were used to increase data validity of the responses and reduce the possibility of common method variance.

The IS managers were instructed to report only if their ERP system had been fully operational for at least one year. This was necessary to detect any permanent changes they may have caused to end-users jobs, and to ensure that system usage was not temporary. Last, the respondents were instructed to answer their questions based on “this specific” system. From the 800 questionnaires mailed out, 218 matched and usable responses were received, not including 19 unmatched questionnaires (12 from IS managers and 7 from end-users) and 8 discarded due to invalid data or too much missing information. The response rate of approximately 27% from the targeted companies is considered good for surveys of this type.

Sample Demographics

Tables 1 and 2 present selected information about the companies and their ERP environment. Table 1 shows that the sample contains a broad selection of industrial sectors, with a significant proportion of the companies from the manufacturing sector. The sample also shows broad participation based on company gross revenues. Table 2 shows selected characteristics of the ERP system environment such as company experience with ERP, and the departments/organization functions being supported by the system.

Variable Measurement

Most of the measures used in this study were previously tested separately by various authors and published elsewhere. Most are based on Likert/semantic differential scales comprised of several items, and have shown good psychometric characteristics such as construct validity and high internal reliability.

The impact of ERP on end-user jobs: It was measured by perceived performance impacts since objective measures of performance were unavailable and would not have been compatible across individuals with different jobs or task portfolios. This measure has a long history and has been used in prior studies (Yoon et al., 1996). It is comprised

TABLE 1 COMPANY DEMOGRAPHICS (N= 218)		
A–The primary organization’s business:		
	F	%
Manufacturing	63	28.9
Retailer	21	9.6
Financial Services	28	12.8
Health Care	17	7.8
Utilities	25	11.5
Transportation	17	7.8
Wholesaler	14	6.4
Other	33	15.1
	218	100.0
B–Organizations’ gross revenues:		
	F	%
Less than \$100 million	33	15.1
\$100–300 million	43	19.7
\$301–600 million	55	25.2
\$601M–1 billion	36	16.5
\$1–10 billion	28	12.8
Over \$10 billion	23	10.6
	218	100.0

of eleven questions, adapted from Millman and Hartwick (1987), asking individuals to self-report on the perceived impact of ERP on their performance, productivity, and effectiveness in their job. Originally seven of these items were taken from Hackman and Oldham’s research (1980) and dealt with various aspects of an individual’s work (importance of the job, amount of work required on the job, accuracy demanded by the job, skills needed to do the job, amount of freedom in how to do the job, job appeal, and feedback on the job performance). The other four additional items dealt with other job concerns detailed within the job satisfaction literature (Bikson, Stasz, & Mankin, 1985; Kraut, Dumais & Kock, 1989) assessing the employee’s relationship with fellow employees, job security, opportunity for advancement, and job satisfaction. Each item was measured on a seven point Likert scale ranging from (1) strongly disagree to (7) strongly agree. These questions were answered by end-users.

Management Project Support: This measure was developed and validated by Igbaria (1990), for assessing management encouragement for the use of a particular

TABLE 2 CHARACTERISTICS OF THE ERP SYSTEM ENVIRONMENT (N = 218)		
A–Number of months company has used ERP technology:	Mean:	SD:
	39.7	11.8
B–Primary business area supported by the ERP system:	F	%
1. Accounting	112	82.4
2. Finance	116	85.3
3. Customer service	35	25.7
4. Engineering	22	16.2
5. R & D	11	8.1
6. Manufacturing	48	35.3
7. Sales/Marketing	46	33.8
8. Personnel	39	28.7
9. Transportation/Logistics	41	30.1
10. Purchasing	43	31.6
C–System primary nature or purpose:	F	%
1. Transaction processing	119	87.5
2. Decision support	38	27.9
3. Both 1 and 2	136	100.0
4. Mission critical	62	4

technology, as well as providing the necessary resources. It contains six items: management understanding of ERP potential benefits, its encouragement of the use of ERP in employees’ jobs, its providing of the necessary training, its providing of the necessary assistance, its providing of other necessary resources needed for effective use of the ERP system, and management interest regarding employee satisfaction with their ERP system.

The respondents were asked to indicate the extent of their agreement or disagreement with six statements concerning management support defined above on a seven-point Likert-type scale ranging from (1) strongly disagree to (7) strongly agree. These questions were answered by the IS director and/or project manager.

End-user characteristics: were measured by a four-item scale previously developed and used by Yoon, et al. (1995). The IS managers were asked to indicate the extent of their agreement or disagreement with three statements concerning end-user attitudes, expectations, resistance, and computer background on a seven-point Likert-type scale ranging from (1) strongly disagree to (7) strongly

agree. These questions were answered by the IS director and/or project manager.

End-user involvement: End-user involvement in the ERP implementation process, adapted from Doll & Torkazadeh (1989), was measured by asking respondents how much they were actually involved in each of the nine specific project implementation activities, such as initiating the project, establishing the objective of the project, determining the system availability/access, and outlining information flows. The response options anchored on a seven-point Likert-type scale, ranging from (1) strongly disagree to (7) strongly agree. These questions were answered by the ERP users.

Developers’ skills: This was assessed by a five-item scale previously developed and used by Yoon et al. (1995). It incorporates people skills, modeling skills, systems skills, computer skills, and organizational skills. The response options anchored on a seven-point Likert-type scale, ranging from (1) strongly disagree to (7) strongly agree. These questions were answered by the IS director and/or project manager.

User Training: This measure was proposed by Nelson and Cheney (1987) and has been used extensively (Santhanam et al., 2000; Igbaria et al., 1995; Yoon et al., 1995). Respondents were asked to report the extent of training, which in any way affect the use of the specific system. Five sources: college courses taken, vendor training, in-house training, self-study using tutorials, and self-study using manuals and printed documents were the areas assessed as components of user training. For each source, this was measured with a five-item scale ranging from “1” (not at all) to “5” (to a great extent). These questions were answered by the ERP users.

User/Developer Communication: The measure was originally developed by Monge et al. (1982) and modified by Guinan (1988) to assess communication quality. Subsequently it was used by McKeen et al. (1994). Using a scale ranging from “7” (very strong agreement), “4” (neutral feelings or don’t know), to “1” (very strong disagreement), users were asked to rate the communication process between themselves and the systems developers along 12 statements regarding whether developers had “a good command of the language,” were “good listeners,” and “expressed their ideas clearly.”

DATA ANALYSIS

To test the proposed hypotheses, the relationships between the independent variables and the dependent variable are separately assessed through the calculation of Pearson’s correlation coefficients. To address the possibility that the independent variables are also interrelated,

multivariate regression analysis (stepwise method) has been undertaken to test a model capable of explaining the largest possible variance in the dependent variable while controlling for possible multicollinearity.

Results

Table 3 reports Cronbach’s alpha coefficient of internal reliability for each of the constructs in the research model. Cronbach’s alpha should exceed 0.7, which it does for all scales in Table 3 indicating adequate reliability. Despite the fact that the psychometric characteristics of the constructs and measures used in this study are widely known, their discriminant validity was assessed once again by conducting exploratory factor analysis with all the items from all the constructs. As expected, a clear pattern of factors emerged with each item loading unambiguously (.5 or higher) on the intended factor with low cross-loadings on the other factors (below .35). These findings confirm good discriminant validity among the constructs, indicating that the questions used in this study tap into the meaning of the intended construct, while not substantially tapping into the meaning of any of the other constructs. To eliminate the potential effects of multicollinearity among the independent variables, stepwise multivariate regression analysis was used and the results are summarized in Table 4.

Results from Hypothesis Testing

Based on the results presented in Table 3, all six hypotheses proposed in this study are accepted at the .01 significance level or better. Table 4 shows that in the specific order in which they entered the multivariate regression equation, Management Support, Developer Skills, User

Training, and User Involvement can explain .51 percent of the variance in ERP impact on end-user jobs. However, even though user-developer communication and user characteristics together can explain an additional 5 percent of the variance of ERP impact on user jobs, their contributions are not of statistical significance.

Other Interesting Results

Table 3 also indicates some other interesting relationships. While as should be expected, user training has shown no relationship with developer skills, it is directly linked to all the other variables in this study. Management support for the ERP projects is directly associated with more user involvement in the project, more user training, and higher developer skills. Improved user characteristics, as measured in this study, is directly associated with greater user involvement, training, and improved communication between users and developers. User involvement in the projects, in turn is directly linked to more user training and improved communication with developers. While management support seems to have no direct relationship with user/developer communication, all the other variables are directly associated with improved communication.

CONCLUSIONS AND
MANAGERIAL IMPLICATIONS

The main objective of this study was to test a set of hypotheses regarding people related variables proposed by various authors as important determinants of ERP systems impact on end-user jobs. The data shows that while ERP impact on jobs has been lackluster on average, the large standard deviation indicates that its impact varies considerably from company to company. The importance

TABLE 3 MEASUREMENT CHARACTERISTICS OF THE CONSTRUCTS (N= 218)										
Pearson’s Correlation Coefficients										
Construct/Scale	Number of Items	Cronbach’s Alpha	Mean	Std. Dev.	1	2	3	4	5	6
1. Impact on User Job	11	0.93	3.97	1.33						
2. Management Support	6	0.84	3.86	0.89	0.47**					
3. User Characteristics	4	0.88	3.53	1.13	0.23**	NS				
4. User Involvement	9	0.92	4.56	1.26	0.44**	0.23**	0.24**			
5. Developer Skills	5	0.85	3.87	0.77	0.41**	0.20**	NS	NS		
6. User Training	5	0.79	2.69	0.88	0.38**	0.38**	0.18*	0.29**	NS	
7. User-Developer Communication	12	0.86	3.98	1.29	0.30**	NS	0.34**	0.25**	0.23**	0.31**
** = p<.01 or lower * = p<.05 NS = Not Significant										

TABLE 4 RESULTS FROM MULTIVARIATE REGRESSION DEPENDENT VARIABLE: ERP IMPACT ON USER’S JOB (N=218)	
Independent Variables:	Incremental R Squared
Management Support	.22**
Developer Skills	.13**
User Training	.10**
User Involvement	.06*
User-Developer Communication	NS
User Characteristics	NS
Total R-Squared	.51
** = p<.01 or lower, * = p<.05 N.S. = Not Significant	

of user training comes across not only as a determinant of positive job impact from ERP implementation but also as a significant factor linked to user participation in the implementation process, and for improving user/developer communication. Needless to say, managers must take more seriously the importance of user training to improve ERP system success in general, to get a more positive system job impact in particular, to improve relations with the user community, and to make more effective use of company IT resources in the long run.

User/developer communication has a direct relationship to a more positive job impact from ERP. Its link to all the other independent variables in the study (except management support for the project) may be interpreted as an indication that it is an intermediate variable to system success. As mentioned earlier, for systems with complex or poorly understood user requirements, it is critical that managers ensure strong user involvement/participation by promoting user/developer communication. For systems with complex user requirements, increased user participation may lead to considerable changes to system requirements and design. In such cases, managers should consider using a prototyping approach to define user requirements to assist the tailoring/implementation process. While in the short run that may increase systems development costs and completion time, it is preferable to trying to implement an ERP system that may become less useful or a source of organization turmoil.

The results from this study indicate that the human related aspects of ERP implementation (i.e., management support, end-user involvement in system development, end-user characteristics and training, skills of developers, and user developer communication) are very important

and can explain a significant portion of the variance in the system impact on the end-users’ jobs. The results indicate that while ERP development methods and tools are also important and deserve attention from project managers (particularly with today’s wide selection of ERP software packages, services, and vendors available), ERP project managers need to pay a great deal of attention to the human aspects of ERP development and implementation. Further, as the development tools and methodologies mature and become more established and better known to developers/vendors and clients alike, the relative importance of the human factor is likely to grow.

ERP technology is promoted by vendors as a particularly easy to learn and easy to use technology for end-users, once the system is operational. Nevertheless, the quality of the ERP end-user interfaces will be heavily dependent on the proper definition of end-user requirements. Thus, their involvement in the definition of system requirements is critically important. End-user involvement in the other stages of the development life cycle is also likely to be important to varying degrees for different types of applications. For example, for mission critical applications where prototyping time frames are likely to be relatively short, close end-user cooperation in all phases of the development effort is necessary. On the other hand, for ERP systems processing high transaction volumes, detailed systems design considerations are best left to IS specialists, with the end-users participating in the evaluation of the design decisions at the ERP operational testing stage. Regardless of these tactical considerations, it behooves ERP project managers to cultivate end-user participation by educating the end-user community as to the potential benefits of ERP technology in general, as well as the benefits of the particular system being developed. Good working relations with end-user department managers and a good understanding of end-user department political structures and individual end-user competencies is likely to be helpful in securing the participation of specific end-users deemed most helpful to the developers/implementers of a particular ERP project.

It is also important that before embarking on major ERP projects, particularly those involving highly visible business process reengineering and/or mission critical applications, project managers understand the characteristics of the end-users involved: their attitude toward the new system, any reasons why they might resist the system implementation, their prior experience with computer technology, and their expectations from the system being developed. End-user education and other activities with the specific objectives of improving end-user attitudes and to keep the level of end-user expectations within reasonable limits, should be considered on a project by project basis. Development of a more cooperative relationship and the nurturing of

a more computer smart end-user community should be a more continuous objective to be accomplished over time. To minimize long-lasting political problems, the management of end-user resistance to a particular ERP system must be addressed in cooperation with business managers responsible for the application area, under the arbitration of top management if necessary.

