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URBAN LOCATION AND THE SUCCESS OF CASINOS IN FIVE STATES

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ABSTRACT

Over the last 30 years or so, many states in the US have legalized casino gambling/gaming in an effort to boost tax revenues. Four mid-western (Illinois, Indiana, Iowa, and Missouri) and two southern (Louisiana and Mississippi) states adopted legalized gaming in the form of riverboat casinos due to legal restrictions originally against land-based casinos. Following changes in state laws, land-based casinos and racinos (a combination of a casino and a racetrack) have since appeared in these states, although riverboat casinos still compose the majority of the establishments in most of these states. Although the scholarly literature is replete with articles on whether casinos make a difference in state tax revenues or cause an increase in crime, bankruptcies or other negative externalities, few if any have been written about the efficiency and effectiveness of casino operations and what external factors (location, size of market, etc.) are important to casino success. With so many states relying on casino revenues and others recently enacting or trying to permit casino gaming, it would be desirable to know those factors which influence casino success. Tax dollars often hinge on the type of casino permitted and related location decisions. Hence, such decisions have public policy implications, and this article is the first to pinpoint factors that determine casino success.

JEL: R11; R12

KEY WORDS: Casinos, data envelopment analysis, gaming and gambling, urban economics

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INTRODUCTION

It is well known in the retailing and urban economics literature that location is a crucial variable in a business enterprise's success or failure. Especially important is the ease of access that customers have to a firm's products or services and how much time they have to make in their journey to the site, whether within a small city or large metro area (O'Sullivan, Chapter 5, 2003). Whether location has an impact on a casino's efficiency in operations and success is explored in this paper. First, a literature review discusses what has been written previously about casinos with regard to their proliferation and success in generating state tax revenues. Next, a methods section discusses which variables are important to the analysis and how data from various casinos are to be analyzed. Then, in a results section, the findings of the analysis are elaborated, which is followed by a discussion of the results long with concluding remarks that have some public policy recommendations.

LITERATURE REVIEW

Starting in the late 1970s, more than two dozen state governments in the US enacted laws permitting legalized casino gambling, racinos (a combination of a casino and race track), state lotteries, electronic gaming devices at bars and entertainment centers, and tribal casinos. The increased presence of various forms of gambling comes in reaction to more tolerant attitudes toward gambling, the need to raise more

tax revenues, and economic development objectives (Madhusudhan 1996, Eadington 1999, Garrett 2003, and Landers 2009). This expansion of gambling occurred in spite of fears about increased crime rates and personal bankruptcies (Friedman, Hakim, and Weinblatt, 1989; Garrett and Nichols, 2008; Hsu 2000; Stitt, Nichols, and Giacomassi, 2003; Koo, Rosentraub, and Horn, 2007) and the cannibalization by casinos of other local hospitality and entertainment venues so that the net impact of a casino could be muted (Guell, 2010).

During the current US recession which began in late 2007, several states are now exploring the casino gambling option, motivated by falling state revenues and the need for economic development. As Guell (2010) points out, casinos generate around \$5 billion annually in tax receipts for state and local jurisdictions on approximately \$30 billion in casino revenues. He notes that casinos have only a slight impact on employment in communities with high unemployment prior to the casino opening, whereas Garrett (2003) notes that casinos have their biggest employment affects in rural areas. Ohio voters recently approved casino gambling in a November 2009 referendum as elected officials in Kentucky continued to debate the approval and enactment of gaming proposals (Hall, 2009; Simon, 2009).

Despite the research on the overall economic and social impacts of casinos, especially on their contributions to state coffers and local economic development, no research has been done on what makes a specific casino efficient and effective in attracting patrons and generating revenues (so that state and local governments can collect more money) or on the local and regional circumstances that influence such casino efficiency and success. From a state and local perspective, such information would support decisions on casino licensing, taxation and other policy issues. Whether casino location and market population size have an impact on casino success, or whether racinos do better on average than regular casinos, all would be useful considerations for policy purposes.

METHODS

For purposes of making valid comparisons, this paper examines the operations of casinos in five states (Illinois, Indiana, Iowa, Louisiana, and Missouri) which legalized casinos in the late 1980s or early 1990s and allowed only riverboat casinos (whether docked or not docked) in the early stages of development. Even though five now permit land based casinos and three (Indiana, Iowa, and Louisiana) permit racinos, riverboat casinos constitute the majority of the casino establishments. Mississippi, a riverboat and casino gambling state, would be on our list of states, but the Mississippi Gaming Commission does not provide casino revenues on a per boat basis, only on a total regional basis (<http://www.mgc.state.ms.us/>). Therefore, Mississippi is not included in the analysis.

Interestingly the gaming commissions' websites or annual reports for each state list most if not all of the other 5 states with riverboat casinos for purposes of comparison (Annual Reports 2008 and 2009). Although riverboat casinos were permitted initially because they satisfied legal requirements of no gambling on land, they also easily satisfied the desire of these states to "export" gambling entertainment to neighboring communities in other states, some of which did not permit any casino gambling (Eadington, 1999; Guell, 2010).

Tribal casinos, which also gained popularity and grew rapidly in the 1980s and 1990s, are not considered in this paper. None is present in Illinois, Indiana, or Missouri. Only one out of 16 casinos exists in Louisiana and only 3 out of 16 exist in Iowa (Wenz, 2008). Operating data for tribal casinos are also usually not disclosed and therefore not susceptible to substantive analysis.

Because gaming in the five states is so similar (riverboat casinos and the presence of racinos), benchmarking the performance of the casinos in the five states lends itself well to the data envelopment analysis (DEA) technique. In general, DEA is a linear programming (non-parametric) technique that

converts multiple inputs and outputs of each decision-making unit from a list of decision-making units (DMUs) into a scalar measure of operational efficiency, relative to its competing DMUs. DMUs can be a collection of private firms, non-profit organizations, governmental departments, administrative units, and other groups with the same (or similar) goals, functions, standards, and/or market segments. DEA can be employed for measuring the comparative efficiency of any entity which has inputs and outputs and is similar to peer entities in an analysis. Therefore, DEA can be applied to a wide variety of DMUs including similar casinos in different states.

For the inputs and outputs used in the DEA, see Table 1. These were chosen because the most recent annual reports (2008) for all five states had these variables in common. Some states' annual reports gave the number of eating establishments, conference rooms, hotel rooms, and number of golf courses at each casino whereas others did not. So these aspects of casinos were omitted as inputs. There is also no data on promotion expenses or what entertainment is provided, so these factors were also ignored as inputs. It would have been desirable to know the portion of casino patrons originating from other states (the "export" effect), but only Louisiana gives these estimates. Nevertheless, the input variables in Table 1, the number of employees, gaming devices, gaming tables, square footage of space per establishment, and the presence of a racetrack, are all key input variables to the success of a casino.

For outputs, the analysis focuses on two key important variables: the number of customers attending in 2008 and the amount of revenues earned in 2008. The admissions variable is chosen because of the impact of customers on casino earnings, and the influence on tourism and potential economic development. Total revenues generated are an obvious choice because tax revenues depend upon casino revenues.

Table 1: Descriptive Statistics

Variables	Mean	Standard Deviation
Inputs		
Employees	919.3	535.08
Gaming Space (sq.ft.)	41,900.5	27,759.9
Electronic Gaming Devices	1312.1	562.08
Table Games		
Race Track		
Outputs		
Admissions	2,284,210	1,793,974
Total Revenue(\$)	120,046,381	106,340,170
CRS Efficiency Index	0.72	0.21
VRS Efficiency Index	0.84	0.14
Environmental Factors		
Economies of Urbanization and Agglomeration (Index)	0	1.0
Average of Average January and Average July Temperature	54.3	7.75
Annual Precipitation (Inches)	0.84	0.14
Border Effect (1=Yes, 0=No)	0.82	0.39
N	66	

This table reports the means and standard deviations for the variables used in the data envelopment analysis (inputs and outputs) as well as those used in the Tobit regression (the dependent variables, which are the CRS and VRS efficiency indices, and the independent variables, which are the environmental factors).

DEA is designed to identify the "best practices" DMU without a priori knowledge of the inputs. Outputs are most important in determining an efficiency score and assessing the extent of inefficiency for all other DMUs that are not regarded as the best practices DMUs (Charnes et al., 1978). Since DEA provides a relative measure, it differentiates between inefficient and efficient DMUs relative to each other. Owing to its capability to pinpoint inefficient DMUs from efficient DMUs, DEA can be useful for developing benchmark standards (Min et al., 2008).

The DEA model can be mathematically expressed as (Charnes et al., 1978; Fare et al., 1994; Nolan et al., 2001):

$$\text{Maximize efficiency score } (jp) = \frac{\sum_{r=1}^t u_r y_{rjp}}{\sum_{i=1}^m v_i x_{ijp}} \tag{1}$$

$$\text{Subject to } \frac{\sum_{r=1}^t u_r y_{rj}}{\sum_{i=1}^m v_i x_{ij}} \leq 1, \quad j = 1, \dots, n, \tag{2}$$

$$u_r, v_i \geq \varepsilon, \quad \forall r \text{ and } i, \tag{3}$$

where

y_{rj} = amount of output r produced by DMU j ,

x_{ij} = amount of input i used by DMU j ,

u_r = the weight given to output r ,

v_i = the weight given to input i ,

n = the number of DMUs,

t = the number of outputs,

m = the number of inputs,

ε = a small positive number.

To ease computational complexity associated with the fractional nonlinear form of the above equations, the above equations (1), (2), and (3) can be converted into a linear program as follows.

$$\text{Maximize efficiency score } (jp) = \sum_{r=1}^t u_r y_{rjp} \tag{4}$$

$$\text{Subject to } \sum_{i=1}^m v_i x_{ijp} = a, \tag{5}$$

$$\sum_{r=1}^t u_r y_{rj} - \sum_{i=1}^m v_i x_{ij} \leq 0, \quad j=1, \dots, n, \tag{6}$$

$$-u_r \leq -\varepsilon, \quad r=1, \dots, t, \tag{7}$$

$$-v_i \leq -\varepsilon, \quad i=1, \dots, m, \tag{8}$$

where a = an arbitrarily set constant (e.g., 100)

By solving the above equations (4)-(8), the efficiency of DMU (jp) is maximized subject to the efficiencies of all DMUs in the set with an upper bound of 1 (Lambert, Min and Srinivasan, 2009; Min and Lambert, 2006). The above model is solved n times to evaluate the relative efficiency of each DMU. Notice that the weights u_r and v_i are treated as unknown variables whose values will be optimally determined by maximizing the efficiency of the targeted DMU jp . An efficiency score (jp) of 1 indicates that the DMU under consideration is efficient relative to other DMUs, while an efficiency score of less than 1 indicates the DMU under consideration is inefficient. In a broader sense, an efficiency score represents a casino's ability to transform a set of inputs (given resources) into a set of outputs. The above

model also identifies a peer group (efficient DMU with the same weights) for the inefficient DMU (Anderson, *et al*, 1999; Boussofiane, *et al*, 1991).

In this paper, the conservative assumption that casinos operate with constant returns to scale (CRS) efficiency (inputs are matched in fixed proportions) is made since scores based on variable returns to scale (VRS) efficiency tend to raise or inflate the scores (Garcia-Sanchez, 2006), although the results of analyzing VRS efficiency are briefly discussed. A casino is operating as efficiently as possible as it tries to maximize the outputs, admissions and revenues, while minimizing its inputs such as number of employees, number of gaming devices, number of gaming tables, square footage of gaming space, etc. Again, a score of 1.0 indicates efficiency, and anything less represents inefficiency. Table 2 shows DEA scores (CRS and VRS efficiency scores) that were calculated by using values for these inputs and outputs for 66 different casinos in the five states.

Table 2: Efficiency Scores for Casinos in Five States

Decision Making Unit Name	VRS Efficiency	CRS Efficiency
Ameristar East Chicago, E. Chicago, IN	0.84081	0.80532
Argosy, Lawrenceburg, IN	1.00000	0.82273
Belterra, Vevay, IN	0.62032	0.57500
Blue Chip, Michigan City, IN	0.72024	0.70693
Casino Aztar, Evansville, IN	0.64711	0.48133
French Lick Casino, French Lick IN	0.56925	0.44031
Grand Victoria, Rising Sun, IN	0.62279	0.58964
Hoosier Park, Racino, Anderson, IN	1.00000	1.00000
Horseshoe Hammond, Hammond, IN	1.00000	0.99188
Horseshoe Southern Indiana, Elizabeth, IN	0.77223	0.76691
Majestic Star I, Gary, IN	0.61083	0.50508
Majestic Star II, Gary, IN	0.88161	0.82535
Prairie Meadows Racino, Altoona, IA	0.56624	0.54508
Horseshoe Casino and Bluffs Run Greyhound Park, Council Bluffs, IA	0.78240	0.76555
Dubuque Greyhound Park and Casino, Dubuque, IA	0.73126	0.64251
Lady Luck Casino, Marquette, IA	0.97769	0.44367
Diamond Jo, Dubuque IA	0.62062	0.47175
Wild Rose, Clinton, IA	0.92389	0.54216
Catfish Bend Casino, Burlington, IA	1.00000	0.75993
Argosy, Sioux City, IA	0.89266	0.70765
Terrible's Lakeside Casino, Osceola, IA	0.69606	0.50417
Wild Rose, Emmetsburg, IA	1.00000	0.42928
The Isle Casino & Hotel, Waterloo, IA	0.67983	0.59607
Rhythm City, Davenport, IA	0.96601	0.76229
Isle of Capri, Bettendorf, IA	0.68863	0.58284
Ameristar II, Council Bluffs, IA	0.72426	0.67083
Harrah's Council Bluffs Casino & Hotel, Council Bluffs, IA	0.72787	0.57800
Diamond Jo, Northwood, IA	0.81028	0.72334
Riverside Casino & Golf Resort, Riverside, IA	0.76117	0.67680
Argosy Casino, Alton, IL	0.85396	0.62080
Par-A-Dice Gaming Corp, East Peoria, IL	0.79799	0.60488
Rock Island Boatworks, Rock Island, IL	0.72938	0.36820
Empress Casino, Joliet, IL	0.75684	0.70007
Southern Illinois Riverboat Casino/Cruises, Metropolis, IL	0.74394	0.65414
Harrah's Casino Cruises, Joliet, IL	1.00000	1.00000
Hollywood Casino, Aurora, IL	0.92883	0.89297
Casino Queen, East St Louis, IL	0.84095	0.77918
Grand Victoria Elgin Riverboat Resort, Elgin, IL	1.00000	1.00000
Ameristar Casino, Kansas City, MO	0.95688	0.84922
President Casino, St Louis, MO	1.00000	1.00000
Ameristar Casino, St Charles, MO	1.00000	0.98911
Argosy Riverside Casino, Riverside, MO	1.00000	1.00000
Terrible's St Jo Frontier Casino, St Joseph, MO	1.00000	0.92625
Harrah's North Kansas City, Kansas City, MO	0.96562	0.95468
Lady Luck of Caruthersville, Caruthersville, MO	0.89715	0.55477
Isle of Capri, Kansas City, MO	1.00000	1.00000
Harrah's Maryland Heights, Maryland Hts., MO	0.95355	0.94457
Isle of Capri, Booneville, Booneville, MO	1.00000	0.92366
Terrible's Mark Twain Casino, Lagrange, MO	1.00000	0.86910
Lumiere's Place, St Louis, MO	1.00000	1.00000
Catfish Queen, Baton Rouge, LA	0.61932	0.45602
Belle of Orleans, Amelia, LA	0.63016	0.04332
Isle of Capri, Westlake, LA	1.00000	1.00000
Eldorado Casino Resort, Shreveport, LA	0.87893	0.81234
Horseshoe Casino — Bossier City, LA	0.79831	0.62211

Decision Making Unit Name	VRS Efficiency	CRS Efficiency
Hollywood Casino, Baton Rouge, LA	0.68429	0.51051
Diamond Jacks, Bossier City, LA	0.72877	0.60616
Boomtown, Bossier City, LA	0.75739	0.55628
Boomtown, Harvey, LA	0.82998	0.75190
Lau barge Du Lac, Lake Charles, LA	1.00000	1.00000
Sam's Town, Shreveport, LA	0.76778	0.69355
Isle of Capri, Westlake, LA	0.80346	0.34130
Treasure Chest, Kenner, LA	0.75303	0.45346
Delta Downs, Vinton, LA	1.00000	1.00000
Harrah's LA Downs, Shreveport, LA	1.00000	0.91359
Evangeline Downs, Lafayette, LA	1.00000	1.00000

VRS Efficiency: Variable returns to scale efficiency. CRS Efficiency: Constant returns to scale efficiency. This table gives VRS and CRS efficiency scores based on the inputs and outputs listed in Table 1 using data envelopment analysis.

These scores then were regressed against a set of independent (environmental) variables using Tobit regression which expresses observed responses in terms of latent variables. In general, Tobit regression is intended for analyzing continuous data that are censored, or bounded at a limiting value. The Tobit regression model is well suited to measure the transformed efficiency such as DEA efficiency scores, when dependent variables have sensible partial effects over a wide range of independent variables (Amemiya, 1985; Breen, 1996; Wooldridge, 2006). A Tobit regression model assumes that the dependent variable has its value clustered at a limiting value, usually zero. However, in our model, the dependent variable is limited from above (right censored at 1.0), and the model can be written in terms of the underlying or the latent variable as:

$$y_i^* = X_i\beta + \varepsilon_i \tag{9}$$

where $\varepsilon_i \sim N(0, \sigma^2)$. In our sample, we observe $y (=y^*)$ only, when $y_i^* < c$ (right censored). The values of Y are censored to the right at 1, and thus we need to estimate

$$E(y_i | y_i < c, x_i) = E(y_i | \varepsilon_i \leq c - x_i\beta_i) \tag{10}$$

The probability that $\varepsilon_i \leq c$ is

$$\Phi\left[\frac{c}{\sigma}\right] = \int_{-\infty}^{c/\sigma} \frac{1}{\sqrt{2\pi}} \exp(-t^2 / 2) dt \tag{11}$$

The expected value is

$$E(y_i | y_i < c, x_i) = x_i'\beta - \sigma \frac{\phi(c)}{\Phi(c)} \tag{12}$$

$$= x_i'\beta - \sigma \hat{\lambda}_i(c), \text{ where } c = \frac{c - x_i'\beta}{\sigma} \tag{13}$$

Thus, the Tobit model accounts for truncation of the dependent variable value. A regression of the observed “y” values on “x” will lead to an unbiased estimate of b (or the coefficient of the independent variable(s)). The independent variables used in both the Tobit and OLS regression models are:

1. Urban Economics Index (Urban Econ): This variable is an index created from factor analysis (see Table 3) and represents many of the effects of economies of agglomeration (clustering of similar firms, occupations, and people) and economies of urbanization (population threshold effects necessary for

certain activities) present in an urban marketplace. Creating an index of different variables that make up these effects also avoids multicollinearity among these variables if one were to try to use these variables as different independent variables in regression models. Additionally, there are some variables, which although not part of economies of agglomeration or economies of urbanization, are highly correlated with these effects and are brought up in the literature on casinos, such as unemployment rates, per capita income, and inequality (estimated Gini coefficient for the area), and these are included in the Urban Economics Index. An attempt to create two indices, one focusing on urban size variables (population, population density, etc.) and another focusing on socioeconomic variables (unemployment, education, etc.) was tried. Unfortunately, both these indices were highly correlated ($r=0.837$). Therefore, the Urban Economics Index was developed to capture both effects. As mentioned earlier, casinos are often used for economic development and to employ slack resources in many areas, although some point out that casinos bring with them higher crime rates, greater poverty and unemployment and that they tend to prey upon the most vulnerable of society. At the same time, casinos are claimed to do best in areas with higher per capita income and in areas with large percentages of high-income households and college graduates (Huebsch, 1997; Pfaffenberg and Costello, 2002). Therefore, estimates of an area's 2008 unemployment rate (US Bureau of Labor Statistics, 2008), its per capita income for 2008 (US Census Bureau, 2008), its 2006 Gini Coefficient (Census Bureau), its percentage of college educated adults (Census Bureau, 2008), and its percentage of households with income of \$150,000 per year or more (Census Bureau, 2006) are used as part of the Urban Economics Index as these variables are highly correlated with one another and with metro area population and size effects. Table 4 shows the degree of correlation among different variables used and considered in this paper.

Table 3: Results of Factor Analysis - Urban Economics Index, Principal Component Factor Analysis of the Correlation Matrix, & Un-rotated Factor Loadings and Communalities.

Variables	Factor	Communality
Unemployment Rate 2008	0.436	0.190
Per Capita Income 2008	0.813	0.661
Percent Household Income -\$150000 and above, 2006	0.934	0.872
Educational Attainment - Percent Bachelor degree or more, 2008	0.770	0.593
Gini Coefficient 2006, Estimate	0.423	0.179
Population 2008 (millions)	0.848	0.719
Amusement, Gambling and Recreation Establishments	0.858	0.736
MSA Presence (Yes = 1, No=0)	0.614	0.377
Admissions	0.472	0.223
Density Index of Home County	0.638	0.407
Variance	4.957	4.957
% Variance	0.496	0.496
Factor Score Coefficients		
Unemployment Rate 2008	0.088	
Per Capita Income 2008	0.164	
Percent Household Income -\$150000 and above, 2006	0.188	
Educational Attainment - Percent Bachelor degree or more, 2008	0.155	
Gini Coefficient 2006, Estimate	0.085	
Population 2008 (millions)	0.171	
Amusement, Gambling and Recreation Establishments	0.173	
MSA Presence (Yes = 1, No=0)	0.124	

These are the variables used to construct the index Urban Economics Index with their factor loadings and communalities, which show the strength of correlation among the variables.

Table 4: Correlation Coefficients Matrix

	X1	X2	X3	X4	X5	X6	X7	X8	X9
VRS Efficiency	1.00								
CRS Efficiency	0.76	1.00							
Unemp. Rate	0.13	0.26	1.00						
Poverty	-0.14	-0.15	0.08	1.00					
Population	0.16	0.33	0.44	-0.18	1.00				
Amusement est.	0.18	0.33	0.42	-0.16	0.99	1.00			
Amusement per capita	0.09	-0.14	-0.13	0.39	-0.43	-0.38	1.00		
Per capita income	-0.01	0.18	0.12	-0.12	0.65	0.66	-0.42	1.00	
Income \$150,000+	0.10	0.36	0.29	-0.06	0.81	0.81	-0.52	0.77	1.00
Educational Level	0.02	0.31	0.06	-0.22	0.53	0.54	-0.57	0.69	0.80
Admissions	0.38	0.58	0.31	-0.11	0.20	0.21	-0.22	0.25	0.31
MSA Presence	0.10	0.35	0.04	0.18	0.26	0.30	-0.09	0.55	0.52
Admissions/Population	0.17	0.10	-0.09	0.15	-0.39	-0.38	0.73	-0.50	-0.50
Density Index	0.25	0.41	0.34	-0.10	0.40	0.41	-0.35	0.42	0.49
Pct. income \$150,000+	0.10	0.36	0.29	-0.06	0.81	0.81	-0.52	0.77	1.00
Gini Coefficient	-0.03	0.17	0.45	0.69	0.26	0.28	0.24	0.18	0.38
Avg. Daily Temp. Jan.	-0.02	-0.06	0.17	0.80	-0.32	-0.28	0.51	-0.12	-0.11
Avg. Daily Temp. July	0.07	0.00	0.12	0.63	-0.44	-0.39	0.43	-0.18	-0.20
Annual Precipitation	-0.13	-0.17	0.15	0.80	-0.26	-0.23	0.51	-0.11	-0.10
Border Effect	0.30	0.33	0.33	-0.17	0.22	0.27	0.26	0.08	0.02

Table 4-Continued	X10	X11	X12	X13	X14	X15	X16	X17	X18	X19	X20
Education Levels	1.00										
Admissions	0.34	1.00									
MSA Presence	0.56	0.32	1.00								
Admissions/Population	-0.56	-0.03	-0.24	1.00							
Density Index of Co.	0.38	0.62	0.37	-0.32	1.00						
Pct. Income \$150,000+	0.80	0.31	0.52	-0.50	0.49	1.00					
Gini Coefficient	0.11	0.12	0.44	0.08	0.18	0.38	1.00				
Avg. Daily Temp Jan.	-0.35	0.04	0.19	0.32	0.01	-0.11	0.65	1.00			
Avg. Daily Temp July	-0.28	0.19	0.19	0.25	0.13	-0.20	0.41	0.87	1.00		
Annual Precipitation	-0.37	-0.08	0.11	0.33	-0.02	-0.10	0.68	0.95	0.72	1.00	
Border Effect	-0.05	0.21	0.16	0.13	0.07	0.02	0.04	-0.04	0.00	-0.13	1.00

This table indicates correlation between the listed variables. X1: VRS efficiency, X2: CRS efficiency, X3: Unemployment rate 2008, X4: Poverty rate 2006, X5: Population 2008 (millions), X6: Amusement, gambling and recreation (NAICS 713) establishments in area of size 500+ in 2007, X7: Amusement, gambling, etc per million population, X8: Per capita income 2009, X9: Percent household with income \$150,000 or more in 2006, X10: Education attainment – Bachelor Degrees and above in 2008, X11: Admissions, X12: MSA Presence (Yes = 1, No =0), X13, Admissions/Population (millions); X14, Density index of home county, X15: Percent household with income \$150,000 or more in 2006, X16: Gini coefficient 2006 estimate, X17: Average Daily Temperature in January, X18: Average Daily Temperature in July, X19: Annual Precipitation in Inches, and X20: Border Effect (1=Yes, 0=No).

One important hypothesis is that metropolitan or urban size and built environment characteristics are key variables in determining casino success since casino admissions are likely contingent on the market size

of the casino's location and ease of access by patrons. For this reason, the Census Bureau's 2008 estimate of the metro, micropolitan, or county's (if the casino is not in a metro or micro area) population in millions is used along with each casino's admissions numbers for 2008 (used as an external demand variable here, not as a supply variable when used in the DEA calculations) in the Urban Economics Index variable. Additionally, the population and housing densities of the casino's home county are deemed important because higher population and housing densities signify a higher degree of infrastructure and roadway connectivity than that which exists in lesser-developed ex-urban and semi-rural areas (Lambert and Meyer, 2006, 2008). These densities make access easier for casino patrons, who should help raise a casino's attendance, everything else held constant. The estimated population and housing densities per square mile for 2008 (Census Bureau) are combined into a density index in order to assess the extent of development in the home county of the casino. Such an index has been employed in other articles as a way to distinguish between urban and ex-urban areas (Lambert and Meyer, 2006, 2008) and is used here as part of the Urban Economics Index.

The number of firms classified as "Amusement, Gambling and Recreation Establishments" according to the US Census Bureau's 2007 County Business Patterns is used as an indication of the degree of competition for each casino as well as agglomeration economies present in each area (casinos and gambling establishments tend to cluster together). It is expected that with greater competition, a casino should be more efficient, everything else held constant, and that a casino will have greater access to a common labor pool trained in casino and entertainment operations (an economies of agglomeration effect).

Finally, whether the casino is located in a MSA or not (1=Yes, 0=No) is used as part of the Urban Economics Index to distinguish MSA markets from micropolitan area markets and non-metro and non-micro markets. These distinctions take into account population size effects as well as built environment effects. The hypothesis is that metro area casinos do better than non-metro area casinos, and the Census Bureau's list of US metro and micro areas and their component counties is used (2008). Some of the casinos in the states chosen for analysis are neither in metro or micropolitan areas.

2. Average of the Average Temperatures of January and July, 1971-2000 (Avg of Avg Temp): The average of the average daily temperatures for each area during the months of January and July are calculated and used to assess the degree of year round warm weather. The hypothesis is that warmer weather on average generates greater attendance, and hence, greater casino success. This is especially true when dog or horseracing is present alongside casino operations since these events are normally held in warmer rather than colder months. Colder weather also usually implies snow during the winter months, which may inhibit casino attendance. (Source: US Census Bureau, *County and City Data Book, 2007*).

3. Average Annual Precipitation in Inches, 1971-2000 (Annual Prec in Inches): This variable is used to measure the expected annual amount of snowfall and rainfall for the city in which each casino is located. Large amounts of precipitation could impinge upon casino or track attendance and casino efficiency, and the hypothesis is that the greater the value of this variable, the lower the efficiency score. (Source: US Census Bureau, *County and City Data Book, 2007*).

4. Border Effect (1=Yes, 0=No): Since the literature points out that casinos are often located on state borders in order to "export" casino revenues and taxes to residents of other states and to maximize attendance, this variable is used to test the hypothesis of whether border effects are key to casino efficiency and success. Unfortunately, only Louisiana gives estimates of what portion of casino patrons come from other states. So only geographic location can be used to assess the successfulness of border locations. Therefore, a casino in a county that is on a border between two states is hypothesized to be more efficient than one that is not, everything else held constant.

RESULTS

Using the independent variables listed and defined above, the following regression model was estimated for both indices (CRS and VRS) in both Tobit and Ordinary Least Squares (OLS) form:

$$\text{CRS/VRS Efficiency Index} = \alpha + \beta_1(\text{Urban Economics Index}) + \beta_2(\text{Average of Average Temperatures}) + \beta_3(\text{Annual Precipitation}) + \beta_4(\text{Border Effect}) \quad (14)$$

The results for the CRS Efficiency Index and the VRS Efficiency Index are shown in Tables 5 and 6 respectively.

Table 5: Regression, CRS Efficiency is Dependent Variable.

Independent Variables	Tobit Model	Ordinary Least Square Model
Urban Economics Index	0.1021*** (0.026)	0.0891** (0.023)
Average of Average Temperatures	0.0210** (0.008)	0.0175*** (0.007)
Annual Precipitation (in inches)	-0.0164** (0.006)	-0.0141** (0.006)
Border Effect (1=Yes, 0=No)	0.1021 (0.068)	0.1060 (0.060)
Intercept	0.2024 (0.237)	0.2823 (0.207)
Log-Likelihood Ratio	-1.254	
Adj-r ²		0.294
N	66	66

This table shows the Tobit and OLS regression estimates of the equation: CRS Efficiency Index = $\alpha + \beta_1(\text{Urban Economics Index}) + \beta_2(\text{Average of Average Temperatures}) + \beta_3(\text{Annual Precipitation}) + \beta_4(\text{Border Effect})$. Urban Economics Index is an index of different variables comprising economies of agglomeration and urbanization; Average of Average Temperatures is the average of the average temperatures of January and July for each metro area; Annual Precipitation is an average of precipitation amounts for each metro area; and Border Effect is whether the casino/racino is located in a county on the border with another state.

**** and ** indicate significance at the 1 and 5 percent levels respectively, and figures in parentheses are standard errors.*

Table 6: Regression, VRS Efficiency is Dependent Variable

Independent Variables	Tobit Model	Ordinary Least Squares Model
Urban Economics Index	0.0279 (0.023)	0.0188 (0.017)
Average of Average Temperatures	0.0183* (0.008)	0.0122* (0.005)
Annual Precipitation (in inches)	-0.0140* (0.006)	-0.0096* (0.004)
Border Effect (1=Yes, 0=No)	0.0795 (0.059)	0.0774 (0.044)
Intercept	0.4087 (0.208)	0.5240 (0.153)
Log-Likelihood Ratio	-2.402	
Adj-r ²		0.125
N	66	66

This table shows the Tobit and OLS regression estimates of the equation: VRS Efficiency Index = $\alpha + \beta_1(\text{Urban Economics Index}) + \beta_2(\text{Average of Average Temperatures}) + \beta_3(\text{Annual Precipitation}) + \beta_4(\text{Border Effect})$. Urban Economics Index is an index of different variables comprising economies of agglomeration and urbanization; Average of Average Temperatures is the average of the average temperatures of January and July for each metro area; Annual Precipitation is an average of precipitation amounts for each metro area; and Border Effect is whether the casino/racino is located in a county on the border with another state.

**** and ** indicate significance at the 1 and 5 percent levels respectively, and figures in parentheses are standard errors.*

Table 5 shows the Tobit and OLS regression results when CRS efficiency is used as the dependent variable. Neither model has a large degree of explanation of variance, yet that is sometimes the case

when explaining DEA results. Often a high explanation of variance is a pseudo r-square of 50% (Garcia-Sanchez 2006; Lambert, Min, and Srinivasan, 2009; Moore and Segal, 2005; Nolan, Ritchie, and Rowcroft, 2001). The results of the two models are very similar with the variables Urban Econ, Avg of Avg Temp, and Annual Prec all showing statistical significance with p-values less than 0.05 and having the hypothesized signs expected. Larger and more densely settled metro areas with higher income and better-educated residents have more efficient and successful casinos than those in smaller and more sprawled or semi-rural areas with lower incomes. In fact, none of the casinos in Iowa, the most rural of the five states examined, had CRS efficiency scores of 1.0, and the casinos that were not in either a metro or micropolitan area failed to score 1.0 when it came to CRS efficiency. Interestingly, given the Urban Economics Index composition, areas with higher unemployment rates and greater degrees of inequality also have higher degrees of casino success, an aspect which may be the result of negative externalities associated with large urban size rather than a symptom of exploitation of casino patrons.

