IJMMR

International Journal of Management and Marketing Research

VOLUME 5 NUMBER 1 2012

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CUSTOMER LOYALTY: INFLUENCES ON THREE TYPES OF RETAIL STORES' SHOPPERS

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ABSTRACT

Customer loyalty is a major factor for a firm's success. Loyal customers are less price sensitive. Furthermore, these customers are likely to purchase more frequently, try the firms' other products and bring new customers to the firm. This study examines the relationship of shoppers' characteristics and behavior, and customers' perception of marketing strategy (product, price, place, promotion), customer value (quality, sacrifice) and relationship quality on customer loyalty. Depending on the type of retail store, convenience, department and hypermarket stores' loyalty is influenced by several factors, including different marketing strategies (price deals, distribution intensity) and relationship quality (customer satisfaction, trust, commitment). The results have particular implications for further research and for marketing managers.

JEL: M31

KEYWORDS: Customer loyalty, marketing strategy, perceived value, relationship quality

INTRODUCTION

Loyal customers provide companies a consistent revenue base and reduced expenses. An improvement of 5% in customer retention leads to an increase of 25% to 75% in profits (Reichheld and Sasser, 1990). Furthermore, a firm spends more than five times as much to obtain a new customer than to retain an existing one (Wills, 2009). Moreover, companies can increase revenues with loyal customers. For example, loyal customers are less price sensitive (Reichheld and Teal, 1996). In addition, loyal customers are likely to purchase more frequently, try the firms' other products, and bring new customers to the firm (Reichheld and Sasser, 1990). Thus, loyalty is linked to the success and profitability of a firm (Eakuru and Mat, 2008). Customer loyalty provides a foundation to examine the relationship between customer relationship activities, value creation programs and marketing strategies (Reichheld and Teal, 1996).

Relationship quality reduces buyers' uncertainty and strengthens the relationship between customers and the firm. Relationship quality includes (1) customer satisfaction, (2) trust and (3) commitment (Caceres and Paparoidamis, 2007). Customer satisfaction is an important driver to customer loyalty and to the success of businesses (Oliver, 1997). Studies have found positive evidence showing the direct relationship between customer satisfaction and loyalty (repeat purchase) as being less price sensitivity, having cross-buying behavior and increasing profit (Bloemer and Odekerken-Schröder, 2002; Ibrahim and Najjar, 2008; Oliver, 1997). However, several studies show that satisfied customers do defect (Dimitriades, 2006; Jones, 1996; Woodruff, 1997), and some customers say they are satisfied, but they still purchase elsewhere (Jones, 1996). Customer satisfaction defection is attributed to two factors. First, firms do not deliver enough or the appropriate value to satisfy customers' needs or wants (Roig, Garcia, Tena and Monzonis, 2006). Thus, customer satisfaction measurement without fulfillment of customer perceived value (customer needs and wants) cannot really meet the customer's expectations (Woodruff, 1997). Second, customers can feel a great deal of uncertainty concerning their relationships with firms.

Trust and commitment are two critical factors that enable customers to overcome uncertainty and strengthen their relationship with the firm (Morgan and Hunt, 1994), and in turn, these lead to customer loyalty.

Marketing, as a purpose, is to deliver more value to satisfy customers as well as to build a long-term and mutually profitability relationship with a customer (Kotler, 2005). Lemon, Rust and Zeithaml state that, "value is the keystone of the customer's relationship with the firm" (2001, p. 22). Value is delivered from three key factors: (1) quality, (2) price and (3) convenience (Lemon et al., 2001). Quality is viewed as goods and services quality. Price is the monetary sacrifice. Convenience (non-monetary sacrifice) relates to all the benefits customers received, such as time saved and effort to do business with the firm (Lemon et al., 2001). Marketing strategies (product, price, place, promotion) create customer perceived value (quality, sacrifice) (Kotler, 2005; Lemon et al., 2001).

The purpose of this research is to advance the understanding of customer loyalty by examining and empirically testing consumer perception of marketing strategy (product, price, place, promotion), customer value (quality, sacrifice) and relationship quality (customer satisfaction, trust, commitment). Therefore, what is the relationship between marketing strategy, perceived value and relationship quality to customer loyalty? This study presents in the following sections a review of the literature, the data and methodology, findings, implications, and conclusions, limitations and future research opportunities.

REVIEW OF THE LITERATURE

A theoretical model and supporting empirical evidence are presented in this literature review. First, a conceptual model is advanced with the relationships between customer loyalty (dependent variable) and marketing strategy, perceived value, and relationship quality (independent variables) (McCarthy, 1971; Morgan and Hunt, 1994; Oliver, 1997; Zeithaml, 1988), or the antecedents of customer loyalty. Second, empirical studies are analyzed to support the conceptual model, and to establish interrelationships between this study's constructs (Beatson, Lings and Gudergan, 2008; Rust, Lemon and Zeithaml, 2001; Wulf, Odekerken-Schröder and Lacobucci, 2001).

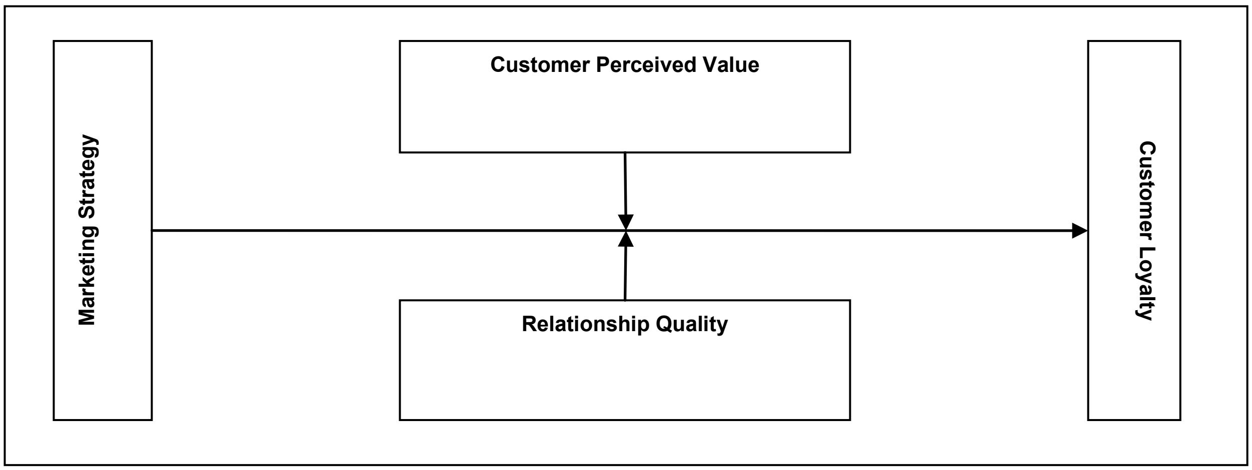
Conceptual Framework

Loyal customers are important to firms, even critical in that they are less price sensitive (Reichheld and Teal, 1996). Moreover, these customers are likely to purchase more frequently, try the firm's other product offerings and bring new customers to the firm (Reichheld and Sasser, 1990). These customers play a major role in the firm's success and profitability (Eakuru and Mat, 2008). Customer loyalty has been theorized as influenced by the firm's marketing strategy, customer perceived value and relationship quality (Reichheld and Teal, 1996). For this study, Figure 1 depicts the conceptual model for customer loyalty.

Customer loyalty is "a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1997, p. 392). Marketing strategies are the marketing variables (marketing mix elements of price, product, place and promotion) that the firm uses to satisfy target consumer groups at a profit (McCarthy, 1971). Customer perceived value is the "the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). Furthermore, relationship quality is "an overall assessment of the strength of a relationship and the extent to which it meets the needs and expectations of the parties based on a history of successful or unsuccessful encounters or events" (Smith, 1998, p. 78).

Relationship quality construct includes customer satisfaction, trust and commitment (Caceres and Paparoidamis, 2007). Customer satisfaction is "the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under-or-over fulfillment" (Oliver, 1997, p. 13). Trust is "when one party has confidence in an exchange partner's reliability and integrity" (Morgan and Hunt, 1994, p. 23). Moreover, commitment occurs as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining (the relationship)" (Morgan and Hunt, 1994, p. 23).

Figure 1: Conceptual Model



This figure depicts the conceptual model for this study. Marketing strategy is the independent construct and customer perceived value and relationship quality as mediating (independent) constructs, while customer loyalty is the dependent construct.

For this research, the conceptual model will be empirically tested from shoppers in three different types of retail stores – convenience stores, department stores and hypermarkets. Therefore, the constructs will be operationalized accordingly. Customer loyalty is measured by word-of-mouth, price insensitivity and purchase intentions (Bloemer and Odekerken-Schröder, 2002). The five retail dimensions of price, store image, distribution intensity, advertising spending and price deals operationalize marketing strategy (Yoo, Donthu and Lee, 2000). Customer perceived value consists of perceived quality (Yoo et al, 2000) and sacrifice (Cronin, Brady and Hult, 2000). The three dimensions of customer satisfaction, trust and commitment measure relationship quality (Bloemer and Odekerken-Schröder, 2002).

Empirical Support

Viewing loyalty as an attitude-behavior relationship allows integrated investigation of antecedents of customer loyalty (Dick and Basu, 1994). Studies measure customer loyalty by the behavioral dimensions of word-of-mouth communication, purchase intentions and price insensitivity (Bloemer and Odekerken-Schröder, 2002; Cronin et al, 2000; Ibrahim and Najjar, 2008). Attitudinal components such as perceived value, satisfaction, trust and commitment are the antecedents of customer loyalty (Donio, Massari and Passiante, 2006; Hennig-Thurau, Gwinner, and Gremler, 2002; Ibrahim and Najjar, 2008; Liang and Wang, 2004; Wulf, et al., 2001).

Bloemer and Odekerken-Schröder (2002) examine causal relationships between the marketing mix elements (store image, customer relationship proneness, positive affect), store satisfaction, trust, commitment and customer loyalty (word-of-mouth communication, price insensitivity, purchase intentions) in Belgium mid-sized supermarket stores. The results show that (1) store image, consumer relationship proneness and positive affect have a significant effect on customer satisfaction; (2) trust and commitment play an important mediating role between satisfaction and customer loyalty; and (3) commitment has the strongest impact on customer loyalty. The authors recommended future studies measure the marketing mix elements as product, price, place and promotion, rather than store image, customer relationship proneness and positive affect.

Furthermore, studies show that customer perceived value directly influences customer satisfaction (Moliner, Sanchez, Rodriguez and Callarisa, 2007) and customer loyalty (Dagger, Sweeney and Johnson, 2007). Perceived value has either a direct impact on trust (Kim, Zhao and Yang, 2008) or an indirect impact on trust through customer satisfaction (Moliner et al., 2007). Value also has an indirect impact on commitment through trust (Kim et al., 2008) or through customer satisfaction (Moliner et al., 2007), and is a mediator between marketing mix elements and customer behavioral intentions (Dagger et al., 2007; Yoo et al., 2000). Moreover, there is a relationships between marketing mix elements and total brand equity through the mediating role of three brand equity dimensions (perceived quality, brand loyalty, brand associations combined with brand awareness) (Yoo et al., 2000). Yoo et al. (2000) found four specific results. First, no direct path is between marketing mix variables and total brand equity but is indirectly affected through the mediating brand equity dimensions of perceived quality. Second, frequent price promotions, such as price deals, have a negative relationship to brand equity. Third, customers perceive high quality products from high advertising spending, high price, good store image and high intensive distribution. Lastly, lowering price decreases customer perceived quality. For example, consumers may perceive that a lower price is a result of reducing quality to maintain profit margins.

Moreover, researchers state that value is a tradeoff between benefits (quality) received and sacrifices made (Cronin et al., 2000; Moliner et al., 2007). Besides receiving benefits of quality, monetary and non-monetary sacrifices are customer value measures. Cronin et al. (2000) conduct a study to examine the effects of service quality, perceived value and customer satisfaction on consumer behavioral intention. Three items measure customer perceived value, (1) the price charged to use this facility, (2) the time required to use the facility and (3) the effort that the customer must make to receive the services. The results indicate that there is not a significant relationship between sacrifice and perceived value. However, the value is primarily received from perceptions of quality. That is, consumers view quality of greater importance than the sacrifices they make.

Therefore, prior customer loyalty studies have examined the relationship between marketing strategy, satisfaction, trust and commitment (Bloemer and Odekerken-Schröder, 2002; Ibrahim and Najjar, 2008; Liang and Wang, 2004). Other studies have found relationships between perceived value and satisfaction (Moliner et al., 2007), trust and commitment (Kim et al., 2008). This study extends the literature by examining the relationship of marketing strategy (price, store image, distribution intensity, advertising spending, price deals), customer perceived value, relationship quality (satisfaction, trust, commitment) on customer loyalty (word-of-mouth communication, price insensitivity, purchase intentions). Hence,

H_1 Marketing strategy (price, store image, distribution intensity, advertising spending, price deals), customer perceived value, relationship quality (satisfaction, trust, commitment) significantly influence word-of-mouth communication.

H_2 Marketing strategy (price, store image, distribution intensity, advertising spending, price deals), customer perceived value, relationship quality (satisfaction, trust, commitment) significantly influence price insensitivity.

H_3 Marketing strategy (price, store image, distribution intensity, advertising spending, price deals), customer perceived value, relationship quality (satisfaction, trust, commitment) significantly influence purchase intentions.

H_4 Marketing strategy (price, store image, distribution intensity, advertising spending, price deals), customer perceived value, relationship quality (satisfaction, trust, commitment) significantly influence customer loyalty.

While not hypothesized, shopper characteristics and shopping experiences also will be examined as an influence on customer loyalty. Shopping characteristics include gender, age, marital status, educational level, number of people in the household, number of people employed in the household, occupation, shoppers' personal monthly income and household monthly income. Shopping experiences are store spending per visit, shopping frequency at a specific retail store during the last month, and how many other competing retail stores shopped at in the last year.

DATA AND METHODOLOGY

Customer loyalty researchers encourage further studies in other industries (Liang and Wang, 2004) and other cultures (Caceres and Paparoidamis, 2007). While Liang and Wang (2004) used Taiwan banks and Caceres and Paparoidamis (2007) European businesses, Bloemer and Odekerken-Schröder (2002) surveyed Belgium supermarket shoppers. To further an understanding of customer loyalty, this study samples Taiwanese shoppers at three different types of retail stores – convenience, department, hypermarket/superstore. These stores vary in size, e.g., physical, stock keeping units (SKU), and level of service, e.g., self-, limited-, full-service. For example, convenience stores are small in size and a limited number of products available, self-service and opened most (if not all) hours of the day. Department stores are larger, offering more products, and full-service but have limited hours of opening for shoppers. On the other hand, hypermarkets/superstores are very large in size (the largest of the three for this study), wide and/or deep product assortment offered (the most of the three for this study), limited service and opened most (if not all) hours of the day (Kotler and Keller, 2006). This sampling plan allows the examination of varying levels of retail store size, product offerings (SKU), levels of service, availability to (store hours for) shoppers and other different retail store characteristics.

Three retail stores – 7-Eleven (convenience), Hanshin (department), Carrefour (hypermarket) – in Kaohsiung, the second largest city and in the south region of Taiwan, were the study setting. The sampling frame was quota in that there were an equal number (unweighted) of participants from each store, or 100 respondents for each retailer. The sampling scheme had a balance of participants during the day, e.g., morning, afternoon and evening, and for the 24-hour convenience stores, there were late night shoppers (after 12:00AM) included. Furthermore, this is a proportionate sample of weekday and weekend shoppers for each retailer.

Respondents were at least 18 years of age, and completed a four-part, 56-item questionnaire. First, the questionnaire included a researcher developed 12-question shopper demographic information and shopping characteristics section. Second, a 15-item retail marketing mix instrument developed by Yoo, et al. (2000) was the measure for marketing strategy. The retail marketing mix elements (price, advertising spending, price deals, store image and distribution intensity) were adapted and had three items for each marketing mix element with a 9-point Likert-type scale (1 = Strongly Disagree to 9 = Strongly Agree). Third, nine items were adapted and measured perceived value, 6 items for perceived quality and 3 for sacrifice. A 6-item perceived quality instrument developed by Yoo, et al. (2000) was used for one measure of perceived value. The other measure of perceived value was sacrifice, and had 3 items from a questionnaire developed by Cronin et al. (2000). Perceived quality and sacrifice were measured by a 9-point Likert-type scale (1 = Strongly Disagree to 9 = Strongly Agree). Four, 20 items were adapted and measured relationship quality (11 items) and customer loyalty (9 items). Bloemer and Odekerken-Schröder (2002) developed the instrument. Relationship quality included customer satisfaction (5 items), trust (3 items) and commitment (3 items). Customer loyalty included word-of-mouth communications (3 items), price insensitivity (2 items) and purchase intentions (4 items), the dependent variables. Relationship quality and customer loyalty were measured by a 9-point Likert-type scale (1 = Strongly Disagree to 9 = Strongly Agree).

The sample includes 300 respondents with an equal retailer representation from 7-Eleven (n = 100), Hanshin (n = 100) and Carrefour (n = 100). There were more female shoppers (65.3%) than males. The majority was between 26 years old and 45 years of age (58.4%). Most shoppers were married (63.3%). Many of the respondents had earned a university bachelor degree (63.3%). The majority lived in a household with 4 or more people (69.3%). Almost one-half of the shoppers had two people employed (46.3%) in their household. The participants were most likely a professional (17.3%), housekeeper (16.7%), clerk, salesperson, service worker (15.0%) or administrative position (11.7%). The majority of the respondents had a personal monthly income of less than US$1,650 – US$660 or less (24.2%), US$661 to $990 (21.7%), US$991 to $1,320 (17.7%), US$1,321 to $1,650 (10.7%). Most shoppers had a household monthly income between US$1,321 and $3,290 (62.7%) with the highest in the range of US$1,321 to $1,970 (24.7%). The vast majority of shoppers spent less than US$98.70 per visit (89.0%) with the highest category being US$32.91 to $65.80 (22.1%). Monthly shopping frequency ranged from a low of 4 times (6.3%) to 5 or more times (24.7%). When respondents were asked how many competing retail stores that they had shopped at during the past year, 8.0% only shopped at that store (no competitors) but 29.7% had shopped at 5 or more other stores. See the Appendix for additional shoppers' details of the total sample and for each retail store.

Varimax rotations with Kaiser-Meyer-Olkin criterion (eigenvalue greater than 1.0) were used to examine construct validity and to extract scale items for the retail marketing mix, customer perceived value, relationship quality (satisfaction, trust, commitment) and customer loyalty. Of the 15-item marketing mix instrument, there were three items for each of the five retail elements (Yoo, et al., 2000). Only one item was removed (distribution intensity). Therefore, price, advertising spending, price deals and store image include three items each, and distribution intensity two items. Perceived value used perceived quality with six items (Yoo et al., 2000) and sacrifice with three items (Cronin et al., 2000). Two items were extracted from the perceived quality scale and one item from sacrifice. Hence, perceived value has six items (four perceived quality, two sacrifice). Of the 11-item relationship quality instrument, there were five satisfaction items, three trust items and three commitment items (Bloemer and Odekerken-Schröder, 2002). No items were removed from the relationship quality instrument. The customer loyalty instrument included three word-of-mouth communications items, two price insensitivity items and four purchase intentions items (Bloemer and Odekerken-Schröder, 2002). No items were extracted for word-of-mouth communications; one was removed from price insensitivity and two from purchase intentions. Therefore, customer loyalty includes three word-of-mouth communications items, one price insensitivity item and two purchase intentions items. These constructs were tested for reliability using Cronbach's alpha scores. Marketing mix, relationship quality and customer loyalty easily exceeded the minimum of 0.70 (Nunnally and Bernstein, 1994) with 0.743, 0.841 (satisfaction 0.944, trust 0.911, commitment 0.883) and 0.819, respectively. However, perceived value had a reliability of 0.622, which exceeds the minimum of 0.60 for exploratory analysis (Hair, Black, Babin, Anderson and Tatham, 2006).

FINDINGS

As a comparative, causal study, this research design has two primary considerations to examine the relationship of marketing strategy, customer perceived value, relationship quality to customer loyalty. First, analysis of variance (ANOVA) using the three retail stores (7-Eleven, Hanshin, Carrefour) were performed that include significantly difference criterion ($p \leq 0.05$) to determine the comparative stores' customer loyalty. The sample (N=300) and each of the three sample subsets (n=100 for each store) exceed the 50 respondent group minimum for mean comparison analysis (Hair, et al., 2006).

Second, multiple regression analysis (forward stepwise method) determines which independent variables influences and their strengths that leads to and explains retail stores' customer loyalty. Regression equations for independent variables of 12 shoppers' characteristics (gender, age, marital status, educational level, number of people in the household, number of people employed in the household, occupation, shoppers' personal monthly income, household monthly income, store spending per visit, shopping frequency, switching stores), 5 retail marketing mix elements (price, store image, distribution intensity, advertising spending, price deals), customer perceived value, satisfaction, trust, commitment and the dependent variables (word-of-mouth communications, price insensitivity, purchase intentions, total customer loyalty) were used with an alpha ≤ 0.05 criteria. The sample (N = 300) is greater than the required 218 participants minimum for regression modeling, N ≥ 50 + 8m, where m is the number of predictors (Green, 1991) and is within the sensitivity tolerance (Hair et al., 2006).

To find significant differences ($p < 0.05$) between convenience (7-Eleven), department (Hanshin) and hypermarket (Carrefour) stores, analysis of variance (ANOVA) with post hoc tests (Scheffé method) was completed for the independent variables – marketing strategy, perceived value, relationship quality with seven variables having significant differences (see Table 1, Panel A). First, Carrefour had better prices than the other two stores. Second, 7-Eleven had greater advertising spending than the other two stores. Third, 7-Eleven and Hanshin had significantly better price deals than Carrefour. Fourth, Carrefour had much higher distribution than Hanshin. Fifth, while Carrefour had a better store image than 7-Eleven and Hanshin, 7-Eleven had a better store image than Hanshin. Sixth, Carrefour had greater perceived value than 7-Eleven and Hanshin stores. Furthermore, 7-Eleven had higher perceived value than Hanshin. Seventh, while 7-Eleven had higher customer trust than Carrefour, Carrefour had significantly higher trust than Hanshin.

For the three dependent customer loyalty variables – word-of-mouth communications, price insensitivity, purchase intentions, two were significant for the three retail stores (see Table 1, Panel B). First, Carrefour had greater word-of-mouth communications than 7-Eleven and Hanshin. Second, 7-Eleven customers indicated significantly higher purchase intentions than Carrefour customers.

Table 1: Retail Stores' Group Comparisons for Independent and Dependent Variables

Panel A: Independent Variables			
Variables	**7-Eleven Stores**	**Hanshin Stores**	**Carrefour Stores**
Marketing Strategy			
Price	5.5567*	4.7000*	5.5733*
Advertising Spending	6.8633*	5.9533*	5.4933*
Price Deals	4.4900*	5.1300*	4.2800*
Distribution Intensity	6.2650	5.7950*	6.3400*
Store Image	5.7000*	5.0667*	6.8967*
Perceived Value	5.3838*	5.0425*	5.9150*
Relationship Quality			
Satisfaction	5.8360	5.6360	5.5940
Trust	6.2967*	5.5367*	6.0267*
Commitment	3.6467	3.7933	3.7267

Panel B: Dependent Variables			
Variables	**7-Eleven Stores**	**Hanshin Stores**	**Carrefour Stores**
Customer Loyalty			
Word-of-Mouth Communications	5.1133*	4.5467*	5.2467*
Price Insensitivity	4.2200	3.6100	3.9100
Purchase Intentions	5.1350*	4.4600	4.7100*

This table presents ANOVA results by comparing the three types of retail stores. The significance level is shown as $p < 0.05$. In Panel A, the measures for marketing strategy, perceived value and relationship quality as independent variables are compared. In Panel B, the measures for customer loyalty as the dependent variables are compared. All variables are measured by a 9-point Likert type scales (1 = strongly disagree to 9 = strongly agree).

To examine bivariate relationships, Pearson correlation was performed for the independent variables – marketing strategy, customer perceived value, relationship quality. See Table 2. No relationship exceeded .600, an acceptable level for bivariate correlations. There were several inverse relationships, e.g., price and price deals, advertising spending and store image, and price deals and store image.

However, only two of the commitment relationships were positive – price deals and satisfaction. Of the six inverse commitment relationships, only price was significant ($p < 0.01$).

The primary purpose of this study is to determine the influences of customer loyalty for three different types of retail stores (convenience, department, hypermarket). Customer loyalty is measured by word-of-mouth communications, price insensitivity and purchase intentions (Bloemer and Odekerken-Schröder, 2002). Furthermore, this research combined these measures (unweighted) to include customer loyalty.

Table 2: Retail Stores' Correlations for Marketing Mix, Perceived Value and Relationship Quality

Elements/ Dimensions	Price	Advertising Spending	Price Deals	Distribution Intensity	Store Image	Perceived Value	Satisfaction	Trust	Commitment
Price	1.000								
Advertising Spending	.276*	1.000							
Price Deals	-.035	.199*	1.000						
Distribution Intensity	.167*	.106	.175*	1.000					
Store Image	.317*	-.011	-.030	.449*	1.000				
Perceived Value	.256*	.044	.021	.269*	.433*	1.000			
Satisfaction	-.020	.127**	.246*	.291*	.203*	.154*	1.000		
Trust	.106	.055	.143**	.313*	.320*	.254*	.556*	1.000	
Commitment	-.232*	-.028	.024	-.037	-.046	-.010	.037	-.037	1.000

*This table presents the inter-correlations between the independent study variables relative degree of association (positive and negative). The significance levels are indicated as * p < 0.01 and ** p < 0.05.*

For 7-Eleven stores (convenience), the word-of-mouth communications (WOM) multiple regression equation found as significant, positive trust and distribution intensity as well as inverse personal monthly income relationships. The equation had an adjusted R^2 of .215, or 21.5% explained variance. See Table 3, Panel A.

For 7-Eleven price insensitivity, perceived value, number of employed household members, customer satisfaction and commitment had positive, significant influences, and explained 20.2% of the variance. See Table 3, Panel B. Commitment, customer satisfaction, number of employed household members and price deals significantly influenced purchase intentions with an adjusted R^2 of .243. See Table 3, Panel C. 7-Eleven convenience stores' customer satisfaction, number of employed household members and distribution intensity has a significant relationship to customer loyalty, and explained 25.0% of the variance. Therefore, the regression models (Table 3) for 7-Eleven stores (convenience) are:

Word-of-Mouth Communications = 2.051 + 0.322 (trust) – 0.220 (personal monthly income) + 0.206 (distribution intensity)

Price Insensitivity = -2.973 + 0.249 (perceived value) + 0.211 (household employed) + 0.200 (customer satisfaction) + 0.183 (commitment)

Purchase Intention = 0.989 + 0.313 (commitment) + 0.191 (customer satisfaction) + 0.239 (household employed) + 0.226 (price deals)

Customer Loyalty = 1.215 + 0.297 (customer satisfaction) + 0.305 (household employed) + 0.208 (distribution intensity)

Hanshin department store customer loyalty was examined to determine the influences for the four loyalty measures. First, only trust had a significant relationship for WOM with an adjusted R^2 of .192 (see Table 4, Panel A). Second, shopping frequency, price deals, commitment and store spending have significant, positive relationships and switching stores (shopped at competitors) had an inverse influence for price insensitivity with an explained variance of 28.8% (see Table 4, Panel B). Third, customer satisfaction, price deals, shopping frequency and trust have significant, positive relationships, and switching stores and marital status have an inverse influence for purchase intentions with an explained variance of 36.9% (see Table 4, Panel C). Fourth, trust, shopping frequency and price deals has a significant, positive relationship and switching stores a negative influence for customer loyalty with an adjusted R^2 of .412 (see Table 4, Panel D). Hence, the regression models (Table 4) for Hanshin stores (department) are:

Word-of-Mouth Communications = 2.281 + 0.448 (trust)

Price Insensitivity = 0.719 + 0.348 (shopping frequency) – 0.258 (switching stores) + 0.238 (price deals) + 0.200 (commitment) + 0.188 (store spending)

Purchase Intentions = 2.608 + 0.203 (customer satisfaction) + 0.203 (price deals) + 0.237 (shopping frequency) – 0.255 (switching stores) – 0.239 (marital status) + 0.234 (trust)

Customer Loyalty = 1.739 + 0.357 (trust) + 0.368 (shopping frequency) – 0.277 (switching stores) + 0.250 (price deals)

Furthermore, Carrefour hypermarket stores were tested as to the influences on customer loyalty. First, trust, price deals, commitment and education level were significant, positive predictors for WOM, and explained 33.0% of the variance (see Table 5, Panel A). Second, commitment, price deals and perceived value has a significant, positive relationship and advertising spending a negative influence for price insensitivity with an adjusted R^2 of .211 (see Table 5, Panel B). Third, customer satisfaction, commitment and price deals were significant, positive predictors for purchase intentions, and explained 30.0% of the variance (see Table 5, Panel C). Fourth, trust, commitment and price deals were significant influences on customer loyalty with an adjusted R^2 of .340 (see Table 5, Panel D). Therefore, the regression models (Table 5) for Carrefour stores (hypermarket) are:

Word-of-Mouth Communications = -1.501 + 0.352 (trust) + 0.327 (price deals) + 0.246 (commitment) + 0.169 (education level)

Price Insensitivity = -0.207 + 0.261 (commitment) + 0.247 (price deals) – 0.247 (advertising spending) + 0.194 (perceived value)

Purchase Intention = -0.651 + 0.357 (customer satisfaction) + 0.344 (commitment) + 0.203 (price deals)

Customer Loyalty = -0.369 + 0.306 (trust) + 0.372 (commitment) + 0.299 (price deals)

A summary of the regression equations for the three retail stores are presented in Table 6. To examine further the differences between convenience, department and hypermarket stores, certain specific and revealing findings were determined for each loyalty dimension (measure) and the results for the four hypotheses. First, trust was a significant, positive influence for word-of-mouth communications for all store types. Furthermore, a second relationship quality variable, commitment, was important for Carrefour. While no marketing strategy element was included for Hanshin, 7-Eleven stores (distribution intensity) and Carrefour (price deals) did include one. Hence, H_1 was partially supported. Second, commitment had a significant, positive relationship for the three stores' price insensitivity. Customer satisfaction, a second relationship quality variable, was important for 7-Eleven stores. Perceived value was a price sensitivity influence for 7-Eleven and Carrefour stores. While marketing strategy elements were not a significant factor for 7-Eleven stores, price deals were for Hanshin and Carrefour stores, and advertising spending had an inverse influence for Carrefour. Three shopping behavioral characteristics, however, were factors for Hanshin price insensitivity – shopping frequency (positive), store spending (positive), switching stores (negative). Therefore, H_2 was partially supported.