Last, management support for the project is found to be an important factor for ERP to have a positive impact on end-users jobs. The willingness of managers to encourage the ERP use, to have an interest in having employees satisfied with ERP technology, and to provide the necessary help and resources for effective ERP use are important factors for a positive system impact on end-users jobs. For applications which need to integrate several different legacy applications, distributed databases, in an end-user transparent fashion, and/or applications which require relatively friendlier user interfaces, client-server configurations should be seriously considered. For those applications, particularly when end-users ERP expectations are relatively high and several politically powerful departments are involved, IS managers must lobby corporate managers to strengthen their support, to ensure access to the necessary resources, and to develop a favorable management attitude toward this promising but relatively difficult to implement technology.

STUDY LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The following evidence suggests that the research results are relatively bias free: (1) the data shows no tendency for respondents to agree/disagree with items, regardless of content; (2) compared to the multi-item measurement scales used here, the risk of common method variance is much greater for single-item measures or poorly designed scales (Spector, 1987); and (3) correlations between objective measures (i.e. demographic variables) and suspect variables are consistent with expectations based on previous studies and experience.

Nevertheless, while the present study has provided strong support for the human related model of ERP implementation and provided insights as to what ERP project managers must concentrate attention on, it also raises several issues which represent substantial opportunities for future research. As apparently one of the first relatively rigorous studies on the impact of ERP technology on end-user jobs, it deliberately excluded some important factors from the research model. While the focus on the human aspects of ERP gave more depth to the study, it also sacrificed the comprehensiveness of the research model. Future studies are necessary to expand the research model and/or to focus on other likely

determinants of ERP implementation success. Specifically, given the wide selection of ERP products and vendors, presently there is a dire need for a better understanding of the impact of various software packages and services on project success. Important factors to be considered are the quality of the ERP development tools and services used and their compatibility with the existing applications and IS infrastructure.

The ultimate test for any model is its ability to produce desired changes in an applied setting. Therefore, future research should examine whether the specific managerial actions recommended here indeed produce the expected beneficial effects. Research programs that combine theoretically oriented studies using multivariate analysis in field-based quasi-experimental interventions should provide major insights of both a theoretical and practical nature. Although common method variance due to self-reporting bias is not found to be a problem in this study, researchers must strive to develop more direct and objective measures for the variables being studied, to reduce the likelihood of obtaining spurious results.

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THE ECONOMIC DETERMINANTS OF TERRORISM

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ABSTRACT

The connection between terrorism and economic, political, and social unrest is a topic of much interest in the time since the September 11, 2001 terror attacks on the World Trade Center and the Pentagon. Current research indicates that there is a significant relationship between economic factors (such as country income, unemployment, and economic growth), social factors (such as population, income disparity, and political freedom), and the number of terrorist events worldwide. These results imply that terrorist activity is indicative of larger problems with the economic and political fundamentals. I examine the country-level determinants of terrorism using data on 148 countries from 1990-2008. Using Hausman-Taylor estimation, I find that social variables such as education levels and democracy variables have more of an effect on terrorism than economic variables like country income and employment rates.

INTRODUCTION

Recent testimony at the trial for Adis Medunjanin, a suspected al-Qaeda recruit who is thought to be responsible for the attempted bombing of the New York subway system in 2009, revealed that the Manhattan subway was not the original target of the terror plot (Stringer (2012)). According to the Wall Street Journal, one of the possible targets included the New York Stock Exchange. It is no surprise that one of the many targets of the al-Qaeda terror plot consisted of one of America's most important financial and economic symbols, the NYSE. It is well-known that terrorist organizations such as al-Qaeda, the Irish Republican Army, and the Popular Front for the Liberation of Palestine, amongst many others, are driven by perceived economic, political, and social injustices in an effort to discourage future globalization and the economic prosperity of other countries (see GTD (2011) and Malhorta (2008)).

The connection between terrorism and economic, political, and social unrest is a topic of much interest in the time since the September 11, 2001 terror attacks on the World Trade Center and the Pentagon, another al-Qaeda terror plot. Unfortunately, little research focuses on the economic determinants, or the economic conditions and factors, that contribute to the incidence of terrorism (see Abadie (2006), Blomberg, Hess, and Weerapana (2004),

Piazza (2006), and Tavares (2004)). But the research that does exist indicates that there is a significant relationship between economic factors (such as country income, unemployment, and economic growth), social factors (such as population, income disparity, and political freedom), and the number of terrorist events worldwide. These results imply that terrorist activity is indicative of larger problems with the economic and political fundamentals.

While we typically think of terrorist regimes as extremists, far-removed from the mainstream political mindset, if terrorism is instead representative of a general, underlying political sentiment, then terrorist activity can be seen as the beginning of a shift in political preferences and the consequent economic policies. In this context, terrorism can be viewed as a type of political uncertainty because terror activities have an unknown and unpredictable effect on political, and subsequently economic, outcomes. Perhaps if we discover the macroeconomic factors that contribute to terror activity, we can hedge terrorism risk by incorporating those variables as additional factors in asset pricing.

I analyze the determinants of terror attacks using Hausman Taylor analysis, a panel estimation technique. There is some debate as to the effect of country income, political rights, and the level of democracy of a country on terrorist activity (see Abadie (2006), Blomberg, Hess, and Weer-

¹ Thanks to the Diversity Initiative for Tenure in Economics (DITE) fellows for their helpful comments at the DITE Workshop in May 2013.

apana(2004), Kis-Katos, Liebert, and Schulze (2011)). In an effort to reconcile these disagreements, I hypothesize that all three of these variables have a negative effect on the number of terror attacks. I further hypothesize that income disparities contribute to terrorism, with a larger disparity having a larger effect. Using data provided by the START program out of the University of Maryland, I perform analysis on a panel of country-level terrorist events spanning eighteen years and 148 countries (GTD (2011)). I show that income has no effect on the amount of country-level terrorist activity and a decrease in civil liberties increases terror.

RELATED LITERATURE

Most research into terror and the economy exists on the economic consequences of terror attacks. Previous inquiries indicate that terrorism has significant, albeit short-run consequences for the macroeconomy, industry, and the financial sector. Blomberg, Hess, and Orphanides (2004) determine that terror has a small and less persistent negative effect on growth. They further find a redirection of spending away from investment and towards government expenditures. Tavares (2004) analyzes both the costs of terrorism and the determinants. Tavares supports the findings of Blomberg et. al. (2004) by ascertaining that output costs are smaller in a democracy. Llusá and Tavares (2011) suggest that GDP is affected through private consumption and investment. Abadie and Gardeazabal (2008) further discover the terrorism affects the movement of capital across the country and subsequently affects GDP through investment. Berrebi and Klor (2010) focus their analysis on the defense industry, but they uncover a negative impact not only on defense-related companies but nondefense-related companies as well.

Due to the overwhelming significance of the September 11, 2001 terror attacks, much analyses exists on the financial implications. Charles and Daré (2006) examine the effect of the September 11th attacks on international stock markets discovering large shocks both temporary and permanent. In terms of risk, Choudry (2005) looks at the effect of September 11th on the time-varying betas of U.S. companies finding most companies affected, supporting the findings of Berrebi and Klor (2010). Terror attack risk is a source of much concern for industries and possible hedging strategies are investigated in Gulley and Sultan (2006) and Karloyi (2007) with mixed results.

Previous research on the determinants of terrorism, or what makes a country more susceptible to experience a terror attack, has been limited mostly due to a lack of quality data and estimation techniques. In Tavares (2004), not only are the effects of terrorism analyzed, but Tavares also discovers that richer countries are more likely to suffer

from terror attacks, although democracies are less likely. Abadie (2006) disagrees, noting that richer countries are no more likely than poorer countries to experience a terror attack if they maintain the same level of civil liberties and democracy. Both empirical analyses utilize ordinary least squares regression, but Piazza (2006) supports the findings of Abadie (2006) using the multiple regression technique. Piazza further suggests that social variables have much more influence on terrorism than economic variables.

To account for the relative differences in the effect of country level income on terrorist activity, Blomberg, Hess, and Weerapana (2004) and Blomberg and Hess (2008a) split the data into subcategories: high income and low income countries. The results are markedly different for each group, with per capita income increasing the incidence of terrorism for the higher income countries and lowering it for lower income countries. (Blomberg, Hess, and Weerapana (2004) use a markov process in their investigation whereas Blomberg and Hess (2008a) use a panel estimation technique).

The most recent empirical investigations into the determinants of terror events rely on panel estimation techniques. Using negative binomial fixed effects regression, Caruso and Schneider (2011) determine that social welfare variables, specifically those related to current economic opportunities, lower the incidence of terrorism, although real GDP is positively associated with terrorist brutality. Kis-Katos, Liebert, and Schulze (2011) also use negative binomial fixed effects regression and they determine that terror increases with income and democracy.

In an effort to reconcile the various disagreements on the effect of country income, political rights, and the level of democracy of a country, I focus on these variables hypothesizing that all three have a negative effect on the number of terror attacks. I further hypothesize that income disparity contributes positively to terror activity.

Using data provided by the START program, I perform analysis on a time series of annual, country-level terrorist events spanning eighteen years and 148 countries. Since it is possible that a high amount of domestic terrorism influences gross domestic product, even in the short-run (see Tavares (2004), Abadie and Gardeazabal (2008), and Llusá and Tavares (2011)), I consider this variable endogenous in my analysis. Per the use of cross-sectional time series, an endogenous income variable, and time-invariant geographic variables, Hausman Taylor estimation is appropriate.

Surprisingly, I discover counterintuitive results. First, I show that wealth does not contribute to terrorist activity while country size and location do. Terrorism also de-

creases with population and education levels but increases with a decrease in civil liberties. This research differs from previous, particularly Caruso and Schneider (2011) and Kis-Katos, Liebert, and Schulze (2011), in the use of the Hausman Taylor panel estimation technique and the simultaneous incorporation of endogenous and geographic variables with a slightly different outcome.

DATA

Terror Events

I obtain data on terrorist events within the United States from the Global Terrorism Database (GTD (2011)). Sponsored by the National Consortium for the Study of Terrorism and Responses to Terrorism (START) out of the University of Maryland, the Global Terrorism Database is the largest, open-source database cataloguing worldwide terrorist events from January 1970 through December 2010. The GTD contains information on more than 98,000 domestic, international and transnational events in over 200 countries. Each event contains between 45-120 variables of incident information such as date, attack type, location, target information, and much more. I use those events that occurred domestically for 148 countries from 1990-2008.

A shortcoming of the GTD is the lack of a single definition of terrorism. While the database does maintain several variables on inclusion criteria, which was formulated by the GTD advisory board, the final decision to include an incident is made by GTD supervisory staff and management using the aforementioned guidelines. Due to the difficult nature of determining a universally acceptable definition of terrorism, and in an effort to be as inclusive as possible, the encoded events span a range of definitions and leave it to the researcher to decide which events to utilize in their research. It should be noted, however, that the GTD does not include information on foiled or failed terror plots, threats, or state-sponsored terrorism. This is unfortunate, as investment is very much affected by perception and fear which can result from attempted or planned terror attacks. And state-sponsored terror can further lead to a change in economic principles, directly affecting political risk.

For the purposes of this investigation, it is not necessary to employ a formal definition of terrorism. The inclusion criteria utilized by the GTD advisory board is sufficient and though the following inclusion criteria does not need to be fully met to be included in this research, it does allude to the type of events catalogued in the database:

- Criterion I:** The act must be aimed at attaining a political, economic, religious, or social goal,
- Criterion II:** There must be evidence of an intention to coerce, intimidate, or convey some message to a larger audience (or audiences) other than the immediate victims,
- Criterion III:** The action must be outside the context of legitimate warfare activities.

Explanatory Variables

Many of the explanatory variables are obtained from the World Bank website (WDI (2012)). To understand the effect of country income on the number of terror events, I utilize GDP per capita (in current US dollars). High inflation and unemployment are often associated with higher crime rates and have previously shown to be positively associated with terrorist events (see Goldstein (2006), Piazza (2006), and Caruso and Schneider (2011)). So I include total unemployment (as a percentage of the total labor force) and the GDP deflator as a measure of inflation (annual percentage/1000).

To expand further on the effect of income on terrorism, I hypothesize that income distribution influences terror activity. I test if disproportionate income distribution and relative poverty have a significant effect on the number of terror events by using the Gini coefficient. The Gini coefficient measures the extent of the distribution of wealth using an index ranging from 0 to 100. A Gini index of '0' represents perfect equality but an index of '100' is perfect inequality. Other social variables include population (total), general education level (gross percentage of age-appropriate enrolled in secondary education), and a measure of civil liberties (see Krueger and Malečková (2003) for details on the contribution of education).

Previous literature suggests that the amount of civil liberties, and the subsequent response of government to the desires of the constituents, contributes to the incidence of terrorism (see Abadie (2006), Piazza (2006), Blomberg and Hess (2008a), Kis-Katos et al (2011), and Caruso and Schneider (2011)). Variables that account for political rights and the level of democracy are often utilized, though controversial in their abilities to accurately measure freedom and government interaction. I choose to utilize the civil liberties index from Freedom House as the democracy variable in this analysis (PR (2011)). The index assigns a value from 1 to 7 with the lower end of the scale representing the highest degree of freedom (for example, the United States scores a 1 throughout).

The final set of independent variables are geographic. Abadie (2006) and Blomberg and Hess (2008a) suggest that the location of a country contributes to terrorist activity, with the more isolated countries experiencing less terrorism. I employ the same geographic variables utilized by Abadie (2006), which were obtained from John Luke Gallup’s website (Gallup, Mellinger, and Sachs (1999) and Gallup (2011)). The geographic variables include country land area (km2), mean elevation (meters above sea level), and mean distance to the nearest coastline or sea-navigable river (km).

It has been suggested that the use of social variables that account for ethnic, linguistic, and religious differences be utilized in the estimation on the determinants of terror (Piazza (2006) and Burgoon (2011)). However, there does not exist a single diversity index that is without controversy. Property rights and law enforcement has also historically contributed to terrorism on an international level (De Soto (1989)).