Weather factors such as average yearly temperature and annual precipitation also matter. Casinos and those with racetracks in warmer climate zones with less precipitation tend to do better on average than those in colder and wetter areas. Missouri and Louisiana have 8 casinos/racinos with scores of 1.0 out of the 11 establishments out of 66 which scored 1.0 on CRS efficiency.

Although the Border Effect variable does not work well in either the Tobit or OLS models, the coefficient has the hypothesized sign (positive) and in the OLS regression, is significant at $p < 0.10$. Perhaps this variable did not work that well because the overwhelming majority of the casinos were on borders between states (54 out of 66).

Table 6 displays the Tobit and OLS regression results for the VRS efficiency scores as dependent variables. The explanations of variation (a low absolute log-likelihood value for the Tobit model and a low adjusted r-square for the OLS model) are even lower than those for the models using CRS efficiency as a dependent variable. Only the two weather related variables are significant in the VRS efficiency models. VRS efficiency assumes that inputs and outputs are not in fixed proportions (for example, a doubling of inputs leads to a doubling of outputs in constant returns to scale) so that increasing and decreasing returns to scale are possible (a doubling of inputs could lead to a tripling of outputs if there are increasing returns to scale). Therefore, market area size and other demographic factors are not going to matter as much in predicting a casino's success since a small casino in a small market could show efficiency if the casino is assumed to be getting its output due to increasing returns to scales, such as Wild Rose Casino in Emmetsburg, Iowa, a small casino which scores 1.0 in VRS efficiency yet only 0.43 in CRS efficiency. Because inputs and output ratios are not fixed in VRS efficiency, a higher number of casinos are able to achieve efficiency scores of 1.0 when compared to CRS estimation (20 for VRS versus 11 for CRS). The advantage of CRS models is that they are a middle ground between increasing and decreasing returns to scale models, and they are important to economic theory since constant returns to scales assumes economic efficiency of operating units in the first place (Nicholson 1989, page 283) and then looks for departures from constant returns to scales in order to assess efficiency. Therefore, most papers involving DEA techniques mostly focus on CRS efficiency results.

DISCUSSION AND CONCLUSION

This paper has a few important public policy implications for casino or racino operations and their locations. Despite the intuitive logic of locating casinos and racinos in large metro markets, some have been located in small micropolitan areas and some in areas that are neither metropolitan or micropolitan. These locations are sub-optimal according to the DEA results and the regression analyses. Perhaps political considerations explain the location of some casinos in small towns and semi-rural areas since state governments have to license and permit different casino sights.

Even those casinos in large metro areas show variations in success and efficiency perhaps because of their location within the metro area. Those casinos in fringe and less populated counties of a metro area do not seem to fare as well as those in the central county of a metro area since the variable “Density Index of the Home County” variable is moderately correlated with ($r = 0.41$) with the CRS efficiency scores. Horseshoe Casino in Elizabeth, Indiana is in the Louisville, Kentucky-Indiana MSA yet is in sparsely settled Harrison County, Indiana and is a 30-minute drive from most Louisville-Jefferson County Kentucky neighborhoods, which is where around 70% of the metro area’s population is located, and the casino scores around 0.77, less than efficient. Five of the eleven CRS efficiency scores of 1.0 belong to casinos or racinos that are located in the central county of a MSA.

Interestingly three of the eleven CRS efficient casinos are also racinos which have horseracing, and the horse racing racino Harrah’s Louisiana Downs in Shreveport comes close to efficiency with a score of 0.91. Despite a downturn in casino attendance and revenues over the last few years, racinos are doing well and show rising profits (American Gaming Association, 2009, page 2). Any new casinos locating in a state should consider partnering with a racetrack or should be racetrack owned if current trends continue.

With Ohio voters approving casino gaming in 2009 and with Kentucky political leaders debating casino legalization (Gerth, 2010), the recommendation of this paper would be for these states, which would be regional competitors with four of the five states examined in this paper, to locate casinos in the largest metro markets possible and to link future casinos with racetrack establishments if possible. For the last few years in Kentucky, Churchill Downs has lobbied unsuccessfully to have slot machines allowed in its Louisville racetrack (Gerth, 2010) in order to compete with casinos located in Southern Indiana and to raise more revenue. Given the efficiency scores of the racinos examined in this paper, Churchill Downs’ reasoning seems sound.

Although the border effect variable was not statistically significant, it is highly probable that Ohio will locate casinos in border areas in order to compete against casinos in adjoining states just as Kentucky would do so in order to prevent casino losses to Indiana and to possibly draw patrons from Tennessee, where there is no casino gaming. Ideally, border locations that correspond to large metro markets and include horseracing venues would be the optimal choices. Although weather variables are beyond the control of policy makers, one would expect that weather would favor locations in southern Ohio and Kentucky, everything else held constant, when compared to locations further north.

The results of this study are limited by the fact that Mississippi does not have the appropriate data for analysis, so some important data is missing, and the data envelopment analysis is cross-sectional and does not look at the performance of these casinos over time, although the demographic, geographic, social and weather data used in the Tobit regression only change slowly over time. As a suggestion for further research, some scholarly work could be done on how much political influence is involved in choosing casino location to see if that plays a role in the choice of some (if not all) of the sub-optimal locations of casinos. It is highly possible that state governments grant casino licenses in less than efficient locations due to political considerations or pressures, or due to the fact that the voters in some optimal locations resist and reject being chosen for casino locations. Although there may be optimal locations for casinos that can yield the best tax revenues, these same locations may not be politically viable for various reasons.

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EXPLORING TRUST AS AN INFLUENCING MECHANISM OF INTRAPRENEURSHIP

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ABSTRACT

Managers and employees in four diverse organization settings were interviewed with semi-structured methods to provide grounded insight about the potential role of trust as a contributor to intrapreneurial behavior. The data suggest that several different dimensions of trust influence intrapreneurial behavior. Transcription analysis identified dimensions of trust as “downward trust-in,” “upward trust-of,” and “upward trust-in.” In addition, lateral trust, reciprocity and the cascading effects of managerial trust, are explored. Study results are examined within the theory of intrapreneurship in organizations and directions for future research are outlined.

JEL: M10

KEYWORDS: Intrapreneurship, trust.

INTRODUCTION

Modern for-profit and nonprofit organizations are moving into “new territories and exploring uncharted waters,” (Dees & Anderson, 2003, p. 16) as they respond and adapt to diverse challenges, uncertainty, and environmental turbulence. Pressing problems such as competitive pressures (Thornberry, 2002), environmental hostility (Zahra, 1991), technological and marketplace changes (Miller & Friesen, 1985) and global competition (Kuratko & Hodgetts, 1998) force for-profit companies to reconsider their strategic approaches. Nonprofit organizations face an environment of decreased funding sources, rising demand for services, competition from the for-profit sector, increasing competition for philanthropic resources (Dees & Anderson, 2003; Salamon, 1997) and calls for more accountability (Alexander, 2000).

Practitioners and scholars in both sectors have called for new operating practices to meet these challenges. Morris and Kuratko (2002) propose that the implementation of entrepreneurial practices within organizations can help meet pressing challenges and transform firms into revolutionary companies. Observers in the nonprofit field have argued that organizations must address challenges facing the sector by identifying more effective and sustainable ways to address social problems, including the adoption of business-like methods (Dees & Anderson, 2003) and innovative, entrepreneurial approaches (Dees, 1998).

In light of these challenges and prescriptions from observers, many existing organizations are implementing internal entrepreneurial activity (Dess, Lumpkin & McGee 1999). Often described as corporate entrepreneurship (Burgelman, 1983; Guth & Ginsberg, 1990; Vesper, 1984) or internal corporate entrepreneurship, “intrapreneurship” (Pinchot, 1985) has been found to spur new corporate ventures, strategic renewal (Guth & Ginsberg, 1990; Kemelgor, 2002), innovation (Sharma & Chrisman, 1999), and overcome the staleness that affects many organizations (Thornberry, 2002). While definitions have varied, the broadest definition of intrapreneurship denotes that it encompasses entrepreneurship within existing organizations, whereby individuals inside the organization – typically managers and employees – behave in ways that result in the pursuit of new opportunities, the creation of new business

ventures, and in the development of new products, services, administrative processes and innovation (Antoncic & Hisrich, 2001).

Yet while managers and employees play a critical role in the process of successful intrapreneurship (Kuratko, Ireland, Covin, & Hornsby, 2005; Vesper, 1984), relatively little is known about factors that trigger and sustain intrapreneurial behavior at the individual level (Geisler, 1993; Kuratko, et al., 2005). The current body of research on intrapreneurship has largely identified factors at the firm level such as reward and resource availability (Kuratko, Montagno, & Hornsby, 1990), environmental hostility (Covin & Zahra, 1995), organizational structure (Covin & Slevin, 1988, 1991; Kuratko, Hornsby, Naffziger, & Montagno, 1993; Kuratko, et al., 1990; Lumpkin & Dess, 1996; Miller, 1983), control systems (Antoncic & Hisrich, 2001; Kuratko, et al., 1993; Sathe, 1985) and situational factors (Greenberger & Sexton, 1988; Littunen, 2003). Unfortunately, this provides little insight into why some organization participants engage in intrapreneurial behaviors and others do not. As Mair (2002) observed, research that examines why some individuals pursue intrapreneurial activities and why others do not, despite exposure to the same objective organization context (e.g. structure, rewards, culture), is limited. From this, we conclude that individual factors are under-explained in the study of intrapreneurial behavior, representing a significant gap in the literature.

The present study aims to contribute new insight into factors influencing intrapreneurship in for-profit and nonprofit organizations. Although several mechanisms are plausible to investigate, we focus on exploring the role of interpersonal trust as a potential mechanism influencing individual intrapreneurship. While interpersonal trust is viewed a critical organizational mechanism (Nicholas, 1993) that often contributes to employees' willingness to take risks (McAllister, 1995), exhibit extra-role behaviors and demonstrate initiative (Whitener, Brodt, Korsgaard, & Werner, 1998), it has yet to be examined in the context of intrapreneurship. While separately intrapreneurship and trust within organizations have been widely studied, there is no empirical linkage between the two.

The following section presents a conceptual foundation for the study and the research questions exploring the potential role trust may play in the promotion of intrapreneurial behaviors within organizations. We discuss the sample and theory-building qualitative methods of the study and present research findings resulting from semi-structured interviews with a sample of managers and subordinates. We then explore the relevance and implications of the research findings and present limitations of the research and suggestions for future research.

LITERATURE REVIEW

Intrapreneurial Behavior within Organizations

Some authors have called for new organizational forms that emphasize intrapreneurial practices by managers and front line employees (Chakravarthy & Gargiulo, 1998) while others have advocated specific strategies that create a culture that encourages risk taking, innovation, and experimentation (Kuratko, et al., 1993). These studies accept that intrapreneurial behaviors among employees are important, regardless of their associated organizational forms or strategic processes. Reinforcing this line of thinking, Miller (1983) notes "there is continually a need for organizational renewal, innovation, constructive risk taking, and the conceptualization and pursuit of new opportunities, a pursuit that often goes beyond the efforts of one key manager" (p. 770).

Various studies (Covin & Slevin, 1991; Dess & Lumpkin, 2005; Lumpkin & Dess, 1996; Miller, 1983) define entrepreneurial orientation (EO) as a multidimensional concept comprised of at least three key dimensions: risk taking, innovativeness and proactiveness. Zahra (1991) perceives an apparent consensus in the field on these three aspects with regard to intrapreneurship. Lumpkin and Dess (1996) argue that

these entrepreneurial behaviors constitute firm level phenomena, although they note that entrepreneurial orientation involves “the intentions and actions of key players” (p.136) and that new ventures and pursuit of opportunity for organizations often occur at lower-levels via individual entrepreneurship. This provides an indication that the construct of entrepreneurial orientation lends itself to study at the individual level of analysis as a representation of intrapreneurial behavior.

Numerous definitions of corporate entrepreneurship and intrapreneurship are present in the literature (Sharma & Chrisman, 1999), ranging from organizations entering new businesses by expanding operations in new markets (Zahra, 1996) to strategic renewal that creates new wealth through new combinations of resources (Guth & Ginsberg, 1990). For this study, we define intrapreneurship as specific action taken by managers and key employees that involve one or more of the following EO dimensions: risk taking, innovativeness and proactiveness. Risk taking is defined as venturing into unknown areas for the company, without knowledge of the outcome (Covin & Slevin, 1991). Innovativeness is activity resulting in new ideas, and experimentation which may result in new processes, products, or services (Lyon, Lumpkin, & Dess, 2000). Proactiveness is the process of acting in anticipation of future needs, changes, or challenges that may lead to new opportunities (Lumpkin & Dess, 1996). We take direction from Vesper (1984) and Sharma and Chrisman’s (1999) focus on employee initiative and involvement that results in organization renewal, innovation, or new venture creation, where employee behavior is defined as intrapreneurial when it is perceived to be “creative, forward thinking, different from what the company normally does, and have a chance of not working out.”

The terms entrepreneurship and intrapreneurship are used often in the context of organizational activity. Despite the obvious similarity between the two, their conceptual meaning needs to be distinguished. In the context of this study, we conceptualize entrepreneurship as the innovative, proactive and risk taking orientation of an organization. However, corresponding actions of managers, employees and teams who are constrained to operate within an organizational structure are referred to as intrapreneurship or intrapreneurial behavior. Individual level actions, characteristic of intrapreneurship, can be aggregated to represent an organization’s entrepreneurial orientation, and entrepreneurial firms can be viewed as consisting of key managers and employees that exhibit risk taking, proactiveness and innovativeness in meeting organizational objectives.

Interpersonal Trust as a Mechanism Influencing Intrapreneurship

The construct of trust has been shown to impact organizational performance and a variety of important workplace outcomes (e.g. Barney & Hansen, 1994; Dirks & Ferrin, 2002). Since trust is an important interpersonal transaction for organizational activities, individuals often act on the trust of others (such as managers subordinates and coworkers) in the performance of their work (Bhattacharya, Devinney, & Pillutla, 1998) or because of their trust in others. Given this perspective and the increasing importance of trust in organizational research (Kramer, 1999), it is a potentially important, yet largely overlooked mechanism that may influence intrapreneurial behavior among individuals in an organization.

In this paper trust is defined as the “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer, Davis, & Schoorman, 1995: p. 712). This vulnerability implies that the trusting party is taking a risk based on expectations of the other party in a situation that is uncertain because of the inability to control completely the other party. Extending this view of trust, we place trust in the context of the workplace by viewing it as a multidimensional construct consisting of both vertical and lateral elements (McCauley & Kuhnert, 1992) that includes an individual’s reliance on another party under conditions of dependence and risk (Currall & Judge, 1995). Vertical trust refers to the trust that employees place in their direct supervisors, subordinates, or between hierarchical organizational groups, while lateral trust refers to the trust between

co-workers or between horizontal groups in an organization. In particular this study is interested in the role of vertical trust as a perception held by employees and their direct managers (Dirks & Ferrin, 2002) that can be measured at the individual level in an interpersonal relationship (Brower, Schoorman, & Tan, 2000). Employees engaged in intrapreneurial behavior often face uncertain outcomes and take significant risk on behalf of the organization. In this context, we believe that the trust employees perceive is placed in them by their immediate supervisor – the individual that most directly affects their current and future status in the organization – may play an important role in their intrapreneurial behavior. As noted by Lester and Brower (2003), an employee’s perception of direct supervisors’ trust in them has the ability to influence attitudes and behaviors of the subordinate, and is an often overlooked aspect of assessing a trust relationship. This is position echoes the work on organizational climate (Gregory, 1983; Schneider, 1987) where employee behaviors are affected more by perceptual processes, including sense-making and sense-giving to organizational rules and routines, rather than the values, beliefs and actions of supervisors who specify the rules and routines (Schneider, 1987; Schneider, Goldstein, & Smith, 1995).

Overall, we position our view of trust as a vertical orientation evidenced in the willingness of an employee to engage in specific behaviors because of the perception of trust placed in them by their immediate supervisor. According to their particular situation, employees may form this trust assessment in two distinct ways: 1) based on the belief that a managers actions will benefit them in calculable ways (Lewicki & Bunker, 1996); and 2) based on the deep interpersonal care and value congruence that assures a manager is looking out for their best interests (Rousseau, Sitkin, Burt, & Camerer, 1998; Sitkin & Roth, 1993).

Initiation of Trust

Prior research (Creed & Miles, 1996; Whitener, et al., 1998) proposes that leaders initiate trust in organizations. McAllister (1995) also observed that developing and maintaining trusting organizational relationships is important for managers. In addition, trust initiated by a manager may be reciprocated or unreciprocated by an employee. Pillutla, Malhotra, and Murnighan (2003) note, “trust and reciprocity are intimately related: a reciprocation of an initially trusting act can instigate a beneficial cycle of increasing trust and reciprocation. Unreciprocated trust, however, can seriously damage a relationship and weaken its prospects” (p. 448).

Overall, we infer from the literature that 1) intrapreneurial behavior is an often-desired characteristic within many organizations, and 2) higher levels of interpersonal trust between the manager and employee, as initiated by managers and as perceived by employees, may be a contributing factor in employee intrapreneurial behavior. On the other hand, intrapreneurial behavior by employees may be less likely where employees perceive a low level of interpersonal trust by managers. In this context, the following research questions provide a structure for the study:

1. What emphasis do employees and managers place on the concept of trust as an influence on intrapreneurial behavior?
2. What dimensions or components of trust do managers and employees report in their experiences with activities that influence intrapreneurial behavior?”
3. How is trust initiated in the organization with respect to individual intrapreneurial behavior?

DATA AND METHODOLOGY

This study utilized a qualitative approach to explore the provisional connection between interpersonal trust and intrapreneurial behavior and generate grounded theory (Glaser & Strauss, 1967; Strauss & Corbin, 1990) about how trust may influence individual intrapreneurship. With no prior investigation of

trust and intrapreneurship and limited research examining what individual factors contribute to intrapreneurship, exploratory research is well suited to this aim. An inductive design employing techniques such as semi-structured interviews, allows understanding of the meaning of events, situations, and respondent experiences in their particular contexts (Kvale, 1996; Maxwell, 1996) where the objective is to derive rich description of the phenomena (Mintzberg, 1979).

Overall Design

A case study approach was utilized to understand the dynamics in individual organizational settings (Eisenhardt, 1989) with the aim not to uncover generalizable experiences of managers and employees entrepreneurial organizations but to understand the phenomenon in its real life context (Yin, 1981). This will help further our understanding of the constructs of interest in order to develop ideas and concepts for study using more predictive methods.

We collected the data using a semi-structured interview protocol. While this method has the potential to capture new and descriptive insights, researcher bias during the interview process and subsequent transcript analysis can introduce interpretations and classifications that do not accurately reflect the interviewee's experience. We employed two distinct approaches to minimize this potential bias and ensure the validity of the interview protocol: 1) the interview guide was developed to provide complete and consistent coverage of the concepts being studied and was designed to be used flexibly depending on the interview responses (Brenner, 1985); and 2) the interview guide was designed with specific non-directive questions and probes for each interview question which helped to reduce the tendency of the interviewer to resort to unplanned, non-neutral probes and responses during the interview (McCracken, 1988). In an effort to reduce bias in the protocol, we employed pre-testing to identify potential gaps and problem areas pertaining to the themes studied and the use of probes and non-neutral responses.

The semi-structured interviews (Kvale, 1996) were conducted in four organizations over an eight-week period in order to understand the role that trust plays in intrapreneurial behavior among managers and subordinates. The organizations, two for-profit (banking/finance and software development) and two nonprofit (social services and health services) ranged in size from 50 employees to 400 employees and were selected randomly from a pool of approximately 25 organizations in the local service area (southern California, USA) identified by the authors through prior personal interactions and references from industry observers.

The sample allowed exploration of trust across organizations in two sectors while achieving the minimum number of cases typically recommended for theory-building research (Eisenhardt, 1989). Respondents included lower-level employees as well as managers, allowing for the possibility that different dynamics may occur at different levels in the organization. Overall, the sample included four different categories of employees: front-line employee, first-level manager (typically a program director), second-level manager (typically a unit director), and top-level manager (typically a division manager). Table 1 summarizes the number of individuals interviewed per category in the sample:

Table 1: Number of Individuals Interviewed Per Job Category

Organization	Top-level Manager	Second-level Manager	First Level Manager	Front-line Employee
Community finance organization	4	1	1	—
Software development company	1	1	1	2
Family assistance center	1	3	1	1
Community treatment center	—	2	1	1

This table presents the number of individuals interviewed per category, per company.

An important sampling decision was to identify individuals in each organization that could provide information most pertinent to the research questions (Maxwell, 1996). In order to achieve this, nine individuals at different organizational levels were initially queried about two recent projects undertaken by organizational members that involved intrapreneurial behavior, and from this potential respondents were identified that could be interviewed to explore the potential factors that influence intrapreneurship. We then selected up to six members in each organization for further study based on their significant involvement in specific intrapreneurial projects, with 21 individuals subsequently participating in full interviews. The first author conducted tape-recorded interviews in sessions ranging from approximately one hour to over two hours. The interview consisted of both semi-structured questions that addressed the specific mechanism of trust as well as open-ended probes to allow participants to explore and define constructs that they felt best represented their intrapreneurial experiences. Prior to commencing the interviews, questions were tested and refined in a separate sample of both for-profit and nonprofit environments.

We recorded data collected from the interviews in field notes and tape recordings and employed analytic memos to capture significant thoughts, themes and observations relative to the interviewer’s experience during the study. In addition, we also documented qualitative categorical data such as organizational type, job category and limited demographic information. Table 2 presents demographic data on the study participants.

Table 2: Demographic Profile of Interviewed Individuals

For-profit Organizations, N=11				Nonprofit Organizations, N=10				
	Age		Employed in Organization		Age		Employed in Organization	
18-25	9	Less than 2	9	18-25	10	Less than 2	10	
26-35	27	2-5	18	26-35	20	2-5	20	
36-45	36	6-10	55	36-45	50	6-10	50	
46-55	18	11-15	9	46-55	20	11-15	10	
55+	9	15+	9	55+	0	15+	10	
	Gender			Gender				
Male	64			Male	30			
Female	36			Female	70			
	Education Level			Education Level				
High School/ GED	9			High School/ GED	0			
Some College	9			Some College	10			
College Degree	36			College Degree	50			
Graduate Degree	45			Graduate Degree	40			

This table presents basic demographic data of the individuals interviewed. All numbers noted for the results are in percentages.

Interview Protocol

We asked respondents to describe their roles and activities with respect to the previously identified project that was “creative, forward thinking, different from what the organization normally does, and have a chance of not working out.” We utilized these phrases to avoid priming the respondents and to allow them to relate aspects of their behavior without the influence of explicit terms such as innovation, risk-taking and proactiveness. Each person was asked a series of thirteen questions about this experience, probing for: a) a detailed description of the activity; and b) a description of the role the respondent played in the activity, and c) the type of interactions that took place with others in the organization in that

context. Attempting to minimize success or self-serving bias, we also asked respondents to relate an instance when they had an opportunity to take an action that was different, creative, forward thinking, and chancy but did not undertake this action. We used a series of eight open-ended questions to inquire about factors that respondents felt influenced the cited activity. Respondents were asked what specific factors – either within the organization, among customers, or in the community – influenced their actions. We then directed each respondent to focus on individual, managerial, organizational or situational factors and describe the most influential factors among those categories in enabling them to engage in the intrapreneurial activity.

The interviewer then presented nine note cards containing single words or short phrases representing the following broad concepts as potential mechanisms influencing intrapreneurial activity that were derived from relevant literature: intrinsic and extrinsic motivation, reciprocity, rewards, organization support, situational factors, and trust. We asked each person to select a note card that represented a factor that may have been influential in the intrapreneurial activity. Upon selection of a card, participants described in detail what the concept meant to them and the level of importance it had with regard to these behaviors. After completion of the discussion surrounding the first card, we asked the participant to go through this process again, with the same line of questioning and exploration, until they discussed all nine cards or indicated that any remaining unselected cards were not influential factors in their experience. After this discussion and exploration, we gave the note cards back to each participant and they were asked to arrange the cards in order of importance to provide a rank ordering of the concepts and the strength of their influence in the participant's intrapreneurial behavior in the context being described.

Coding Procedures/Analysis

Guided by grounded theory analysis techniques (Emerson, Fretz, & Shaw, 1995; Glaser & Strauss, 1967; Strauss & Corbin, 1990) coding was performed in two phases, with each phase containing a singular focus. First, as a confirmatory step, the first author identified respondents' statements of their behavior in situations in which they had undertaken that were "*creative, forward thinking, different from what the company normally does, and have a chance of not working out.*" We analyzed these statements thematically to verify that these respondents' experiences of entrepreneurial orientation were consistent with prior studies.

Second, transcript and field note data pertaining to trust were analyzed and coded through a process drawn from Kvale's (1996) "dialogical intersubjectivity" which seeks "agreement through a rational discourse and reciprocal critique among those identifying and interpreting a phenomenon" (p. 65). In this step, the second author read the interview transcripts, extracting statements pertaining to any aspect of trust. The first author then reviewed the selected statements and compared them with his own reading of the transcripts; the first author then identified additional extracts, and the second author accepted these. Then, the second author proposed a series of interpretive classifications for the extracts. The first author proposed a modification of these categories for organizing the extracts. Dialogue about the categories and the placement of extracts proceeded through three rounds of analysis between the two authors until both accepted the data as displayed in this paper. This procedure minimized the potential interpretive and classification bias and led to the development of inductively derived themes emerging from the research (Emerson, et al., 1995). The final thematic analysis serves as the basis for the following discussion; we present relevant data excerpts to illustrate the role that trust and emergent mechanisms play in regard to intrapreneurship among organization members.

EMPIRICAL RESULTS

Interview comments suggest that trust plays a role in promoting intrapreneurship; nearly all study respondents reported interpersonal trust as a contributing factor in their intrapreneurial behavior. For

example, concerning her ability to engage in intrapreneurial behaviors a mid-level manager at the family assistance center, noted, “I would not have the freedom that I have ... because he [her manager] has a sense of trust.” In a comment that is not atypical for these interviews, a senior-level manager in this organization also stated that trust is a necessary component that provides employees freedom to engage in these activities and to feel safe doing it:

The trust actually, for me, is more the freedom and the security of knowing if you make a mistake it is OK. For me that really is what that trust is all about, it is the trust that you can do these things, but for me that’s really the sense that you’re free to do them and you’re OK if you fail doing them...

We asked respondents to rank order nine concepts in terms of their influence on activities that were “creative, forward thinking, different from what the company normally does, and have a chance of not working out.” Ranking of the note cards is on a scale from one to nine, strongest to weakest in terms of influence. Results from the note card ranking of potential influencing factors, as shown in Table 3, indicate that respondents viewed trust as the most important factor (N=21, mean=2.37) in influencing these behaviors. Both open-ended and rank order information from respondents indicated that trust was highly important in influencing the activities characterized as entrepreneurial orientation. Additional analysis indicated that employees across all levels view trust as a significant factor in their intrapreneurial actions.

Table 3: Mean Rank Order Scores of Trust and Other Factors Relative to Strength of Influence

Influencing Factors									
Mean Score	Trust	Organization support	Situation	Activity is interesting	Activity is enjoyable	Activity is rewarded	Self-interest	Behavior is expected	Reciprocity
All Respondents N=21	2.37	3.93	4.13	4.20	4.60	4.87	5.300	5.50	6.30
For-profit N=11	2.69	3.00	4.63	4.12	4.38	5.13	5.875	5.38	6.44
Nonprofit N=10	2.00	5.00	3.57	4.29	4.86	4.57	4.643	5.64	6.14

This table shows the results from the note card ranking of potential intrapreneurial behavior influencing factors. The breakdown of respondents: The community finance organization- 6; the community treatment center – 4; the family assistance center – 6; the software development company – 5.

Dimensions of Trust

In this section, we present the various dimensions of trust as evidenced in the statements of interviewed individuals. Table 4 displays the frequency of trust dimension statements by organization type.

Downward “Trust-In.” Interview coding identified several distinct dimensions of perceived trust between persons in organizations in the context of intrapreneurial behavior. One prevalent type of trust refers to the trust that subordinates perceive their direct managers place in them. This form of trust, which we term “downward oriented trust-in,” refers to the trust subordinates experience coming from their supervisors. This trust appears to provide subordinates with a level of confidence or support that is necessary to undertake intrapreneurial activities. For example, one respondent commented:

I believe that my manager places a high level of trust in me and so that is why I am able to do it like this. I think that if he did not, then I would not be able to do it, as simple as that.

Table 5 presents evidence of managerial “trust-in” subordinates as perceived by the subordinate. These statements (key phrases have been bolded) indicate respondents feel that their managers demonstrate trust in them through specific actions, such as trusting decision making, providing freedom to pursue

intrapreneurial activities and allowing mistakes. As a senior-level manager at the community finance organization noted, “I would say I know that he [supervisor] trusts me because of the repetitive allowance for me to go forward, yes. If he didn’t trust me, he’d have stopped me after the first branch (office)...”

Table 4: Frequency of Trust Dimension Statements among Interviewed Individuals

	Downward Oriented “Trust-In”	Upward Oriented “Trust-Of”	Upward “Trust-In”	Managers as Initiators of Trust	Lateral Trust	Reciprocity of Trust
For-profit Organizations N=11	63.63%	63.63%	45.45%	63.63%	36.36%	27.27%
Nonprofit Organizations N=10	60.00%	60.00%	50.00%	60.00%	20.00%	10.00%

This table presents the percentage of interviewed individuals who provided statements that led to classification of the various dimensions of trust.

Upward “Trust-Of.” A second dimension of trust refers to subordinates’ perceptions of their own behaviors that would justify their managers’ trust. These are behaviors subordinates believe gain and retain managers’ trust. We categorize these behaviors as “upward oriented” actions designed to ensure the “trust of” one’s manager. We present interview excerpts indicating these behaviors (as perceived by subordinates) in Table 6. They include qualities such as decision-making skills, doing one’s homework before launching intrapreneurial projects, having a reputation for reliable performance, and the competence to engage in intrapreneurial behaviors. A mid-level manager at the software development company described the characteristics he exhibited in order to secure the trust of his manager:

I try to, you know, weigh as many factors and constraints as possible in order to make decisions and he's seen that happen and so I think he trusts my decisions and the way I go forward. He saw that prior to being a manager and sees that now more and we interact more day-to-day as a manager...he’s seen I have made the right choices or they were the best choices I could with the information at that time...

Upward “trust-of” involves an employee taking the supervisor’s view and articulating reasons why the supervisor should trust the employee. From another perspective, this dimension reflects the employee’s own sense of trustworthiness in relation to the supervisor.

Upward “Trust-In.” Interview coding indicated that respondents also experience “trust in” their managers, e.g., that managers do particular things to create a trust in them on the part of subordinates. This form of trust is also a significant influence in subordinates’ willingness to engage in intrapreneurial behaviors. A mid-level manager at the family assistance center noted,

Trust means safety, and if you feel safe to develop or explore other parts of yourself, whether it is creativity, forward thinking, risk taking or maybe going outside of the norm, any of those, if you do not trust that your manager is going to provide safety for you to explore those you are not going to do it. No matter how enjoyable, no matter what the reward it, self interest, the situation, interesting, or even if it is expected, if you do not believe it is safe, if you think you are going to be put down or sanctioned in any way for an effort, you are going to stop doing it. You will stop doing it.

The content of the trust that subordinates place in their managers, which we term an “upward oriented trust in,” represents a wide range of specific behaviors or actions that subordinates trust their manager to do or not to do. As shown in Table 7 and illustrated in the excerpt above, subordinates have trust in their managers to: provide freedom and safety to explore intrapreneurial activities, make good decisions, see

the bigger picture of the organization, offer timely performance feedback, and provide guidance and support to the subordinate.

Table 5: Downward Oriented “Trust-In” Subordinates as Perceived by Subordinates

Factor	Evidence	Respondent
Downward oriented “trust in” – the content of the manager’s trust in the subordinate. “My manager demonstrates trust in me by....”	“I would say I know that he [supervisor] trusts me because of the repetitive allowance for me to go forward , yes. If he did not trust me, he would have stopped me after the first branch...”	Senior-level manager, The community finance organization
	“Well, if I look at it in a sense that if he didn’t trust me he wouldn’t have kept me in the position that I am in. ”	Mid-level manager, The community treatment center
	“The trust actually, for me, is more the freedom and the security of knowing if you make a mistake it is OK. For me that really is what that trust is all about, it is the trust that you can do these things, but for me that is really the sense that you are free to do them and you are OK if you fail doing them. ”	Senior-level manager, The family assistance center
	“Because if he did not trust me, he would not be sending me into places and having me work on stuff that I am still working on and involved in things.”	Mid-level manager, The community treatment center
	“I would not have the freedom that I have and the beautiful thing is that - because he [her manager] has a sense of trust.”	Mid-level manager, The family assistance center
	“If my manager was not trusting my decision or micromanaging me or constantly hounding me about things, the situation, if the situation occurred I would be less likely to be making a decision on my own, I would not make those at all, I would maybe basically bounce all, all the even partially controversial decisions to him.”	Mid-level manager, The software development company
	Sometimes, I mean sometimes he could be as simple as just giving me the project itself... ”	Employee, The software development company
	“I mean he [the CEO] knows and trusts his senior management team. So you can make mistakes. ”	Senior-level manager, The community finance organization
“Like I said, he allows you, he allows you to and he encourages it and it is OK, to make a mistake. ”	Senior-level manager, The community finance organization	

This table presents evidence from the transcripts of managerial “trust-in” subordinates as perceived by the subordinate. Key phrases illustrating the concept have been bolded.