Table 3: Regression Models for 7-Eleven Shoppers' Customer Loyalty

Panel A: Word-of-Mouth Communications					
R^2 = 0.239	Adjusted R^2 = 0.215	Standard Error = 1.30879	F = 10.043		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	2.051	0.763			
Trust	0.354	0.103	0.322	3.445	0.001***
Personal Monthly Income	-0.137	0.055	-0.220	-2.471	0.015*
Distribution Intensity	0.204	0.092	0.206	2.205	0.030*
Panel B: Price Insensitivity					
R^2 = 0.234	Adjusted R^2 = 0.202	Standard Error = 1.88198	F = 7.248		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	-2.973	1.477			
Perceived Value	0.681	0.258	0.249	2.634	0.010**
Household Employed	0.469	0.203	0.211	2.314	0.023*
Customer Satisfaction	0.293	0.138	0.200	2.114	0.037*
Commitment	0.225	0.112	0.183	2.004	0.048*
Panel C: Purchase Intentions					
R^2 = 0.273	Adjusted R^2 = 0.243	Standard Error = 1.38532	F = 8.938		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	0.989	0.771			
Commitment	0.291	0.083	0.313	3.515	0.001***
Customer Satisfaction	0.211	0.099	0.191	2.130	0.036*
Household Employed	0.400	0.154	0.239	2.600	0.011*
Price Deals	0.222	0.091	0.226	2.448	0.016*
Panel D: Customer Loyalty					
R^2 = 0.273	Adjusted R^2 = 0.250	Standard Error = 1.13127	F = 12.013		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	1.215	0.630			
Customer Satisfaction	0.270	0.088	0.297	3.076	0.003**
Household Employed	0.420	0.120	0.305	3.487	0.001***
Distribution Intensity	0.182	0.085	0.208	2.146	0.034*

*The table shows the regression estimates for 7-Eleven shoppers by word-of-mouth-communications, price insensitivity, purchase intentions and customer loyalty. The significance levels for the independent variables are indicated as * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$. Panel A shows Word-of-Mouth Communications = 2.051 + 0.322 (trust) – 0.220 (personal monthly income) + 0.206 (distribution intensity). Panel B presents Price Insensitivity = -2.973 + 0.249 (perceived value) + 0.211 (household employed) + 0.200 (customer satisfaction) + 0.183 (commitment). Panel C shows Purchase Intention = 0.989 + 0.313 (commitment) + 0.191 (customer satisfaction) + 0.239 (household employed) + 0.226 (price deals). Panel D presents Customer Loyalty = 1.215 + 0.297 (customer satisfaction) + 0.305 (household employed) + 0.208 (distribution intensity)*

Table 4: Regression Models for Hanshin Shoppers' Customer Loyalty

Panel A: Word-of-Mouth Communications

$R^2 = 0.200$	Adjusted $R^2 = 0.192$	Standard Error = 1.51012	F = 24.550		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	2.281	0.617			
Trust	0.492	0.099	0.448	4.955	0.000***

Panel B: Price Insensitivity

$R^2 = 0.324$	Adjusted $R^2 = 0.288$	Standard Error = 1.81095	F = 9.021		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	0.719	0.910			
Shopping Frequency	0.536	0.139	0.348	3.849	0.000***
Switching Stores	-0.348	0.121	-0.258	-2.876	0.005**
Price Deals	0.321	0.116	0.238	2.765	0.007**
Commitment	0.231	0.102	0.200	2.260	0.026*
Store Spending	0.176	0.083	0.188	2.116	0.037*

Panel C: Purchase Intentions

$R^2 = 0.407$	Adjusted $R^2 = 0.369$	Standard Error = 1.35036	F = 10.649		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	2.608	0.842			
Customer Satisfaction	0.230	0.115	0.203	2.009	0.047*
Price Deals	0.218	0.093	0.203	2.335	0.022*
Shopping Frequency	0.289	0.103	0.237	2.812	0.006**
Switching Stores	-0.273	0.091	-0.255	-2.994	0.004**
Marital Status	-0.795	0.277	-0.239	-2.876	0.005**
Trust	0.260	0.115	0.234	2.259	0.026*

Panel D: Customer Loyalty

$R^2 = 0.436$	Adjusted $R^2 = 0.412$	Standard Error = 1.07041	F = 18.336		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	1.739	0.505			
Trust	0.326	0.078	0.357	4.179	0.000***
Shopping Frequency	0.369	0.080	0.368	4.582	0.000***
Switching Stores	-0.243	0.071	-0.277	-3.410	0.001***
Price Deals	0.219	0.072	0.250	3.062	0.003**

*The table shows the regression estimates for Hanshin shoppers by word-of-mouth-communications, price insensitivity, purchase intentions and customer loyalty. The significance levels for the independent variables are indicated as * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$. Panel A shows Word-of-Mouth Communications = 2.281 + 0.448 (trust). Panel B presents Price Insensitivity = 0.719 + 0.348 (shopping frequency) – 0.258 (switching stores) + 0.238 (price deals) + 0.200 (commitment) + 0.188 (store spending). Panel C shows Purchase Intentions = 2.608 + 0.203 (customer satisfaction) + 0.203 (price deals) + 0.237 (shopping frequency) – 0.255 (switching stores) – 0.239 (marital status) + 0.234 (trust). Panel D presents Customer Loyalty = 1.739 + 0.357 (trust) + 0.368 (shopping frequency) – 0.277 (switching stores) + 0.250 (price deals).*

Third, customer satisfaction was a significant, positive influence for the three stores' customer purchase intentions. Each store had a second relationship quality variable included – commitment (7-Eleven and Carrefour) and trust (Hanshin). The only marketing strategy element included in the equations was price deals; it was a significant, positive influence for the three stores. Hence, H_3 was partially supported. Fourth, trust had a significant, positive relationship for Hanshin and Carrefour customer loyalty, and customer satisfaction was for 7-Eleven stores. Carrefour had a second relationship quality variable (commitment) that influenced its customer loyalty. Each store had one marketing strategy element that had a significant, positive relationship to customer loyalty – distribution intensity (7-Eleven) and price deals (Hanshin and Carrefour). Therefore, H_4 was partially supported.

Table 5: Regression Models for Carrefour Shoppers' Customer Loyalty

Panel A: Word-of-Mouth Communications					
$R^2 = 0.357$	Adjusted $R^2 = 0.330$	Standard Error = 1.19808	F = 13.194		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	-1.501	0.931			
Trust	0.385	0.093	0.352	4.135	0.000***
Price Deals	0.392	0.102	0.327	3.838	0.000***
Commitment	0.213	0.073	0.246	2.911	0.004**
Education Level	0.288	0.144	0.169	1.993	0.049*
Panel B: Price Insensitivity					
$R^2 = 0.243$	Adjusted $R^2 = 0.211$	Standard Error = 1.75350	F = 7.617		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	-0.207	1.206			
Commitment	0.305	0.110	0.261	2.773	0.007**
Price Deals	0.400	0.158	0.247	2.539	0.013*
Advertising Spending	-0.262	0.101	-0.247	-2.586	0.011*
Perceived Value	0.430	0.214	0.194	2.008	0.048*
Panel C: Purchase Intentions					
$R^2 = 0.321$	Adjusted $R^2 = 0.300$	Standard Error = 1.33965	F = 15.147		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	-0.651	0.807			
Customer Satisfaction	0.445	0.109	0.357	4.088	0.000***
Commitment	0.326	0.080	0.344	4.082	0.000***
Price Deals	0.266	0.115	0.203	2.319	0.022*
Panel D: Customer Loyalty					
$R^2 = 0.360$	Adjusted $R^2 = 0.340$	Standard Error = 1.10679	F = 18.027		Significant F = 0.000
Variable	Regression Coefficient	Standard Error	Standardized Coefficient	T-Value	Significance
(Constant)	-0.369	0.655			
Trust	0.311	0.085	0.306	3.643	0.000***
Commitment	0.300	0.066	0.372	4.533	0.000***
Price Deals	0.335	0.094	0.299	3.566	0.001***

*The table shows the regression estimates for Carrefour shoppers by word-of-mouth-communications, price insensitivity, purchase intentions and customer loyalty. The significance levels for the independent variables are indicated as * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$. Panel A shows Word-of-Mouth Communications = -1.501 + 0.352 (trust) + 0.327 (price deals) + 0.246 (commitment) + 0.169 (education level). Panel B presents Price Insensitivity = -0.207 + 0.261 (commitment) + 0.247 (price deals) – 0.247 (advertising spending) + 0.194 (perceived value). Panel C shows Purchase Intention = -0.651 + 0.357 (customer satisfaction) + 0.344 (commitment) + 0.203 (price deals). Panel D presents Customer Loyalty = -0.369 + 0.306 (trust) + 0.372 (commitment) + 0.299 (price deals).*

Table 6 : Regression Models Summary of Three Retail Types for Customer Loyalty

Loyalty Dimensions	**7-Eleven Stores**		**Hanshin Stores**		**Carrefour Stores**	
	Explained Variance	Significant Influences	Explained Variance	Significant Influences	Explained Variance	Significant Influences
Word- of-Mouth Communications	21.5%	Trust Personal Monthly Income* Distribution Intensity	19.2%	Trust	33.0%	Trust Price Deals Commitment Education Level
Price Insensitivity	20.2%	Perceived Value Household Employed Customer Satisfaction Commitment	28.8%	Shopping Frequency Switching Stores* Price Deals Commitment Store Spending	21.1%	Commitment Price Deals Advertising Spending* Perceived Value
Purchase Intentions	24.3%	Commitment Customer Satisfaction Household Employed Price Deals	36.9%	Customer Satisfaction Price Deals Shopping Frequency Switching Stores* Marital Status* Trust	30.0%	Customer Satisfaction Commitment Price Deals
Customer Loyalty	25.0%	Customer Satisfaction Household Employed Distribution Intensity	41.2%	Trust Shopping Frequency Switching Stores* Price Deals	34.0%	Trust Commitment Price Deals

*This table summarizes the regression models for each measure of customer loyalty and customer loyalty with the explained variance for each model. * indicates inverse (-) relationship that the independent variable has with the loyalty dimension.*

IMPLICATIONS

From the comparative (ANOVA) and causal (multiple regression) results, significant differences were found between convenience, department and hypermarket stores' customer loyalty. In comparison, Carrefour (hypermarket) had significantly higher word-of-mouth communications than 7-Eleven and Hanshin (department) stores. On the other hand, 7-Eleven shoppers had significantly higher purchase intentions than Carrefour customers.

Table 7: Independent Variables Influencing Retail Stores' Customer Loyalty

Variables	**7-Eleven Stores**	**Hanshin Stores**	**Carrefour Stores**
Shopper Characteristics			
Marital Status		1	
Educational Level			1
Household Employed	3		
Personal Monthly Income*	1		
Store Spending		1	
Shopping Frequency		3	
Switching Stores*		3	
Marketing Strategy			
Advertising Spending*			1
Price Deals	1	3	4
Distribution Intensity	2		
Perceived Value	1		1
Relationship Quality			
Satisfaction	3	1	1
Trust	1	3	2
Commitment	2	1	4

*This table shows the number of each independent variable that is included in each retail store's regression equations. * indicates inverse (-) relationship that the independent variable has with loyalty.*

Based on the causal results, specific shopper characteristics influence Hanshin customer loyalty. However, particular Carrefour marketing strategies had significant relationships to customer loyalty. See Table 7. Shopper characteristics were not a large influence for customer loyalty, except for Hanshin stores. While marketing strategies were not so much an influence for 7-Eleven, price deals were for Hanshin and Carrefour. Perceived quality was in only one regression equation for 7-Eleven and Carrefour, and in no models for Hanshin. However, relationship quality (customer satisfaction, trust, commitment) was important to the three stores with six in the 7-Eleven models, five in the Hanshin equations and seven for Carrefour. Furthermore, the results of the three types of retail stores provide a basis for specific implications for each format.

For 7-Eleven convenience stores, the higher the number of household members employed and the lower their income increased customer loyalty. These shoppers were somewhat price sensitive (price deals) and expected high-level product assortment (distribution intensity). These findings appear to be factors that convenience stores offer, e.g., close to home shopping locations, available to busy consumers, offer low-priced products. The 7-Eleven customers indicated a much higher level of satisfaction and to some degree a commitment than trust. To increase convenience store customer loyalty, a marketing strategy to increase price deals and more product offerings would be important.

On the other hand, Carrefour has greater loyalty from more educated shoppers who are very price sensitive (price deals) and highly committed, much more than trust and satisfaction. Loyal Carrefour shoppers to some degree are influenced by perceived value, e.g., the benefits gained and sacrifice made (price deals). However, advertising spending has a negative effect on loyalty. This is consistent with prior hypermarket studies in which this inverse relationship occurs with brand equity (Chen and Green, 2009; Green and Chen, 2010). Hypermarkets, therefore, should focus on other promotional strategies, e.g., more price deals, loyalty programs, than advertising spending.

Hanshin department stores' customer loyalty is influenced by several shopping characteristics. Married and those who have been married (widowed or divorced) were more loyal than single shoppers were. The greater the shopping frequency and the more purchasing per store visit are factors that increase their customer loyalty. However, Hanshin shoppers tend to shop at other department stores, and this causes a negative influence on their loyalty. Price deals were an important, and the only significant marketing strategy that increases customer loyalty. Shoppers did not perceive a significant amount of value at Hanshin, but there was a high level of trust and some degree of satisfaction and commitment. To increase customer loyalty, Hanshin must implement strategies to frequent the stores more often, to increase spending during each visit and for customer retention (to minimize or prevent shopping at competitors). Such marketing strategies should include an effective loyalty program and more price deals.

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

The purpose of this study is to advance the understanding of customer loyalty by examining and empirically testing consumer perception of marketing strategy (product, price, place, promotion), customer value (quality, sacrifice) and relationship quality (customer satisfaction, trust, commitment). Data were collected from 300 Taiwanese shoppers at three different types of retail stores – convenience (7-Eleven), department (Hanshin) and hypermarket (Carrefour). Four hypotheses were tested using ANOVAs and multiple regression methods. The results found significant differences between the three types of stores' marketing strategy, perceived value, relationship quality and customer loyalty. Furthermore, specific independent variables were significant influences on customer loyalty. The results partially supported the four hypotheses.

Particular findings were revealed in which certain factors influenced retail stores' customer loyalty. First, relationship quality was a major factor for the three stores. However, this varied by the type of store. For example, hypermarket shoppers had a high level of commitment that influenced loyalty, while customers trusted department stores, and convenience store shoppers were very satisfied. Second, price deals were an effective marketing strategy for the department stores and hypermarkets in creating customer loyalty. Third, behavioral aspects of shopping frequency, store spending and switching stores (inverse relationship) significantly influenced department store customer loyalty. Fourth, characteristics of convenience stores, e.g., easy access, low-priced products, appear to appeal to households with more members employed and had lower budgets (income) that influenced customer loyalty.

While this research has found specific relationships between shoppers' characteristics and behaviors, marketing strategy, perceived value and relationship quality to customer loyalty, the results have limitations. The sample was in one country, in one city and cannot be generalized. Moreover, only one convenience, department and hypermarket retailer was included in the study. However, this does provide a basis and the opportunity to further an understanding of retail store customer loyalty. For example, future research should be completed in other Asian countries or in other global regions. Convenience, department and hypermarket competitors should be included to determine if the results from this study is unique (different) or consistent (same) with other same retail store types. These opportunities would advance customer loyalty knowledge and provide marketing managers the strategy to retain customers and to build customer loyalty.

APPENDIX

Shoppers' Characteristics for Three Retail Stores

Shopper Characteristics	7-11 Shoppers		Hanshin Shoppers		Carrefour Shoppers		Total Shoppers	
	No.	%	No.	%	No.	%	No.	%
Total	100	33.3	100	33.3	100	33.3	300	100.0
Gender								
Male	39	39.0	23	23.0	42	42.0	104	34.7
Female	61	61.0	77	77.0	58	58.0	196	65.3
Age								
18-25	16	16.0	16	16.0	10	10.0	42	14.0
26-35	30	30.0	32	32.0	26	26.0	88	29.4
36-45	26	26.0	27	27.0	34	34.0	87	29.0
46-55	18	18.0	18	18.0	19	19.0	55	18.3
56-65	8	8.0	6	6.0	7	7.0	21	7.0
66 and over	2	2.0	1	1.0	4	4.0	7	2.3
Marital Status								
Single	39	39.0	34	34.0	28	28.0	101	33.7
Married	59	59.0	64	64.0	67	67.0	190	63.3
Widowed	0	0.0	2	2.0	3	3.0	5	1.7
Divorced	2	2.0	0	0.0	2	2.0	4	1.3
Educational Level								
Primary School of below	3	3.0	1	1.0	2	2.0	6	2.0
Junior School	7	7.0	5	5.0	5	5.0	17	5.7
High School	17	17.0	14	14.0	20	20.0	51	17.0
Bachelor Degree	64	64.0	69	69.0	57	57.0	190	63.3
Master's Degree	9	9.0	9	9.0	15	15.0	33	11.0
Doctoral Degree	0	0.0	2	2.0	1	1.0	3	1.0
Number in Household								
1	0	0.0	2	2.0	3	3.0	5	1.7
2	6	6.0	9	9.0	6	6.0	21	7.0
3	22	22.0	21	21.0	23	23.0	66	22.0
4 or more	72	72.0	68	68.0	68	68.0	208	69.3
Number Employed in Household								
1	25	25.0	22	22.0	24	24.0	71	23.7
2	51	51.0	45	45.0	43	43.0	139	46.3
3	10	10.0	15	15.0	13	13.0	38	12.7
4 or more	14	14.0	18	18.0	20	20.0	52	17.3

Shoppers' Characteristics for Three Retail Stores (Continued)

Shopper Characteristics	7-11 Shoppers No.	%	Hanshin Shoppers No.	%	Carrefour Shoppers No.	%	Total Shoppers No.	%
Occupation								
Corp exec, manager, supervisor	3	3.0	3	3.0	3	3.0	9	3.0
Business owner	3	3.0	2	2.0	4	4.0	9	3.0
Engineer, technician	8	8.0	6	6.0	6	6.0	20	6.7
Professional	16	16.0	14	14.0	22	22.0	52	17.3
Clerk, salesperson, service worker	14	14.0	17	17.0	14	14.0	45	15.0
Operator	7	7.0	3	3.0	8	8.0	18	6.0
Administrative personnel	9	9.0	14	14.0	12	12.0	35	11.7
Industrial labor	4	4.0	5	5.0	4	4.0	13	4.3
Housekeeper	18	18.0	17	17.0	15	15.0	50	16.7
Student	7	7.0	11	11.0	1	1.0	19	6.3
Unemployed	2	2.0	4	4.0	2	2.0	8	2.7
Retired	6	6.0	3	3.0	6	6.0	15	5.0
Other	3	3.0	1	1.0	3	3.0	7	2.3
Personal Monthly Income*								
US$660 or less	27	27.0	30	30.0	16	16.0	73	24.2
US$661-$990	21	21.0	19	19.0	25	25.0	65	21.7
US$991-$1,320	19	19.0	21	21.0	13	13.0	53	17.7
US$1,321-$1,650	9	9.0	10	10.0	13	13.0	32	10.7
US$1,651-$1,970	8	8.0	9	9.0	12	12.0	29	9.7
US$1,971-$2,300	6	6.0	3	3.0	5	5.0	14	4.7
US$2,301-$2,630	3	3.0	3	3.0	7	7.0	13	4.3
US$2,631-$2,960	1	1.0	2	2.0	4	4.0	7	2.3
US$2,961-$3,290	2	2.0	1	1.0	2	2.0	5	1.7
US$3,291 or more	4	4.0	2	2.0	3	3.0	9	3.0
Household Monthly Income*								
US$660 or less	1	1.0	4	4.0	3	3.0	8	2.7
US$661-$1,320	8	8.0	6	6.0	5	5.0	19	6.3
US$1,321-$1,970	20	20.0	29	29.0	25	25.0	74	24.7
US$1,971-$2,630	19	19.0	16	16.0	18	18.0	53	17.7
US$2,631-$3,290	22	22.0	20	20.0	19	19.0	61	20.3
US$3,291-$3,950	6	6.0	11	11.0	8	8.0	25	8.3
US$3,951-$4,940	14	14.0	7	7.0	14	14.0	35	11.7
US$4,941-$5,930	6	6.0	4	4.0	6	6.0	16	5.3
US$5,931-$6,580	1	1.0	0	0.0	0	0.0	1	.3
US$6,581 or more	3	3.0	3	3.0	2	2.0	8	2.7
Store Spending (per visit)*								
US$3.30 or less	30	30.0	4	4.0	2	2.0	36	12.0
US$3.31-$8.20	46	46.0	6	6.0	3	3.0	55	18.3
US$8.21-$16.50	14	14.0	6	6.0	11	11.0	31	10.3
US$16.51-$32.90	2	2.0	15	15.0	16	16.0	33	11.0
US$32.91-$65.80	4	4.0	21	21.0	41	41.0	66	22.1
US$65.81-$98.70	3	3.0	21	21.0	22	22.0	46	15.3
US$98.71-$148.00	1	1.0	12	12.0	4	4.0	17	5.7
US$148.01-$197.40	0	0.0	6	6.0	1	1.0	7	2.3
US$197.41-$246.80	0	0.0	4	4.0	0	0.0	4	1.3
US$246.81-$296.10	0	0.0	1	1.0	0	0.0	1	0.3
US$296.11-$329.00	0	0.0	2	2.0	0	0.0	2	0.7
US$329.01 or more	0	0.0	2	2.0	0	0.0	2	0.7
Shopping Frequency (last month)								
0	2	2.0	25	25.0	9	9.0	36	12.0
1	8	8.0	28	28.0	30	30.0	66	22.0
2	12	12.0	28	28.0	31	31.0	71	23.7
3	13	13.0	8	8.0	13	13.0	34	11.3
4	6	6.0	5	5.0	8	8.0	19	6.3
5 or more	59	59.0	6	6.0	9	9.0	74	24.7
Switching Stores (last year)								
0	5	5.0	7	7.0	12	12.0	24	8.0
1	9	9.0	10	10.0	18	18.0	37	12.3
2	25	25.0	25	25.0	32	32.0	82	27.3
3	14	14.0	19	19.0	11	11.0	44	14.7
4	6	6.0	11	11.0	7	7.0	24	8.0
5 or more	41	41.0	28	28.0	20	20.0	89	29.7

*This table presents the shoppers' demographic information and shopping characteristics for participants in this study. * indicates 1 NT (Taiwan Dollar) = US$0.03291 at the time of the survey.*

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ACKNOWLEDGEMENT

The authors greatly appreciate the most helpful comments by the Editor and the reviewers for this manuscript.

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THE RELATIONSHIP BETWEEN McCLELLAND'S THEORY OF NEEDS, FEELING INDIVIDUALLY ACCOUNTABLE, AND INFORMAL ACCOUNTABILITY FOR OTHERS

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ABSTRACT

This research examines the relationship between the dimensions of McClelland's Theory of needs (i.e., needs for power, achievement, and affiliation), felt accountability, and informal accountability for others (IAFO). This study's aim is to enhance organizational research by demonstrating the mediating effects of informal accountability, on the needs and IAFO relationship. The research tests hypotheses using data collected from 187 working adults. Findings indicate that felt accountability partially mediates the relationship between achievement and affiliation needs and IAFO. The paper concludes with a discussion of managerial implications, the study's relevant strengths, limitations and directions for future research.

JEL: M12, M14

KEYWORDS: Theory of needs, felt accountability, informal accountability for others

In an era of rapidly globalizing economies and increasingly available information, it is apparent that high profile lapses of accountability occur frequently (e.g., the global crisis in real estate markets and the massive frauds perpetrated by former NASDAQ chief Bernard Madoff). There are growing concerns in both the academic literature and popular press about a perceived lack of accountability. Accountability is a fundamental aspect of both personal and organizational life (Tetlock, 1985, 1992), and is, thus, instrumental in allowing societies to sustain themselves. In the organizational context, a lack of accountability may undermine firms' internal, legitimate, systems of checks and balances, and adversely affect performance (Yarnold, Muesur, & Lyons, 1988; Enzele & Anderson, 1993). So fundamental is accountability that social interactions might be impossible without it (Lerner & Tetlock, 1999).

Unfortunately, accountability may not always be an easily observable formal system or reporting, and often individuals feel simultaneously pulled in different directions by various constituencies (Cummings & Anton, 1990). This suggests that both the individual and others are important in determining subjective levels of accountability. At present, a growing body of research (e.g., Royle, Fox, & Hochwarter, 2009; Royle & Fox, 2011) deals with the notion that individuals feel accountable for others at work, even if those others are not formal subordinates. It is important for the field to examine further, what contributes to those sentiments and how individuals come to feel accountable for themselves and informally for others. In order to augment the literature, the field needs a model that helps shed light upon antecedent conditions, consequences, and possible mediating circumstances. The hypothesized model of informal accountability for others in this work addresses these concerns.

The model proposed here includes McClelland's (1961) socially learned needs variables (i.e., needs for power, achievement, and affiliation), feelings that individuals have about their own levels of accountability, and the degree to which they think they will be required to answer for others. This paper examines the potential that individuals' learned needs predict the degree to which they feel accountable for their own actions, then how much they feel they answer for the behaviors of others in their organizations. This paper will proceed as follows: first, we will give a review of the literature relevant to our study variables, then present our model and explain the sample, measures, and data analysis technique used. We then discuss the theoretical contributions of our research, its practitioner implications, its strengths, limitations, and directions for future inquiry. We conclude with a short summary of the study's major findings.

LITERATURE REVIEW

The Phenomenological View of Accountability

Lerner and Tetlock (1999) called accountability the implicit or explicit expectation that one might have to justify one's beliefs, feelings, and actions to others. With respect to accountability in organizations, Frink and Klimoski (1998) defined accountability as''the perceived need to justify or defend a decision or action to some audience which has potential reward and sanction power, and where such rewards and sanctions are perceived as contingent on accountability conditions'' (p. 9). Although one might expect that accountability takes place only when a breach of conduct has occurred (Cummings & Anton, 1990), it is possible that an individual can be accountable and rewarded for his/her diligent stewardship absent any wrongdoing. Accountability usually implies that those who do not provide reasonable justifications for their actions will be negatively sanctioned with consequences ranging from disdainful looks to loss of one's livelihood, liberty, or even life (Stenning, 1995). Conversely, individuals who provide sufficient justification for their actions experience positive consequences ranging from the mitigation of punishment to reward.

The phenomenological view of accountability, based on Tetlock's (1985, 1992) social contingency model, includes several empirically distinguishable sub-components. These include (a) the effects of social facilitation – the mere presence of others (individuals behave differently when others observe their performances (Zajonc, 1965; Zajonc & Sales 1966); (b) identifiability (individuals believe that what they say or do will be linked to them personally) (Price, 1987; Zimbardo, 1970); (c) evaluation (participants expect that their performance will be assessed by another according to some normative ground rules and with some implied consequences) (Geen, 1991); and (d) reason-giving (individuals expect that they must give reasons for their attitudes or behaviors) (Simonson & Nowlis, 2000).

The Pyramid Model of Accountability

Accountability, in Barry Schlenker's terms, refers to being answerable to audiences for performing up to certain prescribed standards. It entails meeting specified obligations, duties, and expectations (Schlenker, 1986; Schlenker & Weigold, 1989; Schlenker, Weigold, & Doherty, 1991). The dimensions of these models are more formal and objective than are phenomenological conceptualizations of accountability.

Schlenker et al. (1991) contended that when individuals are accountable, they answer for their attitudes or try to justify their conduct. Others scrutinize, judge, sanction, and potentially reward their actions (Semin & Manstead, 1983; Tetlock, 1985, 1992). Individuals establish prescriptions for conduct, judge others' performances in relation to those standards, and distribute rewards and punishments based on these assessments.

The "evaluative reckonings" described by Schlenker and colleagues (e.g., Schlenker, 1986, Schlenker & Weigold, 1989; Schlenker et al., 1991) are value-laden judgments that require an evaluator to have information about three key elements in order to assign culpability. The elements necessary to make these judgments are: (1) the *prescriptions* that should be guiding the actor's conduct on the occasion, (2) the *event* that occurred that is relevant to those prescriptions, and (3) a set of *identity images* that are relevant to the event and prescriptions and that describe the actor's roles, qualities, convictions, and aspirations.

The three elements, and the linkages among them, depict a triangle when visualized, thus, the classification. Schlenker, Britt, Pennington, Murphy, and Doherty (1994) contended that the combined strength of the three linkages determine how responsible an individual is judged to be. In other words, individuals are responsible to the extent that: (a) a clear set of prescriptions is applicable to the event (prescription–event link); (b) the prescriptions are perceived to bind an individual by virtue of his or her identity (prescription–identity link); and (c) the individual is associated with the event, especially if that person is thought to have had personal control over the event, (identity–event link).

In this respect, responsibility is the force that binds individuals to events and to relevant prescriptions that govern their conduct. This is how responsibility provides a basis for judgment and sanctioning (Schlenker et al., 1994). When evaluators "look down" and appraise the configuration of the elements and linkages, the image is that of a pyramid (Schlenker, 1986). The presence of an evaluative audience, and the individual's answerability to it, moves the individual from responsibility to accountability.

The present paper contends that IAFO too fits in terms of these linkages. For example, organizational culture may dictate that established members of a firm mentor new hires (prescription-event link). As established members in good standing, individuals thus feel obligated to engage and orient new members (prescription-identity link). Established members know the "rule" that new members need their tutelage and have the ability to give of their time and knowledge (prescription-event link). When these conditions are met, observed, and rewarded, by those with sanctioning power, individuals are deemed informally accountable for others. It is likely that established employees would choose to engage in these activities, thus becoming informally accountable for others, in order to maintain or increase their good standing within the organization, provided they are able to attend to their own duties. This study intends to demonstrate the role of needs in promoting such behaviors.

<u>Cummings and Anton's Conceptualization of Accountability</u>

Cummings and Anton (1990) took a slightly different approach to conceptualizing responsibility. Based on attribution theory literature (e.g., Heider, 1958; Weiner, 1979), they defined responsibility in terms of a person's causal influence on a situation. They used this definition to highlight the actor's volition in an event. This person can affect the situation directly or indirectly, proximally or distally (Cummings & Anton, 1990). The relationship is simple, physical, and linear in terms of the individuals' responsibility. Therefore, any condition attributed either directly or indirectly to one's influence increases his/her perceived culpability.

Cummings and Anton (1990) also claimed that felt responsibility and accountability are subsequent and distinct outcomes of one's responsibility (as defined by his/her causal influence). Further, they argued that felt responsibility is an internal path whereas accountability is an external, public, and visible social process. It is the authors' contention that IAFO may have both internal and external components but that it is the external, visible, dimension that individuals seek to affect their standings within organizations.

Cummings and Anton (1990) proposed that three contingent conditions determine accountability. In order for others to deem one accountable, individuals must: 1) have the capacity to behave rationally, 2) engage in behaviors wherein some outcome is foreseeable, and 3) deviate from previously stated expectations. Cummings and Anton (1990) diverged somewhat from other notions typically found in accountability theory. Specifically, they considered deviation from a standard to be a precondition of accountability whereas others posited that the accountability evaluations could detect either alignment or deviation. We contend that individuals understand what is required of them on the job and that they affect the behaviors of others because they believe they should.

Felt Accountability

Contemporary reviews of the literature on accountability generally cast it as an objective condition (Lerner & Tetlock, 1999). However, these conceptualizations overlook subjective aspects of accountability (Hall, Royle, Brymer, Perrewé, Ferris, & Hochwarter, 2006). Specifically, these authors contended that objective facets of accountability do not guarantee employee compliance (Frink & Klimoski, 1998, 2004). In fact, employees could fail to understand directives that promote accountability or even be unaware of them entirely (Hall et al., 2006).

Hall and her colleagues (2006) noted that it is “employees' subjective interpretations of objective mechanisms” that actually affect their behaviors. Specifically, borrowing form well-established principles of psychology; it is individuals’ subjective perceptions of reality, rather than objective true circumstances that drive their thoughts and actions (Lewin, 1951). Therefore, a central focus of this research pertains to whether individuals *feel* accountable and then engage in desirable behaviors. This view follows phenomenological view proposed by Tetlock (1985, 1992). Specifically, this research attempts to establish the degree to which variables personality (i.e., needs for power, achievement, and affiliation) influence individuals’ feeling of accountability and the degree to which that motives them to feel answerable for what others around them do.

Informal Accountability for Others

Informal accountability for others (IAFO) is a public demonstration that one is willing to answer for the attitudes and behaviors of individuals in an organization regardless of formal position within the firm, rank, or mandate by the organization (Royle, et al., 2009: Royle & Fox, 2011).

Our conceptualization of informal accountability reflects views previously theorized and demonstrated by others as well as budding research on the subject (e.g., Royle, Hochwarter, & Hall, 2008). For example, it borrows from the work of Morrison and Phelps’s (1999) who noted that individuals generally believe they are personally obligated to bring about constructive change, which either directly or indirectly affects (ostensibly benefits) both themselves and others. Another element of the construct comes from Lerner and Tetlock (1999) who contended that accountability is the implicit or explicit expectation that one may be called on to justify one’s beliefs, feelings, or actions to others. Still other aspects come from Ferris, Mitchell, Canavan, Frink, and Hopper (1995), who considered accountability to be a function of how much a person is observed and evaluated by powerful others who have reward or sanctioning power, and the extent to which valued rewards (or feared sanctions) are consistent with these evaluations.

Uncertainty Reduction

As hard as individuals might try, there will always be things outside their control. However, this does not mean that they like it that way. Individuals often engage in behaviors that reduce future uncertainties to help allay those attendant trepidations. According to Epstein (1999), all individuals experience some aversion to uncertainty. Epstein (1999) further defined uncertainty aversion as a large class of preferences wherein information about the future is too imprecise to be conceptualized in terms of a probability of occurrence, but which individuals, nonetheless, conceive of as an eventuality.