But property rights is another controversial variable that is not regularly utilized in macroeconomic or panel investigations. The search for a full list of determinants is a subject for future pursuits and not the original purpose of this chapter. So for this reason, I choose to relegate the determinants analysis to those socioeconomic variables already listed.

METHODOLOGY AND EMPIRICAL RESULTS

Using data on 148 countries from 1990-2008, I investigate the following model:

$$\ln \text{ TerrorEvents}_{it} = \mu_i + \beta_1 \ln \text{GDPPC}_{it} + \beta_2 \text{GDPdefl}_{it} + \beta_3 \text{Unemp}_{it} + \beta_4 \ln \text{Pop}_{it} + \beta_5 \text{GINI}_{it} + \beta_6 \text{Education}_{it} + \beta_7 \text{CivLib}_{it} + \beta_8 \ln \text{LandArea}_i + \beta_9 \ln \text{Elevation}_i + \beta_{10} \ln \text{Distance}_i + v_{it}$$

where:
i = 1,...,148, t = 1,...,19 and
lnTerrorEvents = log number events
GDPdefl = GDP deflator/1000
lnPop = log total population
Education = high school enrollment(%)
lnLandArea = log land area
lnDistance = log distance to waterway
lnGDPPC = log GDP per capita
Unemp = total unemployed(%)

GINI = Gini coefficient(0-100)
CivLib = civil liberties index(1-7)
lnElevation = log elevation(mean)

Once again, the only endogenous variable I utilize is the income variable, GDP per capita.

Summary Statistics

The summary statistics are reported in Table 1. The average annual number of terror events is 15.2 between 148 countries in 13 regions around the world (see Appendix A for further details on region and country-level statistics). But the data does maintain a large standard deviation at 59.5 events. Of course, the number of events can never be negative so the minimum number of events is 0. And the highest number of terror events in one year was 1104 which occurred in Iraq in 2005.

TABLE 1 SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL	
Time Period	1990–2008
Number of Regions	13
Number of Countries	148
Total Number of Events	42755
Mean Events per Year	15.204
Standard Deviation	59.479
Minimum	0
Maximum	1104

Hausman Taylor Estimation

In Table 2, you will find the results for Hausman Taylor estimation along with ordinary least squares regression and fixed effects estimation for comparison. The OLS regression results support those in Abadie (2006). Country level income has no statistically significant effect on terrorism, while some of the geographic variables do. Interestingly, both the Gini coefficient, which represents income disparity, and the civil liberties index do not contribute to terrorism. The constant term is also inexplicably negative representing a negative amount of terrorism on average for each country regardless of socioeconomic status.

Fixed effects estimation confirms the OLS results regarding income and the Gini coefficient. But results that differ include the employment, population, and education variables. Unemployment and education both lose their affect on terrorist activity while a larger population experiences less terrorism. This outcome is rather counterintuitive. But notice the democracy variable—a decrease in civil liberties increases terror. Once again, on a scale from 1-7, 1

represents the highest level of liberty. The constant term is also quite large at 37.8 events. Fixed effects regression will not estimate parameters for time-invariant variables so there are no results to report for the geographic variables.

The final column in Table 2 contains the results of the Hausman Taylor estimation method. According to the Hausman Taylor results, country wealth does not contribute to terrorism, neither do employment rates nor income disparity. Similar to the fixed effects estimation,

TABLE 2 PARAMETER ESTIMATES FOR THE DETERMINANTS OF TERRORISM			
Variable	Ordinary Least Squares Estimate	Fixed Effects Estimate	Hausman Taylor Estime
GDP Per Capita (Endogenous)	0.013 (0.31)	0.086 (0.85)	-0.094 (-1.06)
GDP Deflator	0.345*** (3.37)	0.206*** (2.54)	0.205*** (2.61)
Unemployment Rate	0.047*** (6.17)	-0.008 (-0.94)	-0.008 (-1.05)
Population	0.511*** (13.65)	-2.247*** (-6.21)	-0.691*** (-3.02)
Secondary Enrollment	-0.004*** (-3.38)	-0.002 (-1.35)	-0.002** (-1.97)
Gini Coefficient	-0.001 (-0.64)	-0.003 (-1.33)	-0.003 (-1.37)
Civil Liberties Index	0.055 (1.57)	0.349*** (6.37)	0.367*** (7.03)
Land Area	-0.151*** (-3.58)		0.878*** (2.81)
Elevation	0.194*** (3.81)		0.482 (1.1)
Distance to Wa- terway	-0.089 (-1.55)		-0.993** (-2.27)
Constant	-5.776*** (-10.03)	37.766*** (6.54)	3.465 (0.84)
t-statistics are reported in parenthesis below OLS and FE regression estimates. z-statistics are reported for HT regression estimates. ***significance at the 1% level, **significance at the 5% level, *significance at the 10% level. Terrorism data obtained from the Global Terrorism Database, civil liberties index obtained from Freedom House, and geographic variables obtained from John Luke Gallup’s website. All other variables are obtained from World Bank.			

a larger population decreases the incidence of terrorism, as does education, with a slightly smaller effect for both. A decrease in civil liberties results in more terrorism. Notice also that both land area and the distance to nearest coastline or sea-navigable river are both significantly contributing variables. A larger country tends to experience more terrorism, but the further away from a major waterway the less terror. This suggests that landlock has a negative impact on terrorism. The Hausman model further indicates an insignificant constant term. This could mean that without these parameters present, the country is likely not to experience terrorism.

CONCLUSION

In terms of the contributors to terror, I have determined that social parameters like education and democracy variables contribute more to terror than economic variables like income and employment rates. I further determined that the geographic location of a country positively contributes to terrorism. If terrorism is in fact suggestive of underlying political unrest, then examination of the determinants of terrorism is important because it is another means by which to mitigate future terror attack risk. Another avenue for future research is the discovery of the complete list of terrorism determinants and the incorporation of the contributing socioeconomic variables in asset pricing models.

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APPENDIX A SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL BY REGION					
Region	Total	Yearly Avg	Std Dev	Min	Max
North America	836	14.667	21.113	0	95
CentralAmerica & Caribbean	1,877	7.599	36.022	0	500
South America	6,568	28.807	93.146	0	659
East Asia	373	9.816	18.531	0	93
Southeast Asia	3,628	21.216	49.999	0	320
South Asia	10,152	76.331	114.095	0	666
Central Asia	214	2.816	7.355	0	40
Western Europe	3,043	8.898	20.280	0	156
Eastern Europe	529	2.320	6.496	0	57
MiddleEast & North Africa	10,205	29.839	110.428	0	1,104
Sub-Saharan Africa	3,829	5.167	19.614	0	272
Russia & Former Soviet	1,383	9.099	24.435	0	173
Australasia & Oceania	118	2.070	3.494	0	18
TOTAL	42,755	15.204	59.479	0	1,104

APPENDIX B SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL BY COUNTRY					
Country	Total	Yearly Avg	Std Dev	Min	Max
North America					
Canada	34	1.789	2.175	0	8
Mexico	298	15.684	26.854	0	95
United States	504	26.526	18.341	0	55
Central America & Caribbean					
Antigua and Barbuda	2	0.105	0.315	0	1
Belize	5	0.263	0.806	0	3
Costa Rica	9	0.474	0.772	0	2
Cuba	30	1.579	3.717	0	14
Dominican Republic	43	2.263	4.039	0	12
El Salvador	753	39.632	119.21	0	500

APPENDIX B SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL BY COUNTRY					
Country	Total	Yearly Avg	Std Dev	Min	Max
Guatemala	431	22.684	33.495	0	84
Haiti	172	9.053	11.559	0	34
Honduras	107	5.632	8.18	0	22
Jamaica	21	1.105	2.208	0	8
Nicaragua	196	10.316	19.599	0	80
Panama	90	4.737	10.06	0	41
Puerto Rico	18	0.947	1.87	0	6
South America					
Argentina	165	8.684	12.706	0	41
Bolivia	98	5.158	10.383	0	38
Brazil	165	8.684	12.033	0	40
Chile	476	25.053	50.002	0	161
Columbia	3541	186.368	180.198	0	598
Ecudaor	89	4.684	5.935	0	23
Guyana	18	0.947	1.545	0	5
Paraguay	27	1.421	3.043	0	12
Peru	1798	94.632	193.115	0	659
Suriname	16	0.842	1.922	0	7
Uruguay	24	1.263	2.621	0	11
Venezuela	151	7.947	11.38	0	41
East Asia					
China	154	8.105	14.456	0	62
Japan	219	11.526	22.152	0	93
Southeast Asia					
Brunei	1	0.53	0.229	0	1
Cambodia	240	12.632	20.63	0	67
Indonesia	454	23.895	27.09	0	87
Laos	15	0.789	1.619	0	6
Malaysia	13	0.684	1.057	0	3
Myanmar	163	8.579	9.02	0	35
Philippines	1691	89	82.537	0	320
Thailand	1041	54.789	86.305	0	292
South Asia					
Vietnam	10	0.526	1.02	0	4
Afghanistan	1516	79.789	124.995	0	398
Bangladesh	597	31.421	39.382	0	161
Bhutan	4	0.211	0.713	0	3
India	3543	186.474	115.894	0	520
Nepal	461	24.263	30.446	0	100
Pakistan	2849	149.947	177.586	0	666
Sri Lanka	1182	62.211	50.358	0	175
Central Asia					
Kazakhstan	9	0.474	1.02	0	4

APPENDIX B SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL BY COUNTRY					
Country	Total	Yearly Avg	Std Dev	Min	Max
Kyrgyzstan	21	1.105	1.56	0	5
Tajikistan	165	8.684	12.992	0	40
Uzbekistan	19	1	2.108	0	8
Western Europe					
Austria	44	2.316	3.417	0	12
Belgium	43	2.263	2.806	0	9
Denmark	14	0.739	1.628	0	6
Finland	5	0.263	0.452	0	1
France	310	16.316	15.829	0	50
Germany	554	29.158	49.141	0	156
Greece	465	24.474	17.902	0	59
Iceland	1	0.053	0.229	0	1
Ireland	60	3.158	4.113	0	16
Italy	171	9	9.713	0	37
Luxembourg	4	0.211	0.713	0	3
Netherlands	55	2.895	3.446	0	12
Norway	11	0.579	0.838	0	2
Portugal	6	0.316	0.82	0	3
Spain	938	49.368	31.434	0	113
Sweden	40	2.105	3.071	0	12
Switzerland	31	1.632	1.77	0	6
United Kingdom	291	15.316	20.144	0	76
Eastern Europe					
Albania	70	3.684	9.499	0	42
Bosnia-Herzegovina	145	7.632	11.917	0	42
Bulgaria	36	1.895	2.826	0	12
Croatia	48	2.526	5.591	0	24
Czech Republic	16	0.842	1.344	0	4
Hungary	40	2.105	4.689	0	17
Macedonia	96	5.053	12.895	0	57
Moldova	18	0.9474	2.505	0	11
Poland	32	1.684	2.382	0	7
Romania	5	0.263	0.562	0	2
Slovak Republic	17	0.895	1.524	0	5
Slovenia	6	0.316	0.749	0	3
Middle East & North Africa					
Algeria	1673	88.053	93.545	0	339
Cyprus	53	2.789	4.036	0	11
Egypt	435	22.895	41.188	0	143
Iran	162	8.526	9.605	0	43
Iraq	4132	217.474	379.466	0	1104
Israel	857	45.105	35.851	0	131
Jordan	42	2.211	2.679	0	11

APPENDIX B					
SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL BY COUNTRY					
Country	Total	Yearly Avg	Std Dev	Min	Max
Kuwait	31	1.632	3.515	0	15
Lebanon	652	34.316	31.28	0	91
Libya	8	0.421	0.961	0	4
Morocco	20	1.053	1.81	0	6
Qatar	4	0.211	0.419	0	1
Saudi Arabia	48	2.526	4.274	0	18
Syria	9	0.474	0.895	0	3
Tunisia	12	0.632	0.895	0	3
Turkey	1889	99.421	135.433	0	515
United Arab Emirates	3	0.158	0.501	0	2
Yemen	175	9.211	7.48	0	25
Sub-Saharan Africa					
Angola	414	21.789	46.854	0	206
Benin	9	0.474	0.905	0	3
Botswana	2	0.105	0.315	0	1
Burkina Faso	2	0.105	0.459	0	2
Burundi	348	18.316	24.125	0	83
Cameroon	21	1.105	1.997	0	6
Central African Republic	12	0.632	1.012	0	4
Chad	40	2.105	2.923	0	11
Djibouti	14	0.737	1.447	0	6
Eritrea	7	0.368	0.761	0	2
Ethiopia	83	4.368	3.847	0	13
Gabon	3	0.158	0.375	0	1
Gambia	3	0.158	0.375	0	1
Ghana	16	0.842	2.007	0	8
Guinea	10	0.526	1.073	0	4
Guinea-Bissau	7	0.368	0.955	0	4
Kenya	100	5.263	7.519	0	30
Lesotho	4	0.211	0.713	0	3
Liberia	27	1.421	2.388	0	10
Madagascar	20	1.053	1.957	0	7
Malawi	4	0.211	0.713	0	3
Mali	45	2.368	4.003	0	13
Mauritania	5	0.263	0.562	0	2
Mozambique	86	4.526	9.851	0	35
Namibia	30	1.579	4.623	0	20
Niger	50	2.632	4.179	0	16
Rwanda	132	6.947	11.043	0	33
Senegal	85	4.474	6.670	0	26
Sierra Leone	88	4.632	6.491	0	22
Somalia	512	26.947	49.793	0	167
South Africa	866	45.579	77.695	0	272