In the same way upward ‘trust-of’ reflects a subordinates’ sense of their own trustworthiness, this dimension of interpersonal trust reflects subordinates’ perceptions of their supervisors’ trustworthiness.

The Initiation of Trust

Initiation. The third research question guiding the study inquires about how trust between managers and subordinates in organizations is initiated. The interviews provide ample evidence to suggest that managers initiate trust in the relationship with subordinates, not vice-versa. Often trust is perceived by employees based on their managers giving them responsibilities. As a mid-level manager at the family assistance center observed, she views trust as present in the relationship based on her manager’s actions: “I mean I think that you feel trusted as you are given responsibilities...” As shown in Table 8, respondents see managers initiating trust by giving support to subordinates, setting a supportive organizational culture and providing freedom to engage in entrepreneurial activity. The trust placed in subordinates by managers appears to have a direct effect on subordinates’ willingness to engage in

intrapreneurial behaviors. A senior-level manager at the community finance organization noted, “My boss, without a doubt it is him [that enables her to engage in intrapreneurial activities]...”

Table 6: Upward Oriented “Trust–Of” Subordinates as Perceived by Subordinates

Factor	Evidence	Respondent
Upward oriented “trust of” – subordinate describes the behavior needed to gain/retain the manager’s trust. “I have the trust of my manager because I”	“My manager and the CEO, they know you have to take risk if you’re going to play marbles. And they, they also know that, and believe in you, that you will do your due diligence and you will do your homework before you flip the switch... ”	Mid-level manager, The community finance organization
	“And I would like to think though that he also trusts me because of the [my] reputation. ”	Senior-level manager, The community finance organization
	“I try to, you know, weigh as many factors and constraints as possible in order to make decisions and he has seen that happen and so I think he trusts my decisions and the way I go forward. He saw that prior to being a manager and sees that now more and we interact more day-to-day as a manager. So I think I, that is my opinion, I think that he will, he has seen that happening, he has seen I have made the right choices or they were the best choices I could with the information at that time... ”	Mid-level manager, The software development company
	“Now, trust, that he knows that, you know, he knows that when I decide on a project and when I have told him I’m committed to the project, he knows that I will do my very best to see that it would go through and that it is successful. ”	Mid-level manager, The family assistance center
	“Oh, because I would not be doing what I do. I mean, like, I have a lot of information about the agency, I know a lot of things and I think that my experience of making good decisions for the most part allows him to have that trust.”	Mid-level manager, The community treatment center
	“They can trust me, that I will make the very best decision. ”	Mid-level manager, The community treatment center
	“So, it is like more of the trusting you to take up on this task, which could be chancy and, but, you know, in turn that you actually feel that I guess the manager values and trusts that you have the ability... ”	Mid-level manager, The community treatment center
“But I would hope, and I know that my manager definitely trusts me. They know that when I am out there I am doing work, I am not... I am not mismanaging time, I am coming up with these ideas and sometimes it is almost like stop, you know, it is like ah, too much. But I think that they trust me with, and because I have done this for so many years, I have kind of proven that so to speak. ”	Employee, The software development company	

This table presents evidence from the transcripts of upward “trust-of” subordinates as perceived by the subordinate. Key phrases illustrating the concept have been bolded.

Influence of Manager’s Trust on Lower Organization Levels

There is some limited evidence with regard to what we categorize as the impact of a manager’s trust on lower organization levels, as illustrated in Table 8. Two respondents described the cascading effect that their managers’ “trust in” had with regard to perpetuating trust at lower-levels of the organization. As a mid-level manager at the software development company commented, “Oh, yes, right, that [trust dynamic] goes all the way from, you know, from my superiors to myself as well from me to my developers [subordinates].”

Emergent Results

Several minor themes emerged from the interview coding that identified issues that were not articulated in the study’s research questions. We briefly discuss these themes below.

Reciprocity of Trust. Four respondents noted that they reciprocated the trusting actions of their managers by trusting the manager. As a senior-level manager at the community finance organization noted, “Because they trust me; I ... trust them, and because of that I am able to go do those things.” Speaking about building a new business unit within the organization, a mid-level manager summarized reciprocity of the trust placed in him to accomplish the project: Interviewer: they trust your judgment to do what is needed to build your business? Respondent: “(yes). And I trust (their judgment to do what is needed), and this is why that support just goes back both ways, yes...I feel it is very strong, very strong, yes, and this [reciprocity] probably, you know, goes in there someplace.”

Table 7: Upward “Trust-In” Managers as Perceived by Subordinates

Factor	Evidence	Respondent
Upward “trust in” – things subordinate trusts the manager to do or not do.	“Oh, yes, oh, well I mean, truly I mean if he told me to walk through that glass because you will not get cut, it is like OK, I would. I just think that it has, you have to do that...you know [he] is so, if he tells you one thing, he is going to do it. ”	Senior-level manager, The community finance organization
	“Trust. I do not... well, I do not know about his, but on my part, it is I do not trust, I am not trusting him anymore. I used to trust him with everything, I used to just value and what is the word? Respect, you know the, the water he walked on, pretty much. I felt like he was making good decisions and I felt like he was seeing the bigger picture and I felt like, you know.”	Mid-level manager, The community treatment center
	“Well, one is honesty... my manager is a very honest person, he will not lie to you, and he is honest to the staff, you know, and the Board. If there are things that are good, if it is good news or bad news, he is going to tell it like it is and he is going to inform you in a timely manner as well. So I trust that if there were problems with my performance, I have trust that he would let me know before I was going off in the wrong direction or moving too fast or too slow, I trust he would tell me so.”	Senior-level manager, The community finance organization
	“If you do not trust that your manager is going to provide safety for you to explore those you are not going to do it. No matter how enjoyable, no matter what the reward it, self interest, the situation, interesting, or even if it is expected, if you do not believe it is safe, if you think you are going to be put down or sanctioned in any way for an effort, you are going to stop doing it. You will stop doing it.”	Mid-level manager, The family assistance center
	“I trust in the fact that he is going to guide us in the right direction... ”	Mid-level manager, Community Treatment
	“So now he is pulling the reigns in somewhat and is not as liberal, and I think that and I am looking at the decisions that he is making and I think that they are not, I personally do not think that they are good decisions. ”	Lower-level manager, The community treatment center

This table presents evidence from the transcripts of upward “trust-in” in direct manager as reported by the subordinate. Key phrases illustrating the concept have been bolded.

Lateral Trust. Trust also appears to exhibit a lateral dimension within the organizations studied. In describing this lateral trust, a senior-level manager at the community finance organization noted, “It [trust] trickles down and it trickles across ...”

Another senior manager at the organization noted,

And so we work together as a team and we are not, we are not a confrontational team at all but we are a communicative team, and so we trust one another that we can say things at a professional level and we can understand and learn from each other. There is a great deal of sharing.

Table 8: Managers as Initiators of Trust

Factor	Evidence	Respondent
Cause and effect relations in the trust cycle – causal action is manager giving responsibilities or support (supports the notion that trust behavior starts at the top of the organization)	“I mean I think that you feel trusted as you are given responsibilities... ”	Mid-level manager, The family assistance center
	“Sometimes, I mean sometimes he could be as simple as just giving me the project itself... ”	Employee, The software development company
	So now, he is pulling the reigns in somewhat and is not as liberal...	Senior-level manager, The community finance organization
	“He is honest, he is forthright, he is incredibly trusting, I mean, but wow, you do not want to like ever lose that trust... He will pretty much support you as long as you are not going to embarrass him or embarrass the institution... ”	Senior-level manager, The community finance organization
	“I think what enables me is my manager , and I am sure everyone you talk to you he is going to say that. He is a wonderful leader.”	Mid-level manager, The family assistance center
	“You know, if this is a, I am not sure how to explain it but, to me, I guess my manager seems to, you know, start out as now, I will trust you initially and if you do something that causes me not to trust you , so that has not really been an issue.”	Senior-level manager, The community finance organization
	“My boss, without a doubt it is him [that enables her to do these entrepreneurial activities]...	Senior-level manager, The community finance organization
	“It [trust] trickles down and it trickles across, and I think that is very important because not only do I know I have the trust and confidence from the Board and from the CEO and to myself and then to Suzie, who reports to me, and then down there... ”	Senior-level manager, The community finance organization
Impact on lower organizational levels of trust between manager and subordinate	“Again, because of the way the CEO has set it up [in terms of trusting her to engage in entrepreneurial activities] , just like I would interact with one of my staff here, my interaction with administration, my direct supervisor who is the VP of programs, my interaction with her is very similar.”	Lower-level manager, The community treatment center

This table presents evidence from the transcripts of managers initiating a trust dynamic with subordinates as perceived by the subordinate. Key phrases illustrating the concept have been bolded.

This lateral dimension represents the trust between an employee and various co-workers or peers at multiple levels of the organization that has an influence on the intrapreneurial behaviors of the employee. As one senior manager at the community finance organization commented, “... if I cannot trust the CEO to lead this organization, I cannot trust my peers to move forward, they cannot trust me, then none of this [intrapreneurial activity] can happen.”

DISCUSSION

This exploratory study examined the role of trust in the promotion of intrapreneurial behavior, defined as risk taking, innovativeness and proactiveness, among managers and employees within both for-profit and nonprofit organizations. Given that organizations are increasingly seeking to promote intrapreneurial behavior, this insight has important practical implications for managers as it shifts the discussion away from simple prescriptions such as providing resources or rewards to facilitate intrapreneurship, and suggests that managers must also focus on interpersonal interactions. Focusing on trust as one way to promote a more intrapreneurial workforce may yield significant results and is a facet of administration that managers clearly control. In many organizations, the ability to provide rewards and resources or

change established organizational structure and culture to encourage intrapreneurial activity is often highly constrained, suggesting that managers must by necessity focus on more immediate and controllable factors if they are to influence an employee's orientation toward and performance of intrapreneurial activity.

Trust has previously been shown to influence a variety of workplace behaviors and attitudes, such as individual and organizational performance, collaboration, organizational citizenship, and commitment (Dirks & Ferrin, 2002). This study lends additional weight to the role of trust in organizations, specifically that trust is a factor influencing intrapreneurial behavior among employees. Based on the interview data and note card ranking results, employees' perceived trust placed in them by their direct managers appears to be a key factor in promoting their risk taking, innovativeness and proactiveness. Trust is largely overlooked in the study of intrapreneurship, and the study suggests that future research needs to be cognizant of the role that interpersonal trust may play in promoting risk taking, innovativeness and proactiveness behaviors within organizations.

Of course, trust may be a mechanism to influence any desired organizational behavior and as mentioned earlier, this construct is specified in a range of organizational processes and outcomes. At the same time, its effect cannot be assumed and the power of this construct alone or in combination with other variables and in different contexts needs to be empirically evaluated.

Dimensions of Trust

We categorized respondents' descriptions of trust directionally – as upward, downward and lateral. These distinctions are consistent with the view that trust within organizations has both vertical and lateral facets (McCauley & Kuhnert, 1992). The majority of trust data presented in this study was vertical in nature and represented a deep dependence relationship between managers and subordinates. As Sheppard and Sherman (1998) note, deep dependence is a relational form that is typically found between a superior and subordinate where each party has significant interaction and dependence on the other and one party can unilaterally determine the fate of the other party. In deep-dependence relationships trust matters a great deal, as was evidenced by the important outcomes resulting from trust relationships between managers and employees in this study.

Downward Trust-In. Respondents indicated that they perceive their direct managers place trust in them, and they discussed this trust as a factor having significant influence on their willingness to engage in intrapreneurial behavior. Perception of “downward trust-in” is consistent with the view that managers play key roles as initiators of trust in organizations (Creed & Miles, 1996; Whitener, et al., 1998) and that employee perceptions of trust placed in them by managers will impact performance (Brower, et al., 2000). The concept of downward trust-in suggests that perceived managerial trust creates feelings of empowerment in employees – several respondents cited the “freedom” or autonomy to engage in innovative or risk activities in relation to trust, citing one of the key dimensions of empowerment (Spreitzer, 1995). This is reinforced by recent findings demonstrating a significant and positive relationship between trust and empowerment in the intrapreneurial context (Stull & Singh, 2005). In addition, in some instances it appears managers' trust in subordinates impacts trust in lower-levels of the organization; the trust placed in some respondents by their managers influences the trust they subsequently place in both peers and subordinates. The potential for trust to have a cascading effect throughout an organization shows how interpersonal trust, emanating from higher organizational levels, may become an organization-level phenomenon.

Upward Trust-Of. Descriptions of respondents' views of the “upward trust-of” refer to self-perceptions of employees that may influence their behaviors. Respondents reported reasons, such as ability, reliability, reputation, performance, decision-making and not letting the manager down, as to why their

managers trust them. In particular, in deep dependence relationships trustworthiness is important and requires that a manager's subordinate possess qualities that mitigate the possibility of negative behavior (Sheppard & Sherman, 1998). Given that employees were often engaged in risk taking and innovative behavior, trustworthiness attributes give confidence to managers that negative outcomes will be minimized and less intensive oversight is needed. The aforementioned trustworthiness attributes represent a cognitive trust based on trustworthy employee behaviors, such as perceived behavioral integrity (Whitener, et al., 1998) and ability, benevolence, and reliability (Mayer, et al., 1995). This observation reinforces the view that trustworthiness is a key component of trust in organizations; as Hardin (1996) noted, the best way to establish trust is to be trustworthy.

Upward Trust-In. Respondents' descriptions of their experiences indicated that subordinates frequently trust their managers. This "upward trust-in" indicates that employees often feel a sense of trust in their managers to do or not do certain things, such as providing safety to explore, timely feedback and support. This aspect of trust and security in a deep dependence relationship is critical as it allows one party to take risks knowing they will be supported ("If you don't trust that your manager is going to provide safety for you to explore those you're not going to do it"). This dynamic may also play a key role in allowing employees to engage in intrapreneurial behavior. Subordinates' trust in their managers suggests components of managerial trustworthiness, an attribute of cognitive-based trust, influences intrapreneurship.

Reciprocity. Reciprocity between managers and subordinates was evident in the experiences of study participants. That is, "downward trust-in," i.e., subordinates' sense of having their managers' trust in them, influences and is influenced by both their sense of their own trustworthiness (upward trust-of) and the managers' trustworthiness (upward trust-in). The study reported some direct evidence about respondents' experience of reciprocity among these relationships.

The trust a manager places in employees may result in an employee reciprocating that level of trust by engaging in the behaviors desired by the manager, in this case, intrapreneurial behavior. As Dirks and Ferrin (2002) argue, individuals "who feel that their leader has, or will, demonstrate care and consideration, will reciprocate this sentiment in the form of desired behaviors" (p. 613).

Brower, et al. (2000) argue that an employee's perception of the manager's trust affects the employee's performance, and Whitener, et al. (1998) empirically found that employee motivation, risk taking, assertiveness and personal initiative result from affect-based vertical and lateral trust. Employees who perceive that their managers trust them to be intrapreneurial are likely to reciprocate by engaging in desired behaviors. Conversely, an employee who perceives low trust from a manager to be intrapreneurial will likely not reciprocate and engage in these behaviors (in the absence of external prods or rewards).

Lateral Trust. Trust among peers, or lateral trust, also appears to influence the process of engaging in intrapreneurial behavior. Two respondents noted that the level of trust among peers and co-workers had an influence on their willingness to be intrapreneurial. Research on lateral trust has demonstrated that employee risk taking behavior was positively related to trust among co-workers (Costigan, Ilter, & Berman, 1998).

Other Constructs Influencing Intrapreneurial Behavior

This study focused on the influence of interpersonal trust on intrapreneurial behavior within organizations. At the same time, both respondent interviews and the note card rankings help to identify other possible mechanisms at work independently or interacting with trust in the promotion of intrapreneurship among managers and employees.

The strongest factors arising in this study were individual motivation, organizational climate and situational conditions. Sixty-six percent of the respondents described intrapreneurial activities to be inherently interesting and enjoyable, and felt intrinsic motivation is a central factor leading to intrapreneurship. Three respondents noted that enjoyment of engaging in intrapreneurial behavior was sufficiently strong that they would leave their organizations if they could no longer engage in such activity. Autonomy provided by managers to engage in intrapreneurial behavior (an indication of their trust in employees) appeared to influence positively those employees' intrinsic motivation.

Relationships between trust, intrinsic motivation and intrapreneurial behavior merit close examination. Intrinsic motivation may mediate the effect of trust on behavior, as suggested above (Costigan, et al., 1998). Alternatively, trust and motivation may be independent factors affecting behavior, in which case stressing intrinsic motivation may be a substitute for interpersonal trust. These important theoretical considerations rest on the use of more systematic empirical investigation.

Organizational climate represents the values, norms and expectations that influence individual behavior. It is defined as a quality of the organization's internal environment that influences organizational members (Taguiri & Litwin, 1968), and it captures the essence of how a particular work environment "feels." Interviews contained specific references to perceived "atmosphere" and overall support that reflects a component of organizational climate. Respondents noted this as an important influence on openness to change and innovation, freedom to behave intrapreneurially, and the safety and allowance to make mistakes. Interpersonal norms of trust and trustworthiness may become aggregated and expressed as aspects of organizational climate – an organization-level phenomenon.

Situations facing managers and employees, such as the presence of a significant opportunity for the organization or a compelling internal or external need, may influence members' intrapreneurial behavior independent of the level of interpersonal trust experienced by the participants involved. Situational factors may be a competing mechanism: it is possible that particular situations rather than a manager's trust catalyze risk taking, innovativeness and proactiveness; individuals may pursue attractive opportunities regardless of the level of trust between managers and subordinates or the presence of other influential factors.

Comments of respondents in this study indicate other factors may work jointly with trust or they may work independently of trust to affect these outcomes. Organization theory (e.g. Burns & Stalker, 1961; Lawrence & Lorsch, 1967) suggest flat and organic structures promote intrapreneurial behavior to a greater extent than hierarchical and mechanistic structures, and there may be a number of other individual variables, such as one's purpose, values, or calling, that were not studied here (and may be particularly compelling in the nonprofit context). In addition, a more complex understanding of trust would show how it works differently in relation to intrapreneurial "uncertain and risky environments" (Bhattacharya, et al., 1998: p. 311) than in relation to other environments. While the study sought to probe the nature and role of trust in relationship to intrapreneurship, trust undoubtedly is only one player in the larger script of intrapreneurial behavior in organizations.

CONCLUSIONS

This study's goal was to gain new insight into factors influencing intrapreneurship in for-profit and nonprofit organizations. Specifically, our focus was to explore the potential role of interpersonal trust as mechanism influencing individual intrapreneurship and examine what dimensions or components of trust, if any, managers and employees report in their experiences relative to intrapreneurial behavior. Given the lack of research examining the influence of interpersonal trust on intrapreneurial behavior, we felt it appropriate to employ a qualitative, exploratory study to accomplish this goal. The inductive design allowed us to explore whether trust is present in the context of intrapreneurial behavior, what dimensions

of trust are important in the process and how trust starts in the relationship between managers and subordinates.

We analyzed data compiled from 21 semi-structured interviews of manager and employees in two nonprofit and two for-profit organizations. Working through a process of dialogical intersubjectivity, we interpreted, coded and categorized the data thematically to arrive at the findings presented. Overall, study results suggest that trust may be a direct and powerful influence on intrapreneurial behaviors. Respondents noted several significant dimensions of interpersonal trust, including:

Downward Trust-In – subordinates report they perceive their direct manager places trust in them, and this trust is a significant factor influencing their willingness to engage in intrapreneurial behavior.

Upward Trust-Of – subordinates refer to their self-perceptions of reasons why they believe their direct managers trusts them to engage in intrapreneurial behavior, citing examples such as their reliability, reputation, past performance, and competence.

Upward Trust-In – in the context of intrapreneurial behavior, subordinates indicate they often feel a sense of trust in their managers to do or not do certain things, such as providing safety to explore, timely feedback and support.

These different aspects of trust from subordinates' perspectives – “downward trust-in,” “upward trust-of,” and “upward trust-in” – outline different dimensions of a process of trusting and trustworthy behaviors between managers and subordinates. Overall, the study suggests a pervasive role for vertical interpersonal trust, particularly downward trust-in as perceived by employees, as a causal factor leading to intrapreneurial behavior. In addition, trust initiated by higher-level managers (from the perspective of the subordinate) appears to have both a downward cascading, as well as a lateral, effect.

An exploratory, qualitative study allows for generation of fresh concepts and new insights into intrapreneurial behavior within organizations. However, only four organizations were included in the study and 21 managers and employees participated in the full interviews, factors seriously limiting the generality of the study. In addition, the study is suggestive, at best, in generating theory with respect to the nature and role of trust in intrapreneurial behavior in organizations. Evaluation of this nascent theory across a wider range and number of organizations and respondents using more predictive methods of study is advisable. Future research should consider selecting organizations that place low importance on intrapreneurship and/or are low trusting environments. While these observations highlight the limits of qualitative data and the transferability of our findings, we believe this is also the strength of our approach: the development of rich data that could not be achieved through a quantitative hypothesis testing method.

Lastly, organizational research that relies on self-report data is prone to response bias. For example, only 20% of respondents referred to failed projects as their primary point of reference. In addition, despite our use of recently completed projects and activities as the interviewee's reference point, it is difficult for us to determine if the managers and employees retrospective account of their experience accurately represents the event or is more indicative of how they view activities across different and varying instances. However, as Schmitt (1994) noted, when the constructs of interest involve perceptual measures or the research is exploratory in nature, self-report methods are often appropriate, in spite of the potential for response bias. This study also suggests that trust alone is unlikely to influence intrapreneurial behavior within organizations. While concentrating on the nature and role of trust, other factors may work in conjunction or independently of trust. This study suggests that factors such as employee intrinsic motivation, organizational climate, and situational factors may need to be taken into account for a full rendering of intrapreneurial behavior.

While highlighting a potentially potent role for trust in intrapreneurship, the study serves, at best, as a useful starting point for future research. It points to the value of exploring dimensions of trust more precisely through hypothesis testing as well as to examining ways that trust may interact with other causal factors in influencing intrapreneurial behavior. As an example, while trust may play a potent role, other mechanisms such as organizational control systems may also directly affect intrapreneurship. The management and innovation literature has a rich tradition of studying formal control mechanisms that ensure attainment of organizational goals and minimize negative outcomes, especially for autonomous or entrepreneurially oriented units, teams and groups. Given the potential for a complementary or conflicting relationship between interpersonal trust and organizational control systems, examining the combined effects of the two may yield new insights into what influences intrapreneurial behavior. As research in this area unfolds, we hope that a sound understanding of the role of trust in intrapreneurship becomes available to both academics and practitioners.

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ENTREPRENEURIAL TENDENCIES: EVIDENCE FROM CHINA AND INDIA

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ABSTRACT

Discussed in this paper is the entrepreneurial intent of two cultures, China and India. The dichotomy exhibited in these two societies is vast--the history of the Chinese mores is of order and harmony with a defined hierarchy whereas the proud tradition of India exhibits a culture of pluralism, debate and dissent. Recent emerging markets have encouraged the people of both these cultures to proactively seek new opportunities, convert resources into marketable goods, and bear the risk associated with achieving profits. The risk-loving attitude of these entrepreneurs correlates with internal locus of control.

JEL: M1; M2; M3; N2

KEYWORDS: Entrepreneurship, global, economic development

INTRODUCTION

Economic activities are a factor in determining the development of any society; therefore, many countries promote entrepreneurship as a way to drive economic development (Rao, 1985). One of the central characteristics of entrepreneurship is a need for personal achievement. McClelland in 1961 was the first researcher to develop the social psychological inquiry into the predictors of entrepreneurship with his classical study of the need for achievement. The need for achievement in his Needs Theory concept links to risk-taking, individual responsibility, and entrepreneurial spirit and success. All are qualities associated with entrepreneurship. Achievement motivation is the result of using these concepts to initiate business activities for economic improvement. Subsequent studies have revealed that one concept of achievement motivation, internal locus of control, is an important characteristic of entrepreneurial tendencies (Ahmed, 1985). The concept of locus of control, developed by Julian Rotter in 1966, was devised to assess the extent to which individuals can deal with or control events that affect them (Rotter, 1966, 1990).

A type of personality analysis, locus of control refers to the way a person perceives the outcome of their efforts. A person with external control feels there is no personal control of outcomes while a person with internal control anticipates that they have control over the outcome of their efforts. According to Jungian psychological theory, different personality temperaments receive and process information differently. Personality types linked to decision-making correlate with the social dimension of market exchange as noted by Wright, Kacmar, McMahan & Deleeuw (1995). Being able to determine an individual's personality type gives some insight into how they will react in certain situations, how their temperament, character, and personality configure, and how they are predisposed to certain actions and attitudes. Individual personality determines communication practices through which individual needs are shaped and decisions made.

The Internal-External Locus of Control Scale developed by Rotter in 1966 forces choices between statements conveying internal locus of control and those conveying external locus of control. People with a strong internal locus of control believe they have a command over their environment. They see a reasonable chance of success and change is of little concern. Even if change arises because of external

causes, a person with a high internal locus of control believes they can influence the impact of change and feel confident with their coping skills. Those with a strong external locus of control, on the other hand, are more inclined to believe that success arises from luck, accident or coincidence. Psychologists expect a person's locus of control, or general outlook on life, to play a primary function in developing a person's conception of self. Locus of control and behavior patterns link in a number of different areas. Spector in 1982 developed the locus of control scale with a more economic perspective (Blau, 1993, Orpen, 1992, Spector, 1982, 1988).

In a review of more than forty years of research, over 4600 citations of locus of control have appeared in the social and psychological literature (Rotter, 1990). Clearly, the construct has drawn a great deal of research interest. The majority of literature indicates a positive relationship between internal locus of control and entrepreneurship (McClelland 1961, Durand & Shea 1974, Rao 1985, Venkatapathy 1984, Boreland 1974, Brockhaus 1975, Anderson 1976, Pandey & Tiwari 1979, Brockhaus & Nord 1979, Mescon & Montanari 1982, Cromie & John 1983, Shapero 1975, Chay, 1993). Durand and Shea (1974), Cromie, Callahan, and Jansen (1992), and Bonnet & Furharn (1991), note that those with internal locus of control are more likely to pursue entrepreneurial activities and entrepreneurs score higher than the general population in internal locus of control (Diaz & Rodriguez, 2003). Orpen (1992) suggests that internals tend to have higher levels of job involvement than externals and internals are more satisfied with a participative management style than are externals. Hammer and Vardi (1981) also suggest that internals are more active in taking charge of their own careers than externals.

Studies focused exclusively on students show positive relationships to an internal locus of control. Brockhaus (1975) found that students who have intentions to become entrepreneurs scored high on internality compared to those who had no such intentions. Boreland (1974) indicates students scoring high on internal locus of control have a higher expectancy of starting a company. Bonnett & Furnham (1991) when surveying a group of adolescents found that an internal locus of control and a strong belief in hard work were associated with an interest in entrepreneurship, whereas a need for achievement and parent nurturance are not related. While the majority of research supports a positive relationship between internal locus of control and entrepreneurship and entrepreneurial intentions, opposing viewpoints have been reported (Blanchflower & Oswald 1998).

Although it is difficult to identify the nature of entrepreneurship, research suggests that behaviors characteristic of entrepreneurs include being proactive in seeking new opportunities, finding innovation solutions to problems and opportunities, converting resources into marketable goods, striving to achieve profits, and most importantly, the willingness to bear the risk associated with these characteristics (Cromie, 2000, Cockran, 1969, Hull, Bosley & Udell, 1980, Carland, Hoy, Boulton, and Carland, 1984, Chell, Haworth, and Bearly 1991). This risk-loving attitude correlates with positive locus of control. Persons with an internal locus of control are more perceptually alert and engaged in spontaneous learning, and thus should be able to find opportunities others have overlooked (Gilad, 1982). Miller, Kets de Vries and Toulouse (1982) found internal executives employ strategies of complex product-market innovation, risk taking, environmental scanning, and planning for the future, characteristics are often associated with entrepreneurship. These relationships are strongest when the executive is associated with a small firm that he can significantly influence or when the organization operates in a dynamic environment where quick adaptation is required. In their discussion of entrepreneurial ego Kuratko and Hodgetts (2004) claim that entrepreneurs have a strong drive to control both the venture and their own destiny, often spilling over into an obsession with controlling everything. Because of this strong will to control, entrepreneurs are the first to recognize when there is an indication of control by others and often show resistance to such control unless they are involved in developing the process or structure.

This study investigates at the relationship between locus of control and entrepreneurial tendencies in China and India. The paper starts with a literature review that leads to an in-depth look at each culture.

Based on the Entrepreneurial Orientation Inventory survey instrument, the results capture the relationship of internally or externally oriented locus of control on various entrepreneurial activities. The conclusions reveal that entrepreneurial activity flourishes in both cultures, but exhibit different characteristics across the two countries.

LITERATURE REVIEW AND BACKGROUND

The Global Entrepreneurship Monitor (GEM) edited by Bosma, Jones, Autio & Levie (2007) suggests that those countries which support property rights, monetary stability, respect and enforcement of the rules of law, legal and financial transparency, market openness, and a fair competitive environment foster entrepreneurial activity. Although these activities may take many forms, each country is unique and must configure its own entrepreneurial portfolio. Research by Lee and Peterson (2000) supports the notion that in general entrepreneurial activities tend to be more compatible with the values and norms of some cultures than with others.

Khanna (2008) summarizes the dichotomy exhibited between China and India. A traditional of debate, dissent and pluralism identifies India's culture heritage whereby China's heritage developed with order, harmony and hierarchy. Indian workers tend to have a higher internal locus of control (Carment 1974) and often score at the most extreme point of internality when compared to other countries (Parsons & Schneider 1974). However, recent research indicates that sexual and religious beliefs may affect Indian internal scores (Khanna & Khanna 2001). Asians tend to score higher on control measures than Indians but lower than Americans and other Western nations (Hamid, 1994, Hui, 1982, Smith et.al. 1995). Rothbaum, Weisz & Snyder (1982) suggest that when assessing locus of control across cultural boundaries, preferences for secondary control often exhibited by Asian societies need consideration. The Asian culture defines secondary control as "changing the self to fit the external environment" rather than the normal western perception of control which is seen as "actions taken by a person to change the world." (Spector, et al 2004, pg. 41-42). Individualism versus collectivism societies may have different views of how control manifests within the business environment. When investigated from the Asian perspective, secondary control involves forceful actions focused on the ability to cultivate relationships with colleagues or attempts to influence powerful others rather than the typical Western notion of individual or personal achievement. When using instruments that are more sensitive to the Asian belief system, Spector, et al (2004) found that Asians appear as less passive avoiders of control.

CHINA

The newness of entrepreneurship activities in a transitional society such as China is likely to contribute to the importance of social psychological characteristics. Forbidden under the old communist regime, entrepreneurial activities promoted collectivism rather than individualism. As a quasi market economy has developed, former occupational paths have disappeared and one new career opportunity is to become engaged in entrepreneurial activities. Given the stability of employment and livelihood under the communist party, a high level of uncertainty is associated with entrepreneurial activities. Pals and Tuma (2004) found that social psychological attributes like locus of control affect the likelihood that individuals in transitional societies will engage in riskier behavior like entering into entrepreneurial activities. The framework and legal infrastructure for operating a private business in transitional societies tend to be underdeveloped and the risk of such a venture has a higher possibility of failure (DeMelo, Ofer, and Sandler, 1995). The risk, however, comes with rewards if the venture is successful. Starting in the mid-1990s, a gradual transition from those who relied on paid, state-run employment to entrepreneurial ventures began after China's liberalization of retail and wholesale sections. The promotion and development of small business consequently led to improving the banking system, promoting risk insurance, and easing regulatory structure, which stimulated growth opportunities in businesses in light industry and consumer goods (Yueh, 2008). Since 1999, this entrepreneurial ecosystem (Einhorn 2007)

has changed and entrepreneurs in China are in a position to find financiers willing to back their run into the economic market system.

With the institution of Deng Xiaoping's new economic policies in 1987, the Chinese Communist Party (CCP) legitimized private enterprise. However, it took until 1997 for the State to recognize the importance of private enterprise in the socialist market economy and until 2004 to allow ownership of private property (Guiheux 2006). To do business in China, most private entrepreneurs join the CCP. Still, party membership and entrepreneurial motives are often at odds with each other. Business owners join the party to access resources such as land, credit, or information that helps in serving their entrepreneurial needs. With these privileges in hand, however, they are reluctant to pressure the party for reform. Business associations, of which most private entrepreneurs are members, have been somewhat helpful; nevertheless, private enterprise walks a tight line between government policy and business reality (Nevitt 1996). Individuals within these associations tend to look for ways to do business within the confines of the state structure. China seldom rewards autonomy (Guiheux 2006). Krug (2004) stated that while western entrepreneurs focus on profit, China's entrepreneurs focus on forming alliances with those in control of resources.