Expectancies are crucial in the creation or reduction of uncertainty. O’Driscoll and Beehr (1994) contended that uncertainty contributes to work-related affect and attendant behaviors. Specifically, they noted uncertainty corresponds to unpredictability about the consequences of role performance. Further, they contended that ambiguous situations are generally dissatisfying. Beehr and Bhagat (1985) concurred and proffered an explanation of uncertainty based on expectancy theory (e.g., Vroom, 1964; Porter & Lawler, 1968). They noted two types of uncertainty that related to expectancy: (1) effort-to-performance (E-P) and (2) performance-to-outcome (P-O) uncertainty. Essentially, individuals experience dissatisfaction and agitation when they do not know if their work-related efforts are up to acceptable standards. Furthermore, that angst grows when they do not know if important members of the organization (P-O) value what they do.

O'Driscoll and Beehr (1994) contended that employees seek social approval. As such, employee responses to supervisory treatment affect their willingness to stay in an organization. Along with E-P and P-O expectancies, not knowing whether a supervisor accepts a subordinate on a personal level becomes another source of uncertainty. This uncertainty predicts dissatisfaction and turnover intentions (O'Driscoll & Beehr, 1994). Feeling accountable could demonstrate commitment and help ensure supervisor acceptance. Furthermore, individuals might pursue informal accountability conditions if they feel that their gestures will be noticed (E-P) and that they can achieve an increase in status. Additionally, if these gestures are appreciated, individuals will be perceived as informally answerable for others, which makes them appear cooperative (P-O), and laudable.

In order to avoid semantic misunderstandings, it is important to consider Epstein's (1999) related notion of risk. It is similar to uncertainty, but differs in that risk connotes that individuals have a more precise idea of the probability of some future event (e.g., a 50% chance that one's stocks will increase in value). As noted, the "large class" associated with uncertainty contains the similar, if not sometimes interchangeable, notions of "vagueness" and "ambiguity". In this research, the author uses the umbrella term "uncertainty" because it is more inclusive. This research contends that feeling accountable and being answerable for others are behaviors that reduce uncertainty. Feeling accountable will likely enhance individuals' performances at work, thus, reducing uncertainly. Further, based on norms of reciprocity (Gouldner, 1960), answering for others is likely to engage systematic exchanges between coworkers and evoke return favors that will also reduce future uncertainties.

<u>McClelland's Theory of Needs</u>

The theory of (learned) needs is one of the most ubiquitous and pragmatic in personality and organizational scholarship. Developed by McClelland (e.g., 1961, 1975, 1985), needs theory contends that individuals are motivated by three basic drivers: achievement, affiliation, and power. Winter (1992) argued that these needs not only motivate individuals, but also include many of the most important human goals and concerns. This research attempts to demonstrate that each of these dimensions affects the level of accountability one feels for both himself/herself and others.

Achievement Needs. McClelland's (1961, 1985) need for achievement describes a person's drive to excel with respect to some established set of standards. Individuals' achievement needs are satisfied when they are able to actualize their own purposes relative to and regardless of the situations of others (Yamaguchi, 2003). Those high in achievement needs dislike succeeding by chance and seek personally identifiable sources for their success or failure rather than leaving the outcome to probability (Robbins, 2003; Weiner, 1979). Furthermore, individuals high in achievement needs experience joy or sadness contingent upon the identifiable outcomes of their efforts (McClelland & Koestner, 1992).

McClelland (1961, 1975, 1985) noted that individuals high in this dimension differentiate themselves from others by their desire to perform at a more advanced level than their peers. Although achievement could be measured in terms of mastery and competitiveness, it also reflects individuals' desires to excel relative to themselves (Heintz & Steele-Johnson, 2004). High achievement needs motivate individuals to seek relatively difficult vocations (McClelland & Koestner, 1992). Further, high achievement individuals are more satisfied in jobs that involve both high skill levels and difficult challenges (Eisenberger, Jones, Stinglhamber, Shanock, & Randall, 2005). Similarly, individuals high in achievement needs more frequently seek feedback en route toward goal completion (McAdams, 1994; Emmons, 1997).

McClelland (1961, 1985) noted that high in achievement needs individuals seek situations in which they can obtain personal responsibility for finding novel solutions to problems. One underlying driver of such actions is partly the alleviation of trepidations about their future in the organization. These individuals tend to be very persistent with respect to solving problems (McClelland & Koestner, 1992). Research indicated that individuals with high achievement needs are, generally, more effective leaders (McNeese-Smith, 1999; Henderson, 1993, 1995). Unfortunately, however, the motivation to behave opportunistically while trying to satisfy this need has been empirically validated (Treadway, Hochwarter, Kacmar, & Ferris, 2005).

Brunstein and Maier (2005) noted that two separate but interacting dimensions drive achievement needs: implicit and explicit motives. Implicit motives energize spontaneous impulses to act (e.g., effective task performance). The degree of effective task performance is, of course, related to the degree to which the individual behaves accountably in his/her position.

Explicit motives, on the other hand, are manifest by deliberate choice behaviors (e.g., explicitly stated preferences for difficult tasks). As such, high achievement needs map appropriately onto a drive to be informally accountable for others. Specifically, high achievement needs might drive individuals to seek informal accountability for others because the successful coordination of others' activities might translate directly into better job performance evaluations (both for them and for those for whom they are informally accountable). In addition, those who claim informal accountability for others and are effective in this capacity, appear to others as more proactive, appealing, employees. Appearing to be an effective leader is, thus, an explicit motive (Brunstein & Maier 2005).

This research contends that accountability relates to achievement needs such that those who want to maintain high marks and be considered credible leaders must feel answerable for their performances and that then seeking IAFO enhances the degree to which they can achieve.

*Power Needs***.** The need for power denotes individuals' desires to be influential. This could manifest itself in attempts to make others behave, as one would like, or in a manner that they might not have otherwise (McClelland, 1961, 1975, 1985). In other words, individuals high in this need seek position power so that they can compel the actions of others. Those high in power needs prefer being in competitive, status-driven situations, and actively seek the trappings of status (Veroff, 1992). Additionally, they are concerned with ensuring that the methods they choose to influence others are within their control (Veroff, 1992; McAdams, 1994; Emmons, 1997). However, in order to maintain viable interdependent relationships with others, individuals with high power needs must often restrain these desires (Yamaguchi, 2003).

Central to one's need for power is gaining influence over others (McClelland, 1961, 1975, 1985; Robbins, 2003; Yamaguchi, 2003). Individuals with influence can then parlay informal accountability for others into the accumulation of additional resources that serve to enhance their status. Prior research indicated that expression of power needs might have a mixed effect on how others are perceived. For example, direct subordinates often react negatively to leaders high in power needs whereas clients and others more distal in the organization view them more positively (McNeese-Smith, 1999; Henderson, 1993, 1995). However, despite these findings, interpersonal failings caused by excessive displays of power seeking tend to derail managers (Van Velsor & Leslie, 1995).

Based on the principles of role theory, when an individual becomes informally accountable for others, the target becomes cognizant of it (Kahn, Wolfe, Quinn, & Snoek, 1964; Royle & Fox, 2011). Given the norm of reciprocity (Gouldner, 1960; Meyer & Allen, 1997), targets believe that the accountable party has extended a benefit and reciprocate with actions that align with the attitudes or behaviors to repay their obligations (e.g., Royle et al., 2009). Individuals who are aware that another person has been helpful will reciprocate by ensuring that relevant mutual goals are met or corrective measures taken if perceived performance decrements exist. For one high in power needs, this suggests that others will often indirectly cede a portion of their autonomy to them. Consequently, it is plausible that positive changes to one' job might occur and satisfy implicit power motives. For example, by co-opting some portion of a coworker's efforts, an individual may gain more organizational prestige or be promoted to a job with a greater span of control. At a minimum, those known to be informally accountable for others may perceive a status differential that appeals to those who seek power. However, the extent to which those high in power needs behave in amoral, Machiavellian, fashions, would diminish levels of felt accountability and discourage IAFO if others perceive their actions to be disingenuous. Essentially, it is our contention that power needs to promote felt accountability and IAFO but only if the specific person high in power also feels an obligation to act morally (Spangler et al., 2004).

*Affiliation Needs***.** The need for affiliation reflects the desire to have close, friendly, relationships with others (McClelland, 1961, 1985; Robbins, 2003). Those high in this dimension tend to spend considerable time seeking interactions with others (McClelland & Koestner, 1992). Further, those with strong affiliation needs pursue team activities in which interdependence and cooperation with others are paramount (Yamaguchi, 2003). Affiliation needs have garnered relatively less critical scholarly attention than the other two of McClelland's needs theory (Robbins, 2003), but they still warrant discussion with respect to accountability. For those who value friendship and prefer cooperation over competition, demonstrating a willingness to meet stated standards of conduct, and to accept accountability for others might be taken as a sign of organizationally desired civility (McClelland, 1961, 1975, 1985). High levels of affiliation motivate individuals to be both sympathetic and accommodating toward *(i.e., needs for power, achievement, and affiliation)* others (McClelland & Koestner, 1992). Prior research noted the influence of affiliation on leadership. Specifically, McNeese-Smith (1999) demonstrated a positive relationship between high affiliation needs and enabling others to act in ways deemed desirable. McNeese-Smith (1999) further suggested those high in affiliation needs lead others in desirable directions and that in doing so, they feel answerable to the same ethical codes of conduct common to their peers.

In the course of social interaction, individuals pass along important information about how to behave. The norm of reciprocity (Gouldner, 1960; Meyer & Allen, 1997) contends that people might exchange useful information because they sense a debt of obligation. An understanding of the expectations associated with informal accountability for others are well developed in those high in affiliation needs because such individuals are strongly motivated to foster social ties.

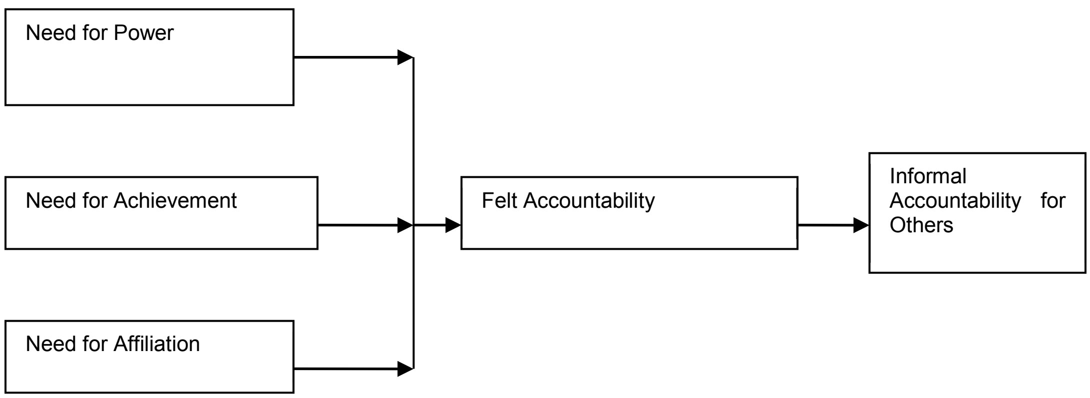
Building on this discussion it is likely that those high in affiliation needs will seek informal accountability. Although doing so can be risky (because sometimes a desired complicit reaction fails to occur), seeking informal accountability for others may be attractive to those with high affiliation needs because it offers the opportunity to build informal teams and "feel a part of something *(i.e., needs for power, achievement, and affiliation)*." Nevertheless, those attempting to signal IAFO must demonstrate their own competence. This could be done by feeling accountable for one's role obligations and living up to them. IAFO fosters strong interpersonal associations attractive to high affiliation types (McClelland, 1961, 1975, 1985) and helps reduce their fears of being ostracized (McClelland & Koestner, 1992). Creating strong interpersonal associations also acts as a resource in the future when maneuvering in threatening or uncertain settings.

Hypothesis 1: Felt accountability mediates the relationship between power needs and informal accountability for others (IAFO) such that power needs increase felt accountability and subsequently promote IAFO.

Hypothesis 2: Felt accountability mediates the relationship between achievement needs and IAFO such that achievement needs promote felt accountability and subsequently foster IAFO.

Hypothesis 3: Felt accountability mediates the relationship between affiliation needs and IAFO such that affiliation needs promote felt accountability and subsequently enhance IAFO.

Figure 1: The Mediating Effects of Felt Accountability on the Relationship between Learned Needs and Informal Accountability for Others



This is the model of McClelland's Needs Theory and individuals' feeling of accountability, both for themselves and, subsequently, for others as well. The proposed model contends that individuals' learned impulses foster feelings of answerability for their own actions which then incline them to feel accountable for the attitudes and behaviors of others in their organizations.

DATA AND METHODOLOGY

This research proposes a mediated relationship between variables. In short, this research tries to determine if the variance in a dependent variable (IAFO in this case) is caused independently by the predictor variables (learned needs and felt accountability), or if a causal chain of events exists. In other words, could we attribute the sample's variance in informal accountability for others to needs for power, affiliation, and achievement only if they predict felt accountability first?

Participants and Procedures

The sample consisted of self-reports from working adults around the world. Students involved in an extra credit assignment dispensed surveys to individuals they knew were full time employees in their respective organizations. A group of 75 students was allowed to give as many as five surveys per person for class extra credit. In many cases, respondents were parents or siblings of these students. A total of 375 surveys were available to students. Ultimately, 187 usable surveys were returned. This constitutes a response rate of 49%. Students either brought completed surveys back to class with them or informed respondents that they could contact the researcher directly and submit an electronic copy. The researchers collected, but did not disseminate, contact information on all respondents in order to ensure the legitimacy of their survey responses. To ensure the privacy of respondents, we never shared identifying information with any third party. However, we collected their telephone numbers and addresses in order to contact them if we suspected that students misrepresenting themselves to obtain class credit completed the surveys.
Respondent occupations in this sample included accountants, human resources administrators, sales professionals, marketing directors, and food service personnel. The average age of respondents was about 37 years old and the average organizational tenure was 7 years. The sample included 98 females (55%).

These data were collected between 2006 and 2007. Respondent occupations included human resource professionals, small business owners, restaurant servers, and civil service employees.

<u>Measures</u>

Before reporting results based on this study's scales, even those well validated in existing research we conducted confirmatory factor analysis (CFA) to ascertain their dimensionality. The researchers used a principal component analysis with an orthogonal (Varimax) rotation. We subsequently applied Kaiser's Rule (retaining factors with eigenvalues over one), and examined the amount of variance extracted in the construct by the first factor relative to others (Pallant, 2004; Kaiser, 1974). The factor structures expected based on existing research emerged, thus, no items were deleted in any scales in the analyses. Table 1 notes the scales' calculated coefficient alpha values, the eigenvalues of the first extracted factor, and the proportion of cumulative variance in the construct described by that factor as extracted in this research. Additionally, it notes the measures' original authors and years of publication.

Table 1: Scales, Sources, Reliabilities, and Factor Analyses

Variable Name	**Scale Author**	**Coefficient α**	**Eigenvalue of the 1st Factor**	**Variance Explained by 1st Factor**
Need for Power	Yamaguchi	.71	2.55	.42
Need for Achievement	(2003)	.80	2.53	.63
Need for Affiliation		.91	5.35	.59
Felt Accountability	Hochwarter, Perrewé, Hall, & Ferris (2005)	.73	2.89	.36 .
Informal Accountability for Others	Royle, Hochwarter, & Hall (2008)	.85	3.12	62

This table contains information about the study's variables and the creators of the scales used to measure them. In addition, it reports the coefficient alpha values of each scale in both samples as well as the Eigenvalue of the first extracted factor and the amount of variance that it accounts for. All scales were measured with a five-point Likert-type response format anchored by "strongly disagree" and "strongly agree".

McClelland's Individual Needs. This study measures, achievement, affiliation, and power needs using a ten-item scale created by Yamaguchi (2003). The scales employ a five-point response format (1 = *strongly disagree* to 5 = *strongly agree*). Four items measure affiliation needs. Three items each measure power, and achievement needs. Representative items include, "I enjoy influencing other people and getting my way, I want to be liked by others at work, and I enjoy difficult work challenges."

Informal accountability for others. In this research IAFO is measured using Royle, Hochwarter, and Hall's (2008) five-item scale. This scale was originally derived from Ivancevich and Matteson's (1980) "Responsibility for people" portion of their Stress Diagnostic Survey. The scale employs a five-point response format (1 = *strongly disagree* to 5 = *strongly agree*). Representative items include, "I am accountable at work for the results or outcomes of others although it is not part of my formal job duties," and " I am accountable for counseling and consulting with peers and/or helping them solve their problems although I do not have to."

Felt accountability. The felt accountability measure used here comes from Hochwarter, Perrewé, Hall, and Ferris' (2005) eight-item scale. It uses a five-point response format (1 = strongly disagree to 5 = strongly agree). Representative items include, "I am held very accountable for my actions at work and co-workers, subordinates, and supervisors closely scrutinize my efforts at work."

Control variables. Spurious effects are possible if researchers do not include control variables. Age, gender, race, and organizational tenure are, thus, included as control variables given their previously demonstrated influences (Sheridan & Vredenburgh, 1978).

Data Analysis and Results

To determine if mediation existed in these data, Baron and Kenny's (1986) three-step procedure is used. In order to test for mediation, a step-wise process is used. In the first step, analysis must demonstrate that the independent variable is significantly related to the mediator variable (i.e., felt accountability regressed on needs for power, achievement, and affiliation and control variables). Second, the independent variable must be related to the dependent variable (i.e., IAFO regressed on the learned needs). Finally, in the third step, the mediating variable should be related to the dependent variable with the independent variable included in the equation (i.e., felt accountability added into the regression equation). If the first three conditions hold, at least partial mediation is present. If the independent variable has a non-significant standardized beta weight in the third step and the mediator remains significant, then full mediation is present. If the independent variable has a significant but a reduced standardized beta weight (especially if associated significance levels drop) in the third step and the mediator remains significant as well, then a case of partial mediation exists.

Table 2 provides the means, standard deviations, and correlations among study variables. The two largest correlations between variables in this sample are between two controls- age and organization tenure (r = .57, $p < .01$) and two learned needs- achievement and affiliation (r = .60, $p < .01$). These correlations do not strongly indicate problems of multicollinearity because none exceeds the .60 benchmark noted by Cohen, Cohen, West and Aiken (2003). No control variable was significantly related to felt accountability or IAFO. However, consistent with theory, felt accountability was significantly related to IAFO at the $p < .01$ level.

Table 2: Means, Standard Deviations, and Correlations between Study Variables

Variable	M	SD	1	2	3	4	5	6	7	8	9
1. Age	36.51	13.42	---								
2. Gender	---	---	-.08	---							
3. Race	---	---	**.22**	.12	---						
4. Tenure	7.37	8.02	**.57**	-.10	-.14	---					
5. IAFO	2.46	.82	.05	-.05	-.11	.04	---				
6. Felt Account	3.94	.48	.04	-.08	-.01	-.01	**.43**	---			
7. NACH	3.54	.73	.02	.01	.04	-.08	**.38**	**.34**	---		
8. NAFF	1.77	.69	.09	.01	**-.15**	.07	**.38**	**.41**	**.60**	---	
9. NPOW	3.71	.82	-.04	**-.15**	-.05	-.05	**.21**	**.22**	**.25**	**.31**	---

*N = 187. The table above presents all of the inter-correlations between this study's variables. These correlations do not strongly indicate problems of multicollinearity because none exceeds the .60 benchmark noted by Cohen, Cohen, West and Aiken (2003). *All bolded correlations indicate significance levels of p < .05 or stronger*

To test the study's hypotheses, the researcher performed the three-step procedure as recommended by Baron and Kenny (1986) to test for mediation. In each of the three steps, the standard demographic control variables (i.e., age, race, organizational tenure, and gender) were included to help alleviate any spurious effects they might introduce and to promote a more stringent test of the relationships.

The first panel in Table 3 provides the results for the first step indicating that the mediating variable, felt accountability, was significantly negatively related to NPOW ($b = .21$, $p < .01$). As such, it is legitimate to proceed to the second step. The second panel provides the results for this step and shows that power needs are significantly related to the dependent variable (IAFO) (b = .21, p < .01). Needs for power explained 3% of the variance in IAFO. In the third step of Baron and Kenny's (1986) procedure, the mediating variable (i.e., felt accountability) must relate to the dependent variable (IAFO) with the independent variables included in the equation. The third panel in Table 3 provides the results of the final step. Results indicated that felt accountability was a significant predictor (b = .40, p < .001) of IAFO, but that power needs too were still significant (b = .13, p < .10). Had the standardized beta weight for power needs become insignificant in the third step, felt accountability could be said to fully mediate the relationship (Baron & Kenny, 1986). However, according to these same authors, a decline in the significance of the standardized beta weight of an independent variable between steps two and three with the mediator included in the regression equation indicates a case of partial mediation. Thus, analysis indicated that felt accountability partially mediated the relationship between power needs and IAFO. The following mediated regression equation estimates the determinants of informal accountability for others in the final step:

$$IAFO = \beta_1(Age) + \beta_2(Gender) + \beta_3(race) + \beta_4(tenure) + \beta_5(NPOW) + \beta_6(felt\ accountability)$$

Table 3: Mediation Results for Needs for Power

Variable	F	df	Adjusted R^2	β (standard)
Step 1: Mediator Variable Regressed on the Independent Variable				
Mediator: Felt Accountability	1.90†	5	.02	
NPOW				. 21**
Step 2: Dependent Variable Regressed on Independent Variable				
Dep. Var.: IAFO	2.14 †	5	.03	
NPOW				.21**
Step 3: Dependent Variable Regressed on Mediator (IAFO) with the Independent Variable Included				
Dep. Var.: IAFO	7.99***	6	.18	
Felt Accountability				.40***
NPOW				. 13†

N=187.*The panels of this table show the mediation steps suggested by Baron and Kenny (1986). The results suggest that if the relationship weakens substantially in the presence of felt accountability, partial mediation occurs. Table 3 shows the regression estimates of the following equation:* $IAFO = \beta_1(Age) + \beta_2(Gender) + \beta_3(race) + \beta_4(tenure) + \beta_5(NPOW) + \beta_6(felt\ accountability)$ *Significance levels are indicated as follows: †p<.10, *p* < .05, ***p* < .01, ****p* < .001. *All results include age, gender, and tenure, as control variables.*

Table 4 provides the results for the study's second test hypothesis. It indicated that the mediating variable, felt accountability, is significantly positively related to achievement needs (b = .34, p < .001). Thus, further calculations are in order. The table's second panel shows that achievement needs significantly, positively, related to the dependent variable (IAFO) (b = .39, p < .001). Needs for achievement explained between 14% of the variance in IAFO.

The third panel in Table 4 notes the third step of Baron and Kenny's (1986) procedure. The mediating variable (i.e., felt accountability) is related to the dependent variable (IAFO) with the independent variables included in the equation. As can be seen, felt accountability was still a strong predictor (b = .34, p < .001) of IAFO, but achievement needs still proved a significant antecedent (b = .27, p < .01) in the equation. Baron and Kenny (1986) noted that if between the second and third steps the IV's standardized beta weight drops and/or the significance level drops, the relationship is partially mediated. Such is the case here. In this sample, felt accountability partially mediated the relationship between needs for achievement and IAFO. The following mediated regression equation estimates the determinants of informal accountability for others in the final step:

$$IAFO = \beta_1(Age) + \beta_2(Gender) + \beta_3(race) + \beta_4(tenure) + \beta_5(NACH) + \beta_6(felt\ accountability)$$

Table 4: Mediation Results for Needs for Achievement

Variable	F	df	Adjusted R^2	β (standard)
Step 1: Mediator Variable Regressed on the Independent Variable				
Mediator: Felt Accountability	4.92***	5	.10	
NACH				.34***
Step 2: Dependent Variable Regressed on Independent Variable				
Dep. Var.: IAFO	6.89***	5	.14	
NACH				.39***
Step 3: Dependent Variable Regressed on Mediator (OBSE) with the Independent Variable Included				
Dep. Var.: IAFO	10.56***	6	.24	
Felt Accountability				.34***
NACH				.27***

N=187. *All results include age, gender, and tenure, as control variables. The panels of this table show the mediation steps suggested by Baron and Kenny (1986). The results suggest that if the relationship weakens substantially in the presence of felt accountability, partial mediation occurs. Table 4 shows the regression estimates of the following equation:* $IAFO = \beta_1(Age) + \beta_2(Gender) + \beta_3(race) + \beta_4(tenure) + \beta_5(NACH) + \beta_6(felt\ accountability)$. *Significance levels are indicated as follows: †p<.10, *p* < .05, ***p* < .01, ****p* < .001.

Table 5 provides information like that mentioned above for the results for the study's third hypothesis. It indicated that the mediating variable, felt accountability, is significantly positively related to affiliation needs (b = .42, p < .001). Moving to the second step, the table's second panel indicated that affiliation needs also significantly, positively, related to the dependent variable (IAFO) (b = .37, p < .001). Needs for affiliation explained between 13% of the variance in IAFO.

The following mediated regression equation estimates the determinants of informal accountability for others in the final step:

$$IAFO = \beta_1(Age) + \beta_2(Gender) + \beta_3(race) + \beta_4(tenure) + \beta_5(NAFF) + \beta_6(felt\ accountability)$$

Table 5: Mediation Results for Needs for Affiliation

Variable	F	df	Adjusted R^2	β (standard)
Step 1: Mediator Variable Regressed on the Independent Variable				
Mediator: Felt Accountability	7.82**	5	.16	
NAFF				.42***
Step 2: Dependent Variable Regressed on Independent Variable				
Dep. Var.: IAFO	6.34***	5	.13	
NAFF				.37***
Step 3: Dependent Variable Regressed on Mediator (OBSE) with the Independent Variable Included				
Dep. Var.: IAFO	9.49***	6	.22	
Felt Accountability				.33***
NAFF				.24**

The panels of this table show the mediation steps suggested by Baron and Kenny (1986). The results suggest that if the relationship weakens substantially in the presence of felt accountability, partial mediation occurs Table 5 shows the regression estimates of the following equation: $IAFO = \beta_1(Age) + \beta_2(Gender) + \beta_3(race) + \beta_4(tenure) + \beta_5(NAFF) + \beta_6(felt\ accountability)$. *Significance levels are indicated as follows: †p<.10, *p* < .05, ***p* < .01, ****p* < .001. *All results include age, gender, and tenure, as control variables.*

In the third step, the mediating variable (i.e., felt accountability) was still related to the dependent variable (IAFO) with the independent variables included in the equation. The third panel notes that felt accountability was a strong predictor (b = .33, p < .001) of IAFO, but affiliation needs still proved a significant antecedent to IAFO (b = .24, p < .01) with felt accountability entered in the equation. Again, between the second and third steps, the independent variable's standardized beta weight drops along with its significance levels, thus, this relationship is partially mediated. Felt accountability partially mediated the relationship between needs for affiliation and informally accountability for others.

DISCUSSION

This research partially corroborates the mediating effects of felt accountability on the relationship between learned needs and informal accountability for others. These needs, for power, affiliation and achievement promote feelings of individual answerability, which then, in turn, facilitate informal answerability accountability for others. These findings help expand the field's understanding in several respects. For example, confirming that individuals learn needs that then encourage them to answer for their behaviors and those of others enhances both the body of research in accountability, organizational politics, and personality psychology. Indeed, these findings help further support the contention that individuals are both intuitive psychologists as well as politicians (Tetlock 1985, 1992).

To this point the field has not examined the extent to which individuals' learned needs impact the degree to which they feel answerable to others for their own attitudes and behaviors as well as those of their colleagues. Consequently, this study extends accountability research by enhancing the field's understanding of the sequence of feelings of answerability. By a step-wise methodological examination of the links in a chain, it appears that dimensions of needs relevant to felt accountability and informal accountability for others are effectively tapped in this research.

Contributions to Theory and Practice

McClelland's perspective on personality and its impact on motivation help clarify the sense of social context that creates apparent leaders, as well as noncontributing members, based on motives present in individuals that drive, direct, and select their behaviors (Spangler, House, & Palrecha, 2004; McClelland, 1980). The findings in this research help broaden the field's understanding of accountability by tapping the unique motives inherent in power, achievement, and affiliation needs. These data indicate that all three (i.e., achievement, power, and affiliation) needs contribute to individuals' willingness to answer for their actions and those of others, but to differing degrees and for different reasons.

The present findings indicated that felt accountability partially mediated the relationship between needs for achievement and IAFO. This finding helps augment the field's understanding by confirming the contention proffered by Spangler et al. (2004) that individuals high in achievement needs identify with tasks on a personal level and are, thus, likely to dedicate efforts to realize task and goal accomplishments. Naturally, one would expect higher levels of felt accountability and these findings validate that assumption. Furthermore, Spangler et al. (2004) claimed that individuals high in achievement are not inclined to delegate and are given to involving themselves, if not, meddling in the affairs of others in the organization. In one respect, the significant direct effects of achievement needs on IAFO in the study's findings helps validate their assumption. It appears that those high in achievement needs first feel driven to diligently satisfy the expectations inherent in their own positions in order to affect their standings within organizations (Cummings & Anton, 1990). They then attempt to influence, if not co-opt, the behaviors of others by signaling IAFO. Nevertheless, others must believe in the sincerity of a person's answering for them due to the expected reciprocated compliance it could entail and the expected uncertainty reduction (Gouldner, 1960; Royle et al. 2008; Epstein, 1999).

Another key contribution of this research involves the direction and motives of individuals high in affiliation needs. As achievement needs mentioned above, affiliation did predict both felt accountability and IAFO. Felt accountability partially mediated that relationship. However, the rationale is different in this case. As opposed to directly involving themselves in the efforts of others (e.g. achievement needs), those with high needs for affiliation are reluctant to overtly monitor or encumber their peers (Spangler et al. 2004). Because these individuals are concerned with establishing and maintaining close personal relationships (e.g., McClelland, 1985), they appear to seek IAFO as a means to further enhance the quality of their relationships with their colleagues. However, they still believe that they may be called on to justify their actions to others as a sign of competence and legitimacy (Lerner and Tetlock 1999), thus, they feel accountable for themselves first.

McClelland (1985) noted that expression of power needs generally resulted in effective job performance, so long as individuals high in those needs constrain their behaviors in constructive and ethical ways. Winter (1992) claimed that those high in needs for power mostly seek money and influence. Unsurprisingly, feeling accountable for one's actions plays an important role in merit pay. Meeting, or exceeding, organizational expectations results in higher base salaries and better evaluations (Ivancevich, 2007). Ivancevich (2007) further indicated that in many organizations both formal and informal systems of evaluation exist side by side. A formal system of accountability methodically evaluates employee performance, simultaneously, an informal system hinges on how individuals think others are doing. If employees seem to be doing their jobs and answering for the actions of others in the firm, they are deemed better organizational citizens (Royle et al., 2008). This study's findings help empirically link these assumptions. High power need individuals (if acting morally) focus on formal appraisals to enhance their earnings and then lever the prestige of such high evaluations with others in order to influence them for future gains (e.g., gaining coworker accommodation for possible future promotion).

The study's findings present practical implications for organizations. For example, Greenhaus, Callahan, and Godshalk (2000) contented that those best suited to competition in contemporary careers, cannot merely possess adequate skills, but must extend their work involvement. This means they must manage organizational politics, enhance their reputations, and develop supportive, if not co-developmental, relationships (both within and outside their firms). Maintaining interpersonal associations that demonstrate informal accountability for others is an example of extending work involvement as well as a means of enhancing one's reputation.

This research, further, suggests a practical need to test individuals on basic, but legally and organizationally appropriate, personality needs for the purpose of selection (e.g., the Thematic Apperception Test (TAT) Smith, 1992). Managers should know that personality (i.e., McClelland's needs) influences aspects of accountability, thus, affecting employee motivation (e.g., Enzele & Anderson, 1993), and ultimately enhancing aspects of organizational effectiveness (Katz & Kahn, 1966; Hogan, 2004).

Schein (1983) noted that an organization's culture reflected a founder's personality. Subsequently, personality attributes shape organizations through a sequence of attraction, selection, and attrition (Schneider, 1987). Testing these needs could reduce the risk of the costs (e.g., employees stress, lower levels of job satisfaction, and turnover) of a person-organization mismatch (O'Reilly, Chatman, & Caldwell, 1991). In addition, because employees might build their work roles around their personalities (Bell & Staw, 1989), it is important to know what those attributes are. This is particularly important for firms not performing sophisticated job analysis because it increases the likelihood that positions become filled by employees with non-essential skills and/or exploitative personalities (e.g., those high in power needs with low responsibility dispositions), thus, threatening the organization's strategic positioning (Winter & Barenbaum, 1985; Butler, Ferris, & Napier, 1991).