APPENDIX B					
SUMMARY STATISTICS FOR THE TERROR EVENTS PANEL BY COUNTRY					
Country	Total	Yearly Avg	Std Dev	Min	Max
Sudan	142	7.474	8.940	0	32
Swaziland	11	0.579	0.769	0	3
Tanzania	7	0.368	0.496	0	1
Togo	45	2.368	6.660	0	27
Uganda	241	12.684	9.256	0	30
Zambia	25	1.316	2.518	0	8
Zimbabwe	25	1.316	1.887	0	6
Russia & Former Soviet					
Azerbaijan	38	2.000	3.399	0	12
Belarus	7	0.368	0.597	0	2
Estonia	13	0.684	1.455	0	6
Georgia	163	8.579	10.854	0	39
Latvia	16	0.842	1.119	0	4
Lithuania	8	0.421	0.838	0	3
Russia	1107	58.263	43.57	0	173
Ukraine	31	1.632	2.499	0	10
Australasia & Oceania					
Australia	46	2.421	2.694	0	9
New Zealand	15	0.789	1.316	0	5
Papua New Guinea	57	3.000	5.121	0	18

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**SUPRANATIONAL CULTURE II:
COMPARISON OF SCHWARTZ VALUE SURVEY DATA AGAINST
HOFSTEDE, GLOBE, AND MINKOV AS
PREDICTORS OF CIVILIZATIONAL AFFILIATION**

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ABSTRACT

Recent research comparing the relative power of the three primary models of national culture (Hofstede, GLOBE, and Minkov) to predict civilizational affiliation using the Toynbee-Huntington model has attested to the validity of such models in general, while highlighting the superior empirical properties of the latest version of the Hofstede model, which features seven dimensions. These models share the common characteristic of measuring cultural dimensions (i.e., the etic approach to cultural comparisons at the level of entire nations) by aggregating individual responses to surveys featuring statements reflective of respondents' beliefs about the normative character of their respective societies. Meanwhile, the Schwartz Value Survey, an extension of the earlier Rokeach Value Survey benefiting from sustained application to cross-cultural comparisons, has followed a parallel line of research, with independent conceptual origins, empirical history, and response format. As a result, two important traditions in cross-cultural research models of the etic variety currently exist. The present study has therefore sought to compare the Schwartz Value Survey in its two historical forms (viz., a 10-dimension model of motivational domains and a 7-dimension model of cultural orientations) against the Hofstede, GLOBE, and Minkov models, as an alternative predictor of civilizational affiliation. Results attest to the predictive validity of both of the Schwartz variations, while demonstrating superior validity in the 10-dimension model, which preexisted the 7-dimension model in the associated research. The current Hofstede model, however, remains supreme. The paper concludes with recommendations for future research in civilization-level culture.

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INTRODUCTION

In the tradition of empirical business research, three theoretical approaches to understanding higher-order human culture exist with a potential for integration into a single paradigm, but there has yet been little effort to accomplish such integration. In fact, more than one usable model exists in only one of these approaches, and the result seems more contentious than cooperative (Smith, 2006). In the second of these approaches, there is only one prominent model (Schwartz, 1993), while in the third of these approaches, the predominant model has yet to enter the world of international business in earnest (Huntington, 1993; Toynbee, 1946).

The first of these approaches consists of models that seek to capture differences in culture by asking survey questions to samples of people in different countries, paired by education, experience, and profession as far as possible, comparing the resulting country averages, and thereby publishing country scores. This is construable as the attitudinal model of national culture, in view of its reliance on standard attitudinal scales. The most prominent example is Hofstede's cultural dimensions (Hofstede, 1980, 2011). However, the GLOBE study has since replicated and extended that model (House, Hanges, Javidan, Dorfman, & Gupta, 2004), and a third model is now available, based on a third set of attitudinal items (Minkov, 2011).

The second approach to understanding higher-order human culture consists of the human-values school of Schwartz (1993), which benefits from an independent history and methodology. This approach uses a survey of human values, rather than a list of attitudinal items, which respondents must rate in comparison to one another. The response format asks respondents to think in terms of ranking, by first identifying the strongest and weakest items on the scale. The principle of thinking in terms of competing values in this structure is consistent with the original procedure established by Rokeach (1968). After this first phase of the response process, respondents proceed to rate the relative importance of the remaining values. This is a somewhat more complex process than the ordinary Likert format approach of merely rating attitudinal items in terms of agreement or disagreement, as it forces the respondent to place some values at the extremes on the scale, rather than permitting them to avoid the extremes. Once they have done this, the tendency is thereafter to answer with a greater sense of range regarding the remaining items, rather than tending toward the center.

Aside from the nature of the response structure, the Schwartz Value Survey also lists values differently from the standard attitudinal format, again using the procedure developed by Rokeach (1968). This unique format consists

of displaying each value prominently, as an idea standing alone, usually in the form of only two or three words. After each value label is a parenthetical clarification, which presents just a few potential synonyms. However, there is no statement *per se*, as one finds in a Likert structure, just the label, its parenthetical clarification, and the respondent's expectation to indicate how important each value is, compared to the rest. There are two subscales, the first featuring terminal values (idealized end-states of existence, which consist of abstract nouns and noun phrases), and the second featuring instrumental values (idealized modes of behavior, which consist largely of adjectives).

The third approach to understanding higher-order human culture consists of the civilizational school of Toynbee (1946), as updated by Huntington (1993). This approach consists of interpreting culture qualitatively, at the level of entire groups of countries with common histories. The Toynbee-Huntington civilizational model has no associated survey instrument by which to undertake methodical studies, but the theory of national groupings serves as a powerful explanatory framework for understanding cultural similarities across certain countries, and differences among others, in a way that emphasizes their qualitative features, such as the uniqueness of the Western civilization compared to that of Latin America.

Given the independent origins of each of these schools of thought about culture, devising a method to compare them statistically would serve as a source of mutual validation. Accordingly, Voss and Lucas (2013) have already compared the relative power of the three most prominent models in the attitudinal school (*viz.*, the Hofstede, GLOBE, and Minkov models). The present paper seeks to advance this initial step by adding the human-values school to the research in this area, in the form of assessing the Schwartz model in two variations (the older, or 10-dimension form, and the newer, or 7-dimension form), using the same techniques as in the prior study.

LITERATURE REVIEW

National culture refers to human culture as understood at a level that usually corresponds to entire nations. Quantitative models of national culture constitute the etic approach to drawing conclusions from studies of comparative culture, an approach that leaves important qualitative or emic differences absent from the analysis (Chang, 2003; Morris, Leung, Ames, & Lickel, 1999; Osland, Bird, Delano, & Jacob, 2000). Nevertheless, they have demonstrated sufficient utility in both practical and theoretical applications. On the practical front, corporate trainees in anticipation of expatriate roles find it helpful to use quantitative models of cultural dimensions to make sense of the cultural differences that they observe in their

target countries (Voss & Murphy, 2012). In these applications, the trainee's focus on etic thinking helps increase the comprehensibility of the new environment, while the trainee proceeds to learn the emic qualities over a longer period. On the theoretical front, many studies have found it useful to correlate cultural differences, construed quantitatively, against other phenomena of interest, as a way to assess whether a phenomenon is more likely to occur under particular cultural conditions. Findings of cultural correlations may thus enable researchers to predict the presence of certain phenomena in new cultural environments that they know to exist in known cultural environments, but which have yet to benefit from any direct measure.

Early work that proposed potentially measurable differences in certain facets of human culture at the level of entire nations began with efforts to broaden the empirical base of anthropology to include observations of human beings' adjustment to their respective cultures according to meaning-laden criteria (Bierstedt, 1948). This work quickly came to incorporate other work in human values, notably focusing on the difference between desirable and undesirable behavior (Kluckhohn, 1956). Human values are thus a feature of life that human beings learn from one another as they mature within their respective societies, and different societies often have different conceptions of desirable and undesirable behavior. This line of research eventually led to considerable work to sort out the nature of individualism *versus* collectivism in social learning (Rapoport & Rapoport, 1965). Following this construct, other constructs emerged, such as the social attitude toward differences in power. Meanwhile, other researchers, most notably Rokeach (1968), began to examine the multiplicity of human values *per se*, as opposed to the notion of a limited set of broadly defined social expectations construable as cultural dimensions.

One may thus observe a split in the prominent tracks of research, between studies of culture, featuring short taxonomies of cultural traits, and studies of personal traits, featuring longer lists of human values. One of these tracks would lead in the direction of etic models of culture using self-report surveys featuring statements in the standard Likert variety, while the other track would proceed from Rokeach's (1968) work and ultimately formulate an etic model of culture derived completely from human values, as opposed to statements about social expectations.

The Attitudinal School

Hofstede (1980) introduced the first model of cultural dimensions in the form of a discrete taxonomy, using survey results in a standard Likert format. The survey items were in the form of statements of fact reflecting possible beliefs about the expectations that one's society places on one-

self. This first effort produced four cultural dimensions, in the form of clusters of survey items that varied primarily by country, rather than by individual respondent. These included the now famous power distance, individualism-collectivism (also called simply individualism), masculinity-femininity (also called simply masculinity), and uncertainty avoidance.

To exemplify how one might project a cultural expectation based on a definition of each of these dimensions, people in a culture that is high in power distance expect differences in power to exist, and this expectation guides one's customary patterns of dealing with one's society (Hofstede & Hofstede, 2005). A person in such a culture therefore assumes very little in the form of existential egalitarianism. Instead, such a person has learned through experience to think in terms of tapping into the power structure, such as by nurturing the right relationships, or simply avoiding it. By contrast, a person from a culture that is low in power distance has learned to solve various kinds of problems by tapping into a more accessible resource structure, without concern for unexpected impediments to arise due to differences in power. A person in such a society grows accustomed to making formal requests for needed resources, according to a relatively predictable, egalitarian structure. One thus comes to learn the rules of the structure, rather than the available techniques for building relationships with selected people within the structure. Placed in the wrong kind of society, however, all of this learning breaks down. Patterns of behavior that fit one type of society tend to drive a person in a direction of inevitable conflict with a different type of society. Thus, as manifested in one's constant interaction with others in one's own culture, cultural dimensions reflect the most important rules of social prioritizing for success in a particular culture. Every member of a given culture undergoes implicit training to adopt the optimal range of life strategies for achieving a proper role within it, but training of this kind contrarily sets the individual up for failure in a culture that relies on different rules of social prioritizing.

Hofstede's (1980) original 4-dimension model quickly acquired a fifth dimension in response to a subsequent study that endeavored to replicate those four cultural dimensions in a completely Asian sample (Chinese Culture Connection, 1987). Hofstede judged one of the four cultural dimensions arising from that study to be new to his model, so he adopted it, calling it *long-term orientation*, as formalized in Hofstede and Bond (1988). Hofstede's model remained intact until the first decade of the 21st century, when House et al. (2004) challenged it through a replication study, which proposed a few new cultural dimensions and redefined some current ones. Meanwhile, other research was uncovering even more potential cul-

tural dimensions using data from the World Values Survey (*cf.* Minkov, 2011; World Values Study Group, 1989). Hofstede found two of Minkov’s new dimensions to be of value to his own model, so he adopted them, ultimately producing the current 7-dimension Hofstedeian model of cultural dimensions (Hofstede, Hofstede, Minkov, & Vinken, 2008).

House et al.’s (2004) GLOBE project sought to advance the work in cross-cultural studies that Hofstede’s model seemed to be limiting in some ways, notably in terms of the difficulty encountered by researchers in their efforts to expand the accepted country scores to cover new countries. The method proffered by Hofstede was quite exacting, requiring comparisons across countries using samples consisting of similarly situated people (*e.g.*, people in the same profession). The researchers would then have to rescale the resulting scale scores to fit Hofstede’s preexisting scheme, to ensure compatibility with the larger set of published scores (Hofstede, 2011; Hofstede & Hofstede, 2005). In practice, this feat seemed sufficiently difficult to ensure that very few outside studies could manage to add new country scores to the standard set. The GLOBE study thus sought to offer an alternative measure of cultural dimensions, which researchers could use directly on new national samples, with fewer complications due to the necessity to work through idiosyncratic algorithms to produce final scores.

Importantly, GLOBE also constructed its survey instrument to measure practices and values separately. For this reason, there are actually two GLOBE taxonomies of national culture, each featuring the same cultural dimensions, but one in the form of statements about desirable practices and the other in the form of statements about desirable values. GLOBE further sought to make distinctions within some previously accepted cultural dimensions, such as by dividing individualism-collectivism into two types of collectivism (in-group *versus* institutional). In a more controversial move, the GLOBE researchers also redefined masculinity-femininity by measuring *gender egalitarianism* directly, while separating such arguably masculine cultural traits as *performance orientation* and *assertiveness* into their own categories, and creating a new *humane orientation* as a possible analog to femininity (Smith, 2006). Hofstede’s long-term orientation became *future orientation*, effectively challenging the interpretation of Hofstede’s dimension as equally a forward-looking and a backward-looking construct (*i.e.*, a combination of far-sighted thinking and respect for ageless tradition).

Hofstede (2006) obtained the original GLOBE data to reassess the new model’s properties, concluding unequivocally that the new model was simply a variation on Hofstede’s model, with an ostensible admixture of cultural

bias due to the GLOBE authors’ presumed steeping in politically correct Western values, notably that of gender-egalitarianism (Hofstede, 2006; Smith, 2006). Hofstede’s reanalysis gave no importance whatsoever to the prospect that the new model and its mammoth data collection feat might actually contribute insights of value to that of Hofstede. In fact, however, the GLOBE study was arguably a significant advance, as it constituted an effort benefiting from complete foresight about what cultural features to measure, as opposed to relying on the equivalent of data mining, which was admittedly the case with the original Hofstede model. In short, until the GLOBE study honestly challenged the *status quo* on the question of etic cultural models in the attitudinal tradition, it was difficult to propose any alternative at all to Hofstede. For most purposes, researchers had to wait for an update to the official country score tables from Hofstede to study culture in a new country.