This leads one to look at what motivates entrepreneurial tendencies in emerging markets such as China where the cultural roots in Confucianism seems to contradict such an orientation. Based on research by Hofstede (1984) and later Trompenaars (1994) and Lee & Peterson (2000), the Chinese exhibit collectivist tendencies with loyalties geared to the group rather than individual effort. Using his four dimensions, Hofstede (1984) describes China as a culture that has strong uncertainty avoidance (little acceptance for uncertainty or risk), large power distance (a high tolerance for unequal relationships), femininity (a focus on harmony and relationships), and collectiveness (a focus on group accomplishment). Trompenaars (1994) adds the dimensions of ascription-oriented rather than achievement, and particularism rather than universalism. All factors that tend to indicate a low level of entrepreneurial activity. This would tend to support the notion that members of the Chinese culture are alike and tend as a culture to be less entrepreneurial than other cultures (Lee & Peterson 2000).

INDIA

Over the past few decades, India's economic growth has been phenomenal. This is especially noteworthy in light of the country's inadequacies in terms of infrastructure, public services, education, and rigid labor laws. In addition, systems embedded in religious, caste and class structures, although diminishing, continue to divide Indian culture (Sekhar, Tung, & Denend 2007). Instead of dwelling on these inadequacies, however, Indian entrepreneurs tend to focus on their individual strengths and thus have created pockets of excellence in biotechnology, computer software, and other technical ventures. Lacking hard infrastructure resources, these entrepreneurs created industries that do not require resources such as roads, power plants, ports, etc., which are unquestionably underdeveloped in the country. Instead, they relied on soft infrastructure such as unbiased information, protected property rights, and the availability of risk capital (Khanna 2008). One of India's major strengths is its ability to provide domestic funding for entrepreneurs and to foster widespread activity from both venture capital and private equity sources. Entrepreneurs also profit from a small number of quality independent Indian banks that rigorously abide by established financial standards.

On the other hand, India's spirited attitude towards domestic entrepreneurial activities matches the equally strong protectionist beliefs concerning foreign capital investment. In fact, investment from foreign multinational companies is very limited. However, the high voter turnout among all sectors continues to help the local private sector to control politicians who in turn block outside development (Kumar 2007). For India to continue its growth cycle, the government needs to open its borders to more

international investment, strengthen its fiscal position, and increase spending on infrastructure and public services.

India's business climate is volatile with both individualistic and collective values depending on the situation (Kumar 2007). Its hierarchical structure combined with its indirect communication style can be confusing and frustrating in the business environment. However, Hofstede's (1984) research found significant evidence that India is more individualistic. Using his four dimensions to describe Indian culture, Hofstede depicts India as a culture that has weak uncertainty avoidance, low power distance, moderate masculinity, and moderate individualism. Trompenaars (1994) adds the dimensions of ascription-oriented rather than achievement, and particularism rather than universalism. Combined these factors portray India as a culture that displays an orientation towards entrepreneurial activity. India's entrepreneurial orientation has evolved through many stories of entrepreneurs who have created businesses that show outstanding business practices and quality products produced in a small pocket of excellence existing side-by-side with a population living in dire poverty.

Lee and Peterson (2000) suggest that countries with specific cultural tendencies experience more entrepreneurial competitiveness. The India culture consists of characteristics that project a strong entrepreneurial orientation including weak uncertainty avoidance, small power distance, masculine, and individualism. These characteristics provide favorable conditions that aid in the establishment of entrepreneurial activity. The Chinese culture, which exhibits the opposite characteristics on each of these dimensions, a strong uncertainty avoidance, large power distance, feminine, and collectivism are less likely to support entrepreneurial activity. This would tend to support the notion that within a culture, whether Chinese or Indian, there are cultural characteristic that dominate and influence behavior including entrepreneurial behavior.

On the other hand, research by McGrath, MacMillian, & Scheinberg (1992) supports the perspective that entrepreneurs have a persistent and characteristic value orientation, irrespective of the values of their base culture. Furthermore, these values appear to align along the four dimensions first identified by Hofstede (1984) in his *Culture's Consequences*. All entrepreneurs exhibit characteristics of high individualism, high power distance, low uncertainty avoidance, and high masculinity (McGrath, MacMillian, & Scheinberg 1992, pg. 133). This would tend to support the belief that entrepreneurs as a group are alike regardless of their cultural background. Based on this perspective all cultures have individuals who have entrepreneurial traits differentiate them from non-entrepreneurs. In other word, entrepreneurial traits are more important in distinguishing differences in the business climate than cultural differences.

METHODOLOGY

Based on Rotter's Internal-External Locus of Control Scale (1966), the Entrepreneurial Orientation Inventory survey instrument developed by Rao (1985) captured the relationship of internally or externally oriented locus of control on various entrepreneurial activities. Rao's instrument, designed to help respondents assess their own locus of control and compares entrepreneurial tendencies across cultures. Designed as a paired-item inventory, the Rao's original questionnaire asked respondents to spread a limited number of points between two opposing views. In a sample test, it was determined that these instructions were confusing to international subjects. The test was redesigned uncoupling the paired opposite questions using a 1-5 Likert Scale, with 1 being strongly disagree and 5 being strong agreed. First-year university students in India and China took the newly reconfigured survey (Appendix A).

In line with the original study, students scored the survey early in their academic career before theoretical input or discussions could influence participant responses. In this study, 215 students participated at two universities, 45 Indian and 170 Chinese. All participants were in the first semester of college in their home countries and could make the decision not to participate. The original survey, designed as a self-

help device, gathered little demographic information. In this sample, participants were predominately female (63.2% %) which included 79 males and 136 females with 90.6 % between the ages of 17 and 22. In addition, 66 % of the students planned to open a business sometime in the future and 78.8 % had an immediate family member or relative who owned a business. Although the sample provided significant results, the relatively modest size of the two populations limited the ability to generalize the results and perform full demographic analysis of subsets. As a result, one cannot over generalize the results. The preference is to consider this a pilot study using this approach.

RESULTS

The analysis focused on comparing the mean responses for each item. The underlying hypothesis from the literature is that Indian students are more internally focuses than the Chinese students are. Thus, both the presence and direction of differences in response are of interest.

Table 1: Comparison of Locus of Control for China and India

China Mean	India Mean	t-statistic	Locus of Control	Item Number	Survey Item
3.6272	4.3696	-4.331***	Internal	1-2	A capable entrepreneur can always shape his or her own destiny.
3.9467	4.3111	-2.691***	Internal	4-2	Capable entrepreneurs believe in planning their activities in advance.
3.1598	2.6136	2.902***	External	5-1	Whether or not a person can become successful depends on social and economic conditions.
2.8698	3.6087	-4.202***	Internal	5-2	Real entrepreneurs can always be successful, irrespective of social and economic conditions.
3.4438	3.8222	-2.517**	Internal	8-2	Whether or not you get a business loan depends on how good your project plan is.
3.5266	3.9783	-3.114***	Internal	10-2	Whether or not you make a profit in business depends on how capable you are as an entrepreneur.
2.5976	2.9565	-2.006**	External	12-1	Whether or not you will be a successful entrepreneur depends on the social environment into which you were born.
3.5266	3.8889	-2.137**	Internal	12-2	People can become successful entrepreneurs with effort and capability irrespective of the social strata from which they originated.
3.7633	3.2391	2.769***	External	13-1	These days, people must depend at every point on the help, support, or mercy of others (governmental agencies, bureaucracies, banks, etc.)
3.8225	4.2174	-2.472**	Internal	15-1	With effort, people can determine their own destinies.
3.6686	4.087	-2.790***	Internal	16-2	Entrepreneurs are the creators of their own experiences.
3.7337	4.0652	-1.980**	Internal	17-2	The rewards one achieves depend solely on the effort one makes.
2.9586	2.3778	2.786***	External	19-1	Leaving things to chance and letting time take care of them helps a person to relax and enjoy life.
3.6213	4.1111	-3.095***	Internal	19-2	Working for things always turns out better than leaving things to chance.
3.5562	3.9783	-2.528**	Internal	20-1	The work of competent people will always be recognized.
3.6982	3.2609	2.485**	External	20-2	No matter how competent one is, it is almost impossible to get ahead in life without contacts.

*This table indicates the items with significant differences in the mean response between the two cultures. The first two columns represent the mean for each of the cultures. The third column is the t-statistic. ***, **, and * indicate significance at the 1, 5, and 10 percent levels respectively. Columns 4 and 5 show the locus of control and item number with paired items (i.e., 5-1 and 5-2) reflecting opposite perceptions on locus of control.*

The results do demonstrate some significant differences between the cultures. Furthermore the direction of those differences are consistent and reinforce the understanding in the literature that India is the more internally focused and entrepreneurial society at this time.

The instrument contained forty items that originally paired into twenty statements that reflected opposite perceptions on locus of control. As shown in the table above, sixteen of the forty items demonstrate significant differences between the cultures. These include four circumstances where both items of an original pair demonstrate differences and eight items where only one of the originally paired items came through.

An examination of the items yielding differences reveals that eleven of the sixteen items are internal locus of control-framed questions so the respondent with a greater internal locus of control will report a higher numerical score. In each of these eleven statistically significant differences, the sample from India reported a higher mean response than the sample from China. The stronger response from the India sample involved statements such as, “a capable entrepreneur can always shape his or her own destiny,” “whether or not you make a profit in business depends on how capable you are as an entrepreneur,” and “the rewards one achieves depends solely on the effort one makes.” It is not that the Chinese sample did not reflect an internal locus of control for these items. Rather the evidence suggests that the entrepreneurial locus of control is more significantly internal in India.

There was one solo item where the statement framed to score higher for an external locus of control respondent and the Chinese sample did come through exhibiting a significantly higher response. The statement was, “These days, people must depend at every point on the help, support, or mercy of others (governmental agencies, bureaucracies, banks, etc.)” That sentiment did attract a majority of the response in each sample, but the Chinese group was significantly higher. Perhaps this reflects a current perception within Chinese society that government and bureaucratic influences play a dominant role.

The items where both statements within a pair demonstrated a significant difference also supports the hypothesis that India displays a higher internal locus of control than China. The sample from India scored significantly higher on the internally framed statement, “real entrepreneurs can always be successful, irrespective of social and economic conditions.” On the other hand, the Chinese sample scored significantly higher on the matched statement, “whether or not a person can become successful depends on social and economic conditions.” Similar results were found with the internal statement, “working for things always turns out better than leaving things to chance,” and the external statement, “leaving things to chance and letting time take care of them helps a person to relax and enjoy life.” Consider the paired statements “the work of competent people will always be recognized,” and “no matter how competent one is, it is almost impossible to get ahead in life without contacts.” Again consistent with the prior examples, the initial internally framed statement scored significantly higher by the Indian sample and the latter external statement by the Chinese sample.

The significant results were not universally unambiguous. The final significant paired sample of statements showed the Indian response scoring significantly higher on both the internal and external statements. Both the external statement, “whether or not you will be a successful entrepreneur depends on the social environment into which you were born,” and the internal, “people can become successful entrepreneurs with effort and capability irrespective of the social strata from which they originate,” yielded significant agreement in India. The most important implication is a realization that within this sample the respondents did not necessarily interpret those two statements as contradictory. When using an instrument designed for entrepreneurs in the United States, it is certainly likely that some items will not translate with as clear a definition across all cultures. Often we do not recognize the nuances that are suggested when these statements pertain to other cultures. Certainly the historic caste system suggests a “social strata” that we would expect to be prominent in thinking in India. However, if the “social

environment” of the other item is not interpreted identically as “social strata” apparently conflicting results may emerge.

When looking at the various demographic variables associated with each culture, the data shows little significance for gender, past family business ownership or future intentions for business ownership. The data suggests an absence of gender effects for India and a somewhat complex picture of gender issues in China.

Table 2: Comparison of Locus of Control by Gender for China

Males Mean	Female Mean	t-statistic	Locus of Control	Item Number	Survey Item
2.4490	2.0744	2.135**	External	1-1	Your capabilities may have very little to do with your success.
3.8980	3.5041	2.230**	Internal	1-2	A capable entrepreneur can always shape his or her own destiny.
3.2857	2.7025	3.110***	Internal	5-2	Real entrepreneurs can always be successful, irrespective of social and economic conditions.
3.1020	2.7769	2.050**	External	8-1	Whether or not you get a business loan depends on how fair the bank officer you deal with is.
2.9592	2.4380	3.062***	External	12-1	Whether or not you will be a successful entrepreneur depends on the social environment into which you were born.
4.0612	3.7273	2.139**	Internal	15-1	With effort, people can determine their own destinies.
3.6531	3.9752	-2.418**	External	16-1	There are many events beyond the control of entrepreneurs.
3.3469	3.8017	-3.049***	Internal	16-2	Entrepreneurs are the creators of their own experiences.
3.7959	4.2727	-3.580***	Internal	18-1	Organizational effectiveness can be achieved by employing competent and effective people.
3.1837	3.6198	-2.547**	External	18-2	No matter how competent the employees in a company are, if socioeconomic conditions are not good, the organization will have problems.
3.3878	3.8264	-2.583**	External	20-2	No matter how competent one is, it is almost impossible to get ahead in life without contacts.

*This table indicates the items with significant differences in the mean response by gender for China. The first two columns represent the mean for each gender. The third column is the t-statistic. ***, **, and * indicate significance at the 1, 5, and 10 percent levels respectively. Columns 4 and 5 show the locus of control and item number with paired items (i.e., 1-1 and 1-2) reflecting opposite perceptions on locus of control.*

Of the forty items, eleven items show significant gender differences between Chinese males and females including five solo items and three paired items. Some of the variables suggest that Chinese males tend to believe more in destiny as exhibited in the statements, "a capable entrepreneur can always shape his or her own destiny" or "with effort, people can determine their own destinies." On the other hand, these same males felt dependent on loan officers and the social environment. Chinese females tended to focus more on creating or seeking out assistance as exhibited by the statements, "organizational effectiveness can be achieved by employing competent and effective people" "no matter how competent one is, it is almost impossible to get ahead in life without contacts" and "entrepreneurs are the creators of their own experiences." These results provide some insight into differences in locus of control between Chinese males and females, but also raise questions. Why are so few gender differences detected in Chinese entrepreneurs? Do these gender differences reflect barriers to entrepreneurship within China for women? How will these observed differences compare with other cultures where gender differences exist. Moreover, why are gender differences in India entrepreneurs practically nonexistent? This provides a rich platform for future research.

CONCLUSION

This paper has presented a comparative analysis of entrepreneurial locus of control in China and India. A sample representing each culture participated in a revised version of Rao’s Entrepreneurial Orientation Survey. The results provide further evidence that India is a more entrepreneurial culture than China. With one exception, every item that was significantly different between the samples favored an internal entrepreneurial locus for the Indian sample.

The results further support the findings of Shane (1992) and Mueller & Thomas (2001) which indicate that entrepreneurial traits vary across countries and cultures. Mueller and Thomas (2001) specifically find that an internal local of control is most often found in cultures that exhibit individualistic and low uncertainty avoidance such as India, rather than in collectivistic, high uncertainty avoidance cultures such as China.

A review of the two countries involved in this study reveals that entrepreneurial activity flourishes in both, but each country exhibits differences in terms of access to information, privacy rights, and the role of the state. The Chinese economy has stunned the world with its rapid growth, but at the same time, the central government continues to resist the adoption of privatization policies that favor entrepreneurial activity. This has resulted in the co-existence of two systems: “the command economy of the past and the free-market economy of the future” (Tan & Tan 2005, p. 146). Indian business owners on the other hand thrive independently, rarely interacting with a government bogged down with bureaucratic confusion. Kumar (2007) has described India as a “severely hierarchical society” based on a caste system that dictates status with very little social mobility. However, it is governed by a democratic system that fosters entrepreneurial activity and conflict resolution that tend be decided in favor of private rights (Khanna 2008). Unable to cultivate industries requiring factories and transportation, India has made significant strides in information technology, which has allowed its young educated population to move into positions based on their technical ability rather than family status, connections, or wealth. India’s strong entrepreneurial position is further reinforced by the Global Entrepreneurship Monitor (GEM) report of non-entrepreneurial adults, in which the Indian population exhibits higher perceived entrepreneurial opportunities and capabilities resulting in higher entrepreneurial intentions and eventually higher potential entrepreneurial activity than the Chinese (Bosma, Jones, Auito and Levie 2007).

This study, however, should be interpreted cautiously. It suggests a strong menu of future research that can explore entrepreneurial differences across countries. The samples drawn were relatively small; however, they form a useful base to pilot the comparative use of this instrument. Broader samples could more effectively evaluate cross effects including demographic differences within each country. In one case, the responses of a paired set of questions suggested a stronger Indian response to both the external and internal item. This serves as a reminder that cross-cultural research must be very cautious in applying an instrument of this type. An interesting extension of this work would be to attempt to use the same instrument and measure the extent of framing differences between each culture relative to the United States sample.

APPENDIX

Appendix A: The Entrepreneurial Orientation Inventory

Instructions: How successful an entrepreneur will be depends on a number of factors. Please indicate how strongly do you agree or disagree with the following statements by circling the appropriate number

5 – strongly agree 4 – agree 3 – neither 2 – disagree 1 – strongly disagree

	strongly agree					strongly disagree
1. Whether or not you make a profit in business depends on how capable you are as an entrepreneur.	5	4	3	2	1	
2. Whether or not you get a business loan depends on how fair the bank officer you deal with is	5	4	3	2	1	
3. A capable entrepreneur can always shape his or her own destiny.	5	4	3	2	1	

4. Whether or not a salesperson will be able to sell his or her product depends on how effective the competitors are. 5 4 3 2 1
5. There is no need for advance planning, because no matter how enterprising one is, there always will be chance factors that influence success. 5 4 3 2 1
6. Whether or not you make a profit in business depends on how lucky you are. 5 4 3 2 1
7. No matter how competent the employees in a company are, if socioeconomic conditions are not good, the organization will have problems. 5 4 3 2 1
8. Some types of people can never be successful as entrepreneurs. 5 4 3 2 1
9. With effort, people can determine their own destinies. 5 4 3 2 1
10. Whether or not you get a business loan depends on how good your project plan is. 5 4 3 2 1
11. No matter how good the competitors are, an effective salesperson always will be able to sell his or her product. 5 4 3 2 1
12. Entrepreneurs are often victims of forces that they can neither understand nor control. 5 4 3 2 1
13. The market situation today is very unpredictable. Even perceptive entrepreneurs falter quite often. 5 4 3 2 1
14. Entrepreneurs fail because of their own lack of ability and perceptiveness. 5 4 3 2 1
15. It is possible to generate one's own income without depending too much on bureaucracy. What is required is a knack in dealing with people. 5 4 3 2 1
16. Whether or not you will be a successful entrepreneur depends on the social environment into which you were born. 5 4 3 2 1
17. Entrepreneurs are the creators of their own experiences. 5 4 3 2 1
18. The work of competent people always will be recognized. 5 4 3 2 1
19. People can become successful entrepreneurs with effort and capability irrespective of the social strata from which they originated. 5 4 3 2 1
20. Working for things always turns out better than leaving things to chance. 5 4 3 2 1
21. Real entrepreneurs always can be successful, irrespective of social and economic conditions. 5 4 3 2 1
22. Your capabilities may have very little to do with your success. 5 4 3 2 1
23. Entrepreneurs are bound to fail at least half the time, because success or failure depends on a number of factors beyond their control. 5 4 3 2 1
24. When an entrepreneur's prediction of the market situation is wrong, that person can blame only himself or herself for failing to read the market correctly. 5 4 3 2 1
25. When purchasing raw materials or any other goods, it is wise to collect as much information as possible from various sources and then to make a final choice. 5 4 3 2 1
26. Organizational effectiveness can be achieved by employing competent and effective people. 5 4 3 2 1
27. Leaving things to chance and letting time take care of them helps a person to relax and enjoy life. 5 4 3 2 1
28. Whether or not a person can become successful, irrespective of social and economic conditions. 5 4 3 2 1
29. There is no point in spending time planning or doing things to change one's destiny. What is going to happen will happen. 5 4 3 2 1
30. It is possible for people to learn to become more enterprising even if they do not start out that way. 5 4 3 2 1
31. The rewards one achieves depends solely on the effort one makes. 5 4 3 2 1
32. Entrepreneurs are born, not made. 5 4 3 2 1
33. Capable entrepreneurs believe in planning their activities in advance. 5 4 3 2 1
34. By taking an active part in economic, social, and political affairs, entrepreneurs can control events that affect their businesses. 5 4 3 2 1
35. There is no point in collecting a lot of information; in the long run, the more you pay, the better the product is. 5 4 3 2 1
36. It is possible to develop entrepreneurial ability in different types of people. 5 4 3 2 1
37. These days, people must depend at every point on the help, support, or mercy of others (governmental agencies, bureaucracies, banks, etc.). 5 4 3 2 1
38. There are many events beyond the control of entrepreneurs. 5 4 3 2 1
39. No matter how hard a person works, he or she will achieve only what is destined. 5 4 3 2 1
40. No matter how competent one is, it is almost impossible to get ahead in life without contacts. 5 4 3 2 1
41. Age: _____ 17-22 years _____ 23-30 _____ 31-45 _____ over 45
42. Gender: _____ male _____ female
43. Nationality: _____
44. Do you plan to open your own business?
 _____ yes within 5 years
 _____ yes within 10 years
 _____ yes before you retire
 _____ no
45. Does anyone in your family own a business? (Check all that apply)
 _____ parents _____ aunts or uncles
 _____ grandparents _____ other relative
 _____ brothers/sisters

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LEADERSHIP IN THE HOTEL INDUSTRY: EVIDENCE FROM CANADA

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ABSTRACT

This research explored the relationships between demographic factors of gender, age, education and tenure on leadership competencies of Canadian hotel general managers and the impact of leadership competencies on hotel performance. This timely study captures general managers during times of extreme environmental challenges and used the New Zealand Institute of Management Capability Index to capture leadership competencies. A regression was used to analyze the relationship between demographics and leadership competencies and also between leadership competencies and hotel performance as measured by revenue per available room (RevPAR). Findings indicated that there was a weak relationship between tenure and People Leadership, one of the three leadership competencies. Visionary and Strategic Leadership had a statistically significant positive impact on RevPAR. This confirms leadership research in the field demonstrating that aspects of transformational leadership lead to improved organizational performance.

INTRODUCTION

The hotel industry falls within the realm of services and as such, carries with it all of the business characteristics of a service in contrast to a product. These differences include perishability, intangibility, variability, and inseparability (Kotler, Bowen & Makens, 2006). A hotel room is perishable as the inventory cannot be stored and a room not sold is revenue lost forever. The service travelers receive at the hotel depends on the front line employees and hotel organizations attempt to differentiate themselves on this feature through training and motivational proponents within their human resource strategies. It is vital in the service industry to have motivated and efficient personnel on the front line to ensure customer satisfaction. Profits are made in the service industry by delivering customer service and great customer service is vital for success in the hotel industry (Ford & Heaton, 2001).

Characteristics of the hotel industry's work environment include long operating hours, a fast pace of activities, a labor intensive diverse work force, growing competition, and dynamic travel patterns which can lead to high levels of stress for those managing in it. It is also very capital intensive with large amounts of money tied up in physical structures, furnishings and equipment. The lodging industry at its best can be difficult to manage. The capabilities required of a hotel general manager are demanding due to the unique characteristics of the industry. This is because hotels typically operate 24 hours per day, seven days a week, and 365 days a year; demand fluctuates significantly by season and/or economic factors; there are high labor costs; and unique management skills are required to motivate a highly diverse complement of staff and team members. Compared to managers in other industries, these job characteristics may exert increased daily management pressures on hotel managers (Rutherford, 2002). Kay and Moncarz (2004) stated that due to the hotel industry's challenges of terrorism, political unrest, economic upheavals, technological advances, and overall travel patterns, there is a need to re-examine the knowledge, skills and abilities required for success. This paper will explore the importance of leadership both in these trying times and in the service industry such as hotels. It will also discuss the findings of an instrument used to assess the capability levels of managers with a special focus on the leadership component of this instrument. The paper will begin by describing today's economic environment and its impact on the hotel industry. It will then review literature on demographic factors such as gender, age, education level, and tenure and their impacts on leadership and leadership and organizational performance

and then describe the methodology of the study and the results, concluding with recommendations for future research.

LITERATURE REVIEW

The unsettled economic conditions in the travel industry in Canada from 2000 to the present have resulted from acts of terrorism, public health concerns such as Severe Acute Respiratory Syndrome (SARS) and H1N1, Bovine Spongiform Encephalopathy (BSE or Mad Cow), forest fires, widespread power outages and severe weather such as hurricanes and snowstorms with the year 2008 heralding the downward slide of the economy. Many challenges were created from this severe revenue loss and uncertainty and the most arduous test of a leader's abilities is during times of extreme stress.

Today's environment involves great changes and is more "dynamic and complex – different than it has ever been before" (Chathoth & Olsen, 2002. p. 7). The economic downturn has created great challenges. The occupancy level in Canadian hotels began to drop in the last quarter of 2008 and reached a new low in the first quarter of 2009. However, in a comparison to the United States (US), Canada's hotel financials dropped less. In occupancy, Canada dropped 6.1% compared to 9.8% in the US, average daily rate (ADR) by 0.6% compared to 7.1% , and revenue per available room (RevPAR) saw a 5.5% drop in comparison to a large 16.3% drop in the US. The downturn had the greatest impact on the luxury hotel market. The impact on the Canadian hotel industry was less as there are only 53 luxury hotels in the Canadian market (Canadian Lodging Outlook, 2009). The travel market continued to struggle with a decline of 13% in international travelers to Canada in August 2009 compared to August 2008, and most notably a decline of 55.1% in Mexican travel due to H1N1 and the new Visa policy (Canada Tourism Commission, 2009).

Other challenges in the hotel industry in Canada included the current labor shortage, the rising price of gasoline, a strong Canadian dollar and large decreases in numbers of visitors. "By 2025, the potential labor shortage for the tourism sector is projected to balloon to nearly 257,000 jobs" (Canadian Tourism Human Resource Council). All of these factors are creating a "perfect storm"; a culmination of factors that may never be experienced with this intensity again and that are creating an alien environment for business leaders. During this time, leaders cannot take halfway measures to guide their organizations. "Leaders need to stay calm, look beyond the negative numbers and despite the near-term pressures plan for the future with a cool head" according to Roeland Vos, President Europe, Middle East and Asia Starwood Hotels and Resorts (Alessie, nd).

Leaders in the hotel industry have been sought and interviewed in attempts to identify solutions to the challenges of global recession. Two themes appear to run through the responses. One, that today's leaders have to rethink the business model and that what worked before may not work again in this different environment. Two, the leader must be visible, communicate, and build a strong committed top team. "It is the people in the company that make the company; they are the most valuable asset in leading any change" says Jean Gabriel Peres, CEO Movenpick Hotels and Resorts (Alessie, nd).

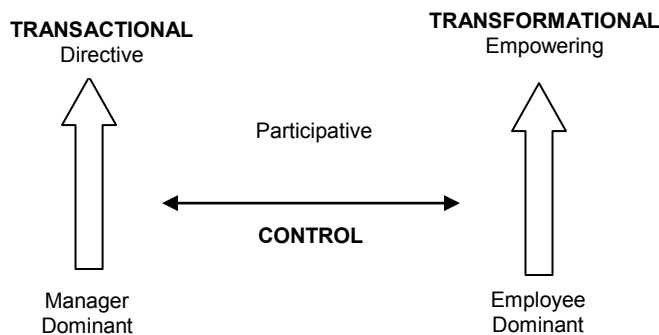
Research (Greger & Peterson, 2000) indicates the future of the hotel industry will include the following elements: (1) Consolidation – there will be only five or six major players or hotel companies left due to mergers, acquisitions, and restructuring; (2) Technological influence – Internet usage will continue to increase and greatly impact how people purchase their travel products; (3) Globalization – hotel companies will continue to expand into new markets such as India and China; (4) Diversity of guests – women will continue to make up 50% of the business traveler and will demand different treatment and amenities; (5) Greater competition – even in this economic crisis, new hotels are being planned and built ; (6) Decreased gap between limited service and middle service and (7) Economic instability. These elements will ensure that effective leadership will become a competitive advantage and good leaders will become valuable. Also, these stressful times will create leaders with better skills and good leadership

acumen may be forged from the turmoil. The timing of this study identifying leadership competencies during a lengthy difficult economic downturn was important in order to measure the cumulative effect.

Leadership

The definition of leadership can be defined as directly or indirectly influencing others, by means of formal authority or personal attributes, to act in accordance with one's intent or a shared purpose (Hillier, 2005). Leadership theories involve a level of control by the manager and the subordinate (Blake & Mouton, 1964; Kouzes & Posner, 2002; McGregor, 1960). When the manager is dominant, this is a directive style of leadership. As the employee becomes more dominant, the style becomes more empowering, giving the employee more control (Clark, Hartline & Jones, 2009). This is more of the transformational type of leadership that Covey (1992) refers to in his research in which a leader transforms the people and the organization with a vision and purpose that then bring about the changes required. See Figure 1 for a diagram of the control continuum in these different types of leadership styles.

Figure 1: Leadership Continuum



This figure shows the continuum of the directive or transactional style of leadership and the empowering or transformational style

Leadership styles can have a direct impact on the stress levels of employees and transformational leadership can mitigate stress and burnout as opposed to transactional leadership (Gill, Flaschner, & Shachar, 2006; Lyons & Schneider, 2009). Supervisory styles that undermine empowerment include authoritarian (high control), negativism (focus on failures), and failure to explain reasons for actions or consequences (Conger, 1990).

In every organization, high performance requires high morale. If the conditions outside the workplace do not contribute to the well-being of the employees, then the conditions within the workplace must. One's office, factory or warehouse can be a better place than the environment in which the employee lives; it can be safer and happier, while retaining its identity as a locus of production. Managers can create these conditions without spending a dime; it's not a matter of amenities, but of solicitous leadership. Compassion and communication are imperative during tough times (Carrison, 2009, p.1).

Greger and Peterson (2000) interviewed a number of hotel organizations' CEO's asking what was important about leadership and the key themes running through the answers were the components of vision, the importance of communication and of empowering their people. Maier (2009) used the term 'spirit' to describe requirements for success. "In the hospitality industry, I have found the vitality of the organization lies in the spirit of its members: a spirit grounded in work satisfaction and morale of line-level associates" (p. 111).

As the hotel industry relies greatly on its employees to remain successful, the leadership style thought to be most effective is the empowering style where employees are given a large amount of control over their situations. This creates an environment in which employees can act quickly and efficiently when situations occur that require immediate attention such as a service issue. Major hotel companies such as Ritz Carleton empower their employees by entrusting them with the ability to make decisions that may have a financial impact up to \$300.00. The employee can do what is required to satisfy the guest and spend up to a certain amount to make it happen, and management does not question their actions or decisions. Research has found that “The foundations of leadership were summarized as consisting of trust in subordinates, an ability to provide an inspiring vision, communication and perseverance (Whitelaw & Morda, 2004). Also, according to research by Ford and Heaton (2001) on how leaders teach culture,

“The most important job of a leader may be to frame the culture’s beliefs, define its values, reinforce the appropriate norms of behavior, recognize and tell stories about those who personify what the culture should mean for the customer, and find every possible occasion to celebrate when the members make good things happen for their customers”(p. 41.)

These findings are consistent with transformational leadership dimensions and link their importance to the service industry of hospitality. Kouzes and Posner (2002) in their best seller book *The Leadership Challenge*, uncovered five practices common to personal-best leadership experiences. They are (1) Model the way – behavior wins respect. Spend time, work side by side with colleagues, tell stories that make values come alive, be highly visible during times of uncertainty, ask questions; (2) Inspire a shared vision – speak the language of the constituents, use dialogue, know people’s dreams and hopes, are enthusiastic; (3) Challenge the process - search for opportunities, recognize good ideas, problems shape leaders; (4) Enable others to act – foster collaboration, teamwork and trust, use of the word “we” and (5) Encourage the heart - use genuine acts of caring, recognition and celebration; ensure people see the benefits.

These five practices appear repeatedly in research on effective leaders in the service industry and they link managers as leaders to staff as followers. Transformational leadership inspires staff to follow the vision of a manager with leadership qualities. “It is about engaging the emotions of individuals in the organization. It is crucial for leading change today” (Dearlove & Coomber, 2009, p.55).

Gender and Leadership

Research on characteristics of women managers as compared to male managers indicates that differences do exist. Females were rated higher on interpersonal behaviors than were males at the middle and executive levels (Bartol, Martin & Kromkowski, 2003) and women were found to be more oriented toward supporting and maintaining relationships than men (Hisrich and Brush, 1994). Soehanovic, Zougaj, Krizoman & Bojanic-Glavica (2000) researched characteristics of women managers in hotels and found in order to be successful they demonstrated knowledge in these areas: (1) organizational knowledge (97.14%), (2) manner with people (91.43%), (3) management knowledge (77.14%), (4) knowledge of the economy (71.43%), (5) financial knowledge (54.29%). Recent research (van Engen & Willemsen, 2004) on gender and leadership found no significant evidence that gender made a difference in leadership.