Strengths and Limitations

As with any research, both the strengths and limitations of this study require attention. Prior criticisms of accountability research often involved contentions that the manner of data collection and subsequent findings lacked a sense of realism, therefore, bringing into question the external validity of the findings (Frink & Klimoski, 2004). Specifically, detractors noted that accountability research relied too heavily on experiments, rather than examining real employees in actual organizational settings (Frink & Klimoski, 2004). The current study benefits from the fact that it gathered data from working adults in actual organizations. Furthermore, responses came from employees in a wide range of occupations throughout the southeast United States.

There are also limitations that deserve attention. Specifically, the data in this study came from single source, self-report surveys. This allows for the possibility of common method variance (CMV), a ubiquitous drawback to self-report measures (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Spector, 2006). Although CMV increases the probability of making both Type I and II errors, and acts a threat to validity (Podsakoff et al. 2003), an examination of Table 2 does not suggest spuriously inflated relationships due to response bias. Post hoc, the researchers conducted a Harman Single factor analysis. CMV could exist if a single factor emerges from unrotated factor solutions, or a first factor explains the majority of the variance in the variables (Harman, 1976; Podsakoff & Organ, 1986). These results did not indicate CMV. Admittedly, one cannot completely rule out the possibility that artifacts generated some of the observed effects, but based on the magnitude of the correlations and post hoc analysis, evidence suggests that this study was not deleteriously affected by common method variance.

Another limitation of this study relates to the sampling procedure. Specifically, selection bias could be an issue, because individuals seeking extra credit might have relied too heavily on family members and friends as data sources. Students might have felt certain that family and friends would respond as a favor or perhaps pressured them to do so. This allows for the possibility that respondents gave only a cursory treatment to the items in the survey as a means of appeasing their friends and family. We therefore note that this is a convenience sample so generalizing the results of this study is tenuous. Furthermore, non-response bias, the potential that respondents differ in motivation and ability from non-respondents, cannot be entirely ruled out in this sample (Schwab, 1999). Although it is encouraging that the sample's response rate was 57% as opposed to the relatively low expected rate of only 30% common to organizational research (Dillman, 2000), it is impossible to know for certain if respondents differed from non-respondents on dimensions critical to this research.

This study suffers from another limitation in that it was a cross-sectional study. A common bane of organizational researchers is the difficulty of conducting longitudinal research designs in field studies. Among other reasons, a lack of continued organizational access to employees, turnover, and firm attrition continue to hamper researchers' attempts. Cross-sectional studies diminish researchers' abilities to make definitive statements of causality (Schwab, 1999). Capturing a view of a whole at only one point is tenuous. This problem is akin to trying to understand a symphony when hearing only one movement.

Directions for Future Research

This research controlled for variables such as gender, age, and race. This is in keeping with guidelines proposed by Sheridan and Vredenburgh (1978). Furthermore, this study controlled for organizational tenure and age, due to their implications for predicting hierarchical level within the firm and, thus, higher levels of formal accountability (Schlenker & Weigold, 1989; Schlenker et al., 1991). In the future researchers could employ longitudinal cohorts to better indentify the effects of time on McClelland's needs, felt accountability, and IAFO. Friedman and Schustack (1999) suggested that those high in achievement needs could rise to top organizational levels if individual shrewdness and persistence lead to triumph. These authors noted, however, over time individuals might feel less accountable for both themselves and others as they progress in the organizations hierarchy if skills of diplomacy and cooperation become less important (Friedman & Schustack, 1999).

Another possible direction for future research incorporates Hofstede's (1980, 2001) cultural dimensions. They may shed light on the relative attractiveness of expressing needs, feeling accountable, and of seeking informal accountability for others. It is possible that each of Hofstede's (1980, 2001) dimensions differentially affects this study's variables. For example, in cultures that are masculine and individualistic (i.e., those that have prescribed gender differences and value individual initiative, Hofstede, 1980, 2001) perhaps feeling accountable and seeking IAFO is desirable due to culture norms related to personal initiative, recognition, and assertiveness. Additionally, authoritarian cultures (both national and organizational) are more conducive to the demonstration of assertive behaviors like those preferred by individuals high in power and achievement needs (Shankar, Ansari, & Saxena, 1999; Spangler et al., 2004).

On the other hand, collectivistic and feminine cultures (Hofstede, 1980, 2001) value the well-being of the group, overall quality of life, and the maintenance of non-contentious, interpersonal relationships (Hofstede, 1980, 2001). Shankar et al. (1999) asserted that participative climates are more common in collectivist societies and ingratiatory behaviors are, thus, more likely to be elicited. Future research could investigate if expressing affiliation needs in collectivistic and/or feminine cultures is a differentially important driver in the creation of both felt accountability and IAFO.

CONCLUSION

In a review of literature, Staw (2004) demonstrated that dispositional affect (e.g., basic needs or drivers of work behaviors like those studied here) can be a theoretically and empirically robust explanation for attitudes and demonstrated work behaviors. Admittedly, individuals' affective disposition cannot be the only relevant driver of job related attitudes or behaviors. It is, nonetheless, one key determinant (Staw, 2004). This study attempted to further link dispositional affect to important issues of organizational governance and social interaction (i.e., felt accountability and informal accountability for others).

This study set out to demonstrate the relationship between McClelland's (1961, 1975, 1985) needs, felt accountability, and informal accountability for others. It included a sample of working adults in the southeast United States. It hypothesized that these needs all promote, for different reasons, individuals' feelings of accountability for their own attitudes and behaviors and informally for those others as well. It tested these hypotheses with using mediated regression (Baron & Kenny, 1986).

The findings indicated that learned needs for power, achievement, and affiliation all, differentially, promoted individual feelings of answerability and that it partially mediated the relationship between needs and IAFO. Data suggested that of McClelland's (1961, 1975, 1985) needs, achievement motivation was the strongest predictor of IAFO followed by affiliation and power. Of course, these findings are limited owing to a reliance on cross-sectional data and sample of respondents who do not all come from the same organization. Future research should attempt to constructively replicate these findings in a single organization of substantial size and, further, consider additional cultural or boundary conditions that might affect the needs-felt accountability-IAFO relationship.

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THE PROFILE OF SMALL BUSINESS OWNERS: EVIDENCE FROM MEXICO

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ABSTRACT

The importance of small businesses in the economic and social development of a country is recognized in political and academic circles. In this context, one factor associated with the success of these businesses is the owners characteristics. The purpose of this study is to present a profile of attitudes and entrepreneurial behavior, knowledge, and socio demographic characteristics of small business owners in the city of Villahermosa, Tabasco, Mexico. The study also examines the influence of socio demographic variables on the attitudes of the business owners. The design of the study is non-experimental, transversal and descriptive. The data were analyzed by means of descriptive statistics and an analysis of variance. The results generated a profile in which the capacity to negotiate, creativity and leadership are outstanding characteristics. A low propensity to taking risks is also reported. It is clear that entrepreneurs have knowledge in the administration and finances related to their businesses. They are mainly male, married adults, with bachelor degrees, a family background in business, and experience in their line of business. Statistically significant differences were recorded between age and leadership, propensity to take risks and self-confidence.

JEL: L26

KEY WORDS: Businessman, Small business, Attitudes and knowledge.

INTRODUCTION

The establishment and permanence of small businesses are desirable as they generate jobs and represent a positive contribution to the economic development of a country and to gross domestic product (Torrès 2009; Gómez 2004; Ayyagari, Thorsten, and Demirguc-Kunt 2007). Two types of factors are associated with the establishment and duration of these businesses: those derived from opportunities provided by the economic, legal, social and political structure of the area, and those related to psychological features and the socio demographic characteristics of the business owners (Smith-hunter, Knapp, and Yonkers 2003; Martín, Hernandezgómez, and Rodríguez 2005; Benzing, Chu, and Kara 2009). The second factor analyzed in this study considers a business owner to be an entrepreneur after having decided to accept the risk of creating or maintaining a business.

Psychological features include the attitudes and behavior of the businessman. One of the most complete and recognized approximations is that of Timmons (cited in García, Garza, and Sepúlveda 2002), who considered leadership, the need to accomplish, the obsession for opportunity, a tolerance for risk, creativity, self confidence, compromise and determination as dominant factors of the entrepreneur profile. Several authors have stated that these attitudes and behaviors may be encouraged and developed (Timmons cited in Filion 2002; Hinojosa 2003; Filion 2002). Empirical studies are pertinent to identify characteristics of entrepreneurs that have successfully maintained their businesses. The findings will be of interest to entrepreneurs that wish to identify characteristics to be developed that will make their businesses successful. Professors will also find the results beneficial as they face the challenge of devoping entrepreneurs. Aspects associated with small business owners will be confirmed or rejected (De la Rosa 2000). The purpose of this project was to develop a profile of entrepreneurial attitudes and behaviors, knowledge and socio demographic characteristics of small business owners in the city of Villahermosa, Tabasco, Mexico.

This paper is organized into four main sections. The first section reviews the concept of "entrepreneur" from the following disciplinary perspectives: economics, psychology, sociology, administration and marketing. In the second section, the methodology is outlined; the research design. The study variables, the population, data collection instruments, and data analysis procedures are explained. Next, the analysis results are presented. Finally, the key findings of the study, study limitations and future research directions are discussed.

LITERATURE REVIEW

Specialists from various disciplines have shown interest in explaining the beings and doings of businesspersons. Economists have related businesspersons to innovation, and consider the businessperson to be a risk taker that knows how to take advantage of an opportunity to obtain a profit. They see the businessperson as an agent of change, a motor of the economic system. Specialists in human behavior, psychologists and sociologists see the businessperson differently. In their view businesspersons have a strong need to accomplish. Hey are a leader, moderate risk taker, independent, creative, energetic, persevering, original, optimist, oriented towards results, flexible, outgoing, self-confident with an inner control locus, tolerant to ambiguity and uncertainty, aggressive, sensitive to others and inspiring confidence (Cantillon 1775; Schumpeter 1928; Knight 1921; McClelland 1961; Hornaday 1982; Meredith, Nelson and Neck, 1982 and Timmons 1978 cited in Filion 2002). Those in the negotiating sciences characterize businesspersons as knowing how to present and organize themselves. Finance specialists consider businesspersons as one who knows how to measure risks, and marketing specialists define the businessperson as someone who identifies opportunities (Filion 2002).

Other authors interested in understanding the businessperson are Ludwig von Mises and Israel Kirzner, both of the Austrian school. They consider the businessperson as a speculator in uncertain situations. They state that the key element for progress is "knowledge", a product of the systemic alternation of decisions between one period and the previous period. This knowledge enables businesspersons to improve competition based on a greater knowledge of process and the possibility of comparing the available opportunity with the competition (Castillo 1999).

Among the empirical research on businessperson characteristics, the work of Stewart, Watson, Carland, and Carland (1999) is noteworthy. These authors study the potential for psychological constructions to predict a tendency toward entrepreneurial initiative. Their model included three aspects: a need to accomplish, a propensity to take risks, and a preference for innovation. The results show that these psychological aspects were associated with possession of a small business. They concluded that a person's awareness of his psychological profile offers a series of advantages, not only to the existing businessperson, but also to aspiring businesspersons that must evaluate their entrepreneurial opportunities in the context of their psychological tendency.

Saboia and Martin (2006) identified individual features that allow a businessperson to achieve success in business. The research model included variables of continuation of the business project; psychological factors including control locus, intuition, leadership, propensity to risk, creativity and capacity to negotiate, and non-psychological factors including age, sex, previous professional experience and level of studies. The results show that psychological characteristics of the businesspersons discriminate among those that are successful, particularly with regard to creative and innovative spirit and the capacity to self-evaluate.

METHODOLOGY

The study presented here is descriptive, non experimental, transversal and quantitative. In order to identify the population information provided by the Secretaría de Economía through the Sistema de Información Empresarial (SIEM) were obtained for 2008. This information indicates that in the city of Villahermosa, Tabasco, there were 108 small business owners, of which 19 correspond to the commerce sector, 21 to the services sector and 68 to the mining sector, construction and manufacturing industries. Branch offices were not considered as those owners reside in other parts of the country and do not form part of the population under study. The sampling was stratified because businessperson profiles vary according to the sector in which the business is located.

To determine the appropriate sample size we considered that 50 per cent of businesspersons presented entrepreneurial behaviors (p=0.50), an estimation error of 0.08 and a confidence probability of 95 per cent. A sample of 64 businesspersons was obtained with these parameters. The sample size of each stratum was calculated based on a proportional assignment, and the following sample sizes were obtained per stratum: commerce 11, services 13 and industry 40.

A model was constructed based on Saboia and Martin (2006) who studied the psychological and non-psychological features of businesspersons. The first dimension in the model is socio demographic characteristics, including the following indicators: Sex is a characteristic of human nature that may condition the decision of starting a business as, in spite of a trend to encourage equality, men are predominate in studies on entrepreneurial projects (Global Entrepreneurship Monitor 2007). *Age* has an effect on the decision to start a business, which may be positive due to the maturity of the individual and negative when life expectancy is reduced (Reynolds 1994 and Bates 1995 cited by Martín, Hernandezgómez. y Rodríguez 2005). Two Marital status categories are considered in the study, married and single. Businesspersons recognize the importance of their partners in the success of their business (Surdez, Sandoval, and Aguilar 2007). The level and type of schooling prepares a person to take on entrepreneurial activities and to exploit an opportunity more successfully (Lee 1999; Shane y Khuruna 2001 cited by Martín, Hernandezgómez, and Rodríguez 2005). Another important variable is dedication to the business. The time a businessperson spends at work is measured by classifying them as part or full time. Experience in the type of business measures the previous knowledge of the businessperson related to the business activity. Entrepreneurial family background measures the contention observing enterprising behaviors during the early stages of life leads to the development of a psychological profile that enables the activity pattern to be repeated (López, Mantilla, and Briceño 2007).

The second element of the model is knowledge. Knowledge is measured by the indicators: knowledge in finances, marketing, production, fiscal, accounting and informatics acquired through studies and special courses.The third element of the model is attitudes and behaviors of the entrepreneur profile. This dimension is measured with the indicators: Leadership, which is defined as the capacity to lead a group and to be first in making decisions (Alles 2005). Propensity to take risk implies an attitude of confidence in one´s capacity that allows one to avoid risks when facing business opportunities (García Garza Sáenz, and Sepúlveda 2002). Creativity and innovation is the capacity and desire to do new and different things (Filion 2002). Intuition is the quickness and certainty, without conscious knowledge but with pre-conscious knowledge, to recognize opportunities, to interpret or predict happenings, and to solve problems (García, Machado, and Slemenson 2001). Capacity to negotiate implies the analysis of all aspects of a situation, as well as the reasoning and adequate questioning during a negotiating process. Self-confidence refers to the authority to arrive at one´s own conclusions, to make decisions and to act (Buckingham and Clifton 2001). The need to accomplish or ambition is a businessperson´s strong passion for personal and economic achievement and a desire to be recognized for the successes obtained (García, Garza, Sáenz, and Sepúlveda 2002). Hard work is the energy to work “every day” if necessary to achieve goals, which may include both working days and holidays (Buckingham and Clifton 2001). Self-discipline: has two aspects in this study. First, objectivity when administering the business in order to keep the personal finances apart from those of the business and second, the capacity to administer time which implies planning, organizing and carrying out activities in order of importance (Covey 1997).

A two-part questionnaire was used as a research instrument. The first part recorded the socio demographic characteristics of the businesspersons, using as reference the variables of the entrepreneur profile applied by the Global Entrepreneurship Monitor (GEM). The GEM provides monitoring reports on entrepreneurial activities in different countries (Global Entrepreneurship Monitor 2007), as well as aspects of the businessperson's knowledge. The second part measured the attitudes and behaviors of the entrepreneur profile, using a Likert type scale of variables of a businessperson's psychological features proposed by Saboia and Martin (2006). It includes phrases to evaluate each attitude in a range of 1 to 5 points. A 5 (definitely yes) means a phrase perfectly describes the personality of the businessperson, and a 1 (definitely no) means it does not correspond to the businessperson's characteristics. The other points are 2 (probably no), 3 (undecided) and 4 (probably yes). Thus, 1 to 3 indicate that there are few or no entrepreneurial attitudes, whereas scores of 4 and 5 indicate these attitudes are more evident.

In order to insure validity, the questionnaire was evaluated by three experts (Hernández, Fernández, and Baptista, 2006). A control test was carried out on 14 per cent of the sample to measure the trustiness of the research instrument (Hernández, Fernández, and Baptista 2006). Internal coherence was used considering Cronbach´s Alpha coefficients, to insure the trustworthiness of the scales used in the data recording instrument. The general confidence was 0.8, which is considered acceptable (Hernández, Fernández, and Baptista 2006). Statistical analyses were carried out with Statistics Package for Social Sciences SPSS Version 15.0 for Windows.

RESULTS AND DISCUSSION

The results of the socio demographic characteristics of the small business owners per economic sector and of the total sample are presented in Table 1. The results show the small business owner is an older adult. Of the total sample, 59 per cent were in the range of 45 to 69 years of age. However, the average age at the start of a business was of 30 years.

The masculine sex predominates. This coincides with studies on entrepreneurial initiatives carried out by Global Entrepreneurship Monitor (2007) in 44 countries that finds persons that usually starts a business are male. Considering the age of the businesspersons, this result may have more to do with a social condition than with aspects of personality. This finding may be driven by generations in which women have generally dedicated their time to home activities, and men to providing economic resources for the family (Draibe and Riesco 2007). An interesting finding in the analysis of variability is that there is no statistically significant difference between the variable sex and entrepreneurial attitudes.

Of the businesspersons in the commerce sector, 55 per cent are native to the place they have their businesses, whereas those in the industry and services sectors arrive from other areas. The marital status most common among the businesspersons is that of married, a result of their adult stage of life. With respect to education, most have a bachelor´s degree. However, in the commerce sector there is a high percentage, 27 percent, without this level of education. In contrast, the services sector has an important percentage of 31 per cent of businesspersons with master´s studies. The industry sector presents the lowest result with eight per cent of businesspersons without a bachelor´s degree, although only 10 per cent reported postgraduate studies. The lowest percentage of businesspersons without bachelor´s studies, of around two per cent, was in the industry sector. Moreover no postgraduate studies were recorded in this group. These results may respond to the fact that, in general, transformation processes and services require specialized knowledge, whereas in the commerce sector, sales demand less preparation. The evidence confirms that a university education is a strong asset in the ability to successfully create and administer a business (Martín, Hernandezgómez, and Rodríguez 2005).

The businesspersons in the three sectors already had experience related to their line of work when they started their business. Only 19 percent of the sample were not experienced in their line of work, a percentage that coincides with the results obtained by another study on Spanish businesspersons (García, Crespo, and Pablo 2007). Of the whole sample, 58 per cent reported a family background in business, a result that supports the idea established by López Montilla and Briceño (2007) that the observation of entrepreneurial behaviors in early life stages leads to the development of a psychological profile that allows this pattern of activity to be repeated. The results also provide evidence that these businesspersons dedicate their full time to their businesses.

Table 1: Socio Demographic Characteristics of the Small Business Owner per Sector and For the Whole Sample

Indicators	Commerce Sector	Services Sector	Industry Sector	Total Sample
Age	45 per cent 30-44 years 55 per cent 45-60 years	38 per cent 30-44 years 62 per cent 45-60 years	35 per cent 30-44 years 65 per cent 45-67 years	41 per cent 30-44 years 59 per cent 45-69 years
Sex	83 per cent masculine 17 per cent feminine	85 per cent masculine 15 per cent feminine	90 per cent masculine 10 per cent feminine	90 per cent masculine 10 per cent feminine
Marital status	18 per cent single 82 per cent married	23 per cent single 77 per cent married	17 per cent single 83 per cent married	19 per cent single 81 per cent married
Schooling	18 per cent high school 9 per cent technical career 64 per cent bachelor´s 9 per cent master´s	23 per cent high school 46 per cent bachelor´s 31 per cent master´s	3 per cent high school 5 per cent technical career 82 per cent bachelor´s 10 per cent master´s	9 per cent high school 5 per cent technical career 72 per cent bachelor´s 14 per cent master´s
Place of origin	55 per cent Tabasco 45 per cent other states	38 per cent Tabasco 62 per cent other states	45 per cent Tabasco 55 per cent other states	45 per cent Tabasco 55 per cent other states
Experience in the line of the business	27 per cent with no experience 73 per cent with	23 per cent with no experience 77 per cent with	15 per cent with no experience 85 per cent with	19 per cent with no experience 81 per cent with
Entrepreneurial family	55 per cent with no	46 per cent with no	38 per cent with no	42 per cent with no
Dedication to the business	36 per cent partial 64 per cent complete	23 per cent partial 77 per cent complete	10 per cent partial 90 per cent complete	17 per cent partial 83 per cent complete

This table allows for a comparison of differences and similarities between the trading, service and industrial sector entrepreneurs. Percentages are presented to help the reader identify the dominant attributes.

With respect to the businessperson´s knowledge, the results per economic sector and for the whole sample are presented in Tables 2 and 3.

Table 2: First Option Selected By the Businesspersons with Respect To Knowledge

	Finances	Administration	Marketing	Human Resources	Accounting	Informatics	Fiscal	Other Areas	Production
Commerce	2	6	0	0	0	1	0	1	1
Services	3	7	0	1	0	0	0	2	0
Industry	4	16	0	1	0	1	0	10	7
Total sample	9	29	0	2	1	2	0	13	9

This table shows, by sector, the entrepreneurs' answers about the area they feel they have received the most training on.

Knowledge was mainly in administration, finances and matters related to their line of business. This result was obtained from two measures. One measure involved the businessperson being asked to list, from a number of study areas, those in which he had most knowledge, and the first option selected was presented as a result in Table 2. The second measure involved asking the businessperson about updating courses they had taken in the past two years. These results are presented in Table 3. Updating enables businesspersons to carry out administrative functions optimally and better control operative activities. This in turn enhances the working and permanence of a business. A lack of preparation was evident in other areas that are important for business such as marketing and human resources. Accounting and fiscal areas were also reported with scarce knowledge. However, 50 per cent of the businesspersons include outsourcing to cover their fiscal obligations and 67 per cent do so for their accounting records.

Table 3: Businessperson's Knowledge with Respect to Courses Received

Course Type	Number of Business Persons	Percentage
Finances	4	9.76
Administration	5	12.20
Marketing	3	7.32
Human resources	1	2.44
Production	5	12.20
Fiscal	2	4.88
Accounting	2	4.88
Informatics	5	12.20
Related to his line of business	11	26.83
Energy saving	2	4.88
Industrial security	1	2.44
Total with courses	41	100.00
Without courses	23	

This table highlights the training course types recently received by the entrepreneurs. The results presented in the table indicate that 41, out of the 64 participant sample, have received some training, whereas 23 of them have not yet any training in the two-year period.

The results regarding the attitudes and entrepreneurial behaviors per economic sector and for the full sample are presented in Table 4. The profile of entrepreneurial attitudes and behaviors indicated that the most outstanding quality of entrepreneurial behavior was the capacity to negotiate with a response of 4.61. Recall that answers could be between 1 and 5. This result differs from those recorded by Saboia and Martín (2006) that placed this characteristic below creativity and leadership. This may indicate that businesspersons in the area integrate their client portfolio through a network of relationships they build through time (Surdez and Aguilar 2009). This finding coincides with Cotin, Larroza and Mass (2007) who found that a network of social contacts favored finding a business and deciding to exploit it. Notwithstanding this, in the present business world buying is carried out through the public quotation of prices to satisfy the legal stipulations of transparency and submission of accounts.

However true it is that a capacity to negotiate is fundamental in establishing and maintaining contact with clients, creativity is also necessary to develop good quality and low cost products and services. Creativity in this study occupied a very different position in the productive sector. It occupied the second position in the industry sector as a characteristic basic to the businessperson. In the services and commerce sectors it occupied the fifth position. This may be a result of the type of academic preparation of the businesspersons in the industry sector. Engineers and some architects predominate this sector. These professions enhance the development of creativity to generate new products and projects.

The least evident attitude in entrepreneurial behavior was the propensity to take risks. The results here differ from the study of Stewart, Watson, Carlad and Carland (1999) where this characteristic was dominant in the sample of businesspersons. These results coincide better with the authors that consider businesspersons to be takers of moderate risks (Timmnos 1978; Welsh and White 1981 cited in Garcia, Garza, Sáenz, and Sepulveda 2002). In very similar positions and coinciding with previous reports, are leadership, self-discipline, hard work, intuition and the need to accomplish (Morris in García, Garza, and

Sepulveda 2002; Barrow 1996; Dubrin 2000; Peyrefitte 1996; Maqueda 1992; Adriani, Biasca, and Rodríguez 2003; Soto and Dolan 2004; Robbins and Decenszo 2002).

Table 4: Attitudes and Entrepreneurial Behaviors per Sector and In Total

Commerce Sector	Services Sector	Industry Sector	Total Sample
Capacity to negotiate (4.82)	Capacity to negotiate (4.80)	Capacity to negotiate (4.50)	Capacity to negotiate (4.61)
Leadership (4.59)	Leadership (4.65)	Creativity (4.47)	Creativity (4.47)
Self-discipline (4.57)	Self-discipline (4.46)	Leadership (4.45)	Leadership (4.46)
Hard work (4.51)	Hard work (4.46)	Self-discipline (4.43)	Self-discipline (4.46)
Creativity (4.50)	Creativity (4.42)	Hard work (4.42)	Hard work (4.44)
Intuition (4.20)	Self-confidence (4.38)	Self-confidence (4.20)	Intuition (4.15)
Need to accomplish (3.93)	Need to accomplish (4.32)	Intuition (4.20)	Self-confidence (4.15)
Self-confidence (3.69)	Intuition (3.96)	Need to accomplish (4.01)	Need to accomplish (4.06)
Propensity to risk (3.36)	Propensity to risk (3.46)	Propensity to risk (2.82)	Propensity to risk (3.06)

This table presents the entrepreneurs' answer means for each entrepreneurial behavior attitude. The mean scores are based on a five point scale, where 1 points to an attitude absence, whereas 5 indicates that the attitude is evident in the participant's personality.

The analysis of variance (ANOVA) results indicate that age has an effect on the attitudes of the entrepreneurial behaviors of leadership, propensity to risk and self-confidence. On the other hand demographic characteristics such as sex, marital status, experience and schooling showed no relationship with the attitudes. The effect between age and leadership (p = .041) and age and self-confience (p = .025) proved to be statically significant. In both cases, the highest mean was within the 48 - 58 age range (See Table 5). These findings confirm that age has a positive effect on the entrepreneurial commitment (Reynolds, 1994; and Bates, 1995, as cited in Martin, Hernandez Gómez, y Rodríguez, 2005). Moreover, a significant effect between age and risk-taking was observed within the 37-47 age range, p = .042 as noted in Table 5. This finding suggests that with age, small business owners are less concerned with risk-taking (Reynolds, 1994; and Bates, 1995, as cited in Martin, Hernandez Gómez, y Rodríguez, 2005).

Table 5: Statistically Significant Differences Among Age and Attitudes of Entrepreneurial Behavior in the Whole Sample of Small Business Owners

Dimension	Age	N	Media	Typical Desviation	"F"	Sig. de "F"
Leadership	26-36	9	4.56	.527	2.915	.041*
	37-47	20	4.24	.565		
	48-58	29	4.62	.376		
	59-69	6	4.29	.534		
Propensity Risk	26-36	9	3.11	1.269	3.353	.025*
	37-47	20	3.70	1.342		
	48-58	29	2.90	1.496		
	59-69	6	1.67	1.633		
Self-confidence	26-36	9	3.59	.760	2.906	.042*
	37-47	20	4.07	.762		
	48-58	29	4.36	.654		
	59-69	6	4.33	.699		

*This table shows the statistical significance between the entrepreneurs' age and the following entrepreneurial behavior dimensions: leadership, risk-taking, and self-confidence. * p<05.*

CONCLUSIONS

This study identified the socio-demographic characteristics, entrepreneurial behavior attitudes, and knowledge that prevail among small business owners. The descriptive and inferential statistics used in the study revealed significant effects between socio-demographic characteristics and entrepreneurial behavior attitudes of small business owners. The findings reveal that small businesses in Villahermosa, Tabasco, Mexico are long-lasting, were in general started by a young adult of around 30 years of age after completing a university degree and having acquired practice in his line of business. The study also indicates that the businesspersons who manage to maintain a business have knowledge in administration and finances and, thus, both the people that are businesspersons at present and the individuals that aspire to become one must acquire this knowledge.

The evidence here suggests that in order to become a successfull businessman, it is advisable to develop a capacity to negotiate, creativity and leadership, attitudes and behaviors that may be learned. Thus, for example, Hinojosa (2003) stated that it is possible to develop creativity through cognitive operations, mechanisms of divergent thought, activation techniques of lateral thought and stimulation exercises for the right hemisphere. Filion (2002), based on the study of Rotter (1966) showed that leadership exists and may be developed. Several professors --Howard Raiffa, Jorge Henón-Risso, David Lax, Bill Uri, among others-- have taught negotiation, including methods, in Harvard University and the University of Montevideo (Malaret 2007). In general, this study provides a reference for the profile of a successful small business owner. Professors in the area of entrepreneurship, and aspiring and active businesspersons, can use these findings to adjust attitudes and capacities to improve possibilities of success in the face of the challenges of creating and maintaining a business enterprise.

One limitation of the study is that not all small business owners of Tabasco enroll themselves in the Sistema de Información Empresarial (SIEM), where the database for the current study was taken. In future research, it would be interesting to correlate the socio demographic characteristics, knowledge, attitudes and the entrepreneurial behavior of the entrepreneur with business growth, and consider other aspects such as technological innovation and research and development. Moreover, the research design of the current study is valuable for exploring similar issues in other regions and business contexts.

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ACKNOWLEDGEMENT

The authors thank the Universidad Juárez Autónoma de Tabasco, through its Programa de Fomento a la Investigación y Consolidación de los Cuerpos Académicos, for support to carry out this research.

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AN INVESTIGATION OF INFORMATIONAL VERSUS EMOTIONAL ADVERTISING APPEALS DURING LIFE TRANSITIONS

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ABSTRACT

The traditional family life cycle model explains the consumption behavior of individuals and households during a set of temporal periods in consumers' lives. Yet, these seemingly distinct periods in one's life may overlook times at which considerable consumer activity takes place, whether it deals with increasing product awareness, trial, evaluation, and/or purchase. In a study of consumption behavior issues related to primary life changes or transitions, we examined emotional and informational advertising appeals using expectant mothers as our subject population. The findings suggest that expectant mothers view informational appeals more favorably than emotional appeals. Implications of the study's results for researchers and practitioners are provided.

JEL: M300, M310, M370, M390

KEYWORDS: marketing, primary life changes, life transitions, advertising appeals, expectant parents

INTRODUCTION

According to data from the U.S. National Center for Health Statistics, the number of babies born in the U.S. every year approaches four million. Additionally, some estimates suggest that a family earning $56,300-$98,500 a year spends nearly $11,568 in just the first year of a child's life on necessities such as food, clothing, appliances, day care, and hygiene products (babycenter.com, 2011). This is in line with the U.S. Department of Agriculture statistics, which show that a couple earning an average of $61,000 a year will spend approximately $270,000 in today's dollars to raise a child to age 17 (Lino, 2008).

While most statistics relate to expenses following the birth of a baby, there is little or no research investigating consumption patterns of individuals or families in transition such as expectant parents. In the period preceding the birth of a child, parents are not only engrossed in the emotional ups and downs of the pregnancy, but are also called upon to engage in major purchasing decisions that may at times run in the thousands of dollars (Mergenhagen, 1995). This is the time when parents spend money on remodeling a room and buying furniture for the new baby or even yet purchasing a larger home. Despite the potential gains marketers can realize by reaching this market in a timely and effective manner, we know very little about the consumption behavior of expectant parents as well as other individuals during life transitions.The purpose of this study was to investigate one important aspect of consumption behavior during significant life transitions. Specifically, we were interested in finding out whether expectant mothers would respond more favorably to emotional as opposed to informational appeals and whether emotional or informational appeals would lead to higher global evaluations and purchase intentions of the advertised product. The paper begins with a discussion of primary life changes and the significance of such changes on consumption behavior. Following this discussion, we examine the issue of emotional and informational appeals in the context of the motivation to process and involvement theory, develop our hypotheses, and offer a detailed description of the methodology adopted in this study. The paper concludes with a presentation of the results and a discussion of our findings in the context of future research and marketing strategy. Limitations of this study are also discussed as a means of addressing the generalizability of the findings.