The Human-Values School

On a completely separate research track, the 38-item Rokeach Value Survey mutated into the 58-item Schwartz Value Survey over time, starting with Schwartz and Bilsky’s (1987) initial study, which extended the Rokeach Value Survey with several supplementary items that seemed to fit the needs of empirical cross-cultural application. The result, using smallest-space analysis to visualize how the multiple variables organized themselves with respect to one another in Euclidean space (Guttman, 1968), was a depiction of 10 motivational domains, each consisting of a cluster of human values that tended to emerge reliably across cultures. The authors of that study interpreted the motivational domains as fitting prior models of personality, as opposed to culture, so the emergent factors included personality-oriented labels such as *hedonism*, *self-direction*, *stimulation*, and *benevolence*, in addition to others that could just as well apply to culture, namely, *achievement*, *power*, *security*, *conformity*, *tradition*, and *universalism*. Within just a few years, the potential of the Schwartz model of human values to serve as a measure of national culture became evident, and Schwartz redefined the foregoing motivational domains into a more concise, 7-dimension taxonomy of cultural orientations, applicable to entire nations rather than to individuals (Schwartz, 1993). These cultural orientations took labels that were considerably more abstract than had been those of the foregoing motivational domains, namely, *hierarchy*, *egalitarianism*, *mastery*, *affective autonomy*, *intellectual autonomy*, *embeddedness*, and *harmony*. Nevertheless, the new model actually constitute the same overall structure as motivational domains, while mostly collapsing three of the motivational domains and otherwise renaming the remainder.

Civilizations

Valid models of cultural dimensions that operate at the nation level of analysis should predict civilizational affiliation, insofar as civilizations consist of clusters of countries with common histories, hence similarities of social outlook from centuries of common experience. Toynbee (1946) proposed a model of civilizational growth, ascendancy, and decline based on deep qualitative analysis of historical events. Among his observations was the expectation that the members of a civilization would share general similarities of culture (*cf.* Martz & Myers, 1983; Moddel, 2002; Wax, 1993). Huntington (1993) expanded on Toynbee’s civilizational conception with reference to studies in international conflict, emphasizing the potential for conflict between civilizations, especially in countries in which populations from different civilizations try to coexist.

Toynbee’s (1946) model emphasized the historical structure of civilizations. Consequently, Toynbee’s enumeration of civilizations includes several that no longer exist. Meanwhile, some modern clusters of countries remain difficult to place in a civilizational context, notably Latin America. For Toynbee, Latin American civilization consisted of those societies that had existed before the arrival of Europeans (*viz.*, the Yucatec, the Mexic, the Andean, and the Mayan). In Toynbee’s conception, civilizational emergence is an exceedingly slow process. From this perspective, it is difficult to speculate at what point a new cluster of societies, notably those in Latin America, might actually distinguish themselves culturally from their continent of origin as to begin to emerge as a new civilization in its own right. To be sure, when this happens, cultural similarities will persist between the old and new civilizations, but the movement of the focal point of regional social identity to the new continent may contrarily differentiate the cultures as well.

Huntington’s (1993) focus was on current clusters of countries construed as civilizations, using Toynbee’s (1946) model but largely ignoring the deepest historical references as being relevant to current sources of national identity. Significantly, Huntington proposed a Latin American civilization, rather than leaving the reader to see Latin America as merely an offshoot of Europe. For Huntington, it was desirable for the sake of analysis in studies of international conflict to test virtually every country’s prospective affiliation with some current civilization. In the process, Huntington proposed eight major civilizations along the same lines as those from Toynbee’s model that would be present today, with a few exceptions. First, he construed Latin America, complete with its derivative European heritage, as its own civilization. Next, he declared Japan to be its own civilization, at odds with Toyn-

bee’s proposition that Japan and Korea belong together, if one chooses to separate them from the Sinic civilization. Finally, he declared that part of Africa that lies south of the Arab Muslim states to constitute a proto-civilization. This choice recognized the potential for most African nations to coalesce into a single civilization, depending on their common experience going forward, as most of them have already experienced a sufficiently common history through the era of colonialism to create such a basis.

TABLE 1 ENUMERATION OF CIVILIZATIONS BASED ON TOYNBEE AND HUNTINGTON	
Civilization	Civilization Members Available in the Present Study
African (AF)	Nigeria
Arabo-Islamic (AI)	Egypt, Indonesia, Iran, Turkey
Hindu-Buddhist (HB)	India
Ibero-American (IA)	Argentina, Brazil, Mexico, Spain
Korean-Japanese (KJ)	Japan, South Korea
Sino-Confucian (SC)	China
Slavic-Orthodox (SO)	Poland, Russia, Slovenia
Western (WE)	Core European Nations (France, Germany, Italy, Switzerland); Anglo- Britannic Cluster (Australia, NZ, UK, US); Nordic Cluster (Finland, Netherlands, Sweden)
Note: The Netherlands is culturally more similar to Nordic than to continental Europe.	

Table 1 depicts a synthesis of the Toynbee and Huntington civilizational models, based on prior work comparing the cultural properties of the proposed civilizations (Voss & Murphy, 2012). Points of distinction with Huntington (1993) include choices relating to the placement of Korea, Spain, Poland, and Slovenia. First, the table associates Korea with Japan, following Toynbee’s (1946) reasoning, which highlights the historical antecedents of Japanese culture as emanating from Paekche, one of the three Korean kingdoms that antecede modern Korea. Huntington’s (1993) rationale for labeling Japan a civilization in its own right lacked sufficient development to place any greater confidence in his conclusion than in Toynbee’s much more thoughtful approach to the same topic. Next, placing Spain in Latin America (hence, Ibero-America) is partially a product of doing the same for Portugal (*cf.* Voss & Murphy, 2012). In this case, although Portugal

falls outside the range of the present study, the strength of its manifest cultural similarities to Latin America, as opposed to Europe north of the Iberian Peninsula, suggests this choice. To be sure, Spain seems to have approximately the same degree of cultural affinity to Europe as to Latin America, depending on the cultural dimensions under consideration, but the Portuguese case creates a more compelling argument for the choice made here. Finally, the question of whether to associate Slavic nations outside the Orthodox tradition with the Slavic-Orthodox civilization or with Western Europe is similarly a product of observed cultural affinities, coupled with the question of whether the Slavic nations *per se* have more of a common collective experience than do the non-Orthodox Slavic nations with Western Europe. As Voss and Murphy (2012) showed, the former benefits from stronger evidence than the latter.

Finally, Huntington (1993) overlooked Toynbee’s (1946) specification of further emergent civilizational boundaries within Western Europe. Had he scrutinized these cases, he would have concluded there to be a core European civilization consisting largely of Charlemagne’s legacy. This cluster consists of the interesting combination of France, Germany, Italy, and Switzerland, some of whose members traditionally attacked one another rather than celebrating any common cultural bond. Outside of this cluster, Toynbee argued the case for a Central European civilization, due to the region’s constant inimical interaction with the Ottoman Turks until the 18th century. A Nordic European civilization thus lies north, due to the limited geographical reach of the core European culture, and possibly an Anglo-Britannic civilization, due to the English-speaking people’s transplantation to distal overseas territories and consequent separation from core European identity. However, these distinctions within the Western civilization fall outside the intended purview of the present study.

HYPOTHESES

This study follows up on a previous study comparing the relative predictive power of the three most prominent models in the attitudinal tradition (Voss & Lucas, 2013), by applying the same basis of empirical validation to country-level aggregated data from the Schwartz Value Survey. Toward this end, the Hebrew University of Jerusalem provided data previously collected between 1988 and 2005 from several countries and subsidiary ethnic groups within certain countries. The data set already computes individual scores corresponding to Schwartz and Bilsky’s (1987) original 10-dimension model of personality dimensions (motivational domains), as well as scores corresponding Schwartz’s (1993) later 7-dimension model,

which addresses major differences in cultural predispositions by country.

Since Voss and Lucas (2013) has already tested hypotheses relating to the Hofstede, GLOBE, and Minkov models, the hypotheses in the present study focus only on the two Schwartz Value Survey models. Accordingly, this study presents the following hypotheses:

- H1. The Schwartz 10-dimension model of motivational domains will show significant convergence with the Toynbee-Huntington civilization model.
- H2. The Schwartz 7-dimension model of motivational domains will also show significant convergence with the Toynbee-Huntington civilization model.

Moreover, given the previously demonstrated strength of the Hofstede, GLOBE, and Minkov models, which correctly predict between-country affiliation or non-affiliation in at least 80% of all cases, the present study proposes that the Schwartz models will show a similar strength of prediction as the foregoing attitudinal models. To be sure, by definition, most of the country pairs represent different civilizations, rather than the same one. This is simply because there are eight civilizations listed in the foregoing table, of which each country is only a member of one; hence, the odds are generically one in eight that a country pair will fall into the same civilization (more precisely, 81%). Therefore, the ability of the model to predict affiliated country pairs, as opposed to predicting unaffiliated ones, is the main feature of a valid model.

- H3. The Schwartz 10-dimension model of motivational domains will correctly predict country pair civilizational affiliation in at least 80% of cases.
- H4. The Schwartz 7-dimension model of motivational domains will correctly predict country pair civilizational affiliation in at least 80% of cases.

METHODOLOGY

In order to ensure an equitable comparison among the four models in question and their variants, the methodology has limited this study’s sample of country scores to those countries with complete data for all listed dimensions, or N = 27. However, the study uses all possible pairs of countries in this set to assess predictive accuracy. The result is an actual sample of N = 327 country pairs. The study thus starts with a complete list of all possible country pairs within the noted range, along with the complete set of cultural-dimension scores corresponding to all models simultaneously. These comparisons produce one

difference score for every cultural dimension listed, for each country. These difference scores are all in the form of absolute values, so any observation of a great difference between countries on a given cultural dimension emerges as a large, positive number. This feature also enables presenting correlation matrices listing individual cultural dimensions, to reveal which cultural dimensions most strongly explain civilizational differences.

RESULTS

Descriptive Statistics

Tables 2a and 2b present descriptive statistics for Schwartz’s 10-dimension model (motivational domains). Table 2a shows raw scores within the limited set of 27 nations, while Table 2b shows the same for the difference scores. Tables 3a and 3b then duplicate this display for Schwartz’s 7-dimension model (cultural orientations). Although the 7-dimension model amounts essentially to a reworking of the 10-dimension model, the scoring system is indeed somewhat different, based on Schwartz’s close analyses of the behavior of the various items. For this reason, no duplication of descriptive statistics actually occurs between the two models.

The observation of substantial differences in means and standard deviations across the set of motivational domains raises an important question regarding their stan-

TABLE 2A SCHWARTZ-10 (MOTIVATIONAL DOMAINS), DESCRIPTIVE STATISTICS						
		N	Min	Max	Mean	SD
SC	security	27	3.33	4.74	4.11	0.40
CF	conformity	27	3.11	5.01	4.02	0.39
TR	tradition	27	2.22	4.45	2.87	0.48
BN	benevolence	27	4.18	4.96	4.63	0.23
UN	universalism	27	3.91	4.81	4.34	0.27
SD	self-direction	27	3.95	4.92	4.47	0.27
ST	stimulation	27	1.85	3.84	3.20	0.43
HE	hedonism	27	2.36	4.49	3.68	0.61
AC	achievement	27	3.44	4.51	3.94	0.29
PW	power	27	1.64	3.43	2.30	0.47
Notes: These data refer to mean data across all individuals reporting in each nation included in the study, using only the 27 nations for which complete data were available for all comparisons among the four models and variants. See Voss and Lucas (2013) for tables appertaining to Hofstede, GLOBE, and Minkov.						

dardization. In fact, Schwartz and Bilsky (1987) made no effort to standardize motivational domains to produce a semblance of similarity when viewing data aggregated internationally. The idea was simply that these constructs represent individual conceptions of human values, and there was no reason to norm them across various countries. Nevertheless, the same observation is true of the seven cultural orientations, which vary from a low of 2.37 (Hierarchy), suggesting that most nations in the sample shy away from great differences in power, to a high of 4.73 (Egalitarianism). The latter is precisely the opposite of Hierarchy, as viewed (as Power *versus* Universalism) in the original smallest-space analysis presented in Schwartz and Bilsky (1987). It therefore implies that most countries in the sample share the Western bias against extremes of power.

An important methodological difference between Schwartz’s 10-dimension and 7-dimension models is that the former used smallest-space analysis to lay out the 10 dimensions in Euclidean space, as previously noted. This kind of mapping clearly shows some motivational domains laying opposite others, in a circular scheme. The 7-dimension model differs, by comparison, by preventing the observer from perceiving such oppositions. To be sure, Schwartz has indeed presented the latter in circular

TABLE 2B SCHWARTZ-10 (MOTIVATIONAL DOMAINS), DESCRIPTIVE STATISTICS—DIFFERENCE SCORES						
		N	Min	Max	Mean	SD
Civ	civilization (same = 0 different = 1)	327	0.00	1.00	0.81	0.39
SC	security	327	0.00	1.42	0.46	0.33
CF	conformity	327	0.00	1.89	0.43	0.35
TR	tradition	327	0.00	2.22	0.52	0.44
BN	benevolence	327	0.00	0.78	0.28	0.19
UN	universalism	327	0.00	0.90	0.32	0.22
SD	self-direction	327	0.00	0.97	0.32	0.22
ST	stimulation	327	0.00	1.99	0.47	0.38
HE	hedonism	327	0.00	2.13	0.70	0.51
AC	achievement	327	0.00	1.07	0.34	0.24
PW	power	327	0.00	1.79	0.53	0.41
Note: These data refer to difference scores between pairs of nations. Thus, for example, the maximum score difference between any two nations included in the study was 1.42 for the <i>security</i> motivational domain. See Voss and Lucas (2013) for tables appertaining to Hofstede, GLOBE, and Minkov.						