Age, Educational Level, and Tenure

There is very little research on age or educational level as it relates to leadership or its practices. One study (Barbuto, Fritz, Matkin & Marx (2007) found that “Gender had no significant effects on ratings of transactional and/or transformational leadership behaviors in the present study” (p. 79). This same study did find that age was significant as those 46+ were rated as highest for transformational leadership. Also, the leader’s level of education was significant for transformational behaviors. Kearney and Gebert (2009)

found that “transformational leadership moderates the relationship of age, nationality and educational diversity with team performance ...and...age diversity was not significantly associated with team performance when transformational leadership was high” (p. 86). Studies on the impact of age on leadership style has not been found however, it may be thought that age, educational level and tenure with an organization would lead to a manager possessing more skills and knowledge and lead him to use the transformational style of leadership. Scott-Halsell, Blum & Huffman ((2008) found positive significant results between years of experience in the hospitality industry and Emotional Intelligence (EI) and EI is important to the success of businesses, as well as individuals, in their personal and work lives.

Performance

Measuring performance in service industries such as the hotel industry can be onerous due to the many variables that can influence the outcomes. The environment is extremely dynamic and the market demand can fluctuate dramatically. The performance measures themselves may be short term in nature such as evaluating nightly, weekly or monthly occupancy percentages and comparing to last year, or they may be long term in nature such as determining customer loyalty and employee satisfaction levels (Israeli, Barkan and Fleishman, 2006). Research has indicated that organizational performance is influenced by the characteristics of its leaders and top managers. Hambrick and Mason (1984) put forward the upper echelon (UE) perspective and argued that organizational outcomes, such as performance reflect the characteristics of its leaders.

Common financial metrics for hotel performance include occupancy (Occ %), a percentage calculated by dividing the number of rooms sold by the number of rooms available, average daily rate (ADR), calculated by dividing the revenue by the number of rooms sold, and revenue per available room (RevPAR), calculated by dividing the total revenue by the number of rooms available for sale. These are all commonly used statistics and have become benchmark tools for the hotel industry, however, RevPAR is “often considered the most critical measure of operating performance, and by definition, encompasses an element of rate and rooms supply” (Enz, Canina and Walsh, 2001, p. 27). RevPAR was used to assess organizational performance by Namasivayam, Miao and Zhao (2007) in their investigation of the relationship between hotel compensation practices and the hotel’s performance.

New Zealand Institute Of Management Capability Index

The New Zealand Institute of Management team developed an index used in this study to measure the competency level of the respondents. Doug Matheson (2004), the founding president, developed the New Zealand Institute of Management Capability Index (NZIMCI) to enable the benchmarking of manager performance. This instrument was based on research started in 1993 when the New Zealand Ministry of Commerce commissioned research into management competencies. The researchers (Page, Wilson & Kolb, 1994 as cited in Page, Wilson and Inkson, 2003) conducted a major literature review. The review included six focus groups to concept-map interviews with very successful managers, and a national survey of managers. The second phase of the research distilled the core set of skills and characteristics that were considered to be critical for effective managers.

Matheson (2004) defines capability as putting the competencies into practice and the instrument focuses on eight major drivers which are weighted: Visionary and Strategic Leadership = 15%; Performance Leadership = 10%; People Leadership = 10%; Financial Management = 10%; Organizational Capability = 5%; Technology and Knowledge = 5%; External Relationships = 5%; and Innovation – Product and Services = 10%. It also contains a performance measurement in which the respondents self rate their business performance from 0% = no results to 100% = excellent performance and is weighted at 30% (Refer to Appendix 1 for the full description). The NZIMCI has been adopted by the American Management Association and more recently, the Indian Institute of Management. Due to the focus of this

paper, the main competencies to be reviewed are the three leadership competencies including Visionary and Strategic Leadership, Performance Leadership and People Leadership. When compared to the Five Practices of Exemplary Leadership as outlined by Kouzes and Posner (2002) these leadership competencies include those practices and align very closely with their theory. It is thought that measuring these three leadership competencies would indicate to what degree these managers are practicing the Five Practices of Exemplary Leadership. The three leadership competencies of the NZIMCI are: Visionary and Strategic Leadership, Performance Leadership and People Leadership, and are further described in Table 1.

Table 1: Leadership Competencies and Their Components

Leadership Competency	Components
Visionary and Strategic Leadership	<ol style="list-style-type: none"> 1. Articulates a clear and inspiring vision, actively fosters and encourages ownership of the vision by staff and ensures the vision is well understood, and motivates the employee to work towards achieving goals 2. The vision and supporting goals underpin and guide decisions and behaviors 3. Contributes effectively, with the board, to establishing strategies, objectives and plans with a view to growing the business, while meeting the needs of shareholders, taking account of employee, supplier, customer and other stakeholder interests 4. Demonstrates an international/global perspective and a good understanding of global markets
Performance Leadership	<ol style="list-style-type: none"> 1. Ensures the organization is strongly goal, performance and achievement focused 2. Balances risk with achievement, not risk avoidance – is not risk adverse 3. The organization consistently meets its performance goals. The organization has a performance track record of growth and or continually improving performance 4. The organization’s performance consistently is better than its competitors or other comparable firms
People Leadership	<ol style="list-style-type: none"> 1. Attracts, retains, develops, motivates and leads an effective team capable of achieving company objectives 2. Human resource planning is an integral part of the annual business planning process 3. Provides enhanced leadership – acts as a role model, committed to developing subordinates and leading people 4. Strong on empowerment – allows scope for people to grow 5. Maintains a culture supportive of GEN – X & Y values – not stifled by structure and hierarchy 6. Grows people (Grows their CV). Demonstrates ability to work effectively with, and achieve results through a diverse range of people 7. Creates a stimulating culture

This table shows the three leadership competencies and their components.

These elements are closely related to the dimensions of transformational leadership and are therefore used to measure the transformational leadership competencies of the respondents. If a manager scores high on these competencies, they are said to be using mainly the transformational leadership style, which is accepted to be the most effective style for the hotel industry in its current stressful situation.

DATA AND METHODOLOGY

The intent of this study was to determine if any relationships existed between leadership competency and hotel performance and to explore whether leadership competencies were impacted by demographic variables. The demographic variables included gender, age, education and years in General Manager position. The benefits of this research are to increase the ability to predict organizational outcomes, the better selection and development of top managers, and the increased ability to predict outcomes based on

the managers' level of leadership competency. Based on the previous literature addressing managerial leadership, the following hypotheses were tested, Figure 2 also depicts the research mode :

- H1: Visionary and strategic leadership has a significant positive impact on RevPAR.
- H2: People leadership has a significant positive impact on RevPAR.
- H3: Performance leadership has a significant positive impact on RevPAR.

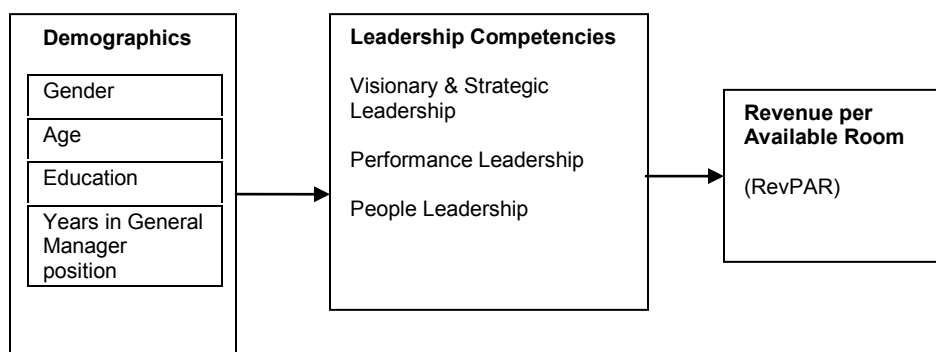
- H4: Gender will have a significant impact on leadership competencies.
 - H4a: Gender will have a significant impact on Visionary and Strategic Leadership.
 - H4b: Gender will have a significant impact on Performance Leadership.
 - H4C: Gender will have a significant impact on People Leadership.

- H5: Age will have a significant positive impact on leadership competencies.
 - H5a: Age will have a significant positive impact on Visionary and Strategic Leadership
 - H5b: Age will have a significant positive impact on Performance Leadership
 - H5c: Age will have a significant positive impact on People Leadership

- H6: Education will have a significant positive impact on competencies.
 - H6a: Education will have a significant positive impact on Visionary and Strategic Leadership
 - H6b: Education will have a significant positive impact on Performance Leadership
 - H6c: Education will have a significant positive impact on People Leadership

- H7: Years in management position will have a significant impact on leadership competencies.
 - H7a: Years in General Manager position will have a significant impact on Visionary and Strategic Leadership
 - H7b: Years in General Manager position will have a significant impact on Performance Leadership
 - H7c: Years in General Manager position will have a significant impact on People Leadership.

Figure 2: Research Model



This figure shows the research model of the hypotheses and the relationships between demographics and leadership competencies and between leadership competencies and RevPAR.

A survey was directed to accommodation general managers of Canadian hotel properties with 30 rooms or more using a distribution list compiled from the Hotel Association of Canada membership directory, the provincial hotel associations, membership lists, and corporate hotel groups. The survey included basic demographics, the New Zealand Institute of Management Capability Index (NZIMCI), and hotel

performance measures. The survey was posted on a web page and emails were distributed to the general managers containing a hyperlink to the survey.

The hotel industry in Canada consists of 6,581 lodging establishments (Hotel Association of Canada, 2004) of which 3,464 operate on a year round basis and contain at least 30 rooms. This criterion is used by KPMG LLP, the consulting company that collects statistics on the Canadian hotel industry for the Hotel Association of Canada. This same criterion was used for this research.

RESULTS

The hotel associations and corporate hotel groups that agreed to participate and circulate the survey to their managers involved a total of 952 general managers. The responses totaled 184 completed surveys of which 183 were usable and gave a response rate of 19.2%. The sample consisted of 112 male general managers (61.5%) and 70 female general manager (38.5%). One respondent did not disclose their gender. Most were graduates of a two-year college program (39.7%), or university undergraduate degree (37.2%). Sixteen percent had completed a high school diploma, while 3.8% had postgraduate university degrees. Three percent had other forms of post secondary training. The average age was 43.9 years and they had been in the general manager position for an average of 6.9 years. See Table 2.

Table 2: Summary Statistics

Demographic	Statistics
Gender	Male = 61.5% Female = 38.5% N (182)
Age	Average = 43.9 years Std. Deviation = 9.29 N (182)
Education	High School = 16% College = 39.7% University = 37.2% Post Grad = 3.8% Other = 3% N (182)
Years as General Manager (GM)	Average = 6.86 years Std. Deviation = 6.66 years N (181)

This table shows the summary statistics for the demographic variables.

In the first set of analyses, continuously scaled variables were tested for normality before analysis. Variable transformations used to overcome problems of normality with leadership competencies and RevPAR. Leadership competencies were subjected to squared transformations, while a square root transformation was used for RevPAR. RevPAR was still slightly skewed following transformation. Age was normally distributed and did not require transformation. Years in management was non-normal, but did not respond to any transformations. Therefore, the original variables were maintained for analysis. The transformations and normality tests are shown in Table 3.

The leadership variables were tested for multicollinearity. Variance inflation factors ranged from 1.0 to 1.5 indicating no multicollinearity across the variables. Three regression equations were used to evaluate the relationships between demographic variables and leadership competencies. To facilitate demographic variables, dummy coding was used for gender and education. Age and number of years in General Manager position were measured continuously and did not require dummy coding for regression analysis. To avoid errors due to singularities, levels of dummy coded variables included in the regressions were equal to k-1 (k = number of categories in the non-metric variable). High school and university levels were chosen for the education variable, and male was chosen for the gender variable.

Given that non-normally distributed variables can confound the results of regression analysis, transformation of independent and dependent variables was required. Therefore, regression equations were not used to describe the results because regression equations cannot be literally interpreted following the use of transformed variables. As a result, betas were used to interpret the regressions due to the use of transformed variables in the regression analyses.

The results revealed a marginally significant relationship between years in General manager position and People Leadership. No other demographic variables were statistically significant to People Leadership, and none of the demographic variables were statistically significant in predicting Visionary and Strategic Leadership, or Performance Leadership.

These results reveal that years in leadership has an impact on People Leadership. The impact is weak, but positive, indicating that as general managers spend more time in their General Manager position, their competency in leading others increased. The same cannot be said for Strategic Vision, or Performance Leadership. The results are summarized in Table 2.

Table 3: Transformations and Normality Tests

	Number	Mean	Std. Deviation	Skewness	Kurtosis	Z Values	
						Kurtosis	Skewnes
Squared Visionary & Strategic Leadership	181	5,381.22	2,325.67	-0.03	-0.04	-0.10	-0.16
Squared Performance Leadership	181	6,095.03	2,518.69	-0.14	-0.22	-0.60	-0.80
Squared People Leadership	181	5,719.34	2,817.07	-0.05	-0.65	-1.80	-0.30
Square Root RevPAR	152	8.69	1.58	0.19	0.11	0.27	0.99
Age	182	43.91	9.29	-0.08	-0.48	-1.33	-0.44
Years as GM	181	6.86	6.66	1.22	0.90	2.52***	6.74***
Logarithmic Trans ADR	163	2.03	0.12	.031	0.60	1.59	1.63*

*This table shows the transformations and normality tests of the variables. *** and * indicate significance at the .01 and .10 levels respectively.*

A regression was then performed that revealed that Visionary and Strategic Leadership had a positive effect on RevPAR, confirming the first hypotheses ($F = 3.33$, $df = 151$, $p = .022$). The regression indicated that there was no statistically significant impact on performance caused by People Leadership or Performance Leadership competencies. The betas for the leadership variables ranged from .033 to .213, indicating that Visionary and Strategic Leadership was a much stronger factor impacting RevPAR. The results are summarized in Table 3.

The results reveal that that Visionary and Strategic Leadership styles are the most effective at creating an increased RevPAR, which is a key consideration, especially during a time of economic challenge in the tourism industry. Visionary and Strategic Leadership mirrors the best-practice described by Kouzes and Posner (2002) that involves creating a shared vision, modeling the way, challenging the process, and enabling others to act.

Table 2: Regression Analysis of Demographic Variables on Leadership Competencies

A) Demographics by People Leadership		Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	t	Sig.		
(Constant)	75.29	8.89		8.47	0.00		
Age	-0.14	0.22	-0.06	-0.63	0.53		
Years as GM	0.87	0.30	0.26	2.88	0.00		
High School Education	-4.37	4.96	-0.08	-0.88	0.38		
University Education	-3.44	3.86	-0.08	-0.89	0.37		
Male	-1.72	3.70	-0.04	-0.46	0.64		
R ²	0.24						
F-Ratio (df)	1.91 (161)						
Sig.	0.10						
B) Demographics by Performance Leadership		Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	t	Sig.		
(Constant)	74.19	7.56		9.82	0.00		
Age	0.08	0.19	0.04	0.40	0.69		
Years as GM	0.20	0.26	0.07	0.77	0.44		
High School Education	-4.64	4.21	-0.10	-1.10	0.27		
University Education	-3.20	3.28	-0.09	-0.98	0.33		
Male	-1.25	3.15	-0.03	-0.40	0.69		
R ²	0.13						
F-Ratio (df)	0.49 (161)						
Sig.	0.78						
C) Demographics by Visionary and Strategic Leadership		Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	t	Sig.		
(Constant)	66.61	7.08		9.41	0.00		
Age	-0.01	0.18	-0.01	-0.07	0.95		
Years as GM	0.38	0.24	0.15	1.57	0.12		
High School Education	1.93	3.95	0.04	0.49	0.63		
University Education	0.11	3.07	0.00	0.04	0.97		
Male	3.55	2.95	0.10	1.21	0.23		
R ²	0.18						
F-Ratio (df)	1.09 (161)						
Sig.	0.39						

This table shows the regression analyses results of demographic factors or age, years in management position, level of education and gender on leadership competencies of People Leadership, Performance Leadership and Visionary and Strategic Leadership

Table 3: Regression Results of Leadership Competencies on RevPAR

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
Constant	7.603	.403	-	18.866	.000
Squared Visionary/ Strategic Leadership	.000	.000	.213	2.208	.029
Squared Performance Leadership	.000	.000	.033	.351	.726
Squared People Leadership	.000	.000	.035	.365	.716
R ²	.063				
F-Ratio (df)	3.310 (151)				
Sig.	.022				

This table shows the regression analyses results of leadership competencies on RevPAR.

CONCLUDING COMMENTS

The goal of this paper was to research demographic factors and their impact on leadership competencies and if leadership competencies had an impact on the performance of the hotel as measured by RevPAR.

This is an important area of study as managing organizations has become a challenge in today's business climate as environmental pressures present situations that require creative solutions. Leaders are required to facilitate growth in organizations. For profit-based business models it is important that performance be measured using verifiable, comprehensive and objective methods.

RevPAR is the standard in the hospitality industry that captures profitability across organizations regardless of size or service level. Using RevPAR as the performance standard allowed this research to effectively analyze the extent to which three different leadership capabilities contributed to the financial benchmark in the Canadian hotel industry.

Hypotheses were developed and data was collected using a survey of hotel general managers in Canada. The analysis involved multiple regression of demographics on leadership competencies and leadership competencies on RevPAR. The findings were the demographic of years as General Manager on the leadership competency of People Leadership was statistically significant. The leadership competency of Visionary and Strategic Leadership was found to be statistically significant on RevPAR. The only demographic in this research that impacted leadership competencies was Years as General Manager and it impacted the leadership competency of People Leadership. The elements of People Leadership involve team leadership, motivation, role modeling, empowerment and maintaining a supportive culture. This may indicate that the longer the person is in the role of leader, the more they focus on building the team and creating an environment of empowerment and support.

The results of the analysis on leadership competencies and performance confirm the findings of previous studies of leadership that show that transformational leadership styles are the most effective approaches to lead an organization during challenging environmental times. Visionary and Strategic Leadership involves transformational leadership styles, combining them with a focus on goals and strategies, and creative solutions. Managers must communicate their vision for the organization, moving followers to embrace that shared vision in order to obtain buy-in, or ownership, of the vision across the organization. Unlike transactional leadership where goal attainment is facilitated by the sharing of something of value between leaders and followers, or reward contingent on accepted performance ((Dearlove & Coomber, 2009; Erkutlu, 2008), transformational leaders are able to deliver goal achievement by inspiring followers to desire the same vision, and outcomes (Dearlove & Coomber, 2009). There is an emotional connection between leader and follower, between managers and subordinates, that is absent in the transactional leadership environment (Dearlove & Coomber, 2009).

This research demonstrates that People Leadership can be impacted by demographics. However, People Leadership does not impact RevPAR. Therefore, there is no direct way to enhance both leadership and RevPAR through manipulation of demographics. In addition, the only demographic that had an impact on leadership was number of years as General Manager indicating that personal demographics do not impact leadership competencies.

This research also showed that two leadership competencies, Performance Leadership and People Leadership, did not have a statistically significant impact on RevPAR. Performance Leadership focuses primarily on goal setting, risk assessment, achievement orientation, and competitive performance. This leadership capability does not involve role modeling or leading the human resource in a meaningful and effective way. The inability of this particular capability to influence RevPAR is particularly relevant because it demonstrates that a focus on goals and financial performance does not result in growth for such performance measures. The notable absence in Performance Leadership is its lack of focus on motivating the human side of the enterprise. It is intriguing that the only leadership measure to deal directly with the organization's goals and overall performance achievement does not significantly impact growth. However, this finding is consistent with research on leadership that has repeatedly demonstrated that followers need to be empowered to accept a vision before they will work hard to achieve it. People

Leadership focuses on attracting, motivating and retaining top-notch talent for the organization. While this is an important leadership capability, it was not statistically significantly related to RevPAR in this research. While this capability did focus on empowering subordinates and creating a stimulating culture, it did not focus on sharing an organizational vision. Possibly, it is the sharing of the vision, a fundamental element in transformational leadership that has the edge in bringing team focus to achieving a goal.

There are limitations to this research. The three leadership variables chosen were from the capabilities identified in the New Zealand Management Capabilities Index. These are single-item questions rated based on the extent to which they are used in the firm. Similar research conducted with more complex leadership scales may result in more descriptive results. Also, the Canada-wide focus provides feedback from one industry, in one nation, when a global study would provide more compelling evidence to further understand the relationships in the data.

This research provides a glimpse into the complex and fascinating relationship between leadership and organizational performance. It provides yet more evidence to enhance our understanding of leadership and outcomes. However, more research is necessary. It would be interesting to have a comparative study between the three leadership competencies addressed in this research and RevPAR in non-Canadian industries. It would also be very useful to approach this topic in a way to further isolate and compare the fundamental differences between the People Leadership variable, and the Visionary and Strategic Leadership variable, and their relative impacts on RevPAR. These investigations are strongly recommended for future research.

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BIOGRAPHY

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RETAIL STORE IMAGE: A STUDY OF THE CYPRUS CLOTHING INDUSTRY

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ABSTRACT

The purpose of this study is to identify (sector-specific) store image attributes and evaluate the strength and importance of the influence of each attribute on consumer purchasing decisions. It examines the impact of various socioeconomic or demographic variables on consumers' evaluation of various store image attributes. 261 Cypriot consumers served as the convenient sample. Using ANOVA and F-test analysis, the t-values for the attributes were not significant at either the .05 or the .01 levels. The correlation between the demographic variables and the various store image attributes were highly significant. This holds much importance for retailers in today's volatile marketplace and relates to the need for retailers to take into account the impact of retail store image and its relationship with store loyalty.

JEL: M31

KEYWORDS: Retail; Store Image; Store Attributes; Cyprus; Clothing Industry

INTRODUCTION

Driven by the need to maximize profit and compete in volatile marketplaces, retailers are deeply interested in collecting critical information from consumers and attempting to layout stores in ways that will attract their target customers. Thus, retail image and store positioning represent the two most important factors that influence consumer perceptions and ultimately, the success of retail stores.

Despite significant academic and commercial research, many uncertainties remain as to how consumer behavior affects store choice (Knee, 2002). Because store image can be expressed as a function of the salient attributes of a particular store that consumers evaluate and weight against one another, store image can also be defined as the combination of a consumer's perceptions about a store according to different (salient) attributes.

To date, many studies have provided a considerable understanding of store image, its attributes, and patronage behavior based on the general population, which has become the basis for retail strategies. This mass-market orientation does not assist local retailers in terms of helping them to focus on a specific market segment and create store image based strategies. There is still vast scope for research, analysis as the retailing environment changes rapidly, leading to changes in the expectations of shoppers, and a realignment of the choice set of stores (Sinha and Banerjee, 2004).

The paper therefore identifies (sector-specific) store image attributes and evaluates the strength and importance of the influence of each attribute on the purchase decisions of consumers in the (Cypriot) retailing industry. To do so, the impacts of various socioeconomic variables on store image attributes were examined. Socioeconomic, or demographic, variables are the most popular basis for distinguishing customer groups because consumer wants, preferences, and usage rates are generally associated with such variables. As Doyle and Fenwick (1974) note, different socioeconomic groups perceive stores differently and store image perception may be related to age and other demographic factors. The various demographic factors considered included: gender, age, education, occupation, and income.

The first section of this paper discusses the main elements of store image and positioning within the literature. The second section goes on to describe and analyze the research undertaken on the retail clothing industry in Cyprus in which a sample of 261 respondents were surveyed to elicit the influence of demographic variables on consumers retail store image evaluation.

LITERATURE REVIEW AND BACKGROUND

As per Sewell (1974), defining store image is not easy. Store image is a critical component of store choice and loyalty (Malhotra, 1983; Nevin and Houston, 1980; Osman, 1993; Stanley and Sewell, 1976). Originally proposed by Martineau (1958), the concept of store image combines tangible and intangible or functional and psychological attributes. Many researchers, including Ditcher (1985), Keaveney and Hunt (1992), and Zimmer and Golden (1988), subscribe to this view.

Store image is considered one of the most important determinants of success (Amirani and Gates, 1993) in the retailing industry. In fact, a unique store image is one of the retailer's most valuable marketing assets, creating a competitive advantage that is not easily duplicated by other retailers (Rosenbloom, 1983).

The image of a store consists of the way it is perceived by consumers (Zimmer and Golden, 1988). An individual's view is important to the retailer because it can ultimately influence patronage behavior. These views can be used to change consumers' reactions to the store favorably since attributes of merchandising and service can be formed in the viewpoint of consumers.

Store image has frequently been defined as an attitude, or set of attitudes, based upon an evaluation of salient store attributes (Doyle and Fenwick, 1974-1975; Engel and Blackwell, 1982; James et al., 1976) and its measurement almost always involves the identification of a number of attributes which are assumed to collectively make up a store's image (Hirschman et al., 1978; Keaveney and Hunt, 1992).

The literature reviewed indicated that there are considerable variations among most researchers in terms of the number of relevant store image attributes used in their studies dealing with the determinants of store image. Martineau's (1958) paper has identified layout and architecture; symbols and color; advertising; and sales personnel as the four core attributes of store image. From a review of nineteen previous studies, Lindquist (1974) has proposed nine store image attributes. These attributes are: *merchandise*, which includes factors such as quality, assortment, styling or fashion, guarantees and price; *service*, consisting of staff service, ease of return, credit and delivery service; *clientele*, including factors like social class appeal, self image congruency and store personnel; *physical facilities*, like layout and architecture; *convenience*, primarily location related; *promotion*, which includes sales promotions, product displays, advertising programmes, symbols and colors; *store atmosphere, institutional factors*, that include store projection, reputation and reliability; and *post-transaction satisfaction*, that come with returns and adjustments. Most of the studies thus far have identified similar groupings of store image attributes projecting the similar view that the attribute-groupings contribute to a store's image (Hirschman et al., 1978).

According to Ghosh (1994), store image is composed of eight different elements of the retail marketing mix: location, merchandise, store atmosphere, customer service, price, advertising, personal selling, and sales incentive programs. Consequently, for each retail store a distinct image may exist within consumers' minds. Others have defined store image as the "summation of all attributes of a store as perceived by the shoppers through their experience with that store" (Omar, 1999). In particular, store image represents an important component in consumers' store patronage (Darden and Erden, 1983) and store choice decisions.

As per Davies (1992), store image is situation- specific. With respect to store layout, consumers who shop at different types of stores (e.g., convenience, discount, leisure) tend to have different perceptions of each store (Newman and Cullen, 2002). A gender difference also appears to lead to divergent shopping styles, which again can influence perceptions of store layout and image. However, retailers typically adopt a standardized approach with respect to the layout and other elements of their store based on their own store operations. In making such decisions, however, store operators should instead match the store layout and the merchandise offered to their target customers. Therefore, customers' reactions to the layout and image of a particular store are extremely important and are likely have a significant influence on sales (Newman, 2003).

Several studies have found a positive relationship between store image and store loyalty (Lassk, 2000; Mazursky and Jacoby, 1986; Osman, 1993). Store loyalty is a phenomenon that is currently receiving a great deal of interest from retail management. Retailers can use the positive image of their store to build store loyalty and ultimately store success.

For the purpose of this study, store image is defined as “the way the store is defined in the shopper’s mind” (Martineau, 1958) and recognize that it may vary across different consumer segments (Gilly and Zeithaml, 1985). As Backer, Levy, and Grewal (1992) suggest, retailers therefore should explore how environmental factors, which are part of store image, influence their target customers.

Store image, along with store positioning are factors, which influence consumer loyalty and store success. It has been highlighted that market positioning-based on a combination of price and product differentiation- can provide an important competitive advantage for commercial organizations (Day and Wesley, 1988). This is especially so within retailing, where effective positioning can lead to a variety of trading benefits (Ellis and Kelly, 1992). It is not surprising, therefore, that researchers have striven consistently to provide an improved understanding of store image (Martineau, 1958; Kunkel and Berry, 1968; Lindquist, 1974; Hansen and Deutscher, 1977; Rosenbloom, 1981; Golden et al. 1987). Retailers can use the image of their store to project their positioning strategies.

By identifying the attributes of their store image, retailers can create positioning strategies to differentiate their store in terms of products, price, or services (Wortzel, 1987). The resulting strong market position generally leads to greater customer inflow and subsequently to profitability. Therefore, changes in customer preferences must be identified to formulate matching retail strategies.

METHODOLOGY

Cyprus is a small island on the coast of Mediterranean sea and has four major cities. They are namely Nicosia, Limassol, Pafos and Larnaca. Most of the major clothing retail stores are located on the main streets of these four cities. These main streets are usually high traffic areas and a large number of customers from a wide variety of population segments frequent these streets for their purchases.

The data is collected using a structured questionnaire. The questionnaire was designed to be completed in three sections: must know, need to know and useful to know. The first section aimed to ensure that all respondents had purchased clothing from at least one of the retailers in the Cyprus clothing industry. It also measured the intention of the respondent to purchase goods again from the particular retailer. The second section assessed the importance of each of the eight store image attributes. Finally, the third section of the questionnaire comprised of a number of questions, which sought to define the demographic profile of each respondent.

The data is collected using a structured questionnaire that asked for the demographic details of the respondents and their ratings for various store image attributes. Eight previously tested store attributes (Birtwistle et al. 1996) were employed in this study:

1. Internal layout and design,
2. Merchandise fashion and style,
3. Merchandise price,
4. Merchandise quality,
5. Merchandise selection,
6. Professional and friendly staff,
7. Refund, and
8. Reputation.

All constructs were measured on five-point Likert scales, ranging from 1 to 5 (1 = not important, 5 = very important). All the questions were closed ended questions and were kept short and simple. It was recognized that more people would be willing to complete the questionnaire if it was shorter, and consequently, less time-consuming. Questions on the same topic (e.g. demographic-type questions) were also grouped together to make the questionnaire easier to answer. Emotionally charged words or leading questions that may point towards a certain answer were avoided to minimize bias in the questionnaire.

A convenience sampling techniques was used to collect the research data. Using this nonprobability sampling approach, respondents were selected from the population based on easy availability and accessibility. A total number of 300 respondents were administered with the questionnaire (75 questionnaires per city). The respondents were requested to participate in this study either by filling the questionnaire or answering the questions verbally as the answers were documented by the research assistant who is trained in the process of data collection. The data collected during November – December 2007 in the weekend days. More specifically, each weekend is spend in one city to collect the data. The respondents were interviewed as they were about to leave the clothing retail outlet after their shopping. Such exit interviews were desirable in order to obtain consumer responses reflective of their ‘real’ retailing shopping experience rather than delayed responses influenced by buyer perception or imagination. After a careful scrutiny of the 300 questionnaires, 261 questionnaires were found to be valid and were further analyzed.

DATA ANALYSIS AND RESULTS

The demographic details of the convenience sample are in Table 1. It is observed from the table 1 that female respondents and slightly over than the male respondents. Most of the respondents in the convenience sample are above 35 years of age (49%) and respondents who had graduated the college or studied in the college constitute about 88 % of the total respondents. Considerably large population of the respondents are employees (52%) followed by others (house makers / students / retired). The average incomes per month are highly represented in the bracket of US\$ 1000 – 2000 (40%) followed by US\$ 2000 – 3000 with 31%.

Importance of Store Image Attributes

In Table 2, an overall analysis of the store image attributes with regard to store choice is done. In ranking the factors, mean values were used. As is demonstrated in Table 2, the respondents placed the greatest importance on price, followed by fashion and style, selection, staff, and quality. Refund, reputation, and internal layout ranked comparably lower in importance in the respondents mind.

Table 1 - Profile of the Respondents

Profile	No. of respondents	Percentage
Gender		
Male	115	44
Female	146	56
Age (in years)		
Less than 25	55	21
25–35	78	30
Above 35	128	49
Education		
High school	32	12
College study	102	39
College graduation	127	49
Occupation		
Employee	137	52
Business	38	15
Professional	29	11
Others	57	22
Income Level		
Less than US\$1000	34	13
US\$1000–2000	104	40
US\$2000–3000	82	31
More than US\$3000	41	16

This table shows the demographic details of the respondents. Income figures shown are monthly incomes.

Table 2 - Ranking of Store Image Attributes

Factor	Mean	Percentage Mean	Standard Deviation	Rank
Price	3.84	76.7	.696	1
Fashion and style	3.75	74.9	.636	2
Selection	3.38	67.6	.567	3
Staff	3.31	66.3	.615	4
Quality	3.26	65.2	.556	5
Refund	3.14	62.8	.508	6
Reputation	2.77	55.4	.555	7
Layout and design	2.71	54.2	.632	8

Table showing the mean, percentage mean, standard deviation and ranking of the store image attributes.

This breakdown clearly shows that “people go by price,” is likely because consumers generally seek value for money and therefore price would be an important attribute for almost all respondents. Dodds et al. (1991) suggested that price levels have an important influence on shoppers’ patronage decisions. Moreover, as the difference between the highest and lowest income groups increases, the number of low-income consumers who are much more influenced by price (Dawson, 1995) also increases. Cameron-Waller (1995) also confirms this, Fernie (1997), who suggest that price is a major factor in store choice across all retail sectors, and that consumers expect products to be of reasonable quality, to be offered a wide variety, and to be provided with good customer service.

The position of fashion and style, the next most important factor in store choice according to our respondents, contradicts the findings of a study by Birtwistle and Shearer (2001). Their study found fashion and style to be the least important attribute. The demographic profile of the respondents sampled may account for this difference in the research findings. This study however, confirm and support the ranks given to the store image attributes of staff, quality, and internal layout and design by Birtwistle and Shearer’s (2001) respondents.