LITERATURE REVIEW

A great deal has been written about the veracity of the family life cycle (FLC) and its associated implications for consumer behavior (e.g., Wells and Gubar, 1966; Reynolds and Wells, 1977; Du and Kamakura, 2006). The traditional FLC describes consumption patterns of individuals or families as they move through various stages of life such as "young, married, with no children," "families with teenagers," and "families as launching centers" (Stampfl, 1978; Murphy and Staples, 1979). Two important factors typically describe each stage of the FLC. One of these factors is income level, which normally tends to rise with age until retirement. The second factor relates to the various needs that arise with the corresponding types of goods and services that individuals are likely to purchase in a particular stage of the life cycle (Rich and Jain, 1968). In others words, researchers have traditionally assumed that individuals in particular stages of the FLC exhibit relatively homogeneous behavior.

Following the above arguments, FLC stages seem to lend themselves as good segmentation variables (Javalgi and Dion, 1999). For example, individuals in the "single stage" of the traditional FLC are more likely to spend their money on new cars, clothing, food away from home, and entertainment. In contrast, those in the "Full Nest I" stage (i.e., young couples with small children) are likely to spend their money on purchasing a home, furniture, and appliances. It is also important to keep in mind that there is no universal agreement regarding the exact demographic characteristics of people comprising the various stages of the FLC. Along with this, there is a lack of consensus regarding the life paths people take as they move through the FLC. In fact, citing cultural and social changes, researchers propose "alternative approaches" to the traditional FLC (Derrick and Lehfeld, 1980) or a "modernized" FLC (Murphy and Staples, 1979). Moreover, in a recent study Du and Kamakura (2006) identify yet another method to classify households into life stages and determine the most common life paths taken by households within the life cycle model. While researchers and practitioners have carefully studied the FLC and its variations attributed to societal changes and have devised strategies and methods on how to classify and reach households in different FLC segments, they have largely ignored the times immediately preceding, during, and immediately following these fundamental changes in one's life.

According to Mummert (1995), primary life changes, which involve the move from one stage of the family life cycle to the next, are the critical times where considerable change in consumption occurs. Other researchers have used terms such as life transitions (Goodwin and Gentry, 2000), role transitions (Schewe and Balazs, 1992; Mehta and Belk, 1991), and life events (Lee et al., 2001) to describe the same idea. Examples of primary life changes include significant events in one's life such as expecting or being a new parent, engagements/marriages, moving and the purchase of a new home, divorce and the dissolution of marital assets, retirement, and death/survivorship. These are times when individuals are likely to spend a considerable amount of resources, as a means of getting ready to face the new, seemingly different, way of living. As one might normally expect, periods of transition such as the ones described above elicit high levels of uncertainty, anxiety, and other emotions ranging from happiness to sadness (Gentry and Goodwin, 1995; Gentry and Kennedy, 1995).

As Lee et al. (2001) suggest, "…major life changes and transitions are often viewed as 'stressors' that create a generalized demand for readjustment by the individual…" (p. 26). Mergenhagen (1995) echoes these sentiments by suggesting that, "...businesses that market to people in transition are dealing with people under stress..." (p. 244). At times, the emotional roller coaster may apply to events that are seemingly happy occasions in one's life. For example, while the prospect of retirement seems such a joyous occasion on one hand, it could simultaneously evoke feelings of sadness because it signifies a transition from work and vitality to a sedentary lifestyle.

Notwithstanding these emotionally laden times, individuals are also called upon to make important purchasing decisions. The significance of these purchasing decisions may or may not be related to the dollar amount of the purchase, but it may also have to do with specific product attributes such as security, safety, and reliability. Lee et al. (2001) go on to suggest that consumers in life transitions may use "coping" strategies to handle the demands associated with such stressful situations. One of these strategies is "emotion-focused," which allows individuals to cope with particularly problematic situations by "…engaging in activities to get one's mind off a problem…" (Lee et al., 2001; p. 26). Therefore, a fundamental issue for marketers is to determine how to best appeal to consumers during life transitions. According to Mergenhagen (1995), marketers can devise more effective target market strategies by engaging in tactics that alleviate the stress associated with such periods. In this vein, one fundamental question that arises is whether emotional appeals would be more appropriate than informational appeals when targeting individuals during primary life change periods.

THEORETICAL FRAMEWORK

An advertising appeal is the central idea of a message, which summarizes the attributes of the product. Most appeals fall within one of two omnipresent categories. Informational appeals are those messages relying on hard information and facts to convey why the receiver should like a product and buy it. Albers-Miller and Stafford (1999) suggest that logical arguments are at the heart of informational or rational advertising. This form of appeal intends to solicit rational decision-making.

In contrast, if the advertiser tries to build a favorable appeal for its product by linking it to desirable images and symbols, an emotional or transformational appeal is at work. Kotler and Keller (2009) suggest that ads using transformational appeals "might depict what kind of person uses a brand or what kind of experience results from using the brand…" (p. 478). There are various types of appeals that advertisers might choose to use in this context from fear and shame to humor and joy (Solomon, 2007). The particular type of appeal employed is normally a function of the advertised product, the advertising objective, and certainly the target audience (Kotler and Keller, 2009).

In the context of this study, expecting a baby is a particularly stressful period in a parent's life when uncertainties regarding the health and safety of the unborn child dominate everyday occurrences. This is a time when expectant parents try to imagine what their unborn child would look or be like. Therefore, daydreams and sensory pleasures may dominate one's decision-making criteria (cf. Hirschman and Holbrook, 1982). One possibility, then, would be for expectant mothers to rely more on hedonic/emotional appeals. However, let us investigate the case of an expectant mother pondering over the purchase of a stationary activity center for her soon to be son or daughter. While the amount of the purchase may be relevant for some and not for others, features such as safety and durability may be at the top of their list. This would lead us to believe that the consumption behavior of expectant mothers is driven by the personal relevance or felt involvement (Celsi and Olson, 1988) in a particular product category. Therefore, expectant mothers should respond more favorably to an advertising appeal that addresses their utilitarian motives (i.e., an informational appeal) as opposed to one that relies on hedonic benefits (Friedman and Lessig, 1986; Havlena and Holbrook, 1986; Holbrook and Hirschman, 1982).

The above argument is in line with the underlying principle advanced in the motivation to process and involvement literature, which advocates that ads for products of high personal relevance will be processed more carefully than ads for products that are not personally relevant. In their discussion of felt involvement, Celsi and Olson (1988) suggest that "…a consumer's perception or feeling of personal relevance for an object or event is an acute state that only occurs at certain times and in certain situations" such as expecting a new baby (p. 211). Moreover, Petty et al. (1983) posit that different advertising messages may be more suitable for people in different situations, which include differing levels of involvement. This is also in agreement with the whole notion that in a high involvement situation such as a life changing event or transition, people may respond to informational appeals more favorably than emotional appeals as long as the information "…is perceived to be cogent and persuasive" (Petty et al., 1983, p. 138). Therefore, we conjecture that expectant mothers should be more receptive to informational advertisements.

H_1: Expectant mothers will provide more favorable evaluations of an informational advertisement than an emotional advertisement.

H_2: Expectant mothers will provide higher global product evaluation and purchasing intentions for a product featured in an informational advertisement than an emotional advertisement.

DATA AND METHODOLOGY

Subjects were 102 expectant mothers participating in prenatal (i.e., Lamaze) classes offered through local hospitals. Table 1 provides the summary of demographic characteristics of participants. Typically, expectant parents participate in Lamaze classes free of charge as long as they sign a pre-delivery agreement with participating hospitals indicating that they plan to use the neonatal facilities of the hospital at delivery time. Although their partners such as expectant fathers and other relatives or friends usually accompanied mothers, we chose to avoid any potential problems of administering the survey to a varied group of people by asking expectant mothers to complete the instrument on their own. Additionally, we decided to avoid any problems associated with varied levels of experience and knowledge regarding purchasing behavior during this particular transition period, by asking only new expectant mothers to participate in the study. We obtained permission from the respective Lamaze instructors to conduct the experiment during regularly scheduled evening classes.

Table 1: Characteristics of Participants

Age (mean value)	**27.6** **Frequency**	**Percent**
Education		
High school incomplete	9	9.3
High school graduate	28	28.9
Some college	11	11.3
Bachelor's degree	33	34.0
Grad/professional degree	16	16.5
Race		
White	17	17.5
Black/African American	4	4.1
Asian	0	0.0
Hispanic/Latino	59	60.1
Native American	6	6.2
Other	4	4.1
Marital Status		
Single	11	11.3
Married	86	88.7
Income		
$20,000 or less	17	17.5
$20,001 to $30,000	29	29.9
$30,001 to $50,000	13	13.4
$50,001 to $75,000	31	31.9
Over $75,000	7	7.2

This table shows only 97 participants as five out of the initial pool of 102 participants did not fully complete the experimental instrument and were not, therefore, included in the data analysis. we conducted the experiment in an area where the population is predominantly hispanic.

We assigned subjects to experimental treatments on a random basis so that approximately half of the expectant mothers received the informational print advertisement while the remaining half received the emotional advertisement. Images and information from actual print advertisements from retailers and magazines targeting expectant and new parents such as Parents magazine served as the foundation of the advertisements created for the purpose of this experiment. The ads addressed two experimental objectives. First, we scanned several magazine issues to identify ads that would fall either in the informational or emotional appeal categories as elaborated upon earlier. Second, we wanted the advertised product to be the same across the informational and emotional advertisements or otherwise belong in the same product category. This was necessary to avoid confounding effects related to motivation to process ad information as well as issues such as differing levels of task importance, involvement, and product knowledge.

Having the above two objectives in mind, we created two ads, one informational and one emotional, by mimicking actual ads advertising stationary walkers (also known as activity centers) from well-known baby product manufacturers. The stationary walker featured in the ads was the same for both ad conditions. To avoid problems related to different brand names and their respective preferences, pictures in the ads were minimally altered via photo-editing software so that the original brand names were eliminated. Instead, we chose to use a fictitious brand name, WalkerPLUS, in order to avoid potential bias associated with a particular brand name, positive or negative.

The emotional advertisement was further enhanced by including four large photographs, one of which was showing the product in use by toddlers while playing joyfully with big smiles on their faces. One of the other photos showed a mother holding her baby and smiling. The ad copy included such phrases as "360^0 of pure fun and play," "The great entertainer from WalkerPLUS," and the main tag line suggested that the "Baby will enjoy the built-in telephone, mirror, interactive clicker, and music." Vivid colors dominated the photos and copy. On the other hand, the informational ad included two small photographs and a lengthier ad copy, which touted the safety, sturdiness, and usage benefits of the stationary walker. One of the two photographs depicted an old-style walker with a prohibited sign (circle with a diameter) drawn over it and information indicating the fact that"...old-style walkers are considered to be unsafe by the U.S. Consumer and Product Safety Commission." The other small photograph did show the walker in use by a toddler and his older sibling. In addition to the safety warnings presented at the top of the ad, the ad copy suggested that the walker was ". . . recommended by physicians and child experts," that it ". . . frees up mom's hands," and that it provides ". . . safe fun and exercise for the baby." In sum, the informational ad clearly described the benefits of this particular stationary walker, while at the same time suggesting that "it is recommended by physicians and child experts everywhere." The latter is unsubstantiated claim intended to increase the quality of the arguments provided (cf. Petty et al. 1983).

We pretested the ads at two separate Lamaze sessions with participants similar to the ones who participated in the experiment, but not the same. Twenty five pretest subjects were randomly assigned to the two advertisement conditions (informational vs. emotional). Following the review of the ads, pretest participants were asked to respond to various statements designed to capture whether they perceived the ads as informational or emotional using the classification scale developed by Jourdan (1999). Based on the pretest findings, subjects who viewed the informational ad rated it higher on the informational scale than the emotional ad ($Mean_{informational} = 16.82$ vs. $Mean_{emotional} = 9.86$, $t(23) = 4.87$, $p < .01$). As expected, subjects who received the emotional ad rated that ad higher on the emotional scale than the informational ad ($Mean_{emotional} = 15.07$ vs. $Mean_{informational} = 7.36$, $t(23) = 7.66$, $p<.01$). The Cronbach's alpha for the emotional scale was .93 and for the informational scale .90. There was compelling evidence to believe that the two ad conditions elicited the desired ad effects. The actual experiment did not include manipulation checks in order to (a) adhere to the time limit requirements set by the Lamaze instructors and (b) avoid either biasing the subjects regarding the intent of ad condition or to avoid confounding errors due to exposure to previous dependent measures.

The data collection process took place at seven different Lamaze classes with an average enrolment of 15 expectant mothers. We initially asked subjects to participate in the survey on a voluntary basis and we instructed them to complete an informed consent form. We then handed out a questionnaire that asked them to "… read all information carefully" and to ". . . follow all instructions completely." Following the presentation of either the informational or emotional advertisements, we asked the participants to rate the advertised product on nine seven-point bipolar adjective scales (good-bad, like-dislike, favorableunfavorable, poor quality-high quality, unsatisfactory-satisfactory, useful-useless, dangerous-safe, harmful-harmless, like extremely - dislike extremely) designed to capture the global evaluation for the product (Cronbach's alpha = .92). Prior to data analysis, some of these scales were reverse coded to ensure consistency across all scale ratings. Immediately after this, subjects indicated their purchase intentions on two five-point rating scales (definitely will buy - definitely will not buy, definitely like to have - definitely not like to have; Cronbach's alpha = .80).

They were then asked to respond to 15 seven-point bipolar adjective scales designed to measure their attitude toward the advertisement (Aad; Cronbach's alpha = .85). Finally, subjects provided demographic information and responded to several questions regarding the timing of major purchases (over $50) before birth. The survey instrument took approximately 15 minutes to complete. We removed five questionnaires from the data analysis as the respondents left several items blank. Effectively, this resulted in a sample of 97 respondents for data analysis purposes. After the completion of the experiment, participants indicated whether they had guessed the purpose of the study. From this debriefing, there was no reason to believe that they responded in a systematic way as a means of influencing the study findings. Immediately prior to releasing the subjects, the researchers provided a disclaimer in writing clearly indicating that some of the claims made in the ads were not real, especially the one indicating that the product was recommended by physicians and child experts.

RESULTS

To test the proposed effects we performed a multivariate analysis of variance (MANOVA) procedure in which the dependent measures of interest (attitude toward the ad, product global evaluation, and purchase intention) were analyzed simultaneously as a function of ad type (informational versus emotional). MANOVA results suggest that subjects provided different global evaluation, purchase intention, and Aad ratings for the two ad types (Wilks' Λ = .35, p<.01, η^2 = .65). Univariate analyses provided details regarding the specific nature of the differences. According to analysis of variance (ANOVA) results (see Table 2), subjects provided higher global evaluations of the product after they viewed the informational ad (Mean = 48.11) than the emotional ad (Mean = 33.49; F = 51.19, p<.01, η2 = .94). Additionally, those subjects considering the informational ad provided higher purchase intention for the product (Mean = 9.76) than subjects who considered the emotional ad (Mean= 8.49; F = 8.26; p < .01, η^2 = .08). Similarly, attitude toward the ad (Aad) was higher for the informational ad treatment than the emotional treatment (Mean $_{\text{informational}}$ = 85.50 vs. Mean $_{\text{emotional}}$ = 65.76; F = 167.31, p<.01, η^2 = .64). In sum, univariate results show clear support for both H_1 and H_2.

Table 2: Analysis of Variance Results

Dependent Measures	Informational Advertisement (n=46)	Emotional (n=51)	Advertisement	Effect Size (η^2)
Global Evaluation (***)	48.11	33.49		.94
Aad (***)	85.50	65.76		.64
Purchase Intention (***)	9.76	8.49		.08

*The table shows the means of the various dependent measures of interest. The effect sizes for global evaluation and Aad are large, while the effect size for purchase intention is medium. *** indicates significance at the 1 percent level.*

Lastly, independent sample t-tests revealed that the informational ad was perceived more positively (i.e., good, interesting, inoffensive, trustworthy, persuasive, informative, believable, appealing, pleasant, honest, clear, convincing, and positive) than the emotional ad with one exception related to the like-dislike item. Whether globally or in terms of its individual dimensions, subjects seemed to consider the informational ad much more favorably. Table 3 shows individual scale means for the Aad measure across the two ad conditions.

Table 3: Informational vs. Emotional Advertising Appeals

	Informational Advertisement (n=46)		Emotional Advertisement (n=51)	
Individual Scale Items	**Mean**	**Standard Deviation**	**Mean**	**Standard Deviation**
1. Bad – Good**	5.70	1.31	4.80	1.96
2. Dislike – Like	5.57	1.13	5.16	1.64
3. Not Interesting – Interesting***	5.54	1.03	3.20	1.31
4. Inoffensive – Offensive***	5.24	1.06	6.04	1.23
5. Untrustworthy – Trustworthy***	5.80	0.88	3.27	1.13
6. Not persuasive at all – Persuasive***	5.85	0.87	3.88	1.01
7. Uninformative – Informative***	5.43	0.87	3.80	1.04
8. Unbelievable – Believable***	5.85	0.89	4.88	1.49
9. Appealing – Unappealing***	5.67	1.12	4.82	1.55
10. Unpleasant – Pleasant***	5.37	1.24	4.49	1.46
11. Dishonest – Honest***	5.80	0.83	4.18	1.57
12. Imprecise – Clear***	6.07	0.74	3.51	1.27
13. Convincing - Unconvincing***	5.50	0.98	3.84	1.42
14. Dull – Interesting***	5.98	0.91	4.69	1.26
15. Negative – Positive***	6.13	0.86	5.20	1.55

*This table shows the means and standard deviations for the individual items, which comprised the Aad measure. Scale items #4, 9, and 13 were reverse-coded prior to data analysis. *** and ** indicate significance at the 1, and 5 percent levels respectively.*

Although not formally proposed, we were also interested in finding out how far in advance of the birth major purchases were made or expected to be made. Responses ranged from immediately before birth (0 months) to eight months in advance. The average response, however, was 2.3 months in advance. Finally, we examined the dependent measures of interest across all demographic variables, but we did not detect any significant effects.

DISCUSSION

The goal of this paper was to address one small, but interesting aspect of consumption behavior during life transitions. Using an experimental design, the paper examined global product evaluations, attitude toward the advertisement, and purchase intentions of expectant mothers for two ad conditions: informational vs. emotional. This idea evolved from the fact that previous research has indicated that people in life transitions face emotional stressors. Therefore, it would make sense to try to reach these individuals by employing tools such as emotionally laden ads. The belief is that such ads can help alleviate the stress associated with life transitions and at the same time evoke positive feelings toward the advertised product. However, theory associated with motivation to process and involvement suggests that people are more likely to prefer advertisements that are relevant to them in terms of the information provided about salient products.

Based on the findings in this study, expectant mothers view informational advertisements more favorably than emotional advertisements. Interestingly, previous research has examined the consumption behavior of individuals while in the various stages of the FLC, but for the most part has ignored the periods preceding, during, or immediately following major FLC stages. This study showed that marketers need to investigate more rigorously the consumption behavior of individuals going through such transition periods. Unlike previous literature suggesting that people in life transitions will respond more favorably to emotional ads as part of a coping process, we showed that their consumption behavior is much more complex and counterintuitive. Certainly, our study addressed just a small part of this research domain using two specific ads and a specific sample of individuals in one particular life transition. Further research is necessary to understand the overarching behavior of people in life transitions as well as their coping strategies. Simply assuming that they will respond favorably to certain stimuli because of the fact they are experiencing emotionally laden periods in their lives is an oversimplification of their intricate behavior.The importance of significant transition periods in one's life raises several interesting research implications. For example, future research should delve more deeply into identifying differences in consumption patterns during primary life changes as compared to other less emotionally volatile periods of life. It would be interesting to see exactly when, how, and why such consumption behavior differs.

Moreover, the idea that consumers may respond differently to advertising stimuli during times such as the ones described previously requires further examination. Does the situation one is facing, for example, add to the complexity of purchasing decisions? Is the motivation to process information higher or lower for certain purchases and not for others? How do the different emotions influence the way individuals behave in the marketplace? What are the most effective integrated communication strategies when attempting to reach a market in transition?

While we have addressed the need to study consumption behavior and its peculiarities surrounding transition periods, it would also be worthwhile to differentiate among the various forms of primary life changes. Our study concentrated on one particular form of primary life changes. Other life changes such as moving, purchasing a new home, and divorce may call for a new, albeit different, approach of looking at the consumption behavior picture. What kind of psychological influences and/or processes dominate purchasing decisions in these other primary life changes? Is there a common thread or conceptual framework that would explain the consumption process during the majority of the transition periods? Future research should not only attempt to validate the findings of our study, but also to identify the peculiarities and/or similarities across all primary life change periods.

The notion that expectant parents may spend a substantial amount of money preceding or immediately following the birth of their child has powerful implications for practitioners. This could represent a multibillion-dollar market with tremendous potential for cultivation and growth. Certainly, reaching consumers when they are most likely to make their purchases should be of great interest to practitioners. Considerable knowledge regarding the consumption behavior of individuals during primary life changes should help practitioners sharpen their communication and marketing focus.

Our study examined one particular, but nonetheless important, aspect of communication toward expectant mothers. The findings suggest that retailers and/or product manufacturers and service providers would be better off using informational appeals rather than emotional appeals when targeting this market segment. Additionally, as any new parent would readily admit, very few marketers choose to target expectant parents simply because of their inability to easily track them down or the fear that such an action would not be welcome. Our study, however, suggests that expectant mothers seem to view both informational and emotional stimuli positively, although the informational ad was clearly evaluated more favorably. Therefore, marketers are advised not to shy away from providing good, factual information to expectant mothers. A closer look at the individual Aad scale item evaluations suggests that expectant mothers find informational messages more appealing, convincing, and interesting; neither the informational nor emotional ads were deemed to be offensive. Certainly, we cannot make the case that all ads would be well received by expectant mothers on the account of our limited stimulus materials and sample. Some retail industry experts and practitioners further suggest that sales promotions such as free gift packages may be used to lure pregnant mothers into stores (Rosendahl, 1995). Are sales promotions simply gimmicks that can be used to attract initial purchases? In this respect, are there more effective ways to build long-term relationships in light of the significant expenditures of parents?

Finally, our findings indicated that the majority of expectant mothers make major purchases approximately two months prior to birth, while some suggested that purchasing items as soon as they enter this transition period is not out of the question. This is another indication of the importance of reaching this particular segment of the market at the right time. It also suggests that marketers may be more successful, if they choose to separate or segment what is traditionally known as the "new parents" market to two new segments that differentiate between "new" and "expectant" parents.

CONCLUDING COMMENTS

In the context of this study, decisions made by consumers during this period may have far-reaching implications, financial and otherwise: Is this the right mortgage? Is this crib safe? Will this be a reliable car? These questions represent just a few examples of complexity associated with decision-making during transitions. Moreover, the idea that decisions must be made during a defined period in time adds to the complexity. Could this make consumers, then, even more vulnerable to unscrupulous advertising practices? As Brennan and Coppack (2008) suggest, education and training may empower consumers to make the right decisions, which, in turn, advance their own interests as opposed to the interests of the advertisers. Therefore, it appears that public campaigns to educate consumers about the pitfalls of making decisions during life transitions could possibly increase their awareness of deceitful attempts to secure their business.Notwithstanding the interesting findings of this study, there are certain inherent limitations associated with our research design and the generalizability of the results.

First, the study findings were based on two specific ads for a particular product. Different ads or similar ads for other products may not elicit the same effects. While the manipulations checks indicated that expectant mothers perceived the ads as either informational or emotional, there is no clear indication in the literature which specific elements of the ad (words vs. pictures) may actually stimulate the varied attitudinal effects. As the saying goes “a picture is worth a thousand words,” it is not clear either from the manipulation checks or the actual findings which of the two ads evoked exactly which feelings or whether they stimulated differing levels and types of cognitive processing. This is a fertile area for future research. Additionally, our survey respondents were expectant mothers only. Would expectant fathers react the same way to our advertising stimuli? In this vein, how would the mother-father dyad react to the same stimuli? Lastly, our findings provide little information regarding the reactions of people in other types of life transitions. However, this research is a first step in not only stimulating the interest of other researchers in the area, but also providing some worthwhile background in studying more refined advertising effects.

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ACKNOWLEDGMENT

This version of the paper reflects the helpful suggestions and observations made by two anonymous reviewers and the editor. A special thank you also goes to two of my graduate students, Melinda Urteaga and Patricia Riggs, for their help and ideas.

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GLOBAL START-UP PROFILES: EVIDENCE FROM THE SPANISH WINE PRODUCING SECTOR

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ABSTRACT

For decades, terms such as born global, global start-up and international new venture have been used by researchers to define a new typology of companies which are characterized by an international projection of their activities from their creation. Nevertheless, few studies have examined the internal configuration of this kind of company, or on the identification and analysis of differences in the set of resources and capabilities between traditional companies and global start-up companies. The main goal of this research is to identify the resources and capabilities profile of those companies characterized as global start-up, and compare this profile with that of traditional companies. The application of multivariate analysis to a sample of 257 companies belonging to the Spanish wine-producing sector shows the existence of significantly differentiated resources and capabilities profiles for the two kinds of companies. These differences are mainly in financial, human, and relational resources.

JEL: M16

KEY WORDS: Resource-Based View, Born Global, Internationalization

INTRODUCTION

For decades, terms like "born global" (Knight and Cavusgil, 1996), "global start-up" or "International New Venture" (Oviatt and McDougall, 1994) have been used by researchers to describe companies that are born in a globalized environment, with a commercial and business projection unlimited by local or national borders, with its product-market area having an international dimension since its inception (Ripoll, et al., 2002) and with a high international development.

This new approach has given rise to various theories such as the International New Venture Theory and International Entrepreneurship Theory. Empirical studies have examined the issue from various perspectives (Oviatt and McDougall (1994), McDougall et al (1994), Knight and Cavusgil (1996), Ganitsky (1989), Bell (1995), Madsen and Servais (1997), Coviello and Munro (1997) and Mckinsey and Co (1993)). However, few empirical studies have examined the internal characteristics that define these businesses, and in particular the study of their internationalization strategy and growth mode.

The main objective of this research is to identify the resources and capabilities profile of those companies characterized as a global start-ups as opposed to the profile of companies considered traditional. This profile explains existing differences in the development of internationalization strategy and mode of growth by companies.

The paper is structured as follows: under the second heading we present a review and analysis of the literature on the subject matter in question, followed by the methodology used in the development of our study, and finally, in the fourth section we present the results obtained from our analysis. The paper closes with some concluding comments.

LITERATURE REVIEW

In the late 80s, coinciding with the process of economic globalization, researchers began to examine the issue. This research questions the internationalization process model developed by the School of Uppsala. Their main basis of support was the emergence of a new type of organization called "born global" (Knight and Cavusgil, 1996), "global start-up" or "International New Venture (Oviatt and McDougall, 1994). The researchers suggest these new companies initiated their internationalization process from their creation thus avoiding the establishment chain defined by Johanson and Vahlne (1975). This paved the way for other theories such as the International New Venture Theory also called the International Entrepreneurship Theory. Research in this area includes works by Oviatt and McDougall (1994), Bell (1995); Madsen and Servais (1997); and Coviello and Munro (1997) among others.

As established by Madsen and Servais (1997), the origin of this phenomenon lies in a series of changes taking place in a new global environment. They argue there are three interrelated key issues that determine the new pattern of internationalization. These issues are related to the founders, the organization and the settings. These settings include new market conditions, technological development that occurs both in the areas of production, transport and communication, and greater development of human capabilities specifically related to the founders' human capacities.

Issues such as insufficent market demand, technological innovations applied in an international context, and even the development of financial markets encourage the development of international business activities in a much less gradual manner. This rapid internationalization calls into question the gradual model under which the internationalization process has thusfar been described.

The gradualist approach to internationalization of companines came to explain this strategy through a sequential. The process involves a dynamic model of exterior development with two basic pillars. These pillars are understanding of markets interacting at the level of resource commitment and capabilities of companies. This capabilities involve knowledge gained from development activities in foreign markets as the main determinant of the success of internationalization.

With the emergence of these new international companies a basic assumption of the gradualist approach is brought into question. When these companies start their international activities they are newly established firms that lack this experience concept. It follows that experiential knowledge can not be the main determinant of international success of companies (Oviatt and McDougall, 1994). However, in line with Huber (1991) and Forsgren (2001), the concept of learning should not be restricted to that obtained through experience. Other ways of obtaining knowledge can explain the speed of the internationalization process and the exclusion of some steps defined under the gradual model of Uppsala.

In this way, Eriksson et al. (1997), Sapienza, et al. (2006) and Malhotra and Hinings (2010) argued that, in addition to knowledge about the specific foreign market, there is another relevant knowledge. Knowledge of network associated operations, knowledge of foreign market entry in general, knowledge of the core business of their counterparts and even institutional knowledge of the market are all relevant.

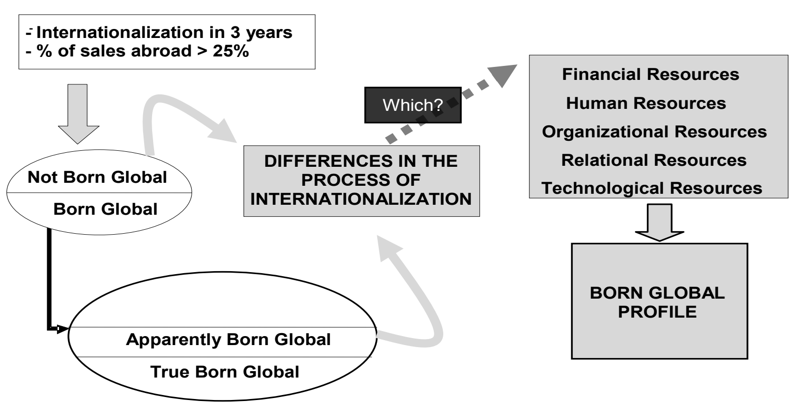
In line with Madsen and Servais (1997), this new type of company seems is characterized by a higher level of human capability by both the founders and the employees. Higher education levels and greater general and international experience lead to a decrease in the perception of psychological distance defined by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) in the gradual model or Uppsala model.

The second gradual model pillar is defined by a firm's level of resources and capabilities commitment. In line with Andersen (1993) the internationalization process model developed so far, is formed on the resource-based view. In this view a firm's commitment to international markets will increase as knowledge regarding the company's target markets increases. However, coinciding with the emergence of these global start-ups, a new approach is emerging developed under the "network" concept already introduced in the late 80s through the work of Johanson and Mattson (1988). This concept is defined as a set of interconnected business relationships, in which each interchange relationship is between business firms conceptualized as collective actors (Anderson et al., 1994). In this way, the traditional model of stages is modified by Johanson and Vahlne (2009), which could explain the rapid internationalization of companies from their inception, through the presence of highly relational resources by the company.

We consider it necessary to analyze the internal characteristics of companies when embarking on their adventure overseas. To this end, the focus of resources and capabilities has been extensively studied by Lippman and Rumelt (1982), Dierickx and Cool (1989), Grant (1991), and Winter (2003) among others. The goal is to determine the internal composition of company resources and determine the superiority of certain types of resources and capabilities for achieving and maintaining a competitive advantage. However, the composition of resources that a company has, are not defined in a way commonly accepted by the scientific community.

The most widely used definition was forwarded by Grant (2001) which separates them into tangible and intangible resources. The first of the classifications can be divided into financial and physical resources. The identification of each resource type does not require great effort on the part of the company as they are embodied and identified through the financial statements. However, in the case of intangible assets, classified as technological, organizational, human and relational (Barney, 1991), identification is complicated. These assets have no physical existence in the company, they are expensive and slow accumulation assets, they are difficult to transmit in the market and are susceptible to multiple uses. Thus, their appraisal and management is not an easy task (Fernández, 1993). Having examined the relevant literature our general model of analysis is defined as shown in Figure 1.