TABLE 3A SCHWARTZ-7 (CULTURAL ORIENTATIONS) DESCRIPTIVE STATISTICS						
		N	Min	Max	Mean	SD
Har	Harmony	27	3.44	4.65	4.08	0.32
Emb	Embeddedness	27	2.98	4.57	3.68	0.36
Hie	Hierarchy	27	1.63	3.51	2.37	0.49
Mst	Mastery	27	3.37	4.41	3.93	0.23
Aff	Affective Autonomy	27	2.24	4.45	3.64	0.50
Int	Intellectual Autonomy	27	3.62	5.25	4.41	0.39
Egl	Egalitarianism	27	4.25	5.21	4.73	0.29
Notes: These data refer to mean data across all individuals reporting in each nation included in the study, using only the 27 nations for which complete data were available for all comparisons among the four models and variants. See Voss and Lucas (2013) for tables appertaining to Hofstede, GLOBE, and Minkov.						

fashion, consistent with the expectations of smallest-space analysis (Schwartz, 2006). However, the more popular rendering is a composite depiction that loses the circular form and thus challenges the conception that there are indeed any opposite types among countries. The result is a visual display that is harder to apply with confidence. The difference is that the circular depiction presents the distribution of values, while the composite depiction presents names of countries. One sees meaningful clusters within it (*e.g.*, a cluster of Latin American countries near the center), but one also sees overlapping civilizations (*e.g.*, an admixture of Arabo-Islamic countries and Slavic-Orthodox countries, adjacent to the Latin American countries). What is missing from this depiction is the specification of civilizational differences, which the Toynbee-Huntington model would fill. This is a common property of Euclidean displays of countries using cultural dimensions.

Correlations

Tables 4a and 4b present correlation matrices for the Schwartz 10-dimension and 7-dimension models, respectively. These tables only consider the 27 nations featured in the present study, but they show difference scores, rather than raw scores, so they actually reflect the full array of 327 country pairs. Significant correlations between *Civ* and certain Schwartz variables reflect the fact that some Schwartz variables predict civilizational affiliation better than do others.

TABLE 3B SCHWARTZ-7 (CULTURAL ORIENTATIONS) DESCRIPTIVE STATISTICS—DIFFERENCE SCORES						
		N	Min	Max	Mean	SD
Civ	civilization (same = 0 different = 1)	327	0.00	1.00	0.81	0.39
Har	Harmony	327	0.00	1.20	0.38	0.27
Emb	Embeddedness	327	0.00	1.59	0.42	0.31
Hie	Hierarchy	327	0.00	1.88	0.57	0.42
Mst	Mastery	327	0.00	1.03	0.26	0.19
Aff	Affective Autonomy	327	0.00	2.21	0.55	0.43
Int	Intellectual Autonomy	327	0.00	1.63	0.45	0.32
Egl	Egalitarianism	327	0.00	0.97	0.35	0.24
Notes: These data refer to difference scores between pairs of nations. Thus, for example, the maximum score difference between any two nations included in the study was 1.20 for the <i>harmony</i> cultural orientation. See Voss and Lucas (2013) for tables appertaining to Hofstede, GLOBE, and Minkov.						

Analyses

Tables 5-10 show the results of logistic regression for the featured models. These results include the Hofstede, GLOBE, and Minkov models, whose analyses previously appeared in Voss and Lucas (2013), because the values are slightly different due to the exclusion of two of the countries included in the previous study. Nevertheless, the pattern of results among these models is virtually the same as that produced previously, with the Hofstede-7 model showing the strongest validity.

Of specific interest in this array are the results for the Schwartz models (Tables 9a, 9b, 10a, and 10b), each of which manifests admirable validity despite only retaining three dimensions. Significantly, the retained dimensions between the 7- and 10-dimension model variants are mostly analogous. Specifically, the *power* (PW) motivational domain corresponds to that of *hierarchy* (Hie) in the later version of the model, and *hedonism* (HE) in the 7-dimension model corresponds to part of the dimension of *affective autonomy* (Aff) in the updated one. The last of the three retained dimensions in the 7-dimension model is *benevolence* (BN), which is adjacent to the *egalitarian* (Egl) dimension in the later model. These observations seem to suggest that the strongest predictors in the two

TABLE 4A SCHWARTZ-10 (MOTIVATIONAL DOMAINS), CORRELATION MATRIX—DIFFERENCE SCORES										
	Civ	SC	CF	TR	BN	UN	SD	ST	HE	AC
SC	.033									
CF	.087	.383**								
TR	.175**	.187**	.360**							
BN	.433**	.253**	.112*	.098						
UN	.162**	.195**	.327**	.058	.365**					
SD	.043	.427**	.619**	.265**	.068	.410**				
ST	.068	.291**	.329**	.573**	-.027	-.034	.100			
HE	.304**	.172**	.331**	.437**	.370**	.278**	.307**	.193**		
AC	.087	-.024	.220**	-.110*	.273**	.368**	.040	-.045	-.044	
PW	.336**	.180**	.096	-.047	.539**	.439**	.153**	-.096	.170**	.360**
Note: Correlations are only for the 27 nations included in this study. *p < .05; **p < .01; civ = civilization (same [0], different [1]).										

TABLE 4B SCHWARTZ-7 (CULTURAL ORIENTATIONS), CORRELATION MATRIX—DIFFERENCE SCORES							
	Civ	Har	Emb	Hie	Mst	Aff	Int
Har	.057						
Emb	.181**	.153**					
Hie	.308**	.361**	.082				
Mst	.020	.167**	-.187**	.387**			
Aff	.197**	.054	.804**	.011	-.134*		
Int	.157**	.309**	.626**	.200**	-.093	.395**	
Egl	.366**	.226**	.219**	.464**	.165**	.069	.287**
Notes: Correlations are only for the 27 nations included in this study. *p < .05; **p < .01; civ = civilization (same [0], different [1]).							

TABLE 5A					
HOFSTEDE-7, LOGISTIC REGRESSION					
SUMMARY (SIGNIFICANT VARIABLES ONLY)					
Observed CIV	Predicted CIV			-2LL = 197.75 R ² = .307 ^a χ ² = 3.370 ^b df = 8 p = .909	
		0	1		Correct
	0	32	30		51.6 %
	1	14	251		94.7 %
		Overall %			86.5 %
Notes: a (Cox & Snell), b (Hosmer & Lemeshow)					

TABLE 5B SCHWARTZ-10 LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
	B	SE	Wald	df	p	Exp(B)
BN	8.159	1.622	25.319	1	.000	3,495.800
HE	1.282	.465	7.617	1	.006	3.604
PW	2.121	.717	8.760	1	.003	8.342
Constant	-1.525	.368	17.218	1	.000	.218

TABLE 6A					
GLOBE PRACTICES-9,					
LOGISTIC REGRESSION SUMMARY					
(SIGNIFICANT VARIABLES ONLY)					
Observed CIV	Predicted CIV		Correct	-2LL = 235.529 R ² = .222 ^a χ ² = 4.266 ^b df = 8 p = .832	
	0	1			
	0	21	41		33.9 %
	1	14	251		94.7 %
	Overall %		83.2 %		

Notes: a (Cox & Snell), b (Hosmer & Lemeshow)

TABLE 6B GLOBE PRACTICES-9, LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
	B	SE	Wald	df	p	Exp(B)
IGP	2.232	.391	32.604	1	.000	9.318
GEP	3.237	.650	24.810	1	.000	25.463
HUP	.748	.596	1.573	1	.210	2.112
PFP	-1.713	.584	8.609	1	.003	.180
PDP	-1.818	.616	8.711	1	.003	.162
Constant	-.073	.468	.024	1	.877	.930

TABLE 7A GLOBE VALUES-9, LOGISTIC REGRESSION SUMMARY (SIGNIFICANT VARIABLES ONLY)						
Observed CIV	Predicted CIV			Correct	-2LL = 250.517 R ² = ^a .186 χ ² = ^b 10.975 df = 8 p = .203	
	0	1				
	0	11	51			17.7 %
	1	14	251			94.7 %
	Overall %		80.1 %			
Notes: a (Cox & Snell), b (Hosmer & Lemeshow)						

TABLE 7B GLOBE VALUES-9, LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
	B	SE	Wald	df	p	Exp(B)
ASV	.858	.302	8.093	1	.004	2.358
ISV	.940	.425	4.888	1	.027	2.559
GEV	1.672	.515	10.518	1	.001	5.322
PFV	2.914	.827	12.415	1	.000	18.432
UAV	1.092	.353	9.552	1	.002	2.981
Constant	-1.991	.504	15.627	1	.000	.136

TABLE 8A GLOBE VALUES-9, LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
Observed CIV	Predicted CIV			Correct	-2LL = 223.317 R ² = ^a .251 χ^2 = ^b 5.337 df = 8 p = .610	
		0	1			
	0	24	38			38.7 %
	1	16	249			94.0 %
		Overall %				83.5 %
Notes: a (Cox & Snell), b (Hosmer & Lemeshow)						

TABLE 8B MINKOV-3, LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
	B	SE	Wald	df	p	Exp(B)
IVI	.002	.001	4.996	1	.025	1.002
MON	.005	.001	16.971	1	.000	1.005
EXC	.006	.001	23.256	1	.000	1.006
Constant	-1.649	.407	16.457	1	.000	.192
There were no non-significant predictors.						

ture, affirming Hypotheses 1 and 2. Similarly, both models predict at least 80% of all country pairs correctly, which outcome affirms Hypotheses 3 and 4. The Schwartz models are manifestly equal members of the class of Hofstede, GLOBE, and Minkov models in their ability to capture etic cultural similarities and differences among nations.

Finally, Table 11 offers a snapshot comparison of the four models, including all six variations simultaneously. This table duplicates the essential information from each earlier analysis and lists the models in order from strongest

TABLE 9A SCHWARTZ-10 LOGISTIC REGRESSION SUMMARY (SIGNIFICANT VARIABLES ONLY)						
Observed CIV	Predicted CIV			Correct	-2LL = 211.914 R ² = ^a .276 χ^2 = ^b 12.524 df = 8 p = .129	
		0	1			
	0	31	31			50.0 %
	1	19	246			92.8 %
		Overall %				84.7 %
Notes: a (Cox & Snell), b (Hosmer & Lemeshow)						

TABLE 9B SCHWARTZ-10 LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
	B	SE	Wald	df	p	Exp(B)
BN	8.159	1.622	25.319	1	.000	3,495.800
HE	1.282	.465	7.617	1	.006	3.604
PW	2.121	.717	8.760	1	.003	8.342
Constant	-1.525	.368	17.218	1	.000	.218

TABLE 10A SCHWARTZ-7, LOGISTIC REGRESSION SUMMARY (SIGNIFICANT VARIABLES ONLY)						
Observed CIV	Predicted CIV			Correct	-2LL = 238.729 R ² = ^a .214 χ^2 = ^b 9.313 df = 8 p = .317	
		0	1			
	0	18	44			29.0 %
	1	16	249			94.0 %
		Overall %				81.7 %
Notes: a (Cox & Snell), b (Hosmer & Lemeshow)						

TABLE 10B SCHWARTZ-7 LOGISTIC REGRESSION COEFFICIENTS (SIGNIFICANT VARIABLES ONLY)						
	B	SE	Wald	df	p	Exp(B)
HIE	2.045	.595	11.818	1	.001	7.727
AFF	1.417	.481	8.673	1	.003	4.124
EGL	4.496	1.054	18.180	1	.000	89.628
Constant	-1.287	.374	11.836	1	.001	.276

1.8%. The Minkov model follows immediately thereafter, but its percentage of accurate same-civilization predictions is much lower than are those for Hofstede and Schwartz-10, which meet or exceed the 50% mark. The remaining models, including Schwartz-7, suffer considerably more than this, despite evidence of their overall validity as well. All models predict at least 80% of all country pairs accurately.

predictive power (based on the composite percentage of accurate predictions) to weakest. Interestingly, despite its unique research history compared to the three attitudinal models presented with it, the 10-dimension Schwartz model is closest in validity to the 7-dimension Hofstede model, with a difference in predictive accuracy of only

TABLE 11 SUMMARY OF RESULTS ACROSS ALL MODELS (SIGNIFICANT VARIABLES ONLY)									
Model	% Correct Prediction			Fit (-2LL)	R ²	Fit (χ ²)	p	Model Retained	
	Mean	Civ = 0	Civ = 1					Variables	%
Hofstede-7	86.5	51.6	94.7	197.745	.307	3.370	.909	4	57%
Schwartz-10	84.7	50.0	92.8	211.914	.276	12.524	.129	3	30%
Minkov-3	83.5	38.7	94.0	223.317	.251	5.337	.610	3	100%
GLOBE-P9	83.2	33.9	94.7	235.529	.222	4.266	.832	5	56%
Schwartz-7	81.7	29.0	94.0	238.729	.214	9.313	.317	3	43%
GLOBE-V9	80.1	17.7	94.7	250.571	.186	10.975	.203	5	56%
Notes: R ² (Cox & Snell ²), χ ² (Hosmer & Lemeshow). Lower log-likelihood (-2LL) and chi-square (χ ²) results reflect stronger model. Higher R ² and chi-square significance (p) reflects stronger model.									

DISCUSSION

Following up on a prior study comparing the relative validity of the Hofstede, GLOBE, and Minkov models, using civilizational affiliation as the criterion variable, this study added two variations of the Schwartz cultural model to the analysis. The results demonstrated the two Schwartz model variants to be equal in all essential respects to the attitudinal models in their validity. However, only two model variations so far appear capable of predicting at least 50% of all same-civilization pairs using the method employed in this study. These consist of Hofstede's 7-dimension model and Schwartz's 10-dimension model, after reduction to four dimensions and three dimensions, respectively.