After fashion and style, selection was considered the next important factor, followed by friendly and supportive staff. Store personnel who are not helpful to the shopper are considered negative stimulus (Rose et al, 2005). Jones (1999) found that salespeople could make the consumers’ shopping experience enjoyable by providing good customer service and by simply being helpful to the shopper. Surprisingly, the quality of the clothes ranked lower in importance than staff in store choice, followed by refund procedures. This again contradicts the study by Birtwistle et al. (1996). Refund procedures were considered next in importance in this study because the respondents tended to prefer fashion clothing. Well –organized and administered refund procedures was seen to be fairly important in this study since fashion purchases are often perceived to be high risk (Birtwistle and Shearer, 2001).

The reputation and internal layout of the store were perceived as least important in the respondents’ evaluation and in store choice. Retailers spend considerable resources designing store environments and building store reputation because they believe that the environment enhances consumers’ perceptions of the store image. The importance attached to these attributes however; vary depending on the individual consumer group being analyzed. Consumer groups differ in terms of the importance placed on various store attributes. This suggests that not only are store image attributes ranked differently by different consumer groups but retailers with similar market positioning have consumer groups with different criteria influencing where they choose to shop (Birtwistle and Shearer, 2001).

Different socioeconomic groups do not perceive stores in the same way (Doyle and Fenwick, 1974). Therefore, further analysis of how store image attributes are influenced by various consumer segments may help retailers design specific strategies to attract and retain target customers and build store loyalty.

Influence of Demographic Variables on Consumers’ Retail Store Image

Gender: Of the total sample of 261 respondents, 191 were men and the remaining 70 were women. As is demonstrated in Table 3, there were no considerable differences in the mean values of male and female respondents with respect to the eight store image attributes.

Table 3 - Gender and Store Image Attributes

Factor	Female (146)		Male (115)		t-value
	Mean	S.D	Mean	S.D	
Price	3.65	.55	3.67	.58	.18
Fashion and style	3.60	.65	3.62	.45	1.65
Selection	3.28	.55	3.27	.71	.28
Staff	3.25	.66	3.32	.47	.68
Quality	3.07	.46	3.17	.68	1.26
Refund	3.01	.78	3.02	.69	.88
Reputation	2.97	.78	3.08	.72	.83
Layout and design	2.76	.70	2.82	.71	.51

Table 1 shows the mean, standard deviation and t-value of gender and store image attributes.

The t-values for the attributes were not significant at either the .05 or the .01 levels. In this study, therefore, the gender of the respondents does not significantly influence the attributes these consumers consider when evaluating store image. This finding is contrary to the work of many researchers (e.g. Chiger, 2001; Marks, 2002; Otnes and McGrath, 2001; and Peter and Olson, 1999). However, direct empirical evidence is not available regarding gender differences in relation to cognition and affect, which are considered to contribute to consumers’ retail purchase decisions and store choice (Burroughs, 1996; Dittar et al., 1996; Youn and Faber, 2000).

Age and Education: The respondents were divided into three categories: (A) younger than 25 years of age, (B) 25 to 35 years of age, and (C) 35 years of age or older. A one-way ANOVA and F-tests were

used to determine differences based on age. The F-value was significant at the .05 level for fashion and style, which means that different age groups are significantly different from one another concerning the importance of fashion and style in store choice. Findings indicate that the younger age groups gave this attribute a higher degree of importance than the older age groups. Birtwistle and Shearer, 2001, support this finding. For the other attributes, however, no significant differences were found. Therefore, it can be concluded that people of different age groups differ partially in their evaluations of store image attributes (see Table 4, Panel 'A').

Further analysis shows that the respondents in Group B differ significantly from those of Group C with regard to fashion and style and store reputation attributes. The respondents belonging to Group C were more conscious of these two attributes than the respondents belonging to Group B. Age is rarely used as an independent variable in evaluations of store image. Most research on store image either controls for the effect of age by focusing on a single age group or does not examine age as an influence at all (Areni and Kim, 1994; Grewal and Baker, 1994).

Table 4 - Influence of Age and Education on Store Image Attributes

Panel A: Age					
Attribute	Group A (N = 55) Mean	Group B (N = 78) Mean	Group C (N = 128) Mean	B vs. C	F- ratio
Price	3.76	3.76	3.79	-	.13
Fashion and style	3.66	3.61	3.85	*	*3.55
Selection	3.29	3.22	3.28	-	.17
Staff	3.20	3.25	3.29	-	1.55
Quality	3.15	3.09	3.17	-	1.81
Refund	3.90	3.06	3.19	-	1.65
Reputation	3.02	2.79	3.11	*	2.95
Layout and design	2.88	2.67	2.86	-	.17
Panel B: Education					
Attributes	Group A (N = 32) Mean	Group B (N=102) Mean	Group C (N=127) Mean	F-ratio	
Price	3.75	3.75	3.77	.01	
Fashion and style	3.67	3.76	3.80	.74	
Selection	3.32	3.40	3.42	.19	
Staff	3.22	3.26	3.25	.18	
Quality	3.18	3.28	3.29	.21	
Refund	3.12	3.09	3.13	.14	
Reputation	2.98	2.90	2.88	.43	
Layout and design	2.94	3.11	3.14	.57	

Table 4 shows the means and F-ratio of age, education and store image attributes. "*" indicate the Significance at .05 level.

The respondents were divided into three groups based on their level of education. As is shown in Table 4, Panel 'B', none of the F-values for the attributes was significant. Therefore, the mean values for the various educational groups were not different for any store image attribute. Consequently, people with different educational levels do not differ significantly in their evaluations of store image attributes according to this study.

Occupation: For analytical purposes, all the respondents were classified into four groups: (A) employees, (B) businesspeople, (C) professionals, and (D) others (e.g., students, homemakers, unemployed). As is demonstrated in Table 5, Panel 'B', the F-value was not significant for these four occupational groups. Furthermore, the mean value for employed respondents was lower compared with Group D. This means that the former group pays less attention to the price attribute than the latter. There were also significant differences between Groups B and D with respect to reputation and internal layout and design; Group D respondents placed more importance on these attributes than the other groups. This analysis partially

confirms the belief that there are differences among consumers belonging to various occupational groups in terms of their evaluations of store image attributes.

Income : As is shown in Table 1, four income groups were identified and the respondents were classified (The average monthly income in Cyprus is around 1000 US\$) viz., A = less than US\$1000, B = \$1000–2000, C = \$2000–3000, and D = greater than \$3000. In turn, it is shown in Table 5, Panel ‘A’, that the F-ratio is significant for all factors except reputation. However, further analysis shows that the respondents belonging to Group A differs significantly from Group D with respect to four of the store image attributes: price, selection, reputation, and internal layout and design.

Table 5 - Influence of Occupation and Income on Store Image Attributes

Panel A: Income							
Attribute	Group A (N=34) Mean	Group B (N=104) Mean	Group C (N=82) Mean	Group D (N=41) Mean	A vs. D	C vs. D	F-ratio
Price	3.68	3.78	3.84	3.99	*	-	2.60
Fashion and style	3.69	3.66	3.76	3.94	-	-	2.20
Selection	3.30	3.29	3.45	3.53	*	-	2.36
Staff	3.21	3.18	3.34	3.44	-	-	2.22
Quality	3.21	3.20	3.29	3.41	-	-	.81
Refund	3.05	3.05	3.24	3.22	-	-	1.37
Reputation	2.71	2.67	2.75	3.11	*	-	*2.44
Layout and design	2.69	2.61	2.73	2.98	*	*	2.49

Panel B: Occupation						
	Group A (N=137) Mean	Group B (N=38) Mean	Group C (N=29) Mean	Group D (N=57) Mean	B vs. D	F-ratio
Price	3.70	3.73	3.81	3.90	-	.78
Fashion and style	3.77	3.73	3.79	3.75	-	.07
Selection	3.33	3.39	3.39	3.41	-	.70
Staff	3.23	3.28	3.36	3.38	-	.76
Quality	3.25	3.05	3.33	3.44	-	1.82
Refund	3.11	2.96	3.10	3.23	-	1.74
Reputation	2.96	3.11	3.09	2.99	*	.38
Layout and design	2.72	2.83	2.86	2.88	*	.62

Table showing the means and F-ratio of Occupation, Income and store image attributes. “*” indicate the Significance at .05 levels.

For these factors, the mean values are less for Group A than for Group D. This means that people with lower income levels perceive these factors as less important. Low-income consumers are not necessarily influenced by price (Newman and Patel, 2004) and such factors mentioned. Significant differences between Groups B and D with respect to selection and internal layout and design were found. Considerable differences were also found between Groups C and D for internal layout and design. In general, Group D finds internal layout and design more important than does Group C. As such, people from different income groups differ significantly when they assign importance to various factors comprising store image.

Correlation Between Store Image Attributes And Demographic Variables

The results in the tables 6 and 7 also indicate the coefficients of correlation between store image attributes and demographic variables. A significant positive relationship between income and four factors, namely, price, fashion and style, selection, and internal layout and design was found, as well as, a negative correlation between age and three factors—fashion and style, reputation, and internal layout and design. The significant negative relationship between age and fashion and style suggests that younger respondents are more fashion conscious.

Finally, although the gender of the respondents was related to selection, it was not significant. The consumer profile in this Cypriot clothing industry reflects that gender does not significantly influence the selection of store attributes. This interesting finding may be attributed to the social and cultural fabric, which underlies the Cypriot consumer market. Therefore, this analysis demonstrates clearly that the one demographic factor that significantly influences consumers' perceptions of store image attributes is income.

Table 6 - Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Correlations			
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part
(Constant)	-3.654	.761		-4.799	.000			
Price	.087	.082	.067	1.058	.291	.136	.066	.059
Fashion and style	.145	.091	.101	1.581	.115	.139	.099	.088
Selection	.385	.098	.240	3.935	.000	.162	.241	.219
Staff	.316	.099	.214	3.208	.002	.180	.198	.179
Quality	.086	.113	.052	.759	.448	.123	.048	.042
Refund	.231	.114	.129	2.021	.044	.150	.126	.113
Reputation	.569	.104	.348	5.472	.000	.220	.326	.305
Layout and design	.128	.084	.089	1.519	.130	.180	.095	.085

Table shows the regression coefficients of store image attributes, t values.

Table 7 - Correlations

		Income								
		Level	Price	Fashion	Selection	Staff	Quality	Refund	Reputation	Layout
Income	Pearson Correlation	1	.136*	.139*	.162**	.180**	.123*	.150*	.220**	.180**
Level	Sig. (2-tailed)		.028	.025	.009	.004	.048	.015	.000	.004
	N	261	261	261	261	261	261	261	261	261
Price	Pearson Correlation	.136*	1	.314**	-.065	-.157*	.121	-.120	.220**	.223**
	Sig. (2-tailed)	.028		.000	.294	.011	.050	.052	.000	.000
	N	261	261	261	261	261	261	261	261	261
Fashion	Pearson Correlation	.139*	.314**	1	.139*	-.121	.307**	.013	-.056	.122*
	Sig. (2-tailed)	.025	.000		.025	.052	.000	.833	.365	.049
	N	261	261	261	261	261	261	261	261	261
Selection	Pearson Correlation	.162**	-.065	.139*	1	.065	-.010	-.169**	-.260**	.127*
	Sig. (2-tailed)	.009	.294	.025		.295	.876	.006	.000	.040
	N	261	261	261	261	261	261	261	261	261
Staff	Pearson Correlation	.180**	-.157*	-.121	.065	1	.367**	.378**	-.272**	-.001
	Sig. (2-tailed)	.004	.011	.052	.295		.000	.000	.000	.984
	N	261	261	261	261	261	261	261	261	261
Quality	Pearson Correlation	.123*	.121	.307**	-.010	.367**	1	.336**	-.279**	.096
	Sig. (2-tailed)	.048	.050	.000	.876	.000		.000	.000	.120
	N	261	261	261	261	261	261	261	261	261
Refund	Pearson Correlation	.150*	-.120	.013	-.169**	.378**	.336**	1	-.078	-.030
	Sig. (2-tailed)	.015	.052	.833	.006	.000	.000		.209	.628
	N	261	261	261	261	261	261	261	261	261
Reputation	Pearson Correlation	.220**	.220**	-.056	-.260**	-.272**	-.279**	-.078	1	.093
	Sig. (2-tailed)	.000	.000	.365	.000	.000	.000	.209		.132
	N	261	261	261	261	261	261	261	261	261
Layout	Pearson Correlation	.180**	.223**	.122*	.127*	-.001	.096	-.030	.093	1
	Sig. (2-tailed)	.004	.000	.049	.040	.984	.120	.628	.132	
	N	261	261	261	261	261	261	261	261	261

Table showing the correlation and sigma (2-tailed) values of the store attributes. "*" indicates Correlation is significant at the 0.05 level (2-tailed) and "***" indicates Correlation is significant at the 0.01 level (2-tailed).

MANAGERIAL IMPLICATIONS

An important implication of this study for retailers relates to their need to take into account the serious impact of store image and its relationship with store loyalty and store choice. Store satisfaction transforms

the implications of the image of the store and store image influences store loyalty through store satisfaction. This signifies that store loyalty is built through store satisfaction and that satisfaction is built among other things by store image. Consequently, retailers must ensure that the image of their store is as positive as possible in the eyes of its consumers; in other words, they must meet the expectations of customers regarding the store's image and personality.

Shopping for clothing involves making decisions about one's appearance and this reflects the attitude of the customers towards fashion in general and stores in particular (Tatzel, 1982). As per Belk (1988), clothing is linked to how consumers view themselves as part of their extended self, which ultimately increases one's total well being. Choice of clothing is considered a form of communication influenced by social norms, self-expressions and technology (Beck, 1985). If clothing retailers wish to meet the needs of their consumers, it is very important for them to create customer satisfaction.

In this, rapidly changing retail environment of today, constant monitoring of the store's image and appropriate adaptations to consumers in the target market is required. This should ultimately result in store loyalty. The strong impact of consumer proneness on satisfaction emphasizes that retailers cannot lose sight of the importance of consumer demographic characteristics in shaping store loyalty. Consumer relationship proneness refers to the *stable* tendency of a consumer to engage in relationships with retailers and can therefore be considered a part of the consumer's personality. Arons (1961) proposed a connection between a store that is 'agreeable' from the customer's point of view and the number of times the customer will visit the store within a given period. Based upon this connection, retailers must attempt to attract those consumers who possess a relatively stable and conscious tendency to engage in relationships with retailers in their particular product category.

Evaluating consumer attitudes toward their store's image therefore, can help retailers understand how to improve their retailing mix. By analyzing this process, retailers from any sector can take practical steps by formulating specific strategies for retailing success. However, a strategy designed to build an image based on these attributes alone is not enough. Customers must continue to perceive that the store really possesses these promised attributes based on their actual experiences with the store. After all, a retail store cannot sell its products unless the customer is in the store. Store Image analysis based on targeted market niches allows its modifications to better satisfy target customers wants. This also allows for the prioritization of managerial effort by identifying the relative importance of image attributes compared to other variables.

CONCLUSIONS

The research paper intends to identify the (sector-specific) store image attributes and evaluate the strength and importance of the influence of each attribute on the purchase decision of Cypriot consumer in the clothing retail industry. Store image is considered one of the most important determinants of success (Amirani and Gates, 1993). However, understanding the right attribute that might be perceived by the individual consumer is also important to the retailer because this attribute can ultimately patronize the behavior. The retailer would benefit from identifying one or two important attributes as it facilitates the formulation of retailer strategies.

The collected data is analyzed using regression analysis. Eight store attributes are taken as independent variables and four demographic variables as dependent variables. The data is further subjected to one-way ANOVA and F-test. "t-values" for the attributes were used to assess the significance at both .05 and .01 levels. The data analysis shows that the respondents placed more importance on price followed by fashion and style. As regards to other dependent variables, gender has not shown any significance. Age showed some significance. Education did not show any significance and finally occupation showed some levels of significance. The current study identifies income as the most significant attribute in the selected

factors. This will help the retailers across Cyprus to design their strategies and other store related attributes to create and sustain customer loyalty.

LIMITATIONS AND RESEARCH DIRECTIONS

Product–market segmentation criteria was employed in this study, such as socioeconomic and demographic characteristics, but segmenting consumers according to the levels of their consumer relationship proneness may also be useful in determining whether this proneness influences store loyalty. Furthermore, this study investigated consumers of a clothing retail sector, as such; additional studies should determine and consider any differences between the composition and importance of store image attributes for different retailers in the same sector and in other sectors.

APPENDIX

Questionnaire

This questionnaire is made up of two sections. The first section is about your experience as a shopper. The second section asks questions about you, which will help us to classify the information you have given us. It should take you about 5 minutes to complete the whole questionnaire. We reassure you that ALL the information in this survey is confidential and completely anonymous.

Thank you for taking part and giving your time to complete this survey.

1. Did you buy any clothing from this retailer now? Yes No

2. Do you buy clothing from this retailer often?

This is the first visit I visit once in few months
 I visit often (say once in two months or so)

3. Do you wish to visit this clothing retailer again when you want to buy clothing?

Yes No

4. Please rate the extent to which you think the following attributes are important to you while you shop for your cloths.

Store Image attributes	Not important	Somewhat important	Does not matter	Important	Very important
Layout and design of the shop interiors					
Dresses sold in the shop are fashionable and stylish					
Prices of the dresses in the shop					
Quality of the dresses sold in the shop					
The shop should have a wide range of merchandise					
The sales staff are professional and friendly					
The shop should have a good refund policy					
The shop is popular and many of my friends know about the shop					

5. Your Gender: Male Female

6. Your Age: Less than 25 years 25 – 35 years Above 35 years

7. Your Education: High school Went to College College Graduate

8. Your Occupation: Employee (both private and public services)
 Business person
 Professional (Doctor / Engineer / Advocate / Accountant etc)
 Others (please tick this box if you do not identify with the above)

9. Please indicate your average monthly income:

Less than USD 1000 (500 CYP)
 USD 1001 – 2000 (501 to 1000 CYP)
 USD 2001 – 3000 (1001 to 1500 CYP)
 More than USD 3000 (more than 1500 CYP)
 Thank you for your time

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BIOGRAPHY

Dr Raghava Rao Gundala received his Ph.D. in marketing and has over 15 years of experience teaching in the US, Middle East, the Caribbean, Europe and India. He taught and designed a variety of courses in Marketing to the Undergraduate and Graduate students. He is also an experienced manager/entrepreneur with extensive experience in the field of marketing pharmaceutical preparations. His research interests center on the areas of International Marketing, Consumer Behaviour, and New Product Development and Marketing in the Developing Economies.

IS THE TREASURE HUNT STRATEGY WORKING FOR COSTCO?

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ABSTRACT

The purpose of this paper was to find out if Costco's "treasure hunt" strategy was effectively attracting customers and increasing spending per visit. It was an exploratory research to provide insights in the perceptions of Costco customers in reference to new, seasonal, and premium products ("treasure hunt") in their shopping habits, in comparison with purchasing regular items. An initial survey was developed for this purpose and sent to a sample of 150 individuals with a 55.33 % response rate (83 completed the survey), and a second survey was sent to the same sample to find out additional complementary information, this time with a 29% response rate. The results showed that only 4% of the sample population (that shop every three months at Costco) was predominantly attracted to these seasonal and premium items; however, all respondents agreed that these items are an important complement to the regular purchases, and that they increase their spending per visit. On the other hand, results also confirmed that these items do not necessarily increase the frequency of visits for Costco members of this group.

JEL: D11, D12, M21, M31

KEYWORDS: Costco, treasure hunt, merchandising strategy, marketing, consumer behavior, shopping habits, strategy

INTRODUCTION

The retail industry is becoming more competitive and traditional companies are struggling to survive, many have disappeared, including big companies like Mervyn's and Montgomery Ward (Corona, 2009). Four of the companies that compete intensely to attract more customers and increase sales and profits in the US are Walmart, Costco, Target and Sears, and each one has its own business model, follows a unique strategy, has different locations and store sizes, and generates different sales revenue. Each faces unique challenges and target markets, and uses distinct positioning strategies. Most of them operate on a global scale and confront different cultural challenges and adaptations to survive in an increasingly competitive landscape (Corona, 2009).

In order to compete successfully, Costco introduces its "treasure hunt strategy" as an innovative way to attract new customers, and make existing members shop more often. Jim Sinegal developed this strategy by offering premium and seasonal items. These includes fine crystal, famous names handbags, the latest in consumer electronics, plasma TV's, cashmere sweaters, gourmet cheeses, imported wines, leather jackets and lobster, to name a few. Costco's regular products include food, health and beauty items, tires, consumer electronics, wine, soft goods, groceries, and even caskets (Funeral Monitor, p.2, as cited in Chevalier, 2008).

The purpose of this paper is to explore how much of this "treasure hunt" strategy is really enticing customers to shop more often or buy more as a result of impulsive tendencies rather than cognitive perception.

This manuscript includes a literature review section to cite previous papers about the subject, a brief background of the company followed by the research methodology used in the survey. A supplemental section on the sample characteristics is included to justify the convenience selection process, and the data

analysis of the results. The conclusions are also included, followed by the references section and the two appendixes for both surveys employed.

LITERATURE REVIEW

On a recent survey conducted by consumerreports.org to more than 6,903 subscribers, Costco ranked the highest of all retailers with 85 points (out of 100). Furthermore, for purchases of jewelry and clothes, subscribers buying at Costco were significantly more satisfied with the quality of these products, versus the other eight retailers (Kohl's, Target, JCPenney, Sears, Sam's Club, Macy's, Walmart and K Mart), including some more specialized in these products like JCPenney and Kohl's (Consumer Reports, 2009).

Costco's strategy has to do more with the context and impulse buying persuasion, which emphasizes the situation in which they place the products. Presumably, consumers have well-defined wants and preferences, but when influenced by others, a persuasion for change is effective. When their insights are not deeply rooted and preferences are unstable, the consumer is subject to the influence of context and reference groups (Simonson, 1993). "Consumer's preferences tend to be fuzzy and imprecise, and as a result the choices they make are susceptible to a variety of seemingly irrelevant influences" (Simonson, 1993). One of these irrelevant factors in Costco's strategy that can easily become a strong influence is the amount of products offered and the observable throngs of shoppers anxiously inspecting and purchasing those items.

Costco's key strategies consist of low prices, limited selection, and a treasure-hunt shopping strategy that generates excitement and surprise to the customer. The latter consists of having 1,000 items (out of 4,000 total) to be seasonal or specialty type of products that are constantly changing (Thompson, 2007). The purpose is to attract shoppers to buy more than they do otherwise by offering them irresistible premium items. "We try to get that sense of urgency in our customers," says Sinegal (Thompson, 2007). One of Sinegal's cardinal rules is to mark up by a maximum of 14 percent in all items, and 15 percent for private label, contrasting with supermarkets that mark up merchandise by 25 percent, and department stores by 50 percent or more (Greenhouse, 2005).

It also uses a "preemptive" approach to seasonal items, by being the first to offer products a few months ahead of the season, creating a "preemptive desire" and capturing sales away from and before the competition. The systematic view of persuasion emphasizes the cognitive process of persuasion and messages, whereas the heuristic approach gives less importance to the cognitive process and more to impulse persuasion (Chaiken, 1980). One of the most fascinating aspects of this strategy has to do with the concept of scarcity that is based on the idea that the customer will display a higher propensity to buy if they realize that a particular item may not be offered again next week. Costco is the world's largest seller of fine wine (Thompson, 2008).

COSTCO BACKGROUND

Sinegal and Jeff Brotman founded Costco in 1983 in Issaquah, Washington, following the principles of the Price Club warehouse operations of bulk quantities and low prices. Together they built an empire of 544 stores in 40 states as well as eight countries of the world, with sales of \$ 72 billion in 2008 (McGregor, 2008). Costco is ranked 29th in the Fortune 500 list (up from 32nd place last year), and competing indirectly with the number one company in America, Walmart (with sales of over \$379 billion). Within the specialized retailers, Costco is second only to Home Depot, with 84.7 billion in sales, and has become the fourth largest retailer in the country and the seventh in the world (Boyle, 2006).

Costco's merchandising strategy has proven very effective by generating sales of \$918 dollars per square foot on average per year, compared with \$438 of Wal-Mart, and Sam's Wholesale Club (a division of Wal-Mart) with an estimate of \$552, and only second to Best Buy with \$941. However, the latter sells

mostly electronic items that tend to be rather pricey, and Costco averages include groceries, food, cleaning items and other low-price items (Boyle, 2006). Despite having 82 fewer outlets than rival Sam's Club has, Costco has \$ 20 billion more in sales.

The more than 50 million Costco members avidly shop an average of 22 times per year and more than a third have a household income of \$75,000 a year (Boyle, 2006). Not surprisingly, these customers have the financial means to buy more luxury items like expensive wine and plasma TV's, in addition to the regular food and cleaning items. This is what makes Costco so unique and it is usual to observe fancy, expensive, sport cars parked outside their warehouses across the nation.

In order to foster higher purchases more frequently, Costco uses the "treasure hunt" strategy. Moreover, they have a low-cost strategy of maximum of 14% margin on any item, as well as economies of scale due to the high volume of limited number of products (only 4,000 items per store, compared with 40K of some of its competitors). Their distribution system is very efficient too, especially now that they have a truck fleet for distribution to warehouses.

Even on the verge of an economic recession at the end of 2008, Costco's TV sales were up 50% versus the previous year, and traffic in the stores increased 2.8% although the average transactions declined by 7.5%, same as net sales by 3 percent (Wolf, 2008). This data validates how strong the preference for this type of "treasure hunt" products is for the Costco member, despite difficult times.

Regarding advertising, Costco has also broken all paradigms of traditional retailing by using the most inexpensive and effective way of promotion: word of mouth. They do not contract any newspaper, radio or TV ads (except when they have store openings) but are able to attract many customers that tell other friends about it (the buzz factor), thus creating a viral marketing effect that expands rapidly in any given community. Sinegal says, "Advertising becomes like a drug, once you start doing it, it is very hard to stop. We feel that the most successful type of Advertising is word-of-mouth. When people are saying good things about you, it is much more important that when you say them about yourself" (Davis, 2008).

Another rather innovative approach is the membership fees (an average of \$50/member), that reached revenue of \$ 1.1 billion dollars in 2006, which compensates for lower margins in all items, as mentioned before. These merchandising tactics combined can create a compulsion to shop at Costco, or a "Costco Addiction" that entices customers to shop more often. "Costco card-carrying legions come in droves, waiting anxiously in fancy foreign cars on Saturday mornings for the store to open. Carts in hand, they display a fervor not usually seen outside of houses of worship. Why? Because we all love a bargain and Lord help us if we miss one" (Boyle, 2006).

The Issaquah, Washington-based warehouse chain also implements a very effective approach in providing services outside the store to its members, such as kitchen counter-tops, garage doors, window blinds and curtains, carpet, automobiles and trucks (the auto-buy program in affiliation with local car dealers) as well as business services that include printing, insurance, accounting services, and others. Furthermore, its website is becoming a very important source of income for Costco, where members can buy a wider variety of products and services, including auto-insurance, travel, financial investing, payroll, and phone services (costco.com, 2008).

Costco has also been the pioneer in implementing customer lifetime value (CLTV) by adopting a return policy with no questions asked, which also helps generate more impulse buying, realizing that the customer can return the product later if he/she does not like it or is not fully satisfied. CLTV looks at the potential revenue from a customer based on an estimated number of years or loyalty, and thus makes decision based on the spectrum of revenues rather than the profit from each transaction (Thompson, 2008). Furthermore, Costco is one of the few stores that offer a three-month return policy in computers and electronics and a 24-hours free technical assistance for any electronic items purchased at the store.

RESEARCH DESIGN AND METHODOLOGY

Malhotra (2007, 42) defines qualitative research as: “Unstructured, exploratory in nature, based on small samples, and may utilize popular qualitative techniques such as focus groups (group interviews), word associations, in-depth interviews and other exploratory research techniques such as pilot surveys and case studies.” A pilot survey was designed to test the hypothesis that the Costco members were especially attracted to the store as a result of new, seasonal and premium products and indulgencies, as mentioned previously, using a direct approach and an exploratory research methodology with a sample of 150 individuals (convenience sample). The basic research questions are: 1) How much are Costco members attracted to distinctive seasonal and premium items? 2) Do seasonal and premium items foster more frequent visits and larger disbursement each time?

The first survey consisted of ten questions (Appendix A) using a combination of word completion, multiple-choice, scale and dichotomous types of questions. The email surveys had a response rate of 55.33% of completed surveys. Questions included the shopping frequency habits, perceptions and attitudes about these products and their impact to increase the visit frequency to the store, as well as ranking of different lines of products, and demographic data. To gain a better perspective of their addiction level, one question addressed the degree of discomfort experienced by Costco members who did not find a seasonal or premium item when they tried to buy it again.

The second email survey (Appendix B) took place a few months later to the same population, but this time with only a 29% response rate. The ten questions on the second survey inquired about the population characteristics and options to shop at other competitors, as well as types of memberships held (basic, business, or executive) and amount of money spent per visit and per year, to complement the data from the first survey.

A pilot survey is a common method used in exploratory research to discover ideas and insights of a particular population (Malhotra, 2007). It offers flexibility and versatility to learn about a specific issue, as well as the basis of a future descriptive research, or to develop a new hypothesis. A pilot survey tends to be less structured and the sample used is much smaller, which is precisely the case for this paper.

SAMPLE CHARACTERISTICS

We sent the pilot survey to 150 families and the sample for this study comes from 77 complete answers. It turns out that our sample of Costco customers is slightly male biased, clearly adult oriented and predominantly Hispanic. For the first survey, out of 77 respondents, 57% were male and 43% female. In addition, it is interesting to highlight that no respondent was less than 25 years old. In fact, 56% of the population surveyed was between 25 and 50 years old, and 44% were older than 50 years. The most relevant feature of this sample is that 70% were Hispanic and 24% Caucasian. Therefore, our exploratory study of Costco's treasure hunt strategy comes from a clear adult and predominantly Hispanic population.

DATA ANALYSIS AND DISCUSSION

In order to evaluate how much regular or seasonal/premium items attract customers, we analyzed first the shopping pattern of our sample. Ten respondents (14%) declared that they shop at Costco 4 times per month and 25 of them (35%) shop 2 times per month. These two categories are roughly the frequent clients that go to Costco for ‘regular’ items and maybe some ‘seasonal/premium’ items. Then, we have 27 (38%) respondents that visit Costco once per month. This may be a good representation of the group that looks for ‘seasonal/premium’ items, or just a group with preferences similar to the preferences of the frequent clients but because of ‘small’ families, they do not need to go to Costco for regular items more than once per month. The next categories contain 3 respondents (4%) that visit Costco once each 3 months and 6 respondents (8%) that go to Costco only occasionally. These two groups are not regular

clients, so certainly seasonal/premium items more likely drive them, but it may be also that they are just looking for bulk items.

The first approach to distinguish these groups is by considering their own perception about why they shop at Costco. The second question in survey 1 revealed this self-perception, which is an open-ended, word-association question that asks for the first word that comes to mind when thinking of Costco. The results show that the most important reasons to shop there, irrespective of the frequency of shopping (once a week, every two weeks, once a month, every three months or occasionally), are price, quality, bulk items, service, and value. The price category includes the following answers: discount, cheap, bargains, low prices, competitive, and savings. Only 8% of responses (6 individuals) mention that seasonal and/or premium items are important reasons to shop at Costco.

In order to better understand the shopping patterns of our sample, we developed a cross tabulation of frequency of shopping and the important reasons to shop at Costco, shown as Table 1 below. To analyze this table, we distinguish three zones. The top zone includes the top three lines where the reasons mentioned by respondents are important or very important for 80% or more of the respondents. Then, price and quality, for instance, are important or very important for 100% of respondents that buy four times and 2 times per month at Costco. We think that the reasons included in this top zone are categories that strongly determine buying patterns at Costco.

The bottom zone includes the last three lines where the reasons mentioned by respondents are important or very important for less than 20% of respondents. We can see that food samples and seasonal items, for instance, are important for 0% of occasional buyers. We think that the reasons included in this group are not determinants of buying patterns. There is an intermediate zone between the top and bottom sections that includes reasons important for less than 80% and above 20% of respondents. We think that we cannot conclude if those are strong reasons to determine buying patterns without a larger sample and explicit statistical hypothesis testing. Therefore, we focus only on the top and bottom sections.

Given the previous framework, we conclude the following from the data in Table 1:

1. Price (p) and quality (q) are key for regular buyers (four and two times per month) and for once per month buyers. Price is still important for buyers who show up every 3 months, but not so for occasional buyers. Quality is not that relevant for the latter two groups.
2. In addition to price and quality, the most frequent buyers consider return policy (R) and service (Sr) as fundamental reasons to go to Costco, and are the only group that cares about service. The Return policy is also significant to attract buyers that shop once per month. Return policy makes sense with seasonal/premium items, so it seems the most frequent buyers and monthly buyers may be acquiring not only regular stuff but also seasonal/premium items.
3. However, the only group that directly recognizes that new and premium products (N and S) are very important is the clients that shop every 3 months.