Figure 1: General Model of Analysis



This figure shows the general model of analysis, which explains the main objective of this research

Having identified born global firms, the aim is to identify the resources and skills profile of those companies characterized as global start-ups in contrast with the profile of companies considered traditional. However, classifying these companies is not an easy task, due to the variety of criteria used in their identification. There is theoretical uncertainty in this regard (Ramussen and Madsen, 2002). Thus Oviatt and McDougall (1994) established the status of companies with regard to development activities in many countries. However this concept, can be associated more closely the scope than speed of the process, leading us in turn to identify possible differences between the born global themselves in subsequent research. Rennie (1993) and Moen and Servais (2002) used a 2-year criteria period whereas

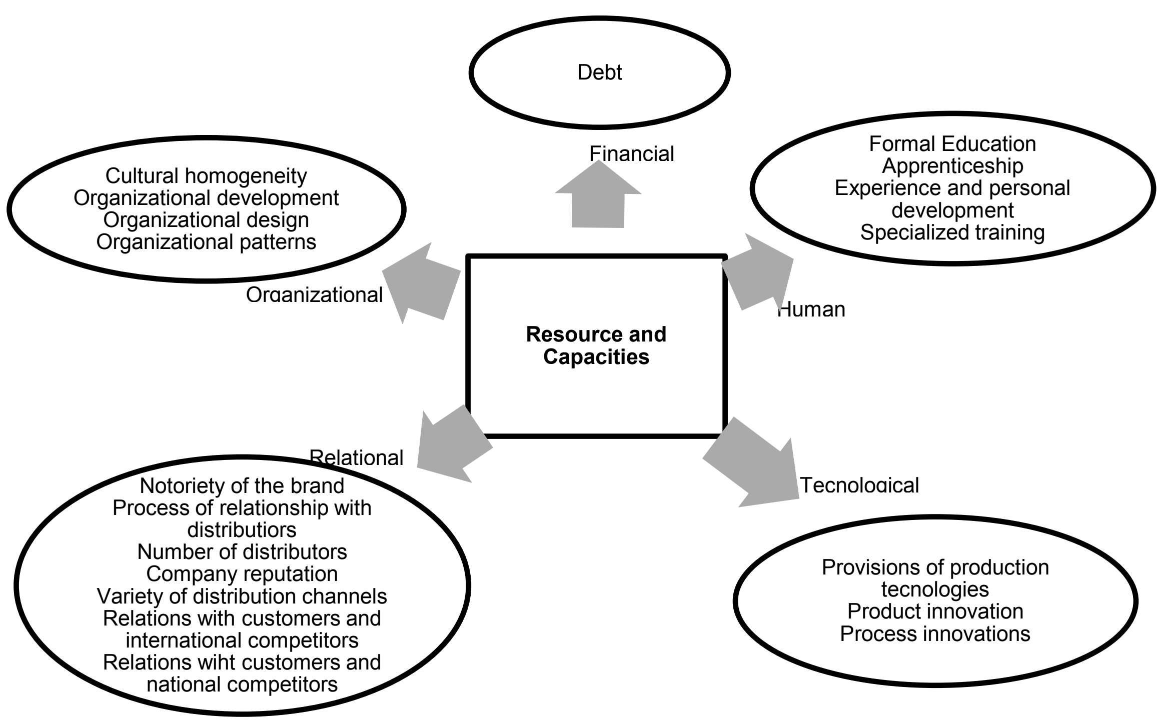
Zahra et al. (2000) identified these companies as those younger than 6 years with 5% of their total sales overseas. However, the criterion used by Knight (1997), Knight et al. (2004), and (Kuivalainen et al.,2007), defines born global as a company that had a ratio of foreign sales to total of sales greater than 25% within the first three years of operation.

METHODOLOGY

The objective of this study is to analyze differences in the internal configuration of resources and capabilities between born global and traditional firms. Our population objective comprises the totality of Spanish companies in the wine sector. The number of wineries bottling during the period of 2007-2008, was 2,659. From this group a representative sample was extracted with a confidence level of 95.5% and an error sample of less than 6%. The sample consists of 257 wineries distributed throughout the Spanish territory. The information contained in our database was obtained through the development of an ad hoc questionnaire. The questionnaire consisted of 25 questions, measured mostly using a Likert scale of 1-5. The main main objective is to identify the key resources and capabilities of the companies.

Figure 2 shows the measurement tools of intangible resources. Independent variables are defined as the different resources and capabilities that form part of the internal configuration of the company. The identification of intangible resources and their measurement proves to be a difficult task. Itami (1987) considers them "invisible" assets; establishing that their tacit nature or the difficulty of encoding them (Kogut and Zander, 1992; Conner and Prahalad, 1996) does not make easy their observation and measurement (Peneder, 2002; Delgado et al., 2003). Thus the scale of measurement used in our study comprised a total of 25 items, which were reduced to 18 on Bueno (2003).

Figure 2: Measurement of Intangible Resources



This figure shows the variables identifies by the author, adapted from Bueno (2003) for measure of resources and capabilities used for his research model. This variables was identifies as dependent variables and differenced in human, organizational, relational, technological and financial resources. Source: Adapted from Bueno (2003)

The dependent variable is "Born Global" which gathers dichotomously the status of born global companies versus traditional companies. Previous studies Rennie (1993), Madsen and Servais (2002), Madsen et al. (2000), Knight (1997) and Knight and Cavusgil (2004) use different classification criteria. The characterization of Knight (1997) and Knight and Cavusgil (2004) are most used by researchers, Kuivalainen (2007). Thus, we identify born global companies, as those companies that simultaneously have a ratio of foreign sales exceeding 25% of total company sales and have developed their international activities in less than 3 years since initiation of operations.

After defining the set of dependent and independent variables defining our model, we carried out two multivariate statistical techniques. First, a factorial analysis was completed. The main objective is to define the underlying structure of a data matrix. To summarize the number of items proposed for the evaluation of the constructs of resources and capabilities, we carried out a factorial analysis of the principal components. Using this analysis, we intended to improve the parsimony of the proposed model, reducing the number of items or proposed variables, without notably reducing its significance, and in addition identifying latent structures. This analysis was performed using the SPSS 15.0 statistical tool carrying out a differential factorial analysis for each of the constructs that we intend to analyze.

The next step in the data analysis process of this study consisted of a multivariate analysis (MANOVA). This type statistical tool is used to analyze the presence or absence of statistically significant differences between groups regarding a continuous dependent variable (Hair, et al., 1999). We propose a null hypothesis that there are no statistically significant differences between the configuration of resources and capabilities between born global and traditional companies.

The analysis of variance was obtained using the general linear model provided by SPSS 15.0. The null hypothesis is the equality of averages of the different constructs of resources and capabilities between the two groups mentioned above. Table 1 summarizes the above information.

Table 1: Summary Statistics of Data Analyzed

Population	n = 2659
Sample	n = 257
	Confidence level = 95.6%
	Error sample < 6%
Measurement	Questionnaire ad-hoc
	Total of questions = 25 (Likert scale)
Statistical Analysis applied	Factorial Analysis
SPSS 15.0	MANOVA

This figure shows a summary statistics of our data to identify population, sample, measurement instrument and the statistical analysis applied used to our empirical study.

RESULTS

In order to validate the established model, we measure the adequacy of the data analyzed as well as its goodness-of-fit. This measurement is performed using the Kaiser-Meyer-Olkin (KMO) statistical measure of sampling adequacy and the Bartlett sphericity test. For both statistics, the results obtained for the four factorial analysis, show satisfactory results as shown in Tables 2. On the one hand, they all have a value exceeding 0.5 with regard to the KMO statistic. On the other, the Bartlett's test of sphericity performed using the Chi-square statistic provides a p-value below 0.05 which allows the null hypothesis to be rejected. This leads us to affirm that the analyzed data are adequate and the variables are correlated signifying the model fits correctly.

Table 2: Results of The Factorial Analysis

PANEL A: TECHNOLOGICAL RESOURCE SCALE	TECHNOLOGICAL RESOURCES		
Provision of production technologies	0.765		
Product Innovation	0.765		
Process innovation	0.793		
Variance extracted (%)	59.99		
Autovalue	1.8		
K.M.O	0.659		
Bartlett's sphericity test	109.976***		
Cronbach's Alpha	0.764		
Compound reliability	0.889		
Analysis of the extracted variance	0.600		
PANEL B: HUMAN RESOUCE SCALE	HUMAN RESOURCES		
Formal Education	0.859		
Apprenticeship	0.838		
Experience and personal development	0.837		
Specialized training	0.715		
Variance extracted (%)	66.288		
Autovalue	2.652		
K.M.O	0.769		
Bartlett's sphericity test	399.683***		
Cronbach's Alpha	0.822		
Compound reliability	0.934		
Analysis of the extracted variance	0.663		
PANEL C: ORGANIZATIONAL RESOURCE SCALE	ORGANIZATIONAL RESOURCES		
Cultural homogeneity	0.855		
Organizational Development	0.818		
Organizational design	0.786		
Organizational patterns	0.750		
Variance extracted (%)	64.547		
Autovalue	2.582		
K.M.O	0.798		
Bartlett's sphericity test	339.586***		
Cronbach's Alpha	0.814		
Compound reliability	0.929		
Analysis of the extracted variance	0.645		
PANNEL D: RELATIONAL RESOURCE SCALE	RELATIONAL RESOURCES		
	1	2	GLOBAL
Notoriety of the brand	0.775		
Process of relationship with distributors	0.753		
Number of distributors (distribution network)	0.701		
Company reputation	0.700		
Variety of distribution channels (distribution network)	0.658		
Relations with customers and international competitors		0.837	
Relations with customers and national competitors		0.805	
Variance extracted (%)	40.626	19.078	59.704
Autovalue	2.844	1.335	
K.M.O	0.760		
Bartlett's sphericity test	425.773***		
Cronbach's Alpha	0.773	0.717	0.744
Compound reliability	0.901	0.883	0.939
Analysis of the extracted variance	0.516	0.674	0.562

*This table shows the result of the factorial analysis of the relational resources, for the full sample of 257 Spanish wine producing sector firms. The first cells shows the variables included in relational resources construct, and the last cells show various contrast of significance, validity and reliability test. *** indicates significance at the 1 percent level.*

Next we present the results of the MANOVA analysis. The four tests used to assess the overall fit are Pillai's trace, Wilks's Lambda, Hotelling's trace and Roy'ss largest root. However, Wilks's Lambda, is the most commonly used statistical and is used here to study the global adjustment. The results of the multivariate test of significance are presented in Table 3. The Wilks's Lambda test shows a value of 0.930 being a significant result, with an F of 3.108 and a p-value of less than 0.05. This indicates that the average population of different resources and capabilities studied differs for the two groups under consideration.

Table 3: Multivariate Contrasts

Effect		Value	F	Gl of the Hypothesis	Gl of the Error
Intersection	Pillai´s trace	958	945.594***	6.000	246.000
	Wilks´Lambda	042	945.594***	6.000	246.000
	Hotelling´s trace	23.063	945.594***	6.000	246.000
	Roy´s largest root	23.063	945.594***	6.000	246.000
BORN GLOBAL	Pillai´s trace	070	3.108***	6.000	246.000
	Wilks´Lambda	930	3.108***	6.000	246.000
	Hotelling´s trace	076	3.108***	6.000	246.000
	Roy´s largest root	076	3.108***	6.000	246.000

*This figure shows the result of the multivariate contrasts of MANOVA analysis for the full sample of 257 Spanish wine producing sector firms. The first figure in each cell of values is the coefficient obtained from the different statistics analysis and the second figure in each cell is the significance indicator. ***, ** and * indicate significance at the 1, 5, and 10 percent levels respectively.*

Table 4 shows the descriptive statistics obtained from the analysis. The results show that born global companies have a greater provision of human resources, organizational and relational than traditional companies. While technological and financial resources are the resources that have a greater presence in traditional companies.

Table 4: Descriptive Statistics

Dependent Variable	Types of Companies	Average	Standard Deviation.
Technological Resources	Not Born Global	3.490	0.82309
	Born Global	3.481	0.72849
Human Resources**	Not Born Global	3.506	0.84592
	Born Global	3.924	0.90392
Organizational Resources	Not Born Global	3.471	0.838
	Born Global	3.506	0.931
Financial Resources*	Not Born Global	17.790	25.70115
	Born Global	10.791	20.12172
Relational resources (Positioning)**	Not Born Global	2.980	0.84322
	Born Global	3.326	0.84257
Relational resources (Relation with other agents)	Not Born Global	3.8024	0.77660
	Born Global	3.9419	0.86746

*This figure shows the result of the descriptive statistics obtained of MANOVA analysis for the full sample of 257 Spanish wine producing sector firms. The first column shows the dependent variables used to analyze differences between types of companies. The indicator. ***, ** and * indicate significance at the 1, 5, and 10 percent levels respectively. The third and fourth column shows the average and the standard deviation for each types of company respectively.*

The univariate test results are presented in Table 5. Of the five constructs considered, the variables human, and financial and relational (positioning) resources are statistically significant with a p-value <0.05. The results obtained for the technological, organizational and relational (relationship with other agents) resources are insignificant in the model studied.

Table 5: Univariate Test

Dependent Variable		Sum of Type III Squares	gl	Quadratic Average	F
Technological Resources	Contrast	0.006	1	0.006	0.009
	Error	164.614	253	0.651	
Organizational Resources	Contrast	0.039	1	0.039	0.053
	Error	184.843	253	0.731	
Relational Resources (Relation with other agents)	Contrast	0.654	1	0.654	1.046
	Error	158.175	253	0.625	

This table shows the result of the univariate test for dependents variables obtained as nonsignificant of MANOVA analysis for the full sample of 257 Spanish wine producing sector firms.

CONCLUSIONS AND DISCUSSION

The main objective of this research is to identify the profile of resources and capabilities of companies characterized as global start-ups as compared to traditional companies. We consider the two groups of companies to have a different profile of resources and capabilities and these differences have an impact on the development of internationalization strategy and on the mode of growth chosen by companies. Therefore, we applied a multivariate analysis to a sample of 257 companies belonging to the Spanish wine-producing sector.

The results show the characterization of Spanish wine companies is mainly defined by a resources and capabilities profile supported by human factors (formal education, training, experience and personal development and specialized training). Financial factors (debt) and those more relational factors associated with the positioning system of the company (brand awareness, engagement process with distributors, number and variety of sellers and prestige of the company) are also important.

Human resources hold a greater presence in born global companies (3.924) in comparison to traditional companies (3.471). This suggests that this new type of companies are characterized by a rapid expansion of its activities in an international context. Formal and specialized education, learning and personal development are higher for companies that have spent several years operating in the market. This result is in line with the work developed by Madsen and Servais (1997), who claimed that born global companies are characterized by greater human resources, both in training and past experiences and even international experience. It stands to reason that the human resources set up for this kind of companies, which have a high international involvement right from its creation, have higher values than traditional companies. Traditional companies are characterized by a gradual expansion of their activities, where the lack of knowledge is considered the main obstacle for the development of international operations.

The positioning results show a configuration similar to that of human resources. Thus, we can say that companies founded in a global environment (born global) are characterized by more extensive distribution networks and have greater external recognition, both in prestige and in brand visibility.

These results are displayed according to the new network approach introduced in the '80s and have gained special importance in the subject literature. Johanson and Mattson (1988) introduced the concept of business networks defined as a set of interconnected business relationships: in which each interchange relationship is between businesses companies conceptualized as collective actors. In this approach internationalization should not be seen only in the field of business itself, but also in its surroundings, so that as companies become internationalized, the number of actors who interact through the network is increased and relationships with them are strengthened.

However, the average debt of these companies is low at 10.79%, while traditional companies have a higher level of debt. The sample companies have a high export level at over 25% and they do not require the same amount of external funds. This is perhaps because the equity held by these wineries is higher than that of traditional companies, and they are less dependent on external financial agencies.

Finally, regarding organizational and relational resources linked to the relationship with other agents, the results show a slightly higher allocation of resources. The profile of resources and capabilities of born global companies involves lower levels of technological resources. However, these results are not significant, which prevents us from establishing a valid structure in defining the profile of born global companies for this type of resource.

The main limitations of our study are related to an absence of empirical literature which considers the simultaneous relation of independent variables included in our analysis, resources and capabilities, and the dependent variables. Future research should examine the main differences in the development of internationalization strategy for these groups of firms.

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EFFECT OF GLOBALIZATION ON PERFORMANCE IN THE NIGERIAN BANKING INDUSTRY

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ABSTRACT

The study assessed the effects of globalization on the performance of Nigerian banks. Primary and secondary data were used for the study. Random sampling technique was used in selecting 30% of marketers. A while purposive sampling was used to select two top management staff in the marketing departments at the headquarters of each bank and fifty customers each from the 25 banks. Primary data were obtained from two questionnaires administered to marketers and customers of the banks. Interviews were also conducted with top management staff in the marketing departments of the banks. Secondary data on variables such as profit before and after tax, deposits, assets, capital base, loans, interest rates, ownership structure, and number of branches of Foreign Banks in Nigeria, among others were collected from the banks. Descriptive and inferential statistics were used to analyze the data. The results showed that globalization had significant and positive effects on the performance of banks. Higher profitability was a result of wider market coverage of banks in the country, both locally and internationally. The study concluded that globalization had no significant effect on market structure but greatly improved the performance of banks in Nigeria.

JEL: C33, F36, G2, L1, N20

KEY WORDS: SCP, multicollinearity, profit before tax, structure, shareholders' funds, Nigeria

INTRODUCTION

Globalization is a concept that encapsulates the growth of connections between people on a planetary scale; it involves the reduction of barriers to trans-world contacts. It involves the widening and deepening of international flows of trade, finance and information in a single, integrated global market. Put differently, globalization is described as the transformation of the world into a global village, as borders disappear, distances shrink and time shortens (Solita, 2000). It finds expression in the increased movement across the boundaries of goods and services, viz. trade and investment, and often of people via migration. It is driven by the actions of individual economic actors – firms, banks, people – usually in the pursuit of profit and often spurred by the pressures of competition (Agnihotri 2003:1).

Globalization has been defined by various authors, depending on the background of the author and the variables of interest. According to Asogwa (2004), economists defined globalization as encompassing declining barriers to trade, migration, capital flows, technology transfers and foreign direct investment (FDI). In this sense, globalization affects three types of market: commodities – goods and services of all varieties; labour – workers who produce goods and services; assets and debts – securities, bank loans and deposits. Markets of the third type fall under the umbrella of financial globalization, which refers to the global integration in both the "capital market" and the "banking sector". Financial globalization is the process by which the financial markets of various countries of the globe are integrated. Before financial globalization became a popular term, financial liberalisation was the key policy believed to bring efficiency in the financial sector. Many African countries embarked on financial liberalisation reforms as part of their recommended structural adjustment programmes (Soyibo, 1994; Aryeetey, 2000; and Asogwa, 2004).

There are four broad groups of industry globalization drivers which are market, cost, Government and competition. Together, these drivers cover all the major critical industry conditions that affect the potential for globalization. Drivers are primarily uncontrolled by the worldwide business. Each industry has a level of globalization potential that is determined by these external drivers. However, globalization is affecting all sectors of the Nigerian economy especially the banking industry. The banking sector today is highly competitive and this competition is expected to intensify as new players of local and global scope enter the market. As the competitive terrain becomes more challenging, banks will need to maintain their competitive edge through the adoption of new technology. Clearly, technology is the key driver of change. For the change to be beneficial, the use of technology should be business driven to meet clearly defined business needs.

Resulting from the deregulation and liberalisation of the Nigerian banking industry, the industry environment has changed in many ways. Before 1987, there was little or no competition because the monetary authorities restricted entry, with the concentration of activities on the four largest banks (First Bank, United Bank for Africa, Union bank, and International Bank for West Africa) (REDASEL, 1989/1990: 335). In 1987, following the introduction of financial liberalisation, entry barriers were relaxed and interest rates were decontrolled. Many new private banks, some with foreign equity ownership initiated activities in the market. This lasted for a few years as the licensing of new banks was stopped in 1993, while interest rate regulation was reintroduced in 1994. In 1997, interest rate deregulation was re-implemented while entry restriction was again relaxed in 1999 (Asogwa, 2004).

At the same time, a lot of structural reforms have been observed in the Nigerian banking industry such as: bank closures, takeover of management and control by the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC). Also, an on-going process of consolidation has been observed in the Nigerian market. On the average, the number of banks in Nigeria shrank by approximately 23 per cent from 115 in 1997 to 89 in 1999 and by 72 per cent from 89 in 2000 to 25 in 2005. Other important developments include the conversion of some banks to public limited liability companies and the introduction of universal banking since 2001 (Asogwa, 2004). To understand and take advantage of the changes in the industry, which may be opportunities or threats, Nigerian banks need to understand the important factors shaping the industry, and the relevant strategic decisions to be taken. These strategic decisions must take into account the relevant competitive, economic, political, regulatory, legal, technological and socio-cultural factors, among others, in the Nigerian business environment.

The next section discusses the problem on ground that this study intends to solve, followed by the literature review and then the research methodology. The empirical results section assesses the effect of globalization on the performance of Nigerian banks.

Statement of the Problem

Globalization has created some distinctive characteristics in the banking industry, one of which is the removal of barriers to entry resulting in a rush into the domestic banking industry and thereby leading to increased competition. Increased competition means that banks must be efficient in the delivery of services and at competitive prices; the era of arm chair banking is over and there is increased need for deposit mobilization through aggressive marketing strategies and techniques. Lack of adequate response to these challenges may mark the end of a banking firm because it may not be profitable; it may not be able to attract and retain prospective customer; it may not be able to get customers or depositors, etc.

There are studies in the developing countries on the structure of banks (both formal and informal) and its role on savings mobilization and intermediation as well as performance of banks (Civelek and Al-Alami, 1991; Agu, 1992; Soyibo and Adekanye, 1992a, 1992b; Seck and El Nil, 1993; Bhattacharaya, 1997). In Nigeria, there have been studies that focused on savings mobilization; monetary policy; financial liberalization and market power in banking; as well as costs, benefits and challenges of Globalization in the banking sector (Asogwa, 2002; 2004; Umoh, 2002; Adam, 2004; and Adegbite, 2004).

Asogwa (2004) focused on the process of the banking sector globalization, especially the rising entry of foreign banks in Nigeria and other countries of Africa, and its implication for domestic financial systems. In his work, he established that foreign banks were present in Nigeria, and banks with up to 50% foreign ownership had been increasing since 1996. He also found that market concentration index measured by the share of the three largest banks in total assets decreased within his study period (1998-2002); and that Herfindahl–Hirschmann index (HHI), another measure of market structure, decreased showing lower concentration within this period. His study also showed that foreign controlled banks in Nigeria had a better performance trend than wholly domestically owned banks, regardless of the higher interest margins earned by domestic bank; and that the operating costs of the domestic banks were higher than that of the foreign banks. These higher costs are generally related to inefficient branch network and the underdeveloped information technology network.

An important development from globalization in the banking industry is the removal of entry barriers leading to inflow of international banks and enhanced competition in the industry. To survive therefore, banks would require effective product formulation and aggressive promotional strategies. While many studies have examined the effects of globalization on the performances of banks in Nigeria, there is paucity of studies on the effects of globalization on market structure and conduct in the Nigerian banking industry as it affects performance of individual banks. This study intends to bridge this gap. In pursuit of this goal, a pertinent question will be addressed: Does globalization have any effect on the performance of banks in Nigeria?

The general objective of this study is to investigate the effects of globalization on the market structure, conduct and performance of the Nigerian banking industry. The specific objective of the study is to: appraise the effects of globalization on performance of Nigerian banks. The hypothesis formulated for this paper is: Globalization has no significant effect on performance of banks in Nigeria. This hypothesis was tested at the five per cent level of significance.

LITERATURE REVIEW

The notion of dominant economic power and its consequences in terms of prices and profits have long been of interest to economists. Economic theory suggests that there exists a direct relationship between the structure of the market and the performance of the firms in it. The nature of this relationship has been examined in a considerable number of empirical studies. Today, there exists a vast amount of literature regarding the market structure, conduct and performance of banking sectors in different countries and across them. Most part of those studies refers to the microeconomic theory of banking as well as to the empirical research about the relationship between market structure and various aspects of bank conduct and performance.

As noted by Shepetco (2004), the conventional structure-conduct-performance (SCP) approach to the industrial organisation research was first introduced by Edward S. Mason and his associates in 1931. The main principle of the approach is that firm or industry performance is determined by the behaviour (conduct) of suppliers and buyers, which in turn is determined by structural attributes of the market in which it operates (Carlton and Perloff, 2000).

Typically, as stated by Neuberger (1998), banks are considered as multi-product firms, which produce services through taking deposits and granting loans, operating on the three main markets – the deposit market, the loan market and the securities market. The **structure** of the market for banking products is defined with respect to market segmentation, geographical extent, barriers to entry, ownership, costs structure, etc. Most of the studies used concentration in local market areas as a relevant measure of the banking market structure (Gilbert, 1984). During the last years, most empirical researches suggest the extinction of geographic limitations due to development of telecommunication industry as well as financial globalization (ECB, 2003).

Through the *conduct***,** the market structure influences the overall performance of an industry. The banks' conduct involves their strategies, products promotions, price policies, and sales, in particular the issues of competition (price, quality, etc.), price discrimination, marketing, collusion and innovations, in general, all that explains the behaviour of banks. Empirical studies suggest that the major influence on banks' behaviour is exerted by a high degree of asymmetric information between buyers and sellers which is the essential part of a bank activity.

According to Gilbert's (1984) survey of 56 studies conducted during the period of 1964-1983, among the main approaches to measure banks' performance are the elasticity of loan demands, the interest rates on business loan, on time deposits, on passbook savings, the value of net income per dollar of total assets or capital and others. Along with these conventional measures, Neuberger (1998) suggests the use of productive (cost and profit) efficiency and allocative efficiency as a bank performance measure. Since banks are special players in the market for information, the conditions of this market are of importance to their structure, conduct and performance. Therefore, the usual SCP-framework has to be completed by aspects of incomplete information to be useful for the analysis of banking markets.

As discussed by Hahn (2005:3), the structure-conduct-performance (SCP) framework is the predominant methodology in Industrial Economics (Waterson, 1984). The basic idea of this framework is reflected by discussing the standard case of a monopolist maximizing profits by equating marginal cost (MC) with marginal revenue. We recall that this is related to price and the elasticity of demand via the well-known condition:

$$\frac{p - MC}{p} = \frac{1}{\eta}, \tag{1}$$

where η is the own-price elasticity of demand and *p* the price of the good produced.
This relation, also called the Lerner index (L), says that if all firms have identical marginal cost of production, the price-cost margin is equal to the inverse of the elasticity of demand. Obviously, this equilibrium condition becomes a causal relationship by assuming that conduct be determined by structure. In the given example, conduct was embodied in the assumption that the monopolist was able to choose output to maximize profits. Thus, causation runs from structure (monopoly) to performance. Of course, as stressed in Waterson (1984) the SCP paradigm had to extend beyond this simple frame in order to become the leading view in Industrial Economics.

If firms have different MC of production, the Lerner index (equation 2 below) looks at the weighted average of each firm's mark-up of price above marginal cost where the weight is the market share of each firm. If there are n firms and s_i is the market share of firm *i*, MC_i is the marginal cost of firm *i*, then

$$L = s_1\left(\frac{p - MC_1}{p}\right) + s_2\left(\frac{p - MC_2}{p}\right) + \ldots\ldots\ldots\ldots + s_n\left(\frac{p - MC_n}{p}\right) \tag{2}$$

In its simplest form, the SCP paradigm views market structure as exogenous, in the sense that it is the structural characteristics of markets that tend to influence or dictate both the conduct and, ultimately the performance of businesses. Most early empirical research based on the SCP paradigm focused on the relationship between concentration and performance measured by profitability. A positive correlation between concentration and profit was typically interpreted as evidence that firms act collusively in order to achieve high profits.

The most rigorous foundation of the SCP paradigm in banking, as reported by Hahn (2005:3), is given in the seminal paper of Hannan (1991). In this paper, Hahn gives special emphasis to the roles of market concentration and market share (which are differentiated across the markets in which banks operate) as implied by the *SCP* paradigm. The structure of the model refers to that developed by Klein (1971).

In the literature, the SCP model as motivated by Hannan (1991) is translated into the following specific form (Frame and Kamerschen, 1997):

$$\Pi_i = a_0 + a_0 CR_j + \sum_{j=2}^{P} a_j Z_{ij} + \varepsilon_i \tag{3}$$

where Π is an accounting measure of performance (either return on assets or return on equity) for the i^{th} bank, *CR* is a measure of market structure usually proxied by either an *n* − bank concentration ratio or the Hirschman-Herfindahl index HHI for the j^{th} local (deposit) market (the HHI for a market equals the sum of each firm's market share squared, that is,

$$HHI = \sum\nolimits_{i=1}^{n} MS_{ij}^{\ 2} \tag{4}$$

where MS_{ij} is the market share of the i^{th} firm in the j^{th} market, and Z_{ij} are additional explanatory variables included to control for individual bank risks and costs, as well as market demand factors. The term ε represents the usual stochastic disturbance term. Evidently, support for the hypothesis that market structure influences economic performance is found when the coefficient a_i is, in a statistical sense, larger than zero.

The SCP paradigm believed that HHI $\rightarrow$L, differences in H explains differences in L. Based on Cournot oligopoly, where § is price elasticity of demand,

$$L = \frac{H}{\S} \tag{5}$$

In a monopoly, H=1 which indicates that this rule holds. It can also be shown to hold for a general n-firm Cournot oligopoly (but requires a bit of calculus).

Although, this simplified SCP model has been challenged on both theoretical and empirical grounds, there is no alternative theoretically more robust substitute, any other than modified forms of the SCP itself (Neuberger, 1998). A good discussion of the limitations and shortcomings of the *SCP* model applied to the banking industry is given, among other, in Molyneux, Altunbas and Gardener (1997). The criticism on the bank SCP modelling has to be viewed against the background of rather mixed empirical evidence questioning the robustness and significance of a positive relationship between concentration and performance in banking. The lack of consistent results has led some researchers to argue that the literature contains too many inconsistencies and contradictions to establish a satisfactory SCP relationship in banking.

The defects of trying to quantify empirically the relationship between commercial bank performance and market structure are many ranging from the difficulty to define a meaningful market area and a reasonable measure of concentration under a multi-product banking regime, to the incompetence to settle on adequate standards of performance measurements in banking (see Mooslechner and Schnitzer, 1994). However, the most profound objection against the SCP paradigm has been raised by researchers associated with the 'Chicago School' such as Demsetz (1973) and Brozen (1982). Their argument rests on the view that the structure of an industry may exist as a result of a superior efficiency in production by some firms which enables them to increase market share thus increasing market concentration. This proposition termed "efficiency structure hypothesis" (ESH) suggests that it is not collusion which leads to higher-than-normal profits but rather economies of scale and scope. In response to the ESH, Shepherd (1982) introduced the relative market power hypothesis (RMPH) that states that only firms with large shares and well-differentiated products would be able to exert market power in pricing these products and earn supernormal profits.

A major shortcoming of the *SCP* paradigm in investigating banking performance has also been considered to be the neglect of the risk-return preference of the bank's management. Rhoades (1982) rightly claims that ignoring the possibility of trading off potential profits for lower risk when a bank operates in different concentrated markets may very likely result in biased estimates of the coefficient of the concentration measure. Though neglecting risk preference aspects in the SCP paradigm is viewed as a serious defect enhancing bank SCP modelling into this direction has so far not been a very active area of research. Most empirical work in the literature is closely related to the so-called quiet-life hypothesis. This hypothesis proposes that banks with larger market power may forego some of their potential profits by choosing safer portfolios than banks with less market power. Thus, the profit rates in the monopolistic markets may not exceed those in the competitive markets but the monopoly profits may be more secure. Heggestad (1977) argues that the failure to find convincing evidence supporting the concentration-profitability relationship in banking as suggested by the SCP paradigm may result from greater avoidance of uncertainty by banks exercising large market power. This argument resembles very much the point already raised by Hicks (1935) who tartly stated that the best of all monopoly profits be the quiet life. Likewise, little attention has also been paid to the fact that the propensity of banks with large market power to inflate operating expenses could also be a possible explanation for the failure to find empirical evidence for the concentration-profitability relationship in banking. This point was forcefully raised, among others, by Leibenstein (1966). In this paper, neither the 'Hicks' nor the 'Leibenstein' effect will be covered.

Conversely, more attention has been paid to the notion of contestability. According to the theory of contestability, the weak linkage between concentration and profitability in banking is mainly due to the low entry and exit barriers in local banking which forces banks to adopt competitive behaviour. Contestability also implies that potential competitors could weaken any non-competitive pricing behaviour through the threat of entry, thereby limiting the role of antitrust scrutiny during bank concentration, for example, through bank mergers. Of course, in modern banking, the threat of new entry no longer require the presence of bricks-and-mortar offices, because banks can easily get access to new markets through telephone and Internet banking. As put in Goddard, Molyneux and Wilson (2001), nowadays brand image is likely to be more important than a physical presence. Consequently, the theoretical framework for this study is the SCP being the most relevant theory of all the theories discussed in this section.