The relative strength or weakness of a cultural model of this kind depends partly on how one defines civilizational affiliation. As the literature review showed, there is some disagreement between the Toynbee and Huntington schemes of civilizational affiliation. While Voss and Murphy (2012) have already addressed this task using only Hofstede's cultural dimensions, it seems desirable to revisit the placement of civilizational boundaries using the valid cultural predictors from among the broader array of available dimensions. Nevertheless, it is difficult to mix the prevailing models into a single model, because theoretical difficulties emerge from that effort. For example, insofar as a composite model includes more than one measure of power distance (*viz.*, those of Hofstede and the two GLOBE variants), one finds that the statistical analysis dictates their retention, even though the construct in question is supposedly the same. The result is that one finds more than one measure of the same construct in the same model, with no way to determine how to differentiate them or on what criterion to discard one of them. This problem occurs in particular in comparisons between Hofstede and GLOBE, because the analogous constructs fail to correlate at the predicted strength, while distinct constructs across the models often correlate more strongly. Clearly, subscales with the same names often measure different phenomena, and one can only speculate why this is the case.

This study proposes two primary lines of consideration for future research. First, it is indeed important to revisit civilizational boundaries using the available cultural models, possibly by restricting that review to those variables that have survived in the respective studies as being the best predictors of civilizational affiliation. Voss and Murphy (2012), for example, included all Hofstede variables in their reappraisal of civilizational boundaries. Nevertheless, some of those variables, at least as suggested in the present study, may actually be more important at lower orders of abstraction than at that of entire civilizations. For

example, countries within the same civilization may indeed vary along the dimension of masculinity-femininity, even though they are generally similar on other cultural dimensions. This kind of distinction would suggest that some cultural dimensions operate at the level of civilizations, while others operate at the level of nations. If this is the case, then it is likely that the latter phenomenon may exist because of the effects of political processes and experiences, such as when a nation within a civilization experiences notable patriotic fervor in response to its own international relations, but without sharing that experience with other nations of the same civilizational affiliation. A sustained pattern of that kind of difference over the course of centuries would undoubtedly produce a civilizational rift, according to Toynbee's (1946) reasoning.

The other recommended line of research involves testing the potential for a given cultural model to become a better predictor of civilizational boundaries by reconstituting individual dimensions into bipolar constructs. Indeed, this is the manifest structure of most of the Hofstede cultural dimensions, which present semantic distinctions at the opposing poles. Clear examples include individualism *versus* collectivism, masculinity *versus* femininity, indulgence *versus* restraint, and monumentalism *versus* self-effacement. In these constructs, the opposing pole is arguably a natural opposite, but it implies the presence of a social choice between contending priorities, rather than simply a greater or lesser degree of a particular quality. Minkov's model, which is actually the source of the two most recently adopted Hofstede dimensions, also follows this pattern. However, except for those constructs replicated from Hofstede, GLOBE mainly presents unidimensional constructs. For its part, all of the Schwartz constructs are unidimensional, although the mapping of those constructs presents oppositions that may be worth studying in this context. If cultural dimensions are properly construable as being bipolar constructs, which present semantically distinct social priorities at the opposing poles, then the current models are only partially capturing this characteristic, and the reason for the superiority of Hofstede's model so far is precisely its construal of most constructs in bipolar form.

The primary limitation of this study is the small sample size, which was necessary to ensure complete uniformity of country selection across the various models under consideration. A step in the analysis that served to attenuate this limitation was the use of country pairs as the source of the actual objects of analysis, namely, a difference score for each cultural dimension, as opposed to countries *per se*. Nevertheless, it may also be appropriate to test individual pairs of cultural models to complement the results provided herein, at least to show whether the pattern

of results is indeed stable after the inclusion of a greater number of country pairs.

The other limitation in this study is the lack of complete clarity regarding civilizational affiliation. This limitation is hard to remedy, however, because civilizational boundaries are arguably somewhat fluid. In particular, Huntington (1993) proposed the existence of several countries in which two or more civilizations are in constant contention. In these cases, it is difficult to determine what constitutes cultural dimensions reflective of the country as a whole, or whether instead simply to separate the cultural groups for purposes of analysis. Even where the latter approach is feasible, however, published cultural-dimension data have mostly ignored this question, and it is impossible to revisit those data to determine what proportion of each sample was indeed from one such cultural subgroup or the other.

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DIGITAL TECHNOLOGY: TRANSFORMING LIFESTYLES AND BUSINESS PRACTICES

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ABSTRACT

This is the latest study on the tracking of the implications of the dynamic digital revolution in the new global environment. The series of studies began in 2006 as we attempt to understand how digital technology affects lifestyles and the way we conduct business. Digital revolution is reshaping lifestyles and work schedules all over the world. Internet technology is speeding up management methods and revolutionizing communications. Virtual offices have become commonplace as electronic mail messages and mobile phones become regular companions. The digital revolution is radically changing the ways individuals and organizations interact. Every minute of the waking hours of many professionals is potentially open for business. The economic impact is huge as global productivity keeps rising in geometric proportions. It is argued that this digital environment calls for new approaches to managing work-life and lifestyles, in general.

INTRODUCTION

Communication is the process of sending and receiving information that can be easily transmitted. The way we communicate has changed significantly. Modern technology has made it easier to exchange information with one another with no time or boundary constraints. It is amazing how our lives have been made easier and more efficient through digital technology. In addition to face-to-face interactions and phone calls, we now use instant messaging (IM), text messaging (SMS), email, virtual reality, webcasts, webinars and eNews-letters. We live in an era where consumers are demanding more powerful, faster devices and applications to communicate messages, while businesses are seeking cutting-edge, cost-effective tools to cope with complex challenges. This is the world of digital technology. It is a transformation that is dominating every part of the globe. This paper seeks to investigate how this digital technological revolution is transforming lifestyles and business practices. It is a continuation of a series of studies that began in 2006, using similar research instruments to gauge consumers' perception of the impact of digital revolution on lifestyles and business practices.

LITERATURE REVIEW

Our lifestyles have become increasingly immersed in technology. There is no going back to the past. Digital technology has changed the fundamental way we operate and opened several avenues of information transfer: from communication, travel, entertainment and the way we conduct business. Different forms of innovative technology have opened the flood gates to enhanced communication through smart hand-held devices, such as smart phones and tablets, and through tools that connect to the Internet. The digital technology revolution has given birth to social media tools and online communities, such as Twitter, LinkedIn, Facebook, and Google. The Internet is constantly reshaping the way consumers and businesses communicate and collaborate with one another.

A study conducted by the Pew Research Center in December 2012 reports that 87% of American adults have cell phones, with over 45% of American adults with smartphones. The study also shows the percentage of Americans who use their cell phones to do the following activities: check weather reports and forecasts, use a social networking site, get news online, listen to an online radio or music service, do any online banking, get coupons on deals to use at local businesses and finally, watch movies or TV shows (Brenner, 2013).

According to the Radicati Group, the number of global e-mail accounts was 3.3 billion in 2012 and is expected to increase to over 4.3 billion accounts by 2016. Three-quarters of e-mail accounts belonged to consumers, and the balance to corporate users. The Asia/Pacific region accounted for the largest concentration of the world's e-mail accounts (48%), followed by Europe (22%), North America (14%), and the rest of the world (16%) (Email Statistics Report, 2012-2016, 2012).

The impact of social media is changing the way businesses market to their customers. In a study featured in Huffington Post, Social media is no longer a stop-and-go investment, but rather a long term strategic channel that, when integrated with other marketing efforts, allows brands to connect with users over time. Results of a recent survey, recorded by Grinberg (2012), show marketers find social media efforts valuable in their ability to grow brand awareness and increase dialogue with customers. In addition to spending more time thinking about how to engage audiences, marketers will soon begin to measure social media's impact on the business through a more traditional ROI definition: attributable sales and costs. Also, the study reveals that ninety-seven percent of businesses believe social media marketing is good for their business, while seventy-five percent intend to increase media spending (Grinberg, 2012).

Beyond advertising on Facebook or Twitter, companies are using social networks to build teams that solve problems faster, share information better among their employees and partners, bring customer ideas for new product designs to market earlier, and redesign all kinds of corporate software in Facebook's easy-to-learn style (Mullaney, 2012).

When Bank of America in September of 2011 announced that they planned to start assessing a \$5 a month fee to customers who used their debit cards to make purchases, 22 year old nanny, Molly Katchpole, initiated an online petition on Change.org. Over 300,000 people joined her petition and dozens of other people started similar campaigns targeting their banks. In less than one month, Bank of America announced that they were dropping their plans (Ratray, 2011). According to Ben Ratray "social media offer people the chance to affect decisions of giant firms." (Ratray, 2011)

According to an article on CNN.com, mobile phones have made a huge difference in the lives of farmers in a continent where the agriculture sector is one of the largest employers. By serving as platforms for sharing weather information, market prices, and micro-insurance schemes, mobile phones are allowing Africa's farmers to make better decisions, translating into higher-earning potentials. Farmers are able to send a text message to find out crop

prices in places thousands of kilometers away (Ogunlesi, 2012). With the growing accessibility of phones and faster technology, mobile phones are providing farmers in remote parts of the world access to information that would assist them in making better decisions.

The digital technology impact has not become a bed of roses. There are other studies with results indicating that the changes we are making in our lives with these devices can jeopardize our overall health and relationships. We are now more wired than ever. Researchers from the University of Glasgow found that half of the study participants reported checking their email once an hour, while some individuals check up to 30 to 40 times an hour. An AOL study revealed that 59 percent of PDA users check every single time an email arrives and 83 percent check email every day on vacation. "I live and die in email," says IT manager Christopher Post in Camp Hill, Pa. "I found a PDA to be a double-edged sword. It can certainly allow you to do a lot more in any given day, but there is certainly a cost associated. I tend to lose out on a lot of other experiences, like when I should be paying attention at the dinner table." (Soong, 2008).

Furthermore, the growing concern among many top executives of technology companies is the fact that we are constantly wired. According to an article from The New York Times, the lure of constant stimulation-the pervasive demand of pings, rings and updates-is creating a profound physical craving that can hurt productivity and personal interactions (Richtel, 2012).

In a 2006 focus group study conducted by Chekwa (2010), many participants expressed concern over the increasing use of digital technology. They suggested that people should limit the usage of email and internet at home. Technology was not the problem. It is how this rapidly growing technology is utilized that may be a blessing or a curse. (Chekwa et al, 2010)

STUDY METHODOLOGY

Questionnaires were distributed by seven Research Assistants in offices, public places and churches throughout Birmingham, Alabama, over a period of one week in May 2013. Two hundred questionnaires were distributed and one hundred and seventy-six responses were returned. Various questions were asked in order to determine how digital technology affects people's lifestyles and the way they conduct business. The questionnaire was a survey instrument designed to measure participants' perception on the impact of digital technology on many aspects of people's ways of life. The questionnaire elicited both quantitative and qualitative data. The questionnaire was divided into a number of clusters containing questions and/or

statements with similar answer blocks. The first cluster of the survey sought to find out the extent of internet and cell phone penetration among the participants, giving participants the opportunity to circle the response that closely identify their experience.

Participants were asked if they had access to the internet and if they had electronic mail (email) addresses, and how many email addresses they have. This cluster concludes by having the participants indicate whether they use cell phone and email to conduct business. The second cluster of the questionnaire sought to find out the impact of internet and cell phone technology on their volume of work, their productivity, and lifestyle. The third cluster of questions dealt with the impact of internet technology and cell phones on their job performance. There was a question on whether there was a business requirement to keep cell phones on all the time. Participants were asked to react to the question, "People with cell phones are nearer to people far away but further away to people nearby". Participants were asked to indicate whether they liked conducting their business transactions through the internet. The fourth cluster of questions sought to find out the impact of cell phones and internet technology on the quality of life of the participants. The participants were finally asked, in this cluster to react to the statement, "My family life and work life have improved because of the cell phones and email". The fifth cluster of the survey allowed participants the opportunity to suggest ideas on how people can manage work-life and lifestyles, using the internet and cell phones. Participants were also asked to comment on how cell phones and internet technology are changing lifestyles of people in America. Finally, in this cluster, the participants were given the chance to say anything else they wished to contribute on the impact of digital technology in our society today. The last cluster of the survey contained questions to help identify the demographic information of participants of the study. Using similar questions from the survey, a subset of ten professionals who participated in the survey were invited to take part in a focus group to express their thoughts on digital technology and how it is changing lifestyles.

FINDINGS

From the two hundred questionnaires distributed, one hundred and seventy-six responses received. Ninety-seven percent (97%) participants own cell phones. Personal computer ownership is at 84%. Eight-eight percent (88%) of the participants have email addresses, with an average of two different email addresses per participant. Seventy-one percent (71%) of the participants use their cell phones and the internet to conduct business. When asked if internet technology has increased their volume of work forty-five

percent (45%) respond to 'Yes', and thirty-seven percent (37%) believe that internet technology has increased their productivity. Twenty-three percent (23%) believe that cell phone technology has increased the number of hours they work each day, while forty-two percent (47%) believe that cell phone technology has greatly altered their lifestyle as compared to the forty two (42%) who say that internet technology has altered their lifestyle. The result indicates that more people are using cell phones than the internet to conduct business.

Thirty-six percent (36%) of the participants say that internet technology has helped to improve their job performance. Twenty-two (22%) of the participants say that their business requires them to keep their cell phones on all the time. This result indicates that these people may sometimes be working up to twenty hours a day. Our sample population reacted to the statement; "People with cell phones are nearer to people far away but farther away to people nearby". Thirty-one percent (31%) believe this statement to be true. They believe that cell phones connect them to people far away, while completely ignoring people in close proximity. This could lead to damaging relationships. Twenty-six percent (26%) of the participants say they conduct their business transactions through the internet. Thirty-nine percent (39%) of the participants say that cell phone has improved their quality of life, while thirty-one (31) believe that the internet has increased the quality of their life. Thirty-two percent (32%) of the participants say that both their family life and work life have improved because of cell phones and the internet technology.