Table 2 below presents direct results that address the seasonal and premium items. The group that buys once every 3 months is clearly the group that goes to Costco for this type of items. All of them, 100% say that seasonal and premium products are important or very important for them (Table 2, first question). These answers within the other groups are in the range of 53% and 59%, being the lowest for the most frequent buyers.

Table 1: Frequency of shopping at Costco and Important Reasons of Buying at Costco

Percentage	about once a week	about every two weeks	about once a month	every three months or so	ocassionally
100	P,Q	P,Q		P,N	
90-99	R		P,Q		
80-89	Sr		R		
70-79		R,L,V			P
69-69	L,V	N,Sr	L,N,V,Sr	R,L,Q,S,V	Q
50-59	S,N	S	S		
40-49					
30-39		F	F	F,Sr	L,N
20-29					
10-19	F				R,V,Sr
1-19					
0					F,S

This table shows in the left column the percentage of customers that said, for instance, Price is the most important reason to buy at Costco. Customers are separated by the number of visits to Costco in the other columns, so groups are 'once a week,' or 'once a month.' The rectangle in the top shows the reasons mentioned by 80% to 100% of customers separated by buying frequency groups. The rectangle of the bottom shows the reasons mentioned by 0% to 19% of customers separated by frequency groups. The reasons are P (price), Q (quality); R (return policy); Sr (service), L (location); V (variety); N (new products); S (seasonal products) and F (food samples). Data comes from cross tabulation of questions three and eight of Survey 1.

It seems that regular items rather than seasonal/premium items attract the most frequent buyers, not only on the previous results of frequency buying patterns, but also on spending patterns. As we can see in Table 2 (Question 2), only 23% of the respondents that visit Costco every week declared that seasonal/premium items represent more than 20% of their weekly receipt. However, for buyers that visit Costco once every 3 months, this percentage is 67%. Therefore, seasonal/premium items do not only attract buyers who visit Costco once every 3 months, non-frequent buyers, but they spend most of their purchases in these items. Regular items attract buyers that are more frequent and these account for most of their spending at Costco.

Finally, when the survey asked Costco buyers if seasonal/premium products make Costco more attractive than competitors, 70.1% of all respondents say that they agree or strongly agree (Table 2, question 3). However, this answer is 100% for once every 3 months buyers, 62% and 63% for frequent buyers (Table 2, question 3). Again, reinforcing the idea that non-frequent buyers are more attracted to seasonal/premium items than frequent buyers are.

The second survey revealed additional information including demographics, and results show that 63% of the sample had 3 to 5 family members, 30% had only two members, and the rest had more than five people in their families. Fifty-three percent of them were relatively close to the store (5 miles or less), 33% live between 6-10 miles, and only 13% were further away from a Costco warehouse. Regarding the type of membership in the sample, 54% had executive, 38% basic, and 8% had the business membership, which is consistent with the expected purchases for both business and personal (53% personal only and 47% both).

Regarding possible alternative options with Costco's competitors, 48% had other similar stores available within 10 miles from Costco, which means increased competition for the same target market. Fifteen percent had similar warehouse stores between 11-15 miles, and another 15% had other stores located 16-20 miles away. The rest did not know or were not sure, but only 27% were members of a similar warehouse store. Fifty percent of the respondents have access to use a car, 37% can use a van, and 13% can use pickup trucks.

Table 2: Cross-table Questions for Seasonal and Premium Items

COSTCO offers seasonal products before other retailers, as well as new products, specialty products, imported goods, fancy wines, etc., which are not your "regular" shopping products. Please rate how important is this to make you go to COSTCO.							
How often do you shop at COSTCO?							
Answer Options	about once a week	about every two weeks	about once a month	every three months or so	ocassionally	Response Percent	Response Count
Very important	2	3	7	1	0	16.9%	13
Important	5	13	8	2	0	36.4%	28
Somewhat important	6	9	4	0	2	27.3%	21
Neutral	0	1	3	0	2	7.8%	6
Not important	0	1	5	0	3	11.7%	9
total answers	13	27	27	3	7		77
important and very important (%)	53.8	59.3	55.6	100.0	0.0	53.3%	
What percentage of your typical COSTCO purchase is comprised of new-to-the-store or seasonal items?							
How often do you shop at COSTCO?							
Answer Options	about once a week	about every two weeks	about once a month	every three months or so	ocassionally	Response Percent	Response Count
0 to 10%	8	11	16	0	5	51.9%	40
11 to 20%	2	8	5	1	1	22.1%	17
21 to 40%	3	6	6	1	1	22.1%	17
41 or more	0	2	0	1	0	3.9%	3
answered question	13	27	27	3	7		77
0 to 20%	76.9	70.4	77.8	33.3	85.7	74.0%	
Above 20%	23.1	29.6	22.2	66.7	14.3	26.0%	
The fact that COSTCO has new, seasonal and ever-changing products makes it more attractive than other similar retailers							
How often do you shop at COSTCO?							
Answer Options	about once a week	about every two weeks	about once a month	every three months or so	ocassionally	Response Percent	Response Count
Strongly agree	2	5	4	0	0	14.3%	11
Agree	8	17	12	3	3	55.8%	43
Indiferent	3	3	8	0	4	23.4%	18
Disagree	0	2	2	0	0	5.2%	4
Strongly disagree	0	0	1	0	0	1.3%	1
answered question	13	27	27	3	7		77
Agree and Strongly Agree (%)	61.7	63.1	44.6	100.0	42.9	70.1%	

This table presents the answers of 77 respondents to three specific questions about seasonal and new-in-store products. Data is provided below each question: the answer options are on the left column, customers are separated by buying frequency, and the number of respondents is in the right column. The rows in red are the sum of the first two numbers in each column expressed in percentages.

In reference to the amount of money spent per visit, 43% responded they spend between \$ 100-200, 33% less than \$ 100, and the rest spend more than \$ 200 per visit. On a yearly basis, 30% of the responses stated they spend less than \$ 1000 a year, 15% between \$ 1000-3000, another 30% spend between \$ 3000-5000, and 25% of the sample spend more than \$ 5,000 dollars a year. Two of the respondents to this question said they buy more than \$ 15 000 a year in Costco.

CONCLUSION

The purpose of this paper was to explore how much of Costco’s treasure hunt strategy is effectively enticing customers to shop more often or spend more money as result of impulsive tendencies rather than

cognitive perception. After recognizing that the hunt strategy was based on seasonal, new-in-store products and premium items, we use a qualitative research survey to answer two research questions: How much are Costco members attracted to distinctive seasonal and premium items? Do seasonal and premium items foster more frequent visits and larger disbursement each time?

The results for the first question from a sample dominated by adult Hispanic population shows that only buyers who visit the store once every three months proved our research question regarding the “treasure hunt” strategy to attract customers to shop more frequently. It demonstrated that impulse tendencies were stronger than cognitive perception for this group, but not for the other more frequent buyers.

The answer for the second question regarding seasonal/premium items fostering more frequent visits and higher expenditure per visit has two parts. On the one hand, we can say with certainty that these items do not promote more frequent visits because it is the once every 3 months group of buyers that is strongly attracted to it. The more frequent buyers just find a complement but not a strong reason to go there. On the other hand, tickets amounts are higher because of these items for all groups. This is also valid for the frequent buyers that spend 23% of their expense on seasonal/premium items. Therefore, we can imply that the seasonal and premium items do increase the total purchases per visit, but not necessarily the frequency of visits.

The group that seems to be very attracted to seasonal/premium items is not big respect to the others, only 4% of our sample. The bulk of Costco clients in our sample dominated by Hispanic adults are buyers that shop twice per month and once per month. The average visit is 20 times per year, just a little bit below the 22 average mentioned by Boyle (2006) for a Costco members. Price and quality are very important for our sample but not seasonal/premium products. It may be that price or a combination price/quality and limited selection of regular items is enough arguments to entice buyers to buy more frequently, or that the combination price/quality of bulk items is the argument of competitive advantage against close competitors that may only have price advantage. There is no doubt that seasonal/premium items generate some level of excitement for all Costco members but the effect on incremental demand seems to be still marginal.

One possible limitation of this research was the sample population based on convenience sampling selection. As we already mentioned, this sample was mostly Hispanic male adults. It could be interesting to find evidence that shopping habits of this sample significantly differs from the rest of Costco members. It could be also interesting to research if gender is relevant in these results.

This exploratory research supports the possibility for developing the hypothesis that “the treasure hunt merchandising strategy implemented by Costco is a determining factor in increasing store sales for the non-frequent buyers.” A subsequent descriptive, conclusive research study will be necessary to test that hypothesis with a larger sample.

APPENDIX

Appendix A: Survey One

1. Do you shop at COSTCO? If you answer "No, never", you have completed the survey so please click submit at the end and thank you for your time.
 - a. Yes
 - b. No
2. What is the first thing that comes to mind when you think of COSTCO? (using word completion)
3. How often do you shop at COSTCO?
 - a. About once a week
 - b. About once every two weeks
 - c. About once a month
 - d. Every three months or so
 - e. Occasionally
4. Please rate the reasons why you like COSTCO: (using Likert itemized ranking scale of very important, important, somewhat important, neutral, not important)
 - a. price
 - b. location
 - c. quality
 - d. new and exciting products
 - e. seasonal items
 - f. service
 - g. variety
 - h. return policy
 - i. food samples
5. COSTCO offers seasonal products before other retailers, as well as new products, specialty products, imported goods, fancy wines, etc., which are not your "regular" shopping products. Please rate how important this is to make you go to COSTCO (using Likert itemized ranking scale of very important, important, somewhat important, neutral, and not important).
6. What percentage of your typical COSTCO purchase is comprised of new-to-the-store or seasonal items?
 - a. 0 to 10%
 - b. 11 to 20%
 - c. 21 to 40%
 - d. 41% or more
7. Rank the following COSTCO categories as one for the most important, two for the following, and so on, until seven to the least important category/product (possible responses one to seven ranking)
 - a. Books/DVD/CD
 - b. Clothing
 - c. Electronic items
 - d. Imported food
 - e. Plasma and other TV's
 - f. Sporting goods
 - g. Wines
8. The fact that COSTCO has new, seasonal and ever-changing products makes it more attractive than other similar retailers do.
 - a. Strongly agree
 - b. Agree
 - c. Indifferent
 - d. Disagree
 - e. Strongly disagree
9. How upset does it make you when you go to COSTCO to get a particular item and you realize they no longer carry it?
 - a. Very upset
 - b. Upset
 - c. Neutral
 - d. It is the way they operate
10. Your demographic information
 - a. Gender – male or female
 - b. Age bracket
 - i. Less than 25
 - ii. 25 to 40
 - iii. 40 to 50
 - iv. 50 to 60
 - v. More than 60
 - c. Ethnic background
 - i. Caucasian
 - ii. African-American
 - iii. Hispanic
 - iv. Pacific islander
 - v. Native American
 - vi. Other

Appendix II: Survey 2

1. How many people are in your household?
2. How many miles (approximately) does it take you to travel to Costco?
3. How many miles is it for you to an alternate Club (Sam's, BJ Wholesale or others)?
4. Do you have a membership in more than one club?
5. What is the largest vehicle regularly available to you?
6. What type of membership do you have?
7. Do you shop at Costco primarily for Personal or business purposes?
8. Approximately how much money do you spend each year at Costco?
9. Approximately how much money per visit do you spend (in dollars) at Costco?
10. What is your percentage of total purchases at Costco? (Including not only food and cleaning items, but also electronics, clothing, Gifts, and so forth)

Appendix III: Demographics

Demographic Information							Response Count
Gender			male		female		
Responses			44		33		77
Age Bracket			Less than 25 years	25 to 40	40 to 50	50 to 60	More than 60
Responses			0	24	19	23	11
Ethnic Background	Caucasian	African-American	Hispanic	Pacific Islander	Asian-American	Native American	Other
Responses	18	1	53	1	1	0	2

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TOURISTS' PERSPECTIVE OF THE BRAND IMAGE OF MAURITIUS

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ABSTRACT

Brand image is a prominent marketing tool for many destination marketers. A strong brand image is equivalent to a rise in first-time customer purchase, positive word-of-mouth (WOM) and customer loyalty. Mauritius is a popular holiday destination for Europeans, however, there is a lack of research on the perceptions of its brand image among tourists visiting the island. The current study aims to fill this gap by investigating the brand image of Mauritius among European tourists. A conceptual framework that enables to establish the link between destination positioning, brand image, tourists' expectations and perceptions, customer value, word-of-mouth and destination loyalty is proposed. Descriptive statistics and one-way ANOVA are used to analyze the results. The results reveal that the brand image of Mauritius is associated mostly with the Sun, Sea and Sand (3S), a peaceful and relaxing environment, and the hospitality of Mauritians. In order to consolidate the brand image of Mauritius, the weak brand image attributes have to be redressed. Results also reveal positive relationships among perceptions, customer value, loyalty and WOM. The ANOVA analysis reveals that gender and repeat visit have various degrees of influence on brand image, while age show no indication of significant impact.

JEL: M31

KEYWORDS: brand image, destination, Mauritius, tourism, word-of-mouth, repeat visit

INTRODUCTION

The purpose of this study is to investigate the brand image perceptions among European tourists to determine the importance of brand image attributes in destination positioning. Tourism contributes significantly to the economy of Mauritius. In 2006, tourism receipts amounted to Rs 31,942 million and provided direct employment to 25,798 individuals. In the same year, 788,276 tourists visited Mauritius and the projection is 2 million by the year 2015. Europe is the most important market where 510,479 tourists visited the island in 2006 (Central Statistical Office, 2007). Mauritius, an island covering 1,860 square kilometers (720 square miles) with 1.2 million inhabitants is a well-known holiday destination for beach-resort tourists. It has a range of positive features upon which its tourism appeal is established including its tropical climate with beaches, lagoon, tropical fauna and flora, as well as a multi-ethnic population. The brand image of Mauritius has been predominantly shaped by the marketing efforts carried out by the Mauritius Tourism Promotion Authority (MTPA) which is the national organization responsible for promoting the tourism product in internationally in selected markets. The principal asset underpinned in the communication tools is that of the Sun, Sea and Sand (3S) which depicts Mauritius as a paradise island with friendly multi-cultural inhabitants. The branding efforts in the European market attempt to position Mauritius as a unique luxury destination. The marketing efforts are also increasingly being placed on the history of the island, spas, therapeutic centers, various sports activities and safety of the destination. Although the MTPA spends considerable efforts in creating and maintaining the brand, it is not guaranteed that the European tourists are positively influenced by these marketing efforts. The purpose of this paper is to present the concept of brand image from the tourists' point of view. This study investigates the brand image attributes that Europeans use to depict Mauritius as a tourism destination and whether there is a gap between the expectations and perceptions in relation to the brand image attributes.

The paper is organised as follows: the introductory section gives a brief description of the brand image of Mauritius. This is followed by relevant literature on branding, destination branding and brand image. The conceptual framework is then presented. The research methodology and the empirical analysis are described, followed by conclusions and limitations of the study.

LITERATURE REVIEW

Branding has been used extensively due to the variety of benefits it offers to a product. Aaker (1991) defines a brand as a distinctive name and/or symbol such as a logo or trademark used to recognize the goods/ services of one seller, or group of sellers, and to differentiate them from competitors attempting to provide similar products/services. Gregory (1993:39) argues that a 'strong brand sticks out in a crowd' and hence, owns a place in the customer's mind. A strong brand reduces the factor of risk experienced by consumers (Berthon, Hulbert and Pitt, 1999), diminishes the marketing and search costs (Assael, 1995), enhances the quality of the product (Erdem, 1998), and differentiates the product from competitors (Gregory, 1993; O'Cass and Lim, 2001). Branding is the best way to make consumers aware of the added value that a product has, and hence largely contributes to customer retention and loyalty.

Although Destination Marketing Organizations (DMO) can spend a lot of effort in creating and sustaining the destination brand, it is not guaranteed that the consumers will be positively influenced by these marketing efforts. Prebensen (2007) argues that many destinations struggle to build a powerful brand as they are often unable to distinguish themselves from competitors. Branding a destination is complex due to the characteristics of intangibility, inseparability and interdependence of several components of the destination that represents the holiday experience. Consumers evaluate the holiday experience and spread positive or negative word-of-mouth (WOM) depending on the extent to which they are satisfied with the different elements associated with the holiday destination. Since the intangible nature of the destination implies that such a 'product' cannot be seen or experienced prior to purchase, a successful brand is one where the destination is depicted to target markets in a manner that can persuade tourists to think and react positively to the destination (Martinez and Pina, 2003). Every product has a perceived image and a set of attributes in the consumers' minds, which is the product, service or brand positioning (Dibb and Simkin, 1993). The brand developed is based on the position that a destination seeks to hold in the market place (Ritchie and Crouch, 2003). A tourist attaches significant importance to the position of a brand as the latter influences her/his decision-making process when s/he considers alternative destinations to choose from. Effective positioning of a brand entails that the destination needs to attract tourists from other countries or regions to become competitive.

Brand image is defined as the consumer's mental representation of the offering (Dobni and Zinjkan, 1990) where symbolic meanings are associated with the specific features of a product (Padgett and Allen, 1997) or destination. With a clear and powerful brand image, destinations are able to position their products and directly appeal to the needs of their consumers (Aaker, 1991; Baloglu and Brindberg, 1997; Cai 2002). Brands generate sets of quality expectations or images of the destination that individuals usually desire prior to consumption (Metelka, 1981). Since the consumers cannot experience the destination's products and services sold to them before purchase, they can solely trust the brand image and value communicated to them through planned marketing communications. In order to develop a strong brand image, it is essential that the communication efforts be carried out over the long-term (Martinez and De Chernatony, 2004). The result is that the desired message about the product/service will reach the consumers and the benefits associated with the former will be vividly present in their minds in the form of images.

The literature reveals that the definition of brand image is complex and creates confusion. Crompton (1979) contends that destination image comprises of beliefs, ideas and impressions that a tourist has of a destination. Ahmed (1991) uses the term tourist image to define the tourists' mental picture of a

destination through a representation of what they ‘see’ and ‘feel’. In this study, the concept of brand image is defined based on the definitions of tourist image and destination image and acknowledges that these terms can be used interchangeably. The brand image is developed largely from marketing stimuli provided by formal marketing communication tools. The brand image is also influenced by informal promotional tools being WOM (Berry and Parasuraman, 1991) and the consumers own experiences [of the destination] (Berry and Seltman, 2007). These numerous factors create mental pictures representing what tourists observe and feel/experience about the destination. Several studies have also focused on the brand image attributes of destinations (Embacher and Buttle, 1989; Echtner and Ritchie, 1993; Walmsley and Jenkins, 1993). Attributes have been defined as the ‘descriptive features’ typifying a product or service (Keller, 1998: 93). The brand image attributes can be separated into functional and psychological dimensions (Echtner and Ritchie, 1993). The functional aspects are associated with the tangible or measurable attributes whereas the psychological/emotional aspect comprises of the more symbolic or intangible attributes. The brand images attributes position the destination in the marketplace and distinguish it -from competitors.

THE CONCEPTUAL FRAMEWORK

A framework is developed to illustrate the relationship between destination positioning, brand image attributes, expectations and perceptions, WOM, customer value and destination loyalty (Figure 1). The framework suggests that both the functional and psychological brand image attributes are fundamental aspects of destination positioning. Brand image attributes create tourists expectations largely through marketing stimuli used by DMO in the forms of traditional promotional tools. Customers’ are influenced to visit the destination based on the attractiveness of the portrayed brand image attributes. After their purchase, customer perceptions are deduced based on their experience of the destination. A high perception will create customer loyalty, generate customer value and contribute to positive WOM. The brand image attributes has been adopted from the work of Echtner and Ritchie (1993). They suggest an attribute-based scale to measure tourist perceptions of the destination and argue that a destination should make a comprehensive analysis of its image by combining together the different image attributes in order to identify the most functional and psychological characteristics of the destination.

The conceptual framework also highlights the importance of measuring the gap between expectations and perceptions which needs to be identified to know if the brand image attributes being projected prior to the visit are aligned with the actual experience. Research that reveal the link between expectations and perceptions have been numerous and originally carried out by Parasuraman, Zeithaml and Berry (1988) to measure service quality by using the gap model. In this study, this technique has been borrowed from the service quality methodology and applied to the measurement of a destination’s brand image attributes.

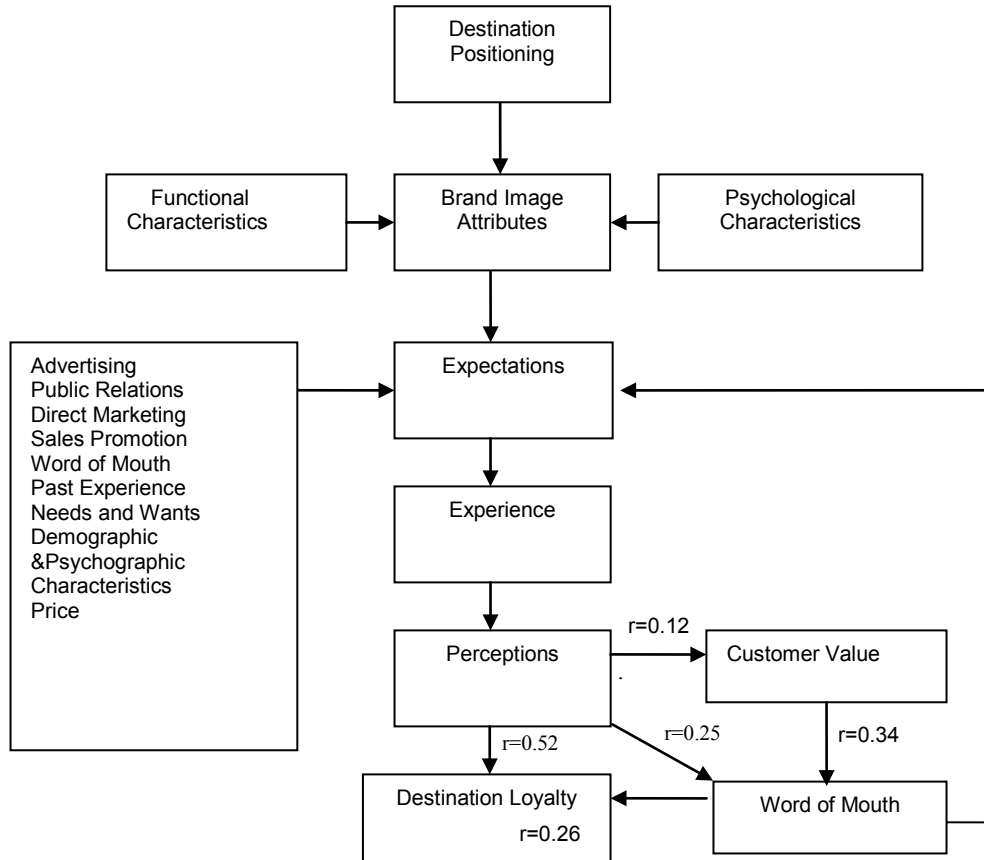
The framework depicts the impact of perceived brand image attributes on customer value. Customer value has been described as the perceptions of customers regarding the trade-off that they experience between the benefits they receive from a service and the sacrifice components (Cretu and Brodie, 2007). For the purpose of this study, customer value is defined as a destination experience which represents value for money.

DATA AND METHODOLOGY

The study is based on the design and administration of a survey questionnaire. An 18-attribute scale is used to measure customer expectations and perceptions. Figure 2 refers to the brand image attributes identified in the literature which has been amended to include specific features of the destination that is presently under scrutiny. The intention is to measure if the perceptions of the tourists are similar to the desired images that have been used to position Mauritius. The respondents were asked to rate their

expectations and perceptions of each attribute using a 5-point Likert Scale. Open-ended questions were designed to support tourist perceptions with regard to the brand image attributes of the destination.

Figure 1: The Conceptual Framework



This framework illustrates the relationship between destination positioning, brand image attributes, expectations and perceptions, WOM, customer value and destination loyalty.

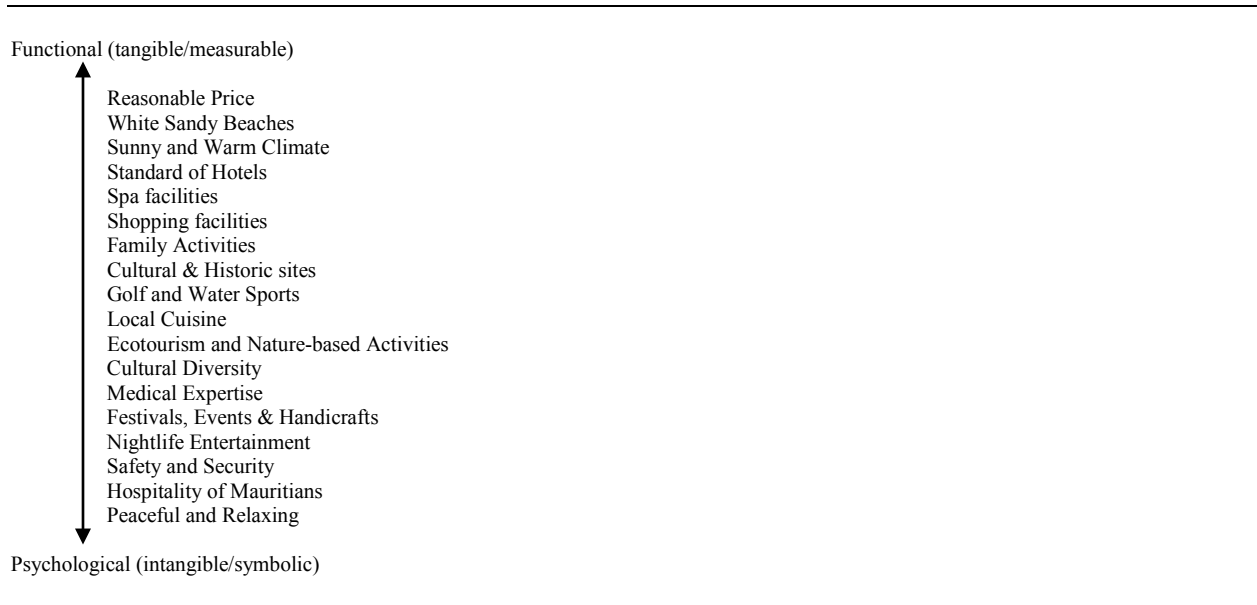
Data was collected from departing European tourists at the airport of Mauritius which was considered the most appropriate place to obtain the opinions of travelers about their perceptions of the destination. It was important to survey departing tourists as they would be in a better position to express their views based on their experience with several aspects of the destination. The survey was carried out over a 4 weeks period in March 2007 at the check-in-line and departure lounge. The convenience sampling technique targeted European travelers who were keen to complete the questionnaire. 400 self-administered questionnaires were distributed mainly to French, British, German, Belgian, Italian and Swiss tourists.

RESULTS AND DISCUSSION

Out of 400, only 342 (85.5%) respondents completed the questionnaire. Approximately the same percentage of male and female tourists was surveyed (51.1% and 48.9% respectively). The majority of the respondents were aged between '30 – 39' and '40 – 49'. 56.7% of the European respondents were on their first visit, 43.3% were repeaters among which 17.0% had visited the island twice and were on their third visit. Those who stayed for 1 week were mainly first-time visitors usually on honeymoon or have

planned short vacation trip with their family due to limited working holidays. 97.1% of the European tourists would recommend Mauritius as a tourist destination to their friends and relatives. 97.4 % felt that their holiday experience was value for money.

Figure 2: List of Brand Image Attributes



Functional and Psychological brand image attributes used in the study.

Tourists were asked to rate their expectations of the brand image attributes prior to their visit on a Likert Scale (1 very poor – 5 excellent). The mean value obtained was 3.79 for their overall expectations across all attributes (Table 1). The mean values for functional and psychological dimensions were 3.7 and 4.4 respectively. The highest mean value among the functional attributes related to “sunny and warm climate” and “white sandy beaches” with mean values of 4.6 and 4.4 respectively. These were followed by “local cuisine” and “standard of hotels” both with mean values of 4.3. However, relatively low expectation scores (3.0) were found for “family activities”, “spa facilities” and “festivals, events and handicrafts” (3.1). The highest mean scores for the psychological attributes were 4.6 for “peaceful and relaxing” and 4.5 for “hospitality of Mauritians”.

The findings also revealed- that the functional attributes mostly appreciated by tourists during their stay were 4.5 for “white sandy beaches” and “sunny and warm climate”, followed by 4.3 for “standard of hotels”. These attributes indicate that Mauritius as a tourist destination is well positioned in the European countries for its beaches, quality of hotels and service delivered by the hotel staff, who are extremely polite and ‘pamper’ the tourists. However, there was a relatively low perception score of 3.2 for “family activities” followed by “festivals, events and handicrafts” (3.3).

Tourists were also required to rate their perceptions of the brand image attributes after their visit on a Likert Scale (1 very poor - 5 excellent). The most appreciated psychological attributes were “hospitality of Mauritians” with a mean value of 4.6. This is supported by the opinions of tourist obtained from the qualitative responses generated from the survey. The hospitality aspect played a crucial role in the respondents’ experience and satisfaction at the destination. They felt that their presence on the island was most welcome by ever-smiling friendly people, who build up a sense of security and reduce their uncertainty about the destination. This may influence the purchase behavior of tourists as they may develop an emotional attachment with the destination. Another important psychological attribute was

“peaceful and relaxing” destination which scored 4.5. Visitors stated that Mauritius is “a getaway, free of stress and suitable for rest”.

Table 1: Gap Scores for Expectations and Perceptions

	Expectation Mean	Perception Mean	Gap	t-values
Functional Dimension				
White Sandy Beaches	4.4	4.5	+0.1	2.9*
Cultural and Historical Sites	3.3	3.6	+0.3	6.2*
Ecotourism and Nature-based Activities	3.2	3.5	+0.2	4.5*
Family Activities	3.0	3.2	+0.2	5.5*
Standard of Hotels	4.3	4.3	+0.0	-0.7
Local Cuisine	4.3	4.1	-0.2	-1.2
Festivals, Events and Handicrafts	3.1	3.3	+0.2	4.1*
Medical Expertise	3.6	3.4	-0.2	-2.5*
Cultural Diversity	3.7	4.0	+0.2	4.8*
Nightlife	3.2	3.4	+0.2	2.4*
Spa Facilities	3.0	3.4	+0.5	8.3*
Reasonable Price	4.2	3.9	-0.3	-5.9*
Golf and Water Sports	3.5	3.7	+0.3	5.3*
Shopping Facilities	3.6	3.5	-0.1	-1.9
Sunny and Warm Climate	4.6	4.5	-0.1	-2.8*
Dimensional Scores	3.7	3.4	-0.3	-9.2*
Psychological Dimension				
Safety and Security	4.2	3.9	-0.2	-5.4*
Hospitality of Mauritians	4.5	4.6	+0.1	0.6
Peaceful and Relaxing	4.6	4.5	-0.1	-1.4
Dimensional Scores	4.4	4.3	-0.1	-3.7*
Overall (combined scale of 18 attributes)	3.79	3.84	0.05	2.50*

Table 1 presents the perceptions, expectations and gap scores for tourists' perceptions of brand image of Mauritius. Gap mean is defined as perceptions mean – expectations mean. * Items significantly different between expectations and perceptions scores at probability < 0.05 (two-tailed tests).

They also perceived the destination to be a paradise tropical island which resulted in making their holidays, enjoyable, relaxing and pleasant. The respondents stated that although they have to travel a long distance and spend at least 12 hours to reach Mauritius, it is a privilege to be in a calm and restful environment surrounded by beautiful beaches and wonderful local people. This shows that the destination setting is vital for the tourist experience and consolidates the brand image. The least performing psychological attribute was “safety and security” with a score of 3.9 as a few tourists were robbed during their stay. The largest gap scores were found with respect to functional attributes, such as “spa facilities” (+ 0.5) and “reasonable price” (- 0.3). This indicates that tourists were more sensitive about tangible attributes. Regarding the psychological attributes, tourists felt that “safety and security” (- 0.2) was the largest gap.

Paired *t*-tests were carried out to investigate if there was a statistically significant difference between the expectations and perceptions scores. The paired-sample *t*-tests between the two sets across all attributes indicate a statistically significant difference on 13 of the 18 items examined. Within these 13 attributes, only four attributes, “medical expertise” (-0.2), “reasonable price” (-0.3), “sunny and warm climate” (-0.1) and “safety and security” (-0.2) have negative gap scores. The attribute regarding “sunny and warm climate” was below the expectations of tourists as Mauritius was under the influence of a cyclone and this has had an impact on the climate. The results indicate that in most cases, tourists perceived the destination brand image as being higher than they expected it to be. In addition, the overall gap score (defined as Perceptions minus Expectations) was +0.05 (Sig. 0.013), which indicates that the destination performed better as compared to the expectations of visitors.

Correlation analysis is used to examine the rationale that high perceptions will lead to creation of customer value, generate WOM and destination loyalty. Thus, as a preliminary step the simple

correlation coefficients for these variables are examined (Figure 1). The findings show that there are positive relationships between perceptions and customer value ($r=0.12$), perceptions and WOM ($r=0.25$), perceptions and destination loyalty ($r=0.52$), customer value and WOM ($r=0.34$), WOM and destination loyalty ($r=0.26$). Though indicating a weak relationship, this shows that the tourists perceived that the destination represented value for money and are likely to spread positive WOM. Hence, WOM is a factor which influences brand image and is an integral part in consolidating the brand image of a destination. The perceptions of brand image attributes also strongly determine tourists' repeat purchase intentions.