There are five approaches for studying the marketing process. These are: the functional approach, the institutional approach, the behavioural systems approach, the marketing mix approach, and the structure, conduct, and performance paradigm approach (Olufokunbi 1984). The functional approach classifies and discusses what is done in the marketing process. They are functions to be performed in getting goods from producer to consumer regardless of "who performs them". The institutional approach focuses on the various agencies that perform the marketing process; it emphasises the human element of the process. In behavioural systems approach, either a particular marketing firm or an organisation of firms can be viewed as a system of behaviour; each institution is composed of people who are making decisions in an attempt to solve particular problems. The marketing mix approach of studying the market process involves looking at the variables that must be mixed or programmed for a successful or profitable marketing operation in the light of the circumstances faced by the management. The structure, conduct, performance paradigm approach is a convenient conceptual framework of studying marketing systems, and assumes that casual relations run from structure through conduct to performance, e.g. performance results in a marketing system is a reflection of the business behaviour (conduct) which also arises from the structure. The structure, conduct, performance paradigm approach is adopted for this research.

METHODOLOGY

This study was conducted on banks in Nigeria. Both primary and secondary data were used for this study. As a result of various financial reforms in the Nigerian banking sector, all banks that existed between 1999 and 2007 were purposively used for this study. The primary data were collected from marketing departments of head offices and customers of the twenty five banks remaining after the 2005 consolidation using both purposive sampling technique and simple random sampling technique. Simple random sampling technique was used in selecting 30% of marketers, purposive sampling for selecting two top management staff each in the marketing section of the headquarter of each bank and fifty customers from each bank. On the whole, a sample size of 1520 consisting of 50 top management staff, 220 marketers and 1250 customers, was used for the study.

The secondary data covered the period from 1999 to 2007. The motivation for choice of this period is that it marks the beginning of the third republic when a lot of reforms that greatly impact on banking sector in Nigeria took place. The secondary data sources were the annual reports and statement of accounts for the existing banks during this study period. Other sources were CBN Statistical Bulletin; CBN Annual Reports and Statements of Accounts; Data from the Federal Office of Statistics; publications of Research and Data Services Limited (REDASEL), Annual Reports of NDIC, the Nigerian Stock Exchange Fact book, *International Financial Statistics Yearbook* of the International Monetary Fund and Schemes of Mergers of merged banks. The variables used for this work included globalization; profit after tax, profit before tax, return on equity, total deposits, demand deposits, assets, loans, capital base, marketing cost, and years of experience of each bank; market deposit, number of customers and number of employees. They were used for relevant analysis. Performance measures in this study included profit before tax (PBT).

The secondary data collected are panel in nature. Both descriptive statistics such as arithmetic mean of the respective variables, and inferential statistics, such as correlation and regression analyses and analysis of variance, were employed to analyse the data using the computer Statistical Package for Social Sciences (SPSS) and E-views econometric package. The student's Z or t was used to investigate the degree of statistical difference in some statistics of the banks at five per cent level of significance. The appraisal of the effects of globalization on performance of Nigerian banks was achieved using inferential statistics such as correlation and regression analyses.

The descriptive statistics obtained were the maximum, minimum, arithmetic mean, mode, median and standard deviation of the respective variables; histograms, bar charts or line graphs of some of the variables were also constructed. The student's Z or t was used to investigate the degree of statistical difference in some statistics of the relevant variables. Before any regression runs, the correlation matrix was obtained for all variables used in the regression. On the basis of the coefficients obtained and their significance at an initially adopted five per cent level, some variables were dropped to avoid the problem of multicollinearity.

Model Specification

To test the hypotheses regarding the relationship between the dependent and the explanatory variables, a regression model, following Smirlock (1985) and Evanoff and Fortier (1988) was estimated using pooled ordinary least squares (OLS) estimation within the framework of panel data.

$$P_{it} = \beta_1(CR_t) + \beta_2(MS_{it}) + \beta_3(TAS_{it}) + \beta_4(CAR_{it}) + \beta_5(LTA_{it}) + \beta_6(DTD_{it}) + \beta_7(MKD_t) + \beta_8(MGR_t) + \beta_9 BBR_{it} + \beta_{10} GL1_{it} + \beta_{11} EXPR_{it} + \varepsilon_t \quad (6)$$

where for time *t*, bank *i*;

P = bank profits measured by profit before tax.

CR_3 = three-firm concentration ratio (the share of bank deposits accounted for by the three largest banks). The more concentrated the industry the higher the level of profitability ($\beta_1 > 0$).

MS = market share of the banks. Larger market shares are a result of efficiency, which in turn leads to higher profitability ($\beta_2 > 0$).

TAS = bank assets (thousands of naira). The relationship may be positive, reflecting economies of scale, or negative, reflecting greater ability to diversify assets, which results in lower risk and lower required return ($\beta_3 > 0$ or $\beta_3 < 0$);

DTD = demand deposits to total deposits ratio of banks. This variable represents the relative cost of funds. Demand deposits are a cheaper source of funds and the higher the ratio, the higher the level of profitability ($\beta_6 > 0$);

MKD = market deposits (thousands of naira) of the banking industry. This is a proxy for market potential. Higher profits are expected when a larger market provides new opportunities, while lower profits may be expected if the large market makes entry relatively easy ($\beta_7 > 0$ or $\beta_7 < 0$);

MGR = annual growth rate of market deposits for the banking industry. Higher profits are expected when a market grows, while lower profits may be expected if the growing market makes entry relatively easy ($\beta_8 > 0$ or $\beta_8 < 0$);

BBR = number of bank branches. Higher profits are expected when the number of branches increases, while lower profits may be expected if BB decreases ($\beta_9 > 0$);

GL1 = percentage of foreign ownership in shareholders' funds of Nigerian banks. For banks having high percentage of its shareholders' funds owned by foreigners, we expect higher profitability as a result of wider market coverage, otherwise globalization can weaken the monopoly power of existing banks ($\beta_{10} > 0$ or $\beta_{10} < 0$); and

EXPR years of experience. The more experienced a bank is, the higher should be the level of profitability ($\beta_{11} > 0$).

Logarithmic Transformation of Profit

Some banks had negative profit while some had zero profit in some of the years; hence the logarithmic transformation of profit generated by banks was not done. This is because some of the laws of logarithm say:

a. logarithm of zero to any base is undefined; and
b. logarithm of a negative number does not exist under real number set.

Hence, the use of logarithmic transformation cannot give a reliable result in any regression analysis that has any of its variables' value equal to zero or negative. For all the equations estimated, the standard errors of respective regression coefficients were expressed in the parentheses under it. For each of the regression model, where at least a hypothesis was tested, it was assumed that the stochastic disturbance (or error term) was normally distributed with mean zero, and was homoscedastic and non- autoregressive, that is:

$e_i \quad N(0,\sigma^2)$ and $E(e_i, e_j) = 0$ $(i \neq j)$.

Each explanatory variable, as the case may be in any particular regression was, non-stochastic, That is:

$$\frac{1}{n}\sum_{i=1}^{n}(X_i - \overline{X_i})^2 \qquad (7)$$

i.e. a definite number different from zero (Kmenta, 1986). Where at least one of the assumptions became violated, the emphasis was no longer to test hypothesis, but to determine goodness of fit. The interpretation of the adjusted R^2 ($\overline{R^2}$) would then become goodness of fit rather than the proportion of the variability in the dependent variable that is explained by the variability in the independent variables (Kmenta, 1986). The *a priori* magnitude and direction of each relationship are as stated under model specification. The position taken was to examine the structural equations estimated and determine the one to accept as the lead equation on the basis of economic, *a priori* expectation, statistical, and econometric criteria. Relevant inferences were drawn from the results of the analyses.

RESULTS AND DISCUSSIONS

The Demographic Characteristics of Respondents

The age of bank marketers ranged from 20years to 48years with an arithmetic mean age of 30.53, median age of 29 and modal age of 27 years in the industry (Table 1). The study also revealed that about 60 per cent of marketers in the industry were below 30 years, meaning that by the time the marketers above 30 years grow too old for the business, the younger ones constituting 60 per cent of the sample would have become mature to replace them. There is therefore no sign of shortage of marketers warranted by old age in the future.

Table 1: Some Descriptive Statistics of Respondents in the Nigerian Banking Industry

Statistic	Age of Respondents		Years of Experience in Banks		Years of Experience in Industry	
	Marketers	People at Mgt. Level	Marketers	People at Mgt. Level	Marketers	People at Mgt. Level
Mean	30.53	35.29	4.84	6.00	5.77	7.47
Median	29.00	37.00	2.50	4.00	4.00	6.00
Mode	27	37.00	1.00	1	1	6
Standard	5.848	4.845	6.109	5.574	5.098	5.234
Deviation	20	26	1.00	1	1	1
Minimum	48	42	27	20	27	20
Maximum						

Source: Akinola 2008

It can be assumed that the number of years in business influences performance in that business. Table 2 summarizes findings on the number of years of experience of marketers in their various banks and in the industry by the respondents. The study revealed that there are wide variations in bank marketers' experience. The overall arithmetic mean number of their years of experience in their various banks was 4.84 and in the industry was 5.77 years. About 70 per cent of the marketers entered the industry within the last three years (2005-2007), but about 30 per cent of them entered between 1980 and 2004. This could suggest that there had been a consistent increase in the net percentage of marketers entering the industry within the last three years. This phenomenon could suggest that the relevance of bank marketers increased tremendously in the industry as a result of consolidation which came about to strengthen the financial worth of Nigerian banks to be able to cope in the global market. However, for such an inference to be totally valid, one would need a measurement of exits (by reason) of marketers from the industry.

Performance Measure and Its Explanatory Variables

Profit before tax (PBT) was used as the performance measure in this study. Each of bank branches (BBR), deposit market share (DMS), market deposit (MKD), profit after tax (PAT), and total assets (TAS) was correlated with profit before tax(PBT) but other variables were not.

$(r_{PBT,BBR} = 0.584,\ r_{PBT,DMS} = 0.582,\ r_{PBT,MKD} = 0.562,\ r_{PBT,PAT} = 0.975,\ r_{PBT,TAS} = 0.892);$

Also some variables were correlated with each other (See Table 3). From the viewpoint of econometrics, variables that are correlated should not be included together as explanatory variables of PBT in this regression analysis; and while trying to select the variables, the level of significance of globalization must be considered as well. Hence, the explanatory variables were selected based purely on the multicollinearity and autocorrelation econometric criterion.

Table 2: Years of Experience and Age of Marketers in the Nigerian Banking Industry

Years of Experience	No and % of Marketers with the experience	Age of Marketers (Years)	No and % of Marketers within the Age Range	No and % of People at Mgt. Level within the Age Range
Less than 4	125 (69.44)	20 – 24	10 (6.1)	0
4 – 8	35 (19.44)	25 – 29	76 (46.6)	4 (11.8)
≤ 9 – 13	9 (5.00)	30 – 34	47 (28.8)	7 (20.6)
≤14 – 18	4 (2.00)	35 – 39	15 (9.2)	14 (41.2)
≤ 19 – 27	7 (3.89)	40 – 44	7 (4.3)	9 (26.5)
		45 – 49	8 (4.9)	0(0)
Total	180 (100)		163 (100)	34(100)

Source: Akinola, 2008.

Based on this, some equations were formed to show the relationship of PBT with the explanatory variables but the one having the highest degree of adjusted R^2 ($\overline{R}^2$ =0.822), indicating the highest goodness of fit and at the same time in which globalization is significant, was therefore considered as a possible lead equation. However, since the signs of the explanatory variables followed *a priori* expectation and are statistically significant, the final choice equation was equation of Table 4; with $\overline{R}^2$ of 82 per cent. Here all the explanatory variables together were responsible for 82 per cent of the variability of profit before tax. Table 4 summarizes the set of statistically significant variables across the estimated equations from the preferred specification. Equation in Table 4 presents the estimation results of the profit before tax (PBT) equation. As indicated in the table, profit before tax is positively influenced by number of bank branches (BBR), market deposit (MKD), globalization (GL1) and total assets (TAS) at the five percent level of significance, and positively influenced by three firm concentration ratios (CR_3) and demand to deposit ratio (DTD) – that is the relative cost of fund at the ten per cent level; whereas it is negatively related to years of experience of banks and market growth.

Since five percent level of significance has been indicated for this research work, CR_3 and DTD were not shown in the equation. As these results show, each of the estimated regression coefficients BBR, TAS, GL_1, EXPR and MGR is individually statistically highly significant, because the p values are so small. That is, each of the coefficients of BBR, TAS, GL_1, EXPR and MGR is significantly different from zero.

The positive sign of the bank branches (BBR) and performance measure (PBT) indicates that higher profits are made when the number of branches increases; the interpretation of the slope coefficient of BBR of about 7.07 means that holding other variables constant, if BBR goes up by one, the PBT goes down by about ₦7.07 million. For market deposits (thousands of naira) of the banking industry (MKD), this is a proxy for market potential, the positive sign indicates that larger market provides new opportunities in the Nigerian banking industry, higher profits are obtained when a larger market provides new opportunities. The interpretation of the slope coefficient of MKD of 0.0008 means that holding other variables constant, if MKD goes up by one million naira, PBT goes up by ₦0.0008 million.

Table 3: Correlation Matrix of Relevant Variables in the Nigerian Banking Industry (1999-2007)

	BBR	CR3	DMS	DTD	EXPR	GL1	HHI	LDR	MGR	MKD	PAT	PBT	SVR	**TAS**
BBR	1.0000**	-0.1428	0.8302**	-0.1168	0.3918	-0.2989	-0.1154	-0.1266	0.0334	0.1583	0.5748**	0.5840**	-0.1159	0.6641**
CR3	-0.1428	1.0000**	0.0184	-0.2398	-0.0120	-0.0226	0.7760	0.8369**	0.0350	-0.7846**	-0.4354	-0.4504	0.8824**	-0.4821
DMS	0.8302**	0.0184	1.0000**	0.0114	0.1353	-0.2047	0.0392	0.0151	-0.0148	0.0020	0.5822**	0.5817**	0.0171	0.6332**
DTD	-0.1168	-0.2398	0.0114	1.0000**	-0.3357	0.1852	-0.0780	-0.2975	0.0887	0.2084	0.2034	0.2333	-0.2994	0.1681
EXPR	0.3918	-0.0120	0.1353	-0.3357	1.0000**	-0.1696	-0.0306	-0.0002	0.0206	0.0387	-0.0846	-0.0473	0.0102	0.0669
GL1	-0.2989	-0.0226	-0.2047	0.1852	-0.1696	1.0000**	0.0499	-0.0852	0.0292	-0.0096	-0.0970	-0.0931	-0.0978	-0.1876
HHI	-0.1154	0.7760**	0.0392	-0.0780	-0.0306	0.0499	1.0000**	0.5175**	-0.0345	-0.5588**	-0.2897	-0.2992	0.4870	-0.3284
LDR	-0.1266	0.8369**	0.0151	-0.2975	-0.0002	-0.0852	0.5175**	1.0000**	-0.3583	-0.8088**	-0.4084	-0.4239	0.9339**	-0.4805
MGR	0.0334	0.0350	-0.0148	0.0887	0.0206	0.0292	-0.0345	-0.3583	1.0000**	0.4407	0.1177	0.1373	-0.0654	0.2239
MKD	0.1583	-0.7846**	0.0020	0.2084	0.0387	-0.0096	-0.5588**	-0.8088**	0.4407	1.0000**	0.5250**	0.5616**	0.6851**	0.6140**
PAT	0.5748**	-0.4354	0.5822	0.2034	-0.0846	-0.0970	-0.2897	-0.4084	0.1177	0.5250**	1.0000**	0.9752**	-0.3617	0.8873**
PBT	0.5840**	-0.4504	0.5817	0.2333	-0.0473	-0.0931	-0.2992	-0.4239	0.1373	0.5616**	0.9752**	1.0000**	-0.3663	0.8923**
SVR	-0.1159	0.8824**	0.0171	-0.2994	0.0102	-0.0978	0.4870	0.9339**	-0.0654	-0.6851**	-0.3617	-0.3663	1.0000**	-0.4093
TAS	0.6641**	-0.4821	0.6332	0.1681	0.0669	-0.1876	-0.3284	-0.4805	0.2239	0.6140**	0.8873**	0.8923**	-0.4093	1.0000**

*Note: BBR is number of bank branches, CAR is capital to asset ratio, CR3 is the concentration ratio of the three largest banks, DMS is the deposit market share of banks, DTD is the ratio of demand deposit to total deposits, EXPR is the year of experience of individual banks, GL1 is globalization, HHI is Herfindahl Hirschman index, LDR is lending rates, LTA is loan to asset ratio, MGR is market growth, MKD is market deposit, PAT is profit after tax, PBT is profit before tax, SVR is saving rates and TAS is total assets. ** indicates significance at the 5 percent level.*
Source: Akinola, 2008.

Table 4: The Estimation Results of the Profit before Tax (PBT) Equation

Explanatory Variables	**The Estimated Coefficients**
BBR	7.066582 (2.3777)**
EXPR	-44.87505 (-3.0255)***
GL_1	21.62548 (2.0444)**
MGR	-21.90291 (-2.8348)***
MKD	0.000790 (2.4572)**
TAS	0.021448 (10.6916)***
F	70.41346
SS Res	779000000
R^2	0.83415
R^2	0.822303
OBS	151

*Note: The t values of the variables are in parentheses after the estimated coefficients. BBR is number of bank branches, CR_3 is the concentration ratio of the three largest banks, EXPR is the year of experience of individual banks, GL_1 is globalization, MGR is market growth, MKD is market deposit, PBT is profit before tax and TAS is total assets.***, **, and * indicate significance at the 1, 5 and 10 percent levels respectively. Source: Akinola, 2008.*

The positive sign of the total assets variable indicates economies of scale in the industry; the interpretation of the slope coefficient of TAS of 0.02 means that holding other variables constant, if TAS goes up by one million naira, PBT goes up by ₦0.02 million. The positive sign of the globalization variable indicates that higher profitability was a result of wider market coverage. The interpretation of the slope coefficient of about 21.62548 suggests that holding other variables constant, if globalization goes up by 1.00 per cent, the performance of banks in terms of profit before tax goes up by 21.6 million naira for all banks; that is, for every one per cent increase in foreign ownership in shareholders' funds of Nigerian banks, the banks make ₦21.6million profit before tax. The equation also shows that globalization (GL_1) is a statistically significant positive explanatory variable of profit before tax at the 5 per cent level (t= 2.044427; p=0.0428).

For demand deposits to total deposits ratio of banks (DTD) which represents the relative cost of funds, demand deposits are a cheaper source of funds and the positive sign indicates that the higher the ratio, the higher the level of profitability; the slope coefficient of 2095.50 means that holding other variables constant, if DTD goes up by one point, PBT goes up by ₦2095.50 million but this relationship is not significant at 5 per cent level. Also, the positive sign of three-firm concentration ratio (CR3) indicates that the more concentrated the industry the higher the level of profitability; the slope coefficient of CR_3 of 175.62 means that holding other variables constant, CR_3 goes up by one per cent, PBT goes up by ₦175.62 million, but this relationship is not significant at 5 per cent level of significance.

The negative sign of the years of experience of banks (EXPR) indicates the more experienced Nigerian banks are the lower their levels of profitability. This could mean that old banks still make use of old marketing strategies that are not working for them in a globalized set-up. This is experienced in the way marketers of new banks in Nigeria go from office to office, marketing their products and looking for customers which is hardly found among the long existing banks. The slope coefficient of EXPR of -44.88 means that holding other variables constant, if EXPR goes up by one year, PBT goes down by ₦44.88 million. The negative sign of market growth (MGR), which is the annual growth rate of market deposits for the banking industry, indicates that the growing market in the industry makes entry relatively easy thereby resulting in lower profits. The slope coefficient of MGR of -21.90 means that holding other variables constant, if MGR goes up by one per cent, PBT goes down by ₦21.90million. Collectively, the explanatory variables are also highly statistically significant, because the p value of the computed F value is extremely low; and the $\overline{R^2}$ of 0.82 indicates that all the explanatory variables therefore account for about 82 per cent of the variation in the profit before tax (PBT).

<u>Testing Hypothesis about Coefficient of Globalization and PBT</u>

For this study, the hypothesis is stated thus:

H_0: Globalization has no significant effect on performance of banks in Nigeria.
If β_3 is the coefficient of globalization in the model (Table 4), it implies that

$H_0: \beta_3=0$; $H_1: \beta_3\neq0$

Since t=2.044427 in the model, on the basis of computed t value, to reject the null hypothesis that globalization has no significant effect on performance of banks in Nigeria or not, the test of significance approach will be used. α=5% level of significance had been earlier chosen for this study. Since this is a two tailed test, the critical t value at $\alpha/2$=2.5 for (151-11) degrees of freedom, which is 140 will be found. Then from the t table, it is observed that for 140 d. f., $(-1.96 \leq t \leq 1.96) = 0.95$. That is, the probability that a t value lies between the limits -1.96 and +1.96 is 95 per cent. The computed t value here is approximately 2.04 which obviously exceeds the critical t value of 1.96. The null hypothesis is therefore rejected and it is therefore concluded that globalization has a positive significant effect on performance of banks in Nigeria.

The study revealed that profit before tax is positively influenced by number of bank branches (BBR), market deposit (MKD), globalization (GL_1) and total assets (TAS) at the five percent level of significance, and positively influenced by three firm concentration ratios (CR_3) and demand to deposit ratio (DTD) – that is the relative cost of fund at the ten per cent level; whereas it is negatively related to years of experience of banks and market growth. Since five percent level of significance has been indicated for this research work, CR3 and DTD were not shown in the equation. The positive sign of the bank branches (BBR) and performance measure (PBT) indicates that higher profits are made when the number of branches increases; the interpretation of the slope coefficient of BBR of about 7.07 means that holding other variables constant, if BBR goes up by one, the PBT goes down by about ₦7.07 million. Market deposits (thousands of naira) of the banking industry (MKD) is a proxy for market potential, the positive sign indicates that larger market provides new opportunities in the Nigerian banking industry, higher profits are obtained when a larger market provides new opportunities. The interpretation of the slope coefficient of MKD of 0.0008 means that holding other variables constant, if MKD goes up by one million naira, PBT goes up by ₦0.0008 million. The positive sign of the total assets variable indicates economies of scale in the industry; the interpretation of the slope coefficient of TAS of 0.02 means that holding other variables constant, if TAS goes up by one million naira, PBT goes up by ₦0.02 million. The positive sign of the globalization variable indicates that higher profitability was a result of wider market coverage. The interpretation of the slope coefficient of about 21.62548 suggests that holding other variables constant, if globalization goes up by 1.00 per cent, the performance of banks in terms of profit before tax goes up by 21.6 million naira for all banks; that is, for every one per cent increase in foreign ownership in shareholders' funds of Nigerian banks, the banks make N21.6million profit before tax. The equation also shows that globalization (GL_1) is a statistically significant positive explanatory variable of profit before tax at the 5 per cent level (t= 2.044427; p=0.0428).

For demand deposits to total deposits ratio of banks (DTD) which represents the relative cost of funds, demand deposits are a cheaper source of funds and the positive sign indicates that the higher the ratio, the higher the level of profitability; the slope coefficient of 2095.50 means that holding other variables constant, if DTD goes up by one point, PBT goes up by ₦2095.50 million but this relationship is not significant at 5 per cent level. This findings, though the signs follows a-priori expectation, deviates from those of Smirlock (1985) and Evanoff and Fortier (1988) who found a significant and positive relationship between the ratio of demand deposits to total deposits and bank profitability. Also, the positive sign of three-firm concentration ratio (CR_3) indicates that the more concentrated the industry the higher the level of profitability, the slope coefficient of CR_3 of 175.62 means that holding other variables constant, CR_3 goes up by one per cent, PBT goes up by ₦175.62 million, but this relationship is not significant at 5 per cent level of significance; this findings agrees with Agu (1992) who found no significant statistical relationship between concentration and profitability.

The negative sign of the years of experience of banks (EXPR) indicates that the more experienced Nigerian banks are (in terms of years of existence) the lower their levels of profitability. This could mean that old banks still make use of old marketing strategies that are not working for them in a globalized set-up. This is experienced in the way marketers of new banks in Nigeria go from office to office, marketing their products and looking for customers which is hardly found among the long existing banks. The slope coefficient of EXPR of -44.88 means that holding other variables constant, if EXPR goes up by one year, PBT goes down by ₦44.88 million. The negative sign of market growth (MGR), which is the annual growth rate of market deposits for the banking industry, indicates that the growing market in the industry makes entry relatively easy thereby resulting in lower profits. The slope coefficient of MGR of -21.90 means that holding other variables constant, if MGR goes up by one per cent, PBT goes down by ₦21.90million. The positive sign of the globalization variable indicates that higher profitability was a result of wider market coverage. The interpretation of the slope coefficient of about 21.62548 suggests that holding other variables constant, for every percentage increase in foreign ownership in shareholders' funds of Nigerian banks, the banks make N21.6million profit before tax.

CONCLUSION AND RECOMMENDATIONS

This study assessed the effect of globalization on the performance of Nigerian banks. Primary and secondary data were used for the study. Two sets of questionnaire were administered on marketers and customers of the banks. Interviews were also conducted with top management staff in the marketing departments of the banks. Secondary data on relevant variables were collected from the banks. Descriptive and inferential statistics were used to analyse the data. Test of significance approach was used in testing the hypothesis stated for this study. The results showed that globalization had a significant and positive effect on the performance of banks. The higher profitability was a result of wider market coverage of banks in the country, both locally and internationally. The study concluded that globalization greatly improved the performance of banks in Nigeria. The limitation of this paper is that it focused only on the financial measures of marketing performance; it is therefore suggested that further research be conducted on effect of globalization on both financial and non-financial measures of marketing performance of Nigerian banks. The study recommended that Nigerian banks should create enabling environment for global competitiveness to be able to attract foreign investors. Global competitiveness in this sense is the ability of Nigerian banks to produce services that meet or exceed quality expectations of the customer, deliver these services at the time, place and price required by the customer; and in the form and quantity required by the customer.

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AN EMPIRICAL ANALYSIS OF FEMALE LEADERSHIP IN THE ARAB WORLD

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ABSTRACT

The objective of the study is to explore and assess the rise of female leaders in the Arab World and their strategies for success. Several scholars in the area of leadership have projected the beginning of a new leadership paradigm with increasing numbers of female leaders. The premise is that female leaders are more in tune with the transformational leadership paradigm. In addition, they have the most effective dimensions of the transactional style. The study sample included 101 female leaders from Kuwait, Egypt and Tunisia. Data were collected using a questionnaire and interviews. The study results suggest a paradigm shift in the Arab World is occurring. Furthermore the results are consistent with the current literature regarding female leaders as very competent. Specifically female leaders were perceived as superior as male leaders with respect to the following characteristics: cooperation, aggressiveness, competitiveness and concern about interpersonal relationships. Some differences were found between Arab countries. Conceptual implications relate to leadership paradigm and empirical implications are relate to training and development programs, organizational practices and organization culture.

JEL: M10

KEYWORDS: Female leaders, Male leaders, transformational leadership, transactional leadership, nurturing, strategies of success.

INTRODUCTION

A growing body of literature that indicates the potential superiority of female leaders over male leaders (see e.g. Eagly and Carli,2003). Even more some studies reported that female leaders outperform males in terms of bottom line results defined as profitability (Kotiranta et. Al. 2007). The current study examines the state of the Arab female leaders. The major theme is the issue of females potential superiority with respect to Arab leaders.

The remainder of the paper is organized as follows. In the next section the relevant literature is discussed. Then the data and methodology are presented. The paper continues wiath a presentation of the empirical results. The paper closes with some concluding comments and suggestions for future research.

LITERATURE REVIEW

Basic differences between male and female managers has been debatable for some time. Traditional gender role stereotypes indicate that males are masculine, self-reliant, aggressive, competitive and decisive. Females are feminine, sympathetic, gentle, shy, and sensitive to the needs of others. The critical issue is the extent that these differences are manifested by male and female managers. Three distinct perspectives have emerged (Powell,1990). The first perspective is that there is no difference. Feminine stereotypes are rejected by females pursuing managerial careers. Females mangers have needs, values and leadership styles similar to males who pursue the same career. The second perspective is that there are stereotypical differences. Female and male managers differ in ways consistent with the stereotypes. Life experience and traditions reinforce masculinity in males and femininity in females. The third perspective is there are non-stereotypical differences. Female and male managers differ in ways that are not consistent with stereotypes. Female managers my exhibit unique managerial styles in the sense they include masculine and feminine stereotypes. There is substantial evidence to suggest the third perspective is a more accurate presentation of reality (Eagly and Carli, 2003; Eagly and Karau, 2002; Eagly and Johnson, 1990; Erkurt, 2009; Grant, 1988; Gupton and Slick,1966; Heglesen,1990; Kotiranta et al, 2007).

The year 2000 witnessed a joint study by the Change Foundation and the Center for Research on Woman at Wellesley College (Erkut, 2009). This study sought to learn from the experiences of successful female leaders, in order to help other females rise to top leadership positions. The study included 60 eminent and prominent female leaders. The interviewed leaders were elected politicians, college presidents, independent authors and scientists, university professors, leaders in industry, medicine, law and other professions. The study results indicated that leaders achieved prominence by leading in a variety of ways, depending on their work environment context. Leadership styles reflect differences in racial and ethnic backgrounds, career paths, and their fields among other things. This study showed some general characteristics of female leaders as follows: they were tenacious and paid little attention to obstacles in their work life, they were optimistic with a sense of mission that propelled their actions. The female leaders in the current study adopted a general philosophy of "know and value yourself and let others know." They capitalized on their strengths and emphasized the need to be assertive in gaining visibility.

Some leaders identified a framework for understanding the roots and practices of leadership as emerging from mothering (Erkut, 2009). The mothering metaphor serves as a foundation for training and describing leadership behavior. In a study jointly conducted by Caliper, a Princeton based management consulting firm and Aurora, a London based firm, female leaders were found to have a tendency to be more assertive, persuasive, willing to take risks and have a stronger need to get things done than their male counterparts (http://www.hr.com, 2005). In addition this study found that top female executives are more empathic, flexible and possessed stronger interpersonal skills than their male counterparts. The differences in leadership styles between males and females in the above study starts with active listening that is accompanied by learning , reflecting, then implementing a plan that incorporates the best ideas.

Some studies suggest that females make better managers (eg. Chernesky, 1988; 1996; and Krotz,2002). Chernesky (1988) indicated that females tend to find sameness and commonalities with people. Males ten to command and control. Females tend to build consensus and unique perspective of caring to management positions.

Chernesky (1996) reported results of a study that identified nine categories in which females excel as managers :concern for people, sensitivity to the needs of female workers, investment in workers, a cooperative orientation, a global perspective, openness in communication, recognition of inequalities, concern for environmental quality, and use of intuition.

Posner & Kouzes (1993) examined a sample of 5,300 leaders and 31,000 observers, with females comprising 30% of the sample. They found that female leaders were rated higher than males in two leadership qualities. The first, which conforms to gender stereotypes is called "encouraging the heart". This concept includes giving feedback and recognizing, rewarding and motivating individuals and teams. The second quality can be called "modeling the way." This element includes acting with integrity, demonstrating competence, organizing and moving projects, meeting commitments and milestones and persevering through problems.

Krotz (2002) suggested that females make better managers because they are usually tolerant to differences and sensitive to diversity. Females are skilled as people pleasers. But the fact remains that females remain largely underrepresented and sometimes unnecessarily uncomfortable in positions of authority. Kotiranta, Kovalainen and Rouvinen (2007) indicate that a company led by a female CEO is on average slightly more than a one percentage point and may reach ten percent more profitable than a corresponding company led by a male CEO. This results hold after taking into consideration factors expected to influence profits including size differences. Even more the above study found the share of female board members has a similar positive impact. These findings are a significant indication of the rise of female leaders.

Flora (2007) reported the conclusions of 45 leadership studies, which indicated that females on average are more likely than males to enact a transformational leadership style, which motivates, empowers and cares about subordinates. She reported that males are more likely to use a transactional leadership style, which employs punishment for poor performance and rewards for good performance. The preferred transformational leadership style, is more suitable for females because it includes nurturing features, and females are generally socialized to be nurturers.

DATA AND METHODOLOGY

The study has two research questions. First, is there empirical evidence for the rise of the female leaders in the Arab World? The focus of the current study is to explore empirically the evidence for the rise of the female leaders. There are many approaches that can be adopted to accomplish this goal. The approach adopted in the current study is to explore perceptions of the Arab female leaders of their strengths and how do they fare with their male leaders counterparts. The second question is: What are the success strategies adopted by female leaders in the Arab World? The literature reports on multiple strategies for achieving success (Erkurt,2009). The current study explores strategies adopted by Arab female leaders to achieve success. The major criteria for evaluating these strategies are their comprehensiveness and diversity.