When asked how cell phones and Internet are changing lifestyles of people in America, the responses were robust. People have very definite ideas of how technology is impacting family and work life.

Twenty Four Hours Communication Capability

Communication has become twenty four hours and there is hardly anything that cannot be researched over the internet. People do not have to step outside their homes to get groceries, for instance. Life really has become easier, especially for those who are old enough to remember when digital technology was not as ubiquitous. One participant writes that, "It puts you in the position to keep constant contact with others. You are also in a position to research everything from the comfort of home." "Everything I need is virtually at my fingertips!" "You have contact with people anywhere you are. Good for emergencies."

Global Reach

Digital technology has become a great equalizer when it comes to global reach. The cost of communication across national borders has decreased precipitously. Many survey participants, especially in the focus group say that digital technology has brought the people of the world closer to one another. Someone stated that this technological revolution has produced “global accessibility.” Another participant writes that “cell phones and internet are changing lifestyles of people because they bring the world to your fingertips.” One other participant says that young people equipped with digital technology “are able to gain more knowledge and be aware of things going on outside of America.”

Increased Productivity

One respondent summarizes the thoughts of many survey participants when he writes that the rapid technological advancement leads to “efficiency, higher productivity, because these devices have simplified work for many people.” Another participant writes that, Digital technology as a whole has shaped this country. You talk to someone clear across the world at any given moment and usually at no cost.” Some participants can stay longer on their jobs because digital technology has provided much needed relief in “making appointments, communicating with child’s educators, making reservations, and locating places.” Here are some of the sentiments expressed by other respondents,

“Connecting is faster, do not have to take 1-3 days to get a letter or message to anyone, anywhere.”

“Changing lifestyles by increasing communication 24/7 anywhere, anytime.”

“Cell phones and internet are changing lifestyles by making shopping easier, increase communication, paying bills, researching, etc.”

“Cell phones and internet change America in good ways that you are able to talk and see people across America.”

“Bring friends closer”.

“Can talk to son in Tennessee and shop at the same time.”

“Quick responses.”

“Shorter time to communicate.”

“People are not at a standstill anymore. They can

get more things done at a faster speed.

People are able to do things faster. It is making people want things faster, grows impatient.”

“Increases access to directions, make changing plans easier. Makes finding good restaurants easier, calling for help is at your fingertips. Do not have to worry about the kids, I can track them.”

Negative Impact of Digital Technology

Survey participants have so much great and positive things to say about how the booming digital technology is helping the work and life styles but not without sounding cautionary notes on the negative impact of digital revolution. Here are excerpts of what they said, in their own words:

“It has made people more lazy and not wanting to be active in their lives”

“We are connected to people through Facebook on our cell phones/computer, yet we seem to be lacking in one-on-one interaction face-to-face”

“Lifestyles of people in America have distanced people from each other because their communicating skills are not good”

“I sometimes think cell phones and the internet are not personable

Speaking to someone face-to-face is much more personable.”

“Use of cell phones and technology in general has made people lazy and unable to conduct face-to-face conversations.”

“Social skills have decreased in younger people because they communicate by text instead of face-to-face or by phone.”

“People are not as social. Texting is becoming an obsession.”

“As far as the youth of today, the cell phone is like an umbilical cord, they are attached and never without it. It can be used to track your every move...the towers.”

“Do not text and drive – accidents.”

“Less personal communication, texting, and driving”

“People are able to do things faster. It is making people want things faster, grows impatient.”

“In one sense, cell phones and internet make the entire world much more accessible – you can order something halfway around the world with just a few clicks. But, I think it is diminishing the value of personal relationships- cell phones especially

Making them lazier. They want to play on the internet and not work.”

“In my opinion it is causing the younger generations to lose social skills. Face-to-face interaction is non-existent. It is easier to deliver bad news via email, text, etc. There is not emotional contact. Things need to slow down.”

“Both are making people less social and more isolated”

“With the increase of internet usage and cellphone availability to all ages it seems that our society is getting away from face-to-face interaction and rely more on texts and emails to communicate.”

“Everyone has a right now sense and the cell phone and internet assist in those decisions

“The attention span has been decreasing tremendously. People are distracted.”

“Causing the family to communicate less with each other”

“Nobody communicates anymore in person. It is usually texting or email.”

“People do not talk much, they text and email.”

“No cell phone – no life”

“The masses must realize some restraint in maintaining their privacy, i.e, turning it off when family is near. Have down time, enjoy family, get down on the floor and play, laugh with your kids, wife, husband, etc.”

“It definitely has made huge contributions in improving life itself; however we cannot hide behind it. When used in moderation and healthy ways it can be positive experience. Cell phones and GPS are good and very useful. The internet is extremely informative. Facebook is crap?”

“Digital technology is “big brother”. Be careful in using this technology, young people. The judicial system is relying on it and Facebook, comments, pictures, and etc. cannot be easily erased. Employees can read about you to determine whether you are employable.”

“It seems to hurt us as much as it helps us Technology has its place; however society depends too much on technology The negative thing about it is that it forces people to become more distant and not have the personalized aspect of relationships in general. Instead of talking or have a nice conversation, texting is the alternative – this is just an example of how technology is ruining society.”

CONCLUSION AND IMPLICATIONS

There can be no doubt now that any business that is not participating in the digital technology market may be in trouble. Consumers are ready to engage in this market. Ninety seven percent (97%) of the participants own cell phones and eighty four percent (84%) own computers and they are willing to use them to do business. Internet marketing is here to stay and there is no going back. Seventy one percent (71%) of the participants use their cell phones and the internet to conduct business. This is a trend that has remained strong over the years and it will even get stronger. All businesses, no matter how small, must seek a presence in the cyber world. This is the marketplace of the future. Organizations may also consider giving cell phones to their employees because there is a strong indication this generous offer would boost productivity, in addition to improving employee morale. Thirty nine (39%) say that cell phones improved their quality of life. . Thirty two percent (32%) say that both their family life and work life improved because of cell phone and internet technology. Lifestyles are changing due to the digital revolution and businesses that wish to win the mind and loyalty of the customers must have presence in the World Wide Web environment. But not everyone is cheering this digital revolution. There are many in our studies who indicate that this digital revolution may not be good for family relationship or relationship, in general. Thirty one percent believe that people on cell phone are nearer to those far away than people in their immediate vicinity. This sentiment is succinctly expressed by a respondent who writes thus, “It seems to hurt us as much as it helps us. Technology has its place; however society depends too much on technology. The negative thing about it is that it forces people to become more distant and not have the personalized aspect of relationships in general. Instead of talking or have a nice conversation, texting is the alternative – this is just an example of how technology is ruining society.”

But even the harshest critic of digital revolution does not fault technology but the use of technology. Any adjustments that need to be made would definitely be on how man uses digital technology. Digital technology is here to stay.

Fifty eight percent (58%) of respondents say that Internet technology increased their productivity. Sixty nine percent (69%) say that cell phone technology has greatly altered their lifestyles and 64% say that Internet has had similar effect on them. Sixty one percent (61%) claim that internet technology has helped to improve their job performance and 51% of people indicate they like conducting business transactions through the internet. The digital revolution appears to be at the beginning stages. Lifestyles are changing to make room for the digital boom that is soon to come. There is no business plan that would be complete without a sizable section describing or prescribing how the particular organization is going to respond to the ongoing digital technology revolution which is transforming lifestyles and business practices.

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APPENDIX DIGITAL TECHNOLOGY SURVEY
1) Do you own a cell phone?–176
Yes – 97%
No – 2%
Yes & No – 1%
2) Do you own a computer?–163
Yes – 84%
No – 16%
Yes & No – 0%
3) Do you have access to the Internet?–172
Yes – 90%
No – 9%
Yes & No – 1%
4) Do you have an email address?–171
Yes – 88%
No – 11%
Yes & No – 1%
5) How many email addresses do you have?
Average–2
6) Do you use cell phones to conduct business?–168
Yes – 71%
No – 29%
6) Do you use internet to conduct business?–146
Yes – 71%
No – 29%

1 Strongly Agree
2 Agree
3 Neutral
4 Strongly Disagree
5 Disagree
6 Don't know
7) Internet technology has increased my volume of work–174
1 (30%)
2 (21%)
3 (13%)
4 (14%)
5 (17%)
6 (5%)
8) Internet technology has increased my productivity–173
1 (37%)
2 (21%)
3 (14%)
4 (14%)
5 (10%)
6 (4%)
9) Cell phone technology has increased the number of hours I work each day–172
1 (23%)
2 (12%)
3 (18%)
4 (14%)
5 (26%)
6 (7%)
10) Cell phone technology has greatly altered my lifestyle–173
1 (47%)
2 (22%)
3 (11%)
4 (6%)
5 (9%)
6 (6%)
11) Internet technology has greatly altered my lifestyle -172
1 (42%)
2 (22%)
3 (11%)
4 (9%)
5 (10%)
6 (6%)
1 Strongly Agree
2 Agree
3 Neutral
4 Strongly Disagree
5 Disagree
6 Don't know

12) Internet technology has helped to improve my job performance–175
1 (36%)
2 (25%)
3 (16%)
4 (11%)
5 (7%)
6 (5%)
13) My business requires me to keep my cell phone on all the time–171
1 (22%)
2 (9%)
3 (12%)
4 (25%)
5 (30%)
6 (2%)
14) People with cell phones are nearer to people far away but farther away to people nearby -173
1 (31%)
2 (27%)
3 (16%)
4 (7%)
5 (8%)
6 (13%)
15) I like conducting business transactions through the Internet -174
1 (26%)
2 (25%)
3 (21%)
4 (13%)
5 (9%)
6 (7%)
1 Strongly Agree
2 Agree
3 Neutral
4 Strongly Disagree
5 Disagree
6 Don't know
16) Cell phones has improved my quality of life -173
1 (39%)
2 (23%)
3 (18%)
4 (5%)
5 (10%)
6 (5%)
17) The Internet has increased my quality of life–174
1 (31%)
2 (25%)
3 (20%)
4 (12%)
5 (7%)
6 (5%)

18) My family life and work life have improved because of cell phones and email-174
1 (32%)
2 (24%)
3 (21%)
4 (9%)
5 (8%)
6 (6%)
19) I have definite ideas on how people can manage work-life and lifestyles using emails and cell phones-170
Yes - 45%
No - 54%
Yes & No - 2%
Please elaborate
20) Please comment on how cell phones and Internet are changing lifestyles of people in America
21) Do you have anything else you wish to say about the impact of digital technology in our society today?
22) My sex is-174
Female - 70%
Male - 30%
23) My marital status is-174
Married -39%
Single - 41%
Widowed - 2%
Separated/Divorced - 17%
24) My race is:-175
American Indian-0
Asian - 2%
Black-73
Hispanic-2
White-21
Other-2

25) My length of service with my company is-172
30 years or more - 11%
25 to 29 years-7
20 to 24 years-14
15 to 19 years-9
10 to 14 years-13
5 to 9 years-18
0 to 4 years-28
26) What is your highest level of education?-167
Grade school-4%
High school - 25%
College (1-2 years, no associate degree) - 17%
College (1-2 years, associate degree) - 11%
College (3-4 years, no degree) - 5%
College Degree (BS, BA, etc.) - 20%
Graduate Work (no degree) -2%
Graduate Degree (MS, MA, MBA, etc)-13
Graduate Degree (PHD, LLB, etc)-4
27) My city of residence is
28) My age group is-166
18-25 - 8%
26-33-17
34-41-20
42-49-23
50-above-31
29) My income level is-159
Under 30,000 - 30%
31,000-60,000-51
61,000-90,000-14
91,000-above -5

JOINT CONFERENCE
May 20th, 21st and 22nd 2015 in
Nashville, TN

**Academic Business World
International Conference
(ABWIC.org)**

**International Conference on
Learning and Administration in
Higher Education
(ICLAHE.org)**

The aim of Academic Business World is to promote inclusiveness in research by offering a forum for the discussion of research in early stages as well as research that may differ from 'traditional' paradigms. We wish our conferences to have a reputation for providing a peer-reviewed venue that is open to the full range of researchers in business as well as reference disciplines within the social sciences.

Business Disciplines

We encourage the submission of manuscripts, presentation outlines, and abstracts pertaining to any business or related discipline topic. We believe that all disciplines are interrelated and that looking at our disciplines and how they relate to each other is preferable to focusing only on our individual 'silos of knowledge'. The ideal presentation would cross discipline borders so as to be more relevant than a topic only of interest to a small subset of a single discipline. Of course, single domain topics are needed as well.

All too often learning takes a back seat to discipline related research. The International Conference on Learning and Administration in Higher Education seeks to focus exclusively on all aspects of learning and administration in higher education. We wish to bring together, a wide variety of individuals from all countries and all disciplines, for the purpose of exchanging experiences, ideas, and research findings in the processes involved in learning and administration in the academic environment of higher education.

We encourage the submission of manuscripts, presentation outlines, and abstracts in either of the following areas:

Learning

We encourage the submission of manuscripts pertaining to pedagogical topics. We believe that much of the learning process is not discipline specific and that we can all benefit from looking at research and practices outside our own discipline. The ideal submission would take a general focus on learning rather than a discipline-specific perspective. For example, instead of focusing on "Motivating Students in Group Projects in Marketing Management", you might broaden the perspective to "Motivating Students in Group Projects in Upper Division Courses" or simply "Motivating Students in Group Projects". The objective here is to share your work with the larger audience.

Academic Administration

We encourage the submission of manuscripts pertaining to the administration of academic units in colleges and universities. We believe that many of the challenges facing academic departments are not discipline specific and that learning how different departments address these challenges will be beneficial. The ideal paper would provide information that many administrators would find useful, regardless of their own disciplines.