A one-way analysis of variance (ANOVA) was used to analyze if the mean values of brand image dependency were significantly different in relation to gender, age and repeat visits (Table 2). It is important for DMO to understand the effect of key demographic characteristics on tourists' perceptions on brand image. Results showed that there are significant differences in relation to gender ($F = 2.291$; $p < 0.000$) and repeat visit ($F = 13.987$; $p < 0.000$), while age show no indication of significant impact. The results suggest that tourists' repeat visit have a higher influence on brand image than tourists' gender.

Table 2: ANOVA results

Independent variable	Gap scores	Sum of squares	Df	Mean square	F-value	Significance
Gender	Between Groups	26.390	1	4.039	2.491	0.000
	Within Groups	57.563	341	0.289		
	Total	83.953	342			
Age	Between Groups	0.690	1	0.172	0.572	0.683
	Within Groups	78.535	341	0.301		
	Total	101.535	342			
Repeat visit	Between Groups	4.039	1	0.498	13.987	0.000
	Within Groups	98.186	341	0.200		
	Total	102.225	342	0.498		

Table 2 shows tourists' perceptions of brand image in relation to their gender, age and repeat visit. The demographic variables gender and repeat visit have significant influence on tourists' brand image perceptions ($p < 0.000$). Df = Degree of freedom

The comparison between expected and perceived image reveals that the brand image of Mauritius as depicted by destination marketers is largely confirmed by the European tourists. The results confirm that no repositioning of Mauritius is needed as the brand image reflects that the destination has been strongly positioned in the European market. The brand image addresses the needs of the Europeans and motivates them to travel a long distance to reach the destination. The findings support view of Echtner and Ritchie (1993) that both the functional and psychological attributes are important in evaluating the brand image of the destination.

The strongest brand image attributes are the "white sandy beaches", "hospitality of Mauritians" and "standard of hotels". It should be acknowledged that these strong attributes are synonymous to the Mauritian brand. They are images that have been extensively portrayed through numerous marketing efforts over decades. Therefore, it supports the literature which reveals that creating a brand image is a long process and successful brand images are carefully conceived over a period of time (Martinez and De Chernatony, 2004). It has been found that the motivation behind European travel was for peace and relaxation. They sought calm, restful and relaxing environment for their holidays and so prior to their visit, this specific attribute was highly important as they valued it the most after the beaches, sunny climate and hospitality of the locals.

Although Mauritius is famous for its 3S and perceived as a friendly destination, tourists have had experiences which may impinge on its future brand image. A positive image may continue even long after the factors that molded it have changed (Fayeke and Crompton, 1991: 10) and therefore although the

present image is one where the local inhabitants are hospitable, the negative incidents such as tourists being victims of robbery and exploited in their shopping activities are likely to spoil the brand image of the destination over the long-term. Another factor which impinges on the brand image is unclean environment and litter which should be managed by sensitizing the locals about environment issues, such as not protecting the environment will result in damaging one of the most important brand attribute underpinning the destination's tourism appeal.

More resources should be directed towards improving the weak image attributes and maintaining the strength of the existing attributes. The majority of tourists have stated that family activities are not strongly depicted in the marketing efforts in Europe. It is recommended that promotion of family activities should increase as many tourists after their visit believe that Mauritius is ideal for families. The study also revealed that improvement should be made in the following areas: road networks, road signage, traffic congestion, pollution and wreckless taxi drivers. It is also crucial for local inhabitants of a tourism destination to know what the brand image of their destination stands for (Kotler, Bowen and Makens, 2003) as it largely influences the brand image of a destination. The DMO depicts the brand image which is a promise about the holiday experience but it is essential for the visitors to enjoy an experience that 'corresponds to their needs and matches the image that they hold of the destination' (Joppe, Martin and Waalen, 2001: 252).

CONCLUSIONS

The purpose of this study was to investigate the brand image perceptions of Mauritius among European tourist. Descriptive statistics and one-way ANOVA were used to analyze the results. The study shows that no repositioning of Mauritius is needed as both the functional and psychological brand image attributes reveals that Mauritius has been positioned as a distinctive destination. These attributes are highly important to Europeans and likely to determine their decision-making process and repeat purchase intentions. The strong relationship between perceptions and destination loyalty reveals that the destination has succeeded to match the tourists' actual experience with the promises made to the consumers prior to travel. Nevertheless, efforts are needed to address the weak image attributes and consolidate the overall brand image of Mauritius perceived by the European tourists. Destination marketers should continue to focus on developing promotional campaigns that highlight both the functional and psychological attributes as they are ubiquitous in consumers' decision-making process. The study reveals that there is a relationship between the perceptions of brand image attributes and WOM in the context of tourism destinations. Since Mauritius has a high rate of loyal customers and repeaters have established expectations, it is important to identify the perceptions of tourists after the first visits and determine if efforts should be carried out to enhance the perceived attributes of the destination. Therefore, focusing on WOM and continuing to improve the features of the destination is imperative for the destination (Joppe *et al.*, 2001). Therefore, a careful appraisal of the weak attributes of the destination needs to be performed. This is further supported by the ANOVA model which indicated significant differences among gender and repeat visit on brand image perceptions. As repeat visit has a greater impact on brand image, therefore DMO must continuously measure tourists' perceptions of brand image so that they are able to device more effective marketing strategies to restructure their markets for better competitive advantage.

Limitations and Future Research

The limitations of the study must be noted when interpreting the results and developing future research. It must be acknowledged that the respondents' opinions may be somewhat influenced by the fact that they were already in Mauritius when completing the part questionnaire related to expectations. The sample may not fully reflect the perceptions of Europeans. The survey was conducted in March 2007 and thus the sample may not be representative of the European tourists who visited the destination during other periods of the year. Another study analyzing cross-cultural perceptions and expectations would be

valuable in enhancing knowledge on how best to position the destination in different European countries based on brand image attributes. For future studies, tourists from different countries should be included, and additional studies should be conducted during different seasons and at different destinations.

APPENDIX: QUESTIONNAIRE

Directions: Please write down your answers in the space provided or place a tick in the box where appropriate.

1. (a) is this your first visit to Mauritius? Yes No

- (b) If No, how many times have you visit Mauritius before?

- Once Twice Thrice More than three times

2. Using the table below, please indicate what you expected from the destination before your visit. Your expectations reflect your opinions about the following attributes prior to visiting Mauritius. Please encircle the appropriate answer: 1-Very Poor, 2- Poor, 3- Neither good nor poor, 4- Good, 5- Excellent.

Attribute statements	Very Poor	Poor	Neither good nor poor	Good	Excellent
White Sandy Beaches	1	2	3	4	5
Cultural and Historic sites	1	2	3	4	5
Ecotourism & Nature-based Activities	1	2	3	4	5
Families Activities	1	2	3	4	5
Hospitality of Mauritians	1	2	3	4	5
Local Cuisine	1	2	3	4	5
Festivals, Events & Handicrafts	1	2	3	4	5
Sunny and Warm Climate	1	2	3	4	5
Cultural Diversity	1	2	3	4	5
Nightlife Entertainment	1	2	3	4	5
Peaceful & Relaxing	1	2	3	4	5
Standard of Hotels	1	2	3	4	5
Reasonable Price	1	2	3	4	5
Safety and Security	1	2	3	4	5
Medical Expertise	1	2	3	4	5
Shopping Facilities	1	2	3	4	5
Spa Facilities	1	2	3	4	5
Golf and Water Sports	1	2	3	4	5

3. After your visit to Mauritius, please indicate your perceptions for the following attributes. Encircle the appropriate answer: 1-Very Poor, 2- Poor, 3- Neither good nor poor, 4- Good, 5- Excellent.

Attribute statements	Very Poor	Poor	Neither good nor poor	Good	Excellent
White Sandy Beaches	1	2	3	4	5
Cultural and Historic sites	1	2	3	4	5
Ecotourism & Nature-based Activities	1	2	3	4	5
Families Activities	1	2	3	4	5
Hospitality of Mauritians	1	2	3	4	5
Local Cuisine	1	2	3	4	5
Festivals, Events & Handicrafts	1	2	3	4	5
Sunny and Warm Climate	1	2	3	4	5
Cultural Diversity	1	2	3	4	5
Nightlife Entertainment	1	2	3	4	5
Peaceful & Relaxing	1	2	3	4	5
Standard of Hotels	1	2	3	4	5
Reasonable Price	1	2	3	4	5
Safety and Security	1	2	3	4	5
Medical Expertise	1	2	3	4	5
Shopping Facilities	1	2	3	4	5
Spa Facilities	1	2	3	4	5
Golf and Water Sports	1	2	3	4	5

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ADOPTION OF INTERNET BANKING: EVIDENCE FROM FRANCE

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ABSTRACT

Internet banking plays an important strategic role in the marketing of industrial banking. A previous study on a developing country (Mexico) was used as a model to show the similarities and differences with online banking in a developed country (France). This study, as in the Mexican example, examines the usage factors of online banking in France, using quantitative and qualitative methodology. Factorial Analysis suggests that there are a concrete number of common characteristics between Mexican users and French users, as well as certain distinctive characteristics between both samples. An interesting question was to see whether, in the Mexican case, the human factor is a relevant factor in the usage or non-usage of internet banking and whether it would be a weakness for French internet banking. Particular factors for French consumers were found, such as self-government (autonomy) and pragmatism.

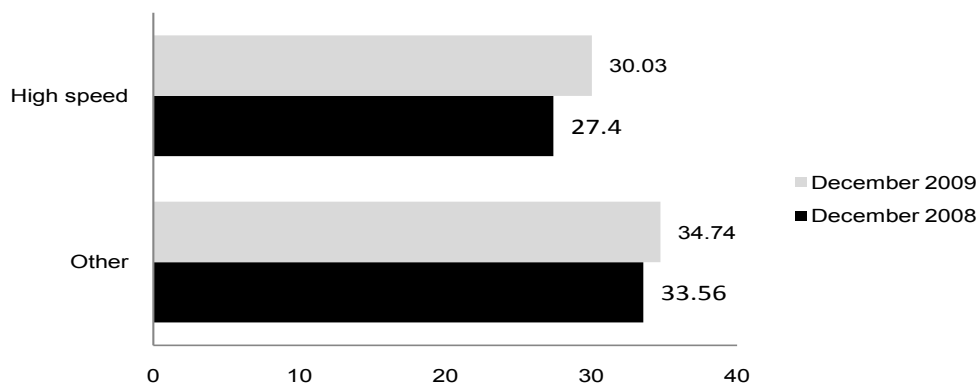
JEL: M31, G29

KEYWORDS: Internet banking, factor analysis, Internet banking users.

INTRODUCTION

In France, the use of Internet, and more specifically of Internet Banking, is a phenomenon that has been in constant evolution over the past few years. In December 2009, there were over 34.7 million active internet users over the age of 11, a 4% increase from 2008. These figures suggest that 65% of the French population currently has internet coverage. Of these 34.7 million internet users, 61% have declared that they access internet directly from their homes using a high-speed connection. This is a 10% increase from 2008.

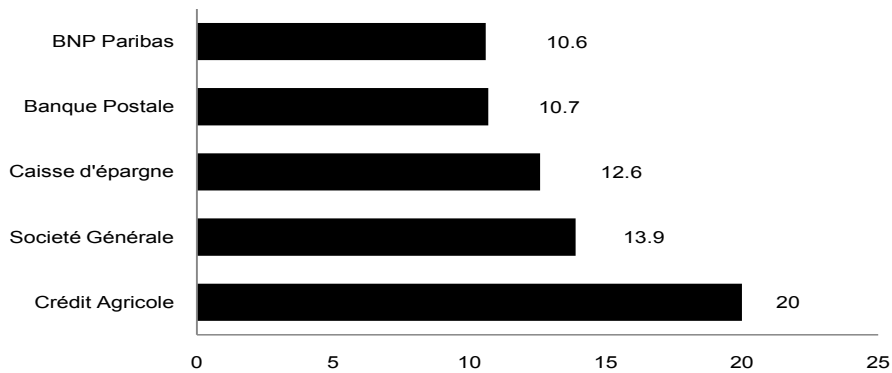
Figure 1: Internet Users' Evolution, France. (Millions of Users, over the Age of 11)



Source: Mediamétrie, 2010. More the 34 millions of internet users in France in December 2009.

Regarding on-line banking, the latest data available shows that, of the five major banks in France (Crédit Agricole, Société Générale, Caisse d'épargne, Banque Postale, BNP Paribas), the number of on-line banking users is around 15.7 million, which is approximately equivalent to 47% of Internet users.

Figure 2: Top five Banks Using Online Banking (January-March 2009)



Source: Médiamétrie//NetRatings, May 2009. 15.7 million On-line banking users in France.

Our objective is to become more familiar with the characteristics of this French clientele, in order to understand what motivates the use of internet banking, and be able to analyze retrospectively the similarities and differences with other cultures in which a high level of on-line banking use may also be found.

A previous study on the features of the adoption of internet banking in Mexico has shown eight separate factors of usage in the Mexican population. These factors were difficulty, trust, compatibility, third-party concerns, human contact, reference group influence, security and computer skills. Of all these aforementioned factors, human contact was the distinguishing factor for Mexican users relative to factors present in similar studies in other societies.

In the present study, we will analyze the similarities and differences of the Mexican example and French example. From samples with similar socio-economic characteristics, one of the most important particularities is the existence of a higher degree of collectivism in Mexican culture compared to French culture, which supposes that in the Mexican example that human factor is the most important element in the usage behavior of internet banking.

This article is organized as follows: section 2 briefly analyzes the theoretical framework of internet banking. The methodology and instruments used in the development are exposed in section 3. Section four presents in résumé form analyses made as well as the principal findings. Section 5 will offer a conclusion.

LITERATURE REVIEW

Digital technology has become an important factor for both the industrial and the service sectors, and it is considered to be an external force that can affect a firm's success. In the service sector, many commercial banks have adopted Internet banking. Now, bank customers can perform many transactions on the banks' websites such as checking the balance, transferring money to a third party, payroll payments, ordering checks, and paying bills.

In the past few years, there has been a growing interest in the study of internet banking both in terms of academic interest and in the banking industry. For academics, whether the characteristics which incite consumers to adopt on-line banking are systematically identified is of interest to researchers. For senior bank management, being aware of clients' perceptions toward Internet banking helps may help to understand their customers better, which will help increase clients' satisfaction.

The literature review presented here aims at identifying which specific factors influence French users to turn toward Internet banking. As very few studies exist concerning Internet banking use in France, we have had to rely on existing studies done in other countries, which have enabled us to extrapolate the relevant factors. One of the first authors in the study of the motivational factors of the use of internet banking was Rogers (1995) who identified innovation, communication, availability and social structure as elements that motivate or discourage the use of internet banking.

Rogers demonstrated that these four elements were identifiable in every diffused research study. He explained innovation as an idea, a practice or an object that was perceived as new by an individual or another unit of adoption. By that, we can see that the concept of innovation is highly linked to clients' ability to perceive and identify something as "new". The perceived newness of the idea for the individual determined his or her reaction to it. In addition, the newness aspect of an innovation may be expressed in terms of knowledge, persuasion, or through the client's effective decision to adopt the concept or product.

Rogers further explained in his study that it should not be assumed that the diffusion and adoption of any form of innovation was necessarily desirable. Some types of innovation may be desirable for one person in a given situation, but undesirable for another potential user or nonuser in different situations. These aspects will be of great help to us when endeavoring to examine the factors which incite French clients to adopt online banking, given that its being seen as desirable or undesirable is one of the key factors in clients' acceptance of this new technology. Black, Lockett, Winklhofer and Ennew (2001) effectively demonstrated that innovation is a factor that increases the amount of users.

One of the important research questions addressed by traditional studies was how the perceived attributes of an innovation, such as its relative advantage, compatibility, complexity, trialability, and observability affected the rate of adoption (see Rogers 1983).

Previous studies, such as Gerrard and Cunningham (2003) show that internet banking users consider Internet Banking usage to be less complicated, more convenient and more compatible with their lifestyles. This contribution is very relevant to the profile of the French consumer, insofar as the compatibility of new technologies must correspond to his lifestyle. In addition, as Bendana, M., Rowe, F. (2001) show, the prior use of Minitel on the French market was an essential factor positively influencing the move toward online banking.

Waite and Harrison (2004) show that expectations and perceptions of online retail banking information from consumers were high, concerning the relative advantage and complexity of attributes such as convenience and ease of use. Another study by Waite and Harrison (2002) about the expectations of online information provided by bank websites shows that consumers ranked the relative advantage of attributes; being easy to use and quick to download respectively as the first and the second most important attributes.

Sathye (1999), Cooper (1997), White and Nteli (2004) analyzed perceived risk and security as significantly important aspects for users when deciding on internet banking usage. Cooper (1997) also found that risk played an important role from the clients' point of view in the adoption of innovation. White and Nteli (2004) studied internet banking in the UK and the result shows that the security of the bank's website was seen to be significantly more important than the other attributes and that security was still the number one issue in consumers' minds when considering internet banking.

Reference groups were analyzed by Fishbein and Ajzen (1975), Bagozzi (2000), Karjaluoto, Mattila and Pento (2002), who concluded that social influence, is the most important factor that influences the adoption of innovation, fundamentally by the degree of lack of knowledge and uncertainty. This provoked the need for the next groups to strengthen motivation toward new technologies and ideas, as in the case of internet banking.

DATA AND METHODOLOGY

In the present study, two methodologies are used. Firstly, a qualitative methodology, through group meetings with individual representatives of the studied population. These group meetings took place in two phases. The first phase, of an explorative nature, had as its objective, to discover the different factors, which influence the use or non-use of internet banking. Some of the factors found were security, computer skills, confidence in the system, compatibility with lifestyle, difficulty of use, the existence of third parties, the influence of social context, the functionality sought, the possibility for clients to do their transactions by themselves, and the cost.

All of these factors are common in the Mexican case, except for the factors: "do-it-yourself" and cost. These two factors can change clients' behavior toward the use of internet banking. In the case of "do-it-yourself," the subjects considered that this gave them a certain "freedom"; it did not oblige them to "give explanations on transactions." Some of the participants questioned stated, for example: "I don't have to wait in line at the bank," "It affords me a greater number of transactions with total autonomy"; "It makes it easier to monitor my transactions." However, the fact that internet banking has a cost puts off customers given that they consider that they already pay "enough" for traditional banking services, without the added costs of internet banking.

In the second phase of the qualitative study, we sought to confirm which factors limit the use of Internet banking. This exercise enabled us to confirm that factors such as simplicity, convenience, compatibility with lifestyle, privacy, autonomy, among others make people more likely to use online banking. In addition, factors such as doubts about security, the inability to complete all transactions, the lack of visibility as to whom you are dealing with or computer errors discouraged usage.

From the analysis of the qualitative section, we were able to develop a questionnaire, as part of the quantitative methodology. This questionnaire was based on Internet banking use in the Mexican sample, with certain adjustments to the particularities encountered in the qualitative phase, such as autonomy and cost.

The questionnaire consisted in three parts. The first part analyzed 21 factors concerning the participants' perceptions of internet banking, using a Likert scale with four categories and a neutral point. The second section questioned 25 related factors with aspects such as technology, internet usage, confidence, etc. Finally, questions of a socio-demographic nature were posed which allowed us to analyze the groups in relation to age, sex, civil status, net monthly income and the usage and access of computers and internet.

We were able to avoid using a random sample by means of a filter question: "Are you working at the moment" with 398 valid questionnaires. The sample gave the following socio-demographic characteristics see Table 1. Approximately 60% of the sample participants were men, with slightly more than 50% of the participants aged 20-35. All of the participants had at least a High School level education, and most were single.

The sample population was comprised of individuals possessing a computer and internet access at home and/or at their workplace in more than 75% of cases. These individuals have been Internet users for more than 7 years (in 56.04% of cases), and have an average weekly internet use rate of 1-4 hours (44.22%).

Table 1: Participants' Profile

Gender	Frequency	Percent	Household Income per Month in Euros	Frequency	Percent
Female	168	42.53%	< 1350	116	30.29%
Male	227	57.47%	1351-2000	76	19.84%
Total	395		2001-2700	122	31.85%
Age			2701-3500	40	10.44%
20-25	90	22.73%	> 3500	29	7.57%
26-30	47	11.87%	Total	383	
31-35	75	18.94%	Have computer at home		94.20%
36-40	63	15.91%	Have Internet at home		92.40%
41-45	47	11.87%	Have computer at work		82.70%
46-50	22	5.56%	Have Internet at work		78.20%
51-55	25	6.31%	Number of months using Internet		
56-60	17	4.29%	Less than 6 months	18	4.63%
above 60	10	2.53%	6-12 months	10	2.57%
Total	396		1-3 years	54	13.88%
Marital Status			4-6 years	89	22.88%
Married	132	33.50%	7 years or more	218	56.04%
Not married	262	66.50%	Total	389	
Total	394		Number of hours a week using Internet		
Education			Less than 1 hour	40	10.28%
Primary	11	2.84%	1-5 hours	172	44.22%
Secondary	94	24.29%	6-10 hours	70	17.99%
Above secondary	282	72.87%	11-20 hours	40	10.28%
Total	387		21-40 hours	40	10.28%
			Over 40 hours	27	6.94%
			Total	389	

This table shows the profile of participants as socio-demographic variables

EMPIRICAL RESULTS

The number of variables was reduced to 28 with the intention of maximizing reliability. The coefficient of Cronbach's alpha reliability is 0.726. As this exploratory study covers 28 variables, it is considered that this coefficient is acceptable (Nunnally and Bernstein (1994)).

Factor Analysis was used to explore the relationship between the 28 variables, to see if these variables could be summed up as definite explanatory factors. Analysis of Principle Components (ACP) extraction method was used by means of a Varimax rotation. Through the KMO and Bartlett test, we can reject the sphericity hypothesis, which will enable us to reduce the number of factors to be considered in the use of electronic banking.

Table 2 : KMO and Bartlett Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.68
Bartlett's test of Sphericity	Approx. Chi-Square	7,367.33
	df	378
	Sig.	.000

This table allows us to verify that the Bartlett test as well as KMO permits us to accept the results of the ACP.

From Factor Analysis we found that the 28 variables could be reduced to eight explanatory factors for internet banking use: difficulty, compatibility, autonomy, trust, security, third-party concerns, pragmatism and reference group influence. These 8 factors add up to an approximately 70% variance rate, which insures us that these factors are indeed representative.

Table 3: Total Variance Explained

Factor	Initial Eigen values			
	Total	% of Variance	Cumulative %	
1	4.72	16.87	16.87	Difficulty
2	3.01	10.76	27.64	Compatibility
3	2.95	10.55	38.20	Autonomy
4	2.08	7.44	45.64	Trust
5	1.99	7.11	52.76	Security
6	1.69	6.05	58.81	Third-Party Concerns
7	1.62	5.79	64.61	Pragmatism
8	1.50	5.36	69.97	Reference Group Influence

*** Statistically significant at $p \leq .001$

This table shows that all factors with an Eigen value > 1 make up approximately 70% of the variance

The Mexican case study, Mansumittrchai, Minor, Sanchez and Moska (2006), suggested that the explanatory factors for the adoption of Internet Banking were difficulty, trust, compatibility, third-party concerns, human contact, reference group influence, security and computer proficiency. As we can see in the Table 4: the Mexican and French consumers share six common factors when using Internet banking. These factors are difficulty, compatibility, trust, security, third-party concerns and reference group influence.

The two studies allow us to see several differences. In the Mexican case, human contact and computer proficiency are determinant factors in the use of Internet banking, as was shown in the previous study. However, the French case showed that autonomy and pragmatism are additional factors, which determine the use of Internet banking in France.

Despite the similarities found between Mexican and French consumers regarding usage factors, these factors do not hold the same importance. Difficulty is the most important factor for both populations. However, French consumers favor compatibility to trust, probably due to their profile. In the French case, security is placed above third-party concerns, and the least important factor is reference group influence.

With differences, we find two factors that do not exist in the Mexican case that are particular to the French case, namely autonomy and pragmatism. By analyzing these two factors in depth, French consumers find the former factor very important and appreciate being able to perform online banking transactions on their own, allowing them to do everything with full autonomy and without needing to account for their actions. As for the latter, French customers seek an aspect of practicality that is not offered by traditional banks, probably because of the timeless nature of the services offered by internet banking and the tradition of using online systems, as was the case with Minitel.

Table 4: A Study of Mexican and French Consumers on the Characteristics of Adoption

French Consumers	Mexican Consumers
F1 Difficulty	Difficulty
F2 Compatibility	Trust
F3 Autonomy	Compatibility
F4 Trust	Third-Party Concerns
F5 Security	Human Contact
F6 Third-Party Concerns	Reference Group Influence
F7 Pragmatism	Security
F8 Reference Group Influence	Computer Proficiency

This table shows the similarities and differences between French and Mexican consumers.

In this sense, the hypotheses we should reject in this article would be:

H1: French consumers present similar characteristics to Mexican users in the eight factors that motivate or discourage Internet Banking use.

H2: The human factor is a factor, which discourages the usage of internet banking by French customers.

Given the results described, neither hypothesis 1 nor hypothesis 2 can be accepted. As similarities appear in only six of the eight factors and that in addition, the same import cannot be given to these factors. With respect to hypothesis 2, the human factor does not appear to be an aspect that concerns French consumers, which fact prevents us from accepting a discriminatory aspect in this study.

All of these reasons lead us to conclude that while the online banking services in different cultural markets present similar characteristics, the reasons for which consumers decide to use these services depend less of the services themselves that are proposed than on the socio-cultural characteristics of the area in which the banking services are implemented. Analyzing the correlation existing between socio-cultural variables and variables relative to the use of on-line banking will be the object of a future study.

CONCLUSION

This study examines the usage factors of online banking in France, using quantitative and qualitative methodology. The qualitative methodology is examined through group meetings with individual representatives of the studied population, whereas the quantitative methodology enables us to define which factors limit the use of Internet banking.

The exploratory nature of the present article has allowed us to link consumers with common characteristics and services with similar benefits; each consumer relies on common factors for the usage of internet banking, but also on distinctive factors due to socio-cultural aspects.

Mexican and French consumers have as a common point of reference six factors when using Internet banking. These factors are difficulty, compatibility, trust, security, third-party concerns and reference group influence. The differences are, in the Mexican case, human contact and computer proficiency, whereas the French case showed that autonomy and pragmatism are additional factors which determine the use of Internet banking in France.

It is usual that societies with a high level of collectivism seek human contact as a factor, which may motivate their use of internet banking. In addition, societies with a high level of individualism are not interested in human contact. Moreover, the tradition of online usage facilitates the easy integration of new services into internet banking.

One of the limits of the present study includes the fact that the sample population was not chosen at random, which fact does not enable us to make statistical inferences. This decision has however enabled us to give a wide overview of which characteristics determine the choice of using on-line banking in France.

The challenge for future studies is to analyze in depth the differences that exist between users and non-users of internet banking in France and to compare them to users and non-users in Mexico, in order to develop, *a posteriori*, a correlative model between factors determining the use of on-line banking and socio-cultural characteristics.

APPENDIX

Appendix A: Survey

La banque en ligne
Ce questionnaire s'inscrit dans le cadre d'une recherche sur la banque en ligne en France
(Nous appelons banque en ligne tous les services de votre banque "traditionnelle" sur Internet)
Merci de bien vouloir répondre le plus sincèrement possible à ce questionnaire.

Nous avons besoin de votre OPINION, non pas de votre expérience ou connaissance. Indiquez votre niveau d'accord ou non avec les phrases suivantes.

1. Pas du tout d'accord
2. Pas d'accord
3. Ni en désaccord ni d'accord
4. D'accord
5. Tout à fait d'accord

Je pense que la/ la banque en ligne		1	2	3	4	5
1	fait gagner du temps par rapport à l'agence					
2	améliore mon statut social					
3	est adaptée à mon style de vie					
4	est pratique parce qu'elle est disponible 24H/24					
5	peut être décevante					
6	est difficile à comprendre					
7	est plus chère que les services bancaires en agence					
8	c'est pour les experts en informatique					
9	peut-être compliquée et frustrante					
10	est adaptée avec mon travail					
11	est facile à utiliser					
12	est financièrement sécurisée					
13	permet de faire les même transactions que dans l'agence					
14	permet de réaliser des opérations depuis mon domicile					
15	est exposée aux pirates informatiques qui peuvent accéder à mes données personnelles					
16	présente un risque de diffusion des données personnelles					
Je pense qu'avec la/ banque en ligne		1	2	3	4	5
17	les opérations bancaires sont difficiles					
18	il y a une absence de contacts humains					
19	il n'y a pas de "reçu"					
20	les transactions bancaires sur Internet nécessitent des procédures complexes					
21	des tiers peuvent accéder à mes informations bancaires sur Internet					

Utilisez-vous la banque en ligne ?

<input type="checkbox"/>	Oui.
<input type="checkbox"/>	Non.

1. Pas du tout d'accord
2. Pas d'accord
3. Ni en désaccord ni d'accord
4. D'accord
5. Tout à fait d'accord

Quelle est votre opinion sur propositions suivantes:		1	2	3	4	5
1	Je suis à l'aise avec la technologie					
2	J'aime utiliser Internet					
3	J'ai confiance dans la banque en ligne					
4	L'utilisation d'Internet est difficile					
5	J'utilise des services sur Internet					
6	J'aime utiliser la banque en ligne					
7	Utiliser Internet demande beaucoup d'effort					
8	J'aime les innovations					
9	Mes amis m'ont influencé dans l'utilisation (ou pas) de la banque en ligne					
10	Ma famille m'a influencé dans l'utilisation (ou pas) de la banque en ligne					
11	Les procédures pour avoir accès à la banque en lignes sont complexes					
12	Le face à face est important dans les relations bancaires					
13	Les questions de sécurités sur internet m'influencent dans l'utilisation de la banque en ligne					
14	Les sites internet de la banque en ligne sont complexes					
15	L'utilisation de la banque traditionnelle est plus efficace que la banque en ligne					
16	Les opérations bancaires sont difficiles avec la banque traditionnelle					
17	La banque traditionnelle est compatible avec mon style de vie					
18	La banque traditionnelle n'est pas pratique comparée à la banque en ligne					
19	J'ai confiance dans la banque en ligne pour protéger mes données personnelles					
20	J'ai confiance dans la technologie utilisée par la banque en ligne					
21	Des compétences insuffisantes en informatique découragent l'utilisation de la banque en ligne					
22	Je suis préoccupé à propos de la sécurité des banques en ligne					
23	Ma décision d'utiliser la banque en ligne fut influencée par l'utilisation du Minitel					
24	Je préfère la banque en ligne parce que je peux faire les opérations moi-même					
25	J'apprécie les fonctionnalités de la banque en ligne					

Données personnelles

1. Sexe	<input type="checkbox"/>	Homme	<input type="checkbox"/>	Femme	<input type="checkbox"/>
2. Age	<input type="checkbox"/>	20-25	<input type="checkbox"/>	26-30	<input type="checkbox"/>
	<input type="checkbox"/>	36-40	<input type="checkbox"/>	41-45	<input type="checkbox"/>
	<input type="checkbox"/>	51-55	<input type="checkbox"/>	56-60	<input type="checkbox"/>
3. État civil	<input type="checkbox"/>	Vivant seule	<input type="checkbox"/>	En couple	<input type="checkbox"/>
4. Éducation	<input type="checkbox"/>	Primaire	<input type="checkbox"/>	Secondaire	<input type="checkbox"/>
5. Revenus mensuels (net)	<input type="checkbox"/>	< 1350	<input type="checkbox"/>	1351-2000	<input type="checkbox"/>
	<input type="checkbox"/>	2701-3500	<input type="checkbox"/>	> 3500	<input type="checkbox"/>
6. Avez-vous un ordinateur chez vous ?	<input type="checkbox"/>		<input type="checkbox"/>	Oui	<input type="checkbox"/>
7. Avez-vous un accès à Internet chez vous ?	<input type="checkbox"/>		<input type="checkbox"/>	Oui	<input type="checkbox"/>
8. Avez-vous un ordinateur sur votre lieu de travail ?	<input type="checkbox"/>		<input type="checkbox"/>	Oui	<input type="checkbox"/>
9. Avez-vous un accès Internet sur votre lieu de travail ?	<input type="checkbox"/>		<input type="checkbox"/>	Oui	<input type="checkbox"/>
10. Depuis combien de temps utilisez vous Internet (e-mail, etc.)?	<input type="checkbox"/>		<input type="checkbox"/>	Moins de 6 mois	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	1 - 3 ans	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	7 ans ou plus	<input type="checkbox"/>
11. En moyenne, combien d'heures par semaine utilisez-vous Internet ?	<input type="checkbox"/>		<input type="checkbox"/>	(-) d'une heure	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	6 à 10 heures	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	21 à 40 heures	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	Chez vous	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	Les deux	<input type="checkbox"/>
12. Où utilisez-vous principalement Internet :	<input type="checkbox"/>		<input type="checkbox"/>	1 à 5 heures	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	11 à 20 heures	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	Plus 40 heures	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	Sur votre lieu de travail	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>	Autres _____	<input type="checkbox"/>

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