Data were collected in two phases: A set of questionnaires was administered to a sample of 101 successful Arab female leaders and in depth interviews were carried out with one third of the sample. The questionnaire items (five point Likert type scale) and interview guidelines were borrowed from Gupton and Slick (1996). The questionnaires were slightly adopted and translated into Arabic and French. They measure (a) beliefs about female issues in the work place; (b) leadership characteristics; (c) career paths, career motives, beliefs, professional career experiences, career related barriers, and career assessment; and (d) significant life influences affecting career ; (e) demographics and (f) best advice for females aspiring to be leaders. The current study is based on a specific set of the data collected namely the items in elements a and b above.

A sample of 101 females used in the study, all occupied high-ranking positions in their organizations. They were Kuwaiti, Tunisian and Egyptian nationals who were working in their native countries and were regarded in their communities as “successful leaders”. Of the total sample 31 respondents were from Kuwait, 36 from Tunisia and 34 from Egypt. The three countries were chosen by design because they provide distinctly different socio-political and working environments for female leaders. All respondents had university or postgraduate degrees and received some training or education in advanced countries. Most of them worked in the public sector and about a fifth held (or were holding at the time of the survey), ministerial, assistant ministerial or top executive positions (especially in Tunisia). Most were in the age group 40-50 years, had good health, married and had two children.

RESULTS

The results reported in this study are based on the full sample of 101 female leaders. Some differences were found with respect to the issues at hand among the three Arab countries, Kuwait, Egypt and Tunisia. However the difference were judged not to affect the findings and conclusions. In addition, the current study focuses on the view of female leaders in the Arab World in general.

The General Situation of Female Arab Leaders

The factor analysis of the general situation facing female leaders (26 items in the questionnaire) produced nine clean factors. The data reported in Table one include the findings with respect to two factors that are more relevant to the current study, human orientation and task orientation. These two factors were selected because they are frequently reported in the leadership literature (Bass,1990).

The descriptive statistics of the two factor items indicate a strong orientation for both human and task orientations. Female leaders were asked to report their level of agreement with the each item of the scales on a five point Likert type scale. The human orientation style has three items as follows: 1)Females in general are more sensitive and handle issues better than males (mean= 4.0, STD=1.2); 2) most females are more competent than males in managing team work (mean=3.77, STD=1.2); 3) Most females are more skilled in motivating others and achieving results (mean=4.0,STD=1.1). Two items of the human orientation style have high means of 4.0., while the third item has a mean of 3.7, indicating that female leaders believe they have strong human oriented style.

The task oriented style has three items as follows: 1) the majority of female leaders are as competent as their male counterparts (mean=4.2, STD=1.0), 2) females compared to males are more skilled in organizing work (mean=4.3,STD=.8), 3) the majority of females care equally about specifying the work processes as well as the end results (mean=4.2,STD=.8). The means of all three task oriented style variables have high means of 4.2 or higher. This indicates that female leaders believe they have strong task oriented style. The data reported in Table 1, indicate that female leaders perceive themselves to be more human and more task oriented compared to male leaders.

Table 1: Female Leaders Perception of the Human and Task Oriented Styles of Female Leadership

***Dimensions of* Leadership**	**Mean**	**STD.**
Human oriented style		
Females in general are more sensitive and handle issues better than males	4.0	1.2
Most females are more competent than males in managing team work	3.7	1.2
Most females are more skilled in motivating others and achieving results	4.0	1.1
Task oriented style		
The majority of female leaders are as competent as their male counterparts	4.2	1.0
Females compared to males are more skilled in organizing work	4.3	.8
The majority of females care equally about specifying the work processes as well as the end results	4.2	.8

This table shows the descriptive statistics of the human and task oriented styles of leadership of female leaders.

Leadership Characteristics of Female and Male Leaders

Female leaders were asked to compare female and male leaders along a number of leadership characteristics. The results are reported in Table 2. The larger the value the more superior the female leaders are compared to male leaders. A' 3' value indicates that female leaders are better than male leaders. A '2' value indicates that the female and male leaders are the same. A '1' value indicates that female leaders are inferior to male leaders. The self-reported perceptions of female leaders indicate female superiority in all leadership characteristics except motivated by power. Female leaders perceive themselves be superior to male leaders with respect to cooperation (mean 2.70), caring about family (mean=2.65), caring about job (mean= 2.62), control but having a human orientation (mean=2.57), careful in selecting words (mean= 2.54), competitive (mean=2.51), caring about how the office looks (mean=2.46), aggressiveness (mean=2.38), and caring about human relations (mean=2.37). Female leaders perceive themselves to be more cooperative, care more about family, care more about job, more in control but human oriented, more careful in selecting words , more competitive, more aggressive and cares more about human relations. The self-reported perceptions do not constitute conclusive evidence. It is however an indication of the very positive mood of thinking and the spirit among the female leaders.

Further analysis was done through factor analysis. The above mentioned ten leadership characteristics reported in Table 2 were factor analyzed., using varaimax rotation. The results of the leadership characteristics analysis produced four clean factors. The first factor was“ social orientation”. The second factor “masculine orientation.” The third factor was “power orientation” and the fourth was “feminine orientation.” These factors collectively explain 64% of the variance. The factor analysis results suggest that female leaders can exhibit feminine and masculine behaviors as well as combine social and power orientations. If these results are supported in future research, then one can conclude that female leaders exhibit a complex style of leadership, which is conducive to effective leadership in different situations.

Table 2: Comparing the Leadership Characteristics of Female Leaders with Their Male Leaders Counterparts

The leadership characteristics	Mean	STD.
Cooperation	2.70	.5
Cared about the family	2.65	.6
Cares about job	2.62	.5
In control but human oriented	2.57	.7
Careful in selecting words	2.54	.7
Competitive	2.51	.6
Care about how the office looks	2.46	.7
Aggressive	2.38	.7
Care about human relations	2.37	.8
Motivated by power	1.55	.7

This table shows that female leaders perceive themselves as superior to their male counterparts in all leadership characteristics except motivation by power.

<u>Success Strategies Adopted by Female Leaders</u>

In this section we examine success strategies adopted by female leaders. The data collected from the interviews showed that the Arab female leaders adopted a wide range of varied success strategies. These strategies are presented in Table 3.

Table 3: Success Strategies of Arab Female Leaders

Self-development and reading	Training programs
Effective Communication Skills	Work Commitments
Decision Making Skills	Team Work Skills
Honesty	Self Confidence
Being Responsible and Dependable	Good Working Relationships
Job Knowledge	Benefiting from Colleagues
Desire to Excel	Outstanding Performance
Being Ambitious	Desire to Make Changes
Having Mentors	Securing the Support of Family
Securing Support of Colleagues and Bosses	

This table shows factors associated with success identified by Arab Female Leaders.

As a final data examination, we complete a factor analysis on the comparative characteristics of female and male leaders. The results are presented in Table 4. The results show that female leaders exhibit a leadership style that contains four major factors representing social, masculine, power and feminine orientations.

Table 4: The Factor Analysis Results of the Comparative Leadership Characteristics of Female Leaders and Their Male Leaders Counterparts

Leadership Characteristics	**Factor 1 Social Orientation**	**Factor 2 Masculine Orientation**	**Factor 3 Power orientation**	**Factor 4 Feminine Orientation**
Cooperation				.70
Cares about family	.73			
Cares about job		.54		
In control but human oriented			.77	
Careful in selecting words	.66			
Competitive		.72		
Cares about how the office looks				.64
Aggressive		.78		
Cares about human relations	.70			
Motivated by power			.63	
Variance Explained	.17	.16	.13	.12

This table reports the factor analysis results which indicate that female leaders exhibit leadership style that contains four major factors representing social, masculine , power and feminine orientations.

CONCLUDING COMMENTS

The study explores the potential superiority of female leaders in the Arab world. The results reported are based on data collected through a questionnaire administered to female leaders in three Arab countries; Kuwait, Egypt and Tunisia. In addition interviews were conducted for about 30% of the sample.

The study results revealed high levels of confidence by the female leaders in their superiority as leader compared to their male leader counterparts. The results also show the self-perceived superiority of female leaders in almost all of leadership characteristics examined. Female leaders perceived themselves to be superior to male leaders in cooperation, caring about family, caring about job, being in control, human orientation, competitiveness aggressiveness and caring about human relations. The results indicate the superiority of female leaders not only with respect to traditionally feminine characteristics (eg. human orientation), but also masculine characteristics (eg. Competitiveness and aggressiveness).

Despite the reported successes of female leaders the rise of female leaders is hindered by numerous organizational barriers. However, it is important to note the most significant barriers are self imposed. In addition there exist internal barriers , such as gender socialization, fear of success, inadequate mentoring and avoidance toward confrontation (Haynes,1989 as reported in Dewane,2008).

The work of Carli (2006) in which she indicated that female leaders face a labyrinth, demonstrates that there is a long way for Arab females to have a fair opportunity to assume leadership positions. Obstacles faced by females are many, including organizational and cultural obstacles. Being aware of these obstacles is the starting point to eliminate them.

Many traditional ways of thinking of leadership ignore the strengths female bring to leadership. Females can accomplish extraordinary achievements in their respective fields. Apparently female leader tenacity, optimism, caring and nurturing have and can play an important role in their accomplishments. These qualities collectively create a leadership style that is inclusive, open, consensus building and collegial.

The nature of the information economy favors teamwork and requires a leadership style that is more understanding and accepting, rather than controlling. Female leaders have shown us that influence and persuasion have taken the place of giving orders and delegating tasks. The top-down, hierarchical leadership approach might not be effective in today’s economy. With the wide accessibility of information, leadership depends less on information control and more on information sharing and interpretation. The issue now is not who has the most information, but rather who has the best understanding and interpretation of the available information.

The reported superiority of female leaders in some studies (ex. Kotiranta, Kovalainen and Rouvinen , 2007) has multiple potential explanations. The first is that females may in fact be better leaders than males. The second it is more likely that due to a more thorough selection process, female leaders experience a more strict selection procedure and thus are a more competent group than their male peers. The third explanation is that the female leader phenomenon may be associated with overall cultural diversity and good governance and management practices.

To follow the notion of potential superiority of female leaders, one can suggest that organizations may achieve a competitive advantage over competitors, by eliminating obstacles to female advancement to top management and by providing mentoring programs for females. The empirical results indicate that ascendance of Arab female leaders can happen because of the confidence and positive attitudes these leaders have about themselves. Arab female leaders reported superiority not only in traditionally feminine characteristics , but also in traditionally masculine characteristics. They report superiority not only in human orientation but also in power orientation. In addition it seems they adopt a well selected and wide range of success strategies which may be conducive to success.

The major limitations of the current study include using perceptual data and relying on self-reported perceptions. It is likely that females were not objective in their evaluations of their leadership characteristics compared to their male counterparts. The results of this study however represent a starting point for assessing advantages and disadvantages the female leadership styles and driving forces for their success. Obstacles facing Arab females quest to top organizational positions remain strong. The reported superiority of female leaders in this and other studies, does not lead us to suggest replacing male leaders by female leaders. Rather it does suggest that organizations as well as scholars should focus on understanding mechanisms, practices and networks that favor males and hinder females from getting to the top of the organization hierarchy.

Future research should use hard data rather than self reported perceptual data, It should also explore the views of male leaders and male and female subordinates in order to substantiate the tentative findings of this study. Future studies should use larger samples, to improve external validity of the findings.

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ACKNOWLEDGEMENT

This research was supported by Kuwait University research support program. This support is highly appreciated by the author.

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ADOPTATION OF INTERNET BANKING IN UAE: FACTORS UNDERLYING ADOPTION CHARACTERISTICS

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ABSTRACT

Technological development has provided tremendous benefits for many industries, including the banking business. The diffusion of internet banking has been witnessed in many countries worldwide. The United Arab Emirates (UAE) recently is one of the most significant economies in its region and in the global arena. Internet banking has been utilized for many years in UAE, and the number of internet banking adopters in UAE has increased steadily. The main focus of this paper was to identify the characteristics of UAE consumers and their attitudes toward the internet banking. Factor analysis suggested seven characteristics important for internet banking adoption, namely compatibility, difficulty, security, trust, third party concern, status, and human contact. Analysis of variance showed that adopters and non-adopters differed on their attitudes toward three factors of adoption: compatibility, trust and human contact. No significant differences were found between attitudes of adopters and non-adopters toward the issues of security, third party concern and status. An interesting finding was that human or physical contact and trust were the most important factors for non-adopters.

JEL: M31, N25

KEYWORDS: Internet banking, adopters and non-adopters of Internet banking, United Arab Emirates

INTRODUCTION

Technology changes the way customers use products and services. Technology has improved service quality including convenience, speed and economy. Online banking has become an important part of banks' services to customers. Online transactions include checking balances, transferring money to a third party, ordering checks, and paying bills (Chou & Chou, 2000; Karjaluoto, Mattila, & Pento, 2002).

Online banking has become a focus for research since many banks have launched online services. Previous studies examining online banking have provided tremendous benefits for both academics and practitioners. For academics, a key issue is adoption characteristics of consumers in developing countries. Knowing customers' perceptions toward internet banking will help bank managers and management understand their customers better enabling them to increase customers' satisfaction.

Many scholars have studied the diffusion innovation of internet banking. One pioneering scholar Rogers (1962) demonstrated the process and characteristics of diffusion innovation. Other studies (Gerrard & Cunningham, 2003) identified major diffusion process factors of online consumers. Some studies have expanded the scope of research to developed countries (Sathye, 1999; Karjaluoto, Mattila, & Pento, 2002; Mattila, Karjaluoto, & Pento, 2003; Pikkarainen, Pikkarainen, Karjaluoto & Pahnila, 2004; Waite & Harrison, 2004; White & Nteli, 2004; Lassar, Manolis & Lassar, 2005), to advanced developing countries (Gerrard & Cunningham, 2003; Wang, Wang, Lin & Tang, 2003; Akinci, Aksoy & Atiligan, 2004;) and in developing countries (Gurau, 2002; Rotchanakitumnuai & Speece, 2003; Eriksson, Kerem & Nilsson, 2005; Wallsten, 2005).

The diffusion of internet banking has been witnessed in many countries worldwide. The United Arab Emirates (UAE) recently is one of the most significant economies in its region and the global arena. Internet banking has been adopted for many years in UAE. Furthermore, the number of internet banking adopters in UAE has been increased steadily. Whether the adoption characteristics in UAE are similar to other countries is interesting for both academics and practitioners.

This is the first known study to examine the adoption of online banking among UAE consumers. This study aims to explore the factors contributing to the adoption of online banking. The two specific objectives of the paper are to examine UAE consumer perceptions toward online banking and to identify factors that explain consumers' perceptions toward online banking

This study is presented in four main sections. The first section presents the diffusion process as adopted from previous studies. The second section described the research methodology, including the hypotheses testing. The results section presents statistical analysis. The forth section discussed the implications of these findings as well as conclusions and recommendation for future research.

LITERATURE REVIEW

Rogers (1995) identified four elements of the diffusion process: innovation, communication channels, time, and the social system. According to his study, these four elements are identifiable in every diffusion research study. Rogers explained innovation as an idea, practice or object that was perceived as new by an individual or other unit of adoption. The perceived newness of the idea for the individual determined his or her reaction to it. In addition, the newness aspect of innovation may be expressed in terms of knowledge, persuasion, or a decision to adopt. Black, Lockett, Winklhofer, and Ennew (2001) noted that the perceived attribute of an innovation could affect the rate of adoption.

Rogers (19959 also explained that it should not be assumed that the diffusion and adoption of all innovation were necessarily desirable. Some innovation may be desirable for one adopter but undesirable for another potential adopter. This observation has been examined in many previous diffusion research studies. Studying characteristics of online banking adoption in Singapore, Gerrard and Cunningham (2003) found that online banking adopters and non-adopters had different perceptions of adoption characteristics such as social desirability.

One important research questions addressed by traditional diffusion studies was how perceived attributes of an innovation, such as its relative advantage, compatibility, complexity, trialability, and observability affected the rate of adoption (Rogers 1983). Previous studies show that these attributes were important for online banking adoption. Gerrard and Cunningham (2003) show that online banking adopters perceived the online service form the banks to be more convenient, less complex and more compatible. Waite and Harrison (2004) shows that expectations and perceptions of online retail banking information from consumers were high on relative advantage and complexity attributes such as convenience and ease of use. Waite and Harrison (2002) examine expectations of online information provided by bank websites and find that consumers ranked the relative advantage attributes (easy to use and be quick to download) the most important attributes.

Risk and security were considered one of the most important attributes in the adoption selection, and both of them can affect the adoption of online banking. Sathye (1999) examines the adoption of online banking among Australian consumers. This phenomenon was also found in Finland (Pikkkarainen, Pikkarainen, Karjaluoto and Pahnila, 2004). White and Nteli (2004) studied internet banking in the UK with the finding that the security of a bank´s website is significantly more important than other attributes and that security was still the number one issue in consumer´s minds when considering internet banking. These findings of the risk and security effect on the adoption of online banking were consistent with many previous studies (Rothwell & Gardiner, 1984; O´Connell, 1996; Cooper 1997, Daniel, 1999).

The extent to which reference groups or social influence effects the adoption of online banking is the focus for consumer behavior studies. In the consumer behavior literature reference groups or social influence frequently affect consumer behavior (Fishbein & Ajzen, 1975; Bogozzi, 2000). Rogers (1983) stated that all innovations carry some degree of uncertainty for the individual, who is typically unsure of a new idea´s result and thus feels a need for social reinforcement of his or her attitudes toward the new idea. The individual wants to know that his or her thinking is on the right track in the opinion of his or her peers. A study found indicated that reference groups strongly affected the attitude and behavior of consumers toward online banking (Pento, 2002).

DATA AND METHODOLOGY

This study uses both qualitative and quantitative research methods. The qualitative method was used to gain insight into how consumers value the online banking. This technique allowed us to understand the perception of consumers toward internet banking and helped identify some latent variables that might affect the adoption of internet banking. This method helps identify possible factors not captured by previous studies. Because the research interest focused on working people who were more likely to adopt online banking, all the adopters interviewed for this study were working people. Two different focus groups, adopters and non-adopters, were interviewed.

Opinion from Adopters

The literature review suggests consumers acquire products and services because of compatibility. From the focus group interview, most people mentioned compatibility. They believed that online banking fit their lifestyle. The following were the statements they made about compatibility. “Online banking allowed me to do transactions at home”, “Online banking was an innovative services and it fitted into my life style”, “Using online banking made my life easy”.

Ease of use was also a key success factor for online banking. People who were familiar with the internet and websites were more likely to indicate that online banking was not difficult for them. The respondents noted “I could perform my bank transactions on the web easily”, “It was easy to conduct banking transactions online”, “It was easy to follow the instructions on the web page”, “Using internet banking was practical and was not complicated at all”. People used online banking because of its convenience. Anytime, anyplace and anywhere have become important consumers. Convenience included saving time, fast, cheap, and availability. The comments from the interview were identified as follows: “It saved my time because I could check my bank account at home anytime”, “I could check my bank transactions anytime online”, It was more convenient to do transactions at home than at the bank”, Online banking opened 24 hours”.

Third party concern was the main issue for most people who used online bank services. From the consumer point of view, using online banking was with a risk although many banks already used advanced technology to protect their customer’s crucial financial information. The comments were: “A third party may be able to access my financial details on the internet”; “My financial data might be passed on to other companies in the bank group”; and “I was afraid that hackers may be able to gain access to my accounts”.

Interestingly people who already used online banking expressed concerned about security. The following were their comments: “I was worried about the security of an internet bank”; “I was afraid that someone would get my PIN number”, “Although I was afraid of the security, I would take a risk”.

Opinion from Non-adopters

Non-adopters had different opinions toward the issue of the difficulty associated with online banking. Most of non-adopters found that using internet banking was complicated although they already had experience using the internet and browsing websites. The following issues were noted: “Internet banking involved complex procedures”, “It was difficult to understand how to do transactions online”, “The web pages were confusing”, “It was difficult to do transactions online. I preferred to go to the bank instead”, “It was confused and frustrated to key many passwords and could not get it done properly”, “ I had to spend a lot of effort to access to my account online”.

Most people did not use online banking because of trust. The trust issues included the ability of the bank to protect customer’s information, the technology used by the bank, and word of mouth. Noteworthy comments include: “I was curious about the bank’s ability to protect my financial information”, I did not trust the technology used by the bank”, “I did not need online banking because I did not trust the technology”, “I knew some people who used online banking and whom were stolen the information”.

Both adopters and non-adopters were concerned about the security of online banking. Using online banking was considered risky to some degree. Many non-adopters noted security issues with comments like: “I did not use online banking because of its security”, “Security was the major factor that influenced me not to use online banking”, “Internet banking was not 100% secure”, “I was worried about the security of my financial data”, “Using services at the bank is more secure than using services online”, “It was not safe to use online banking”. Similar to the security issue, most non-adopters were concerned about third party intrusions. They were afraid that a third party might create a risk for them. They felt that using online banking was not safe because a third party could hack their information. Comments included: “Someone might steal my financial data”, “Using online banking was not safe because someone could access my information”, “It was dangerous to use internet banking because I was aware of third party“, “I was worried about third party”, “I was not sure whether someone could access my information”.

Although human contact was not the important issue for adopters, non-adopters had a different opinion about this issue. People who did not use online services preferred to do their bank’s transactions at the bank. Physical contact was a preferable option for non-adopters. Non-adopters noted online banking lacked human contact that must be a norm for a bank’s business. Some comments were “Face to face interaction was a must for bank services”, “I would rather go to the bank because I could get help from the bank’s workers”, “I preferred to go to the bank instead of using online services”, “I could not get help when I used online services”. The second phase of the questionnaire was developed based on opinions toward online banking from both adopters and non-adopters from the qualitative method in the first phase. However, some questions identified from the literature review were used in the questionnaire. Forty-six questions regarding opinions toward online banking were developed. Some demographic questions such as age and income were included to fitting to the local environment. The pilot test for the questionnaire was used to identify any errors and was used to ensure the validity. In the final stage comments and suggestions from respondents were recorded and corrections made.

Sample

Forty-six questions about opinions toward online banking were used in the questionnaire. Because selecting criteria for respondents was crucial for the study, the questionnaires were sent to only working people who were more likely to be target consumers for online banking. The respondents were from both private and government sectors. About four hundred questionnaires were sent to the target samples and three hundred sixty five questionnaires were returned. However, because of some missing values, 330 observations were used for the analysis. Table 1 provides the profile of the respondents and their internet uses.

Table 1: Profile of Respondents and their Internet Uses

	Frequency	Percent
A. Gender		
Female	119	36.06
Male	211	63.93
Total	330	100.0
B. Age		
Below 20 years old	24	7.27
20-25	120	36.36
26-30	76	23.03
31-35	45	23.63
36-40	39	11.81
Above 40	26	7.87
Total	330	100.0
C. Marital Status		
Married	170	51.51
Not married	160	48.48
Total	330	100.0
Education		
High school	95	28.78
College degree	180	54.54
Master degree	49	14.84
Doctoral degree	6	1.81
Total	330	100.0
D. Household Income per Month		
Below 10,000	74	22.42
10,001-20,000	80	24.24
20,001-30,000	76	23.03
30,001-40,000	44	13.33
40,000-50,000	31	9.39
Above 50,000	25	7.57
Total	330	100.0
E. Have Computer at Home		
Yes	322	97.57
No	8	2.42
Total	330	100.0
F. Have Internet at Home		
Yes	314	95.15
No	16	4.84
Total	330	100.0
G. Have Computer at Work		
Yes	283	85.75
No	47	14.25
Total	330	100.0
H. Have Internet at Work		
Yes	277	83.93
No	53	16.06
Total	330	100.0
I. Number of Months Using Internet		
Less than 6 months	11	3.33
6-12 months	20	6.06
1-3 years	24	7.27
4-6 years	85	25.75
7 years or more	190	57.57
Total	330	100.0
J. Number of Hours a Week Using Internet		
Less than 1 hour	28	8.48
1-5 hours	90	27.27
6-10 hours	77	23.33
11-20 hours	67	20.30
21-40 hours	29	8.78
Over 40 hours	39	11.81
Total	330	100.0
K. Internet Access		
Home	105	31.81
Office	71	21.51
Both from home and office	132	40.00
Others (Mobile)	22	6.66
Total	**330**	**100.0**

The table shows the frequency and percentage distribution of the profiles of respondents in United Arab Emirate and their internet uses.

Factor Analysis

Cronbach's alpha was used to measure reliability and ensure the degree of consistency among questions. It showed a satisfactory reliability of 0.9095 for all forty six items. To assess the overall significance of the correlation matrix Bartlett´s test of sphericity was measured. The Bartlett test shows that nonzero correlations existed at the significance level of 0.000. The Kaiser-Meyer-Olkin (KMO) was calculated for sampling adequacy (MSA). The result shows that the set of variables collectively met the necessary threshold of sampling adequacy. Thus, the variables met the fundamental requirements for factor analysis.

Factor analysis was performed and used in the analysis to identify adoption characteristics. Varimax rotation was used as an extraction method. The factor loading of .50 was used as a cut-off point for each item (Hair, Anderson, Tatham, & Black, 1998). Factor analysis suggested seven factors had an eigenvalue greater than 1. Cumulative variance of 49.08 percent was explained by the factors. The seven factors were compatibility, difficulty, security, trust, third party concerns, status and human contact. Table 2 summarizes the results for all the factors and their loadings.

Table 2: Characteristics of the Adoption

	F1	F2	F3	F4	F5	F6	F7
Compatibility							
1. Internet banking saves my time as compared to traditional banking	.574						
2. I like privacy	.609						
3. I am familiar with technology	.594						
4. Internet banking enables transactions to be conducted at home	.743						
5. Internet banking is compatible with my lifestyle	.729						
6. I like sourcing services on the internet	.661						
7. Internet banking provides convenience since it is available 24 hrs	.681						
Difficulty							
1. Internet banking web pages are confusing		.542					
2. Using traditional banking is more effective than using internet banking		.655					
3. Using Internet banking requires a lot of mental effort		.733					
4. Traditional banking is a difficult way to conduct banking transactions		.764					
5. Internet banking is a difficult way to conduct banking transactions		.620					
6. Using Internet banking can be complicated and frustrating		.609					
Security							
1. Internet banking is unsecured			.586				
2. Internet banking offers no receipt on payment			.784				
Trust							
1. Using an Internet banking is financially secure				.732			
2. I trust in the ability of an Internet bank to protect my privacy				.819			
3. I trust in technology an Internet bank is using				.721			
Third Party Concern							
1. Third party may track my bank usage patterns on the internet					.631		
2. Third party may be able to access my financial details on the internet					.732		
Status							
1. I use Internet banking to improve my social status						.688	
2. My decision to adopt Internet banking is influenced by my colleagues						.771	
Human Contact							
1. Absence of human element discourages internet banking usage							.677
2. Face to face interaction is important for bank service							.770
% variance	10.00	9.56	6.84	6.71	6.13	5.60	4.23
Cumulative variance	10.00	19.57	26.41	33.13	39.26	44.86	49.08

The table shows the characteristics of the adoption using Factor Analysis. Using factor analysis, the study found seven factors and it also shows that adopters and non adopters differed in their perception toward compatibility, trust and human contact factors. On these seven factors, the results show statistical significant differences on the adoption between adopters and non-adopters.

Internal Consistency

In the next step, internal consistency was examined by measuring item-to-total correlation (the correlation of the item to the summated scale score). Inter-item correlation within each summated scale score (the correlations among items) were also measured. The rule of thumb was that the scale was reliable when the internal consistency for the item-to-total correlation was above .50 and the inter-item correlation was above .30 (Hair, Anderson, Tatham, & Black, 1998). All correlations of the items to the summated scale scores were above .50 (at the .01 level) and all inter-item correlations within each summated score were above .30 (at the .01 level). Thus, the items used for each construct met the requirements of reliability.

Hypotheses Testing

Hypotheses were developed based on characteristics of online adoption identified by the factor analysis in the previous section. Relationships between characteristics of adoption and online banking were mixed. Many studies show that ease of use (Moutinho & Smith, 2000; Mattila, Karjaluoto & Pento, 2003; Wang, Wang, Lin & Tang, 2003), compatibility (Gurau, 2002), trust (Rotchanakitumnuai & Speece, 2003), reference group influence (Karjaluoto, Mattila & Pento, 2002) and computer experience (Wang, Wang, Lin & Tang, 2003) are positively related to online banking adoption. Some studies found that security (Liao & Cheung, 2002; Rotchanakitumnuai & Speece, 2003), third party concerns, and human contact (Gurau, 2002; Mattila, Karjaluoto & Pento, 2003) were negatively related to online banking adoption. Using Gerrard and Cunningham (2003) as a guideline, the following hypotheses were formulated:

H1: Adopters and non-adopters differed on the basis of their perceptions of Internet banking. Relative to non-adopters, adopters rated Internet banking as being more compatible (H1a), more trustworthy (H1b), secure (H1c) and more in line with status (H1d).

H2: Relative to non-adopters, adopters rated Internet banking as being less difficult *(H2a),* they are less concerned about third party issues *(H2b),* and require less human or physical contact *(H2c).* Table 3 provides a summary of hypotheses testing for this study.

Table 3: Summary of Hypotheses Testing

Hypotheses	Results
H1a: As compared to non-adopters, adopters rated Internet banking as being more compatibility	***Supported***
H1b: As compared to non-adopters, adopters rated Internet banking as being more trust.	***Supported***
H1c: As compared to non-adopters, adopters rated Internet banking as being more secure.	*Not Supported*
H1d: As compared to non-adopters, adopters rated Internet banking as being more in line with status	*Not Supported*
H2a: As compared to non-adopters, adopters rated Internet banking as being less difficult	*Not Supported*
H2b: As compared to non-adopters, adopters rated Internet banking as being less concerned about third party	*Not Supported*
H2c: As compared to non-adopters, adopters required less human contact	***Supported***

The results supported hypotheses 1a, 1b, and 2c. It show that there were no significant differences on four factors (secure, status, difficulty, and third party concern).

RESULTS

Analysis of variance (ANOVA) was used to test the hypotheses. Comparisons of the mean scores for each factor for both adopters and non-adopters of were tested. Table 4 presents the factors with their means and standard deviations.

Table 4: A Comparison of Adopters and Non-adopters on the Characteristics of Adoption

	All		Non Adopters		Adopters	
	Mean	std	Mean	Std	Mean	Std
Adoption characteristics						
Compatibility	3.74	.77	3.60	.81	3.80	.74
Difficulty	2.99	.80	3.04	.73	2.96	.83
Security	2.87	.90	2.98	.76	2.82	.95
Trust	3.39	.87	3.20	.88	3.49	.85
Third Party Concern	3.04	.78	3.03	.75	3.04	.80
Status	3.18	.81	3.13	.77	3.24	.82
Human Contact	3.30	.91	3.52	.99	3.24	.87

*The table shows the comparisons of the means and standard deviation between adopters and non-adopters.*5 indicates strongly agree while **1 indicates strongly disagree on the likert scale.*

Table 5 shows statistical significances on three factors between adopters and non-adopters. These factors were compatibility, trust and human contact. The result suggested that adopters felt that using online banking was more compatible with their life style than non-adopters. Also, adopters trusted online banking while non-adopters had a different perception about this issue. Non-adopters believed that human contact was an important attribute when they used a bank's service, while human contact was not much of an issue among adopters. Among the three factors, compatibility, trust, and human contact, the result indicated that the most significant difference between adopters and non-adopters was in trust with a p value less than .01. Thus, from the statistical analysis, the results supported only hypotheses 1a (compatibility), 1b (trust), and 2c (human contact).

Table 5: Analysis of Variance (ANOVA)

		Sum of Square	df	Mean Square	F	Sig.
Adoption characteristics						
Compatibility	Between Groups	2.963	1	2.963	.4997	**.026***
	Within Groups	172.005	328	.504		
	Total	181.598	329			
Difficulty	Between Groups	.505	1	.505	.785	.376
	Within Groups	211.140	328	.644		
	Total	211.645	329			
Security	Between Groups	1.830	1	1.830	2.260	.134
	Within Groups	265.516	328	.810		
	Total	267.346	329			
Trust	Between Groups	6.098	1	6.098	8.230	**.004****
	Within Groups	243.035	328	.741		
	Total	249.133	329			
Third Party Concern	Between Groups	.004	1	.004	.007	.935
	Within Groups	205.194	328	.626		
	Total	205.198	329			
Status	Between Groups	.460	1	.460	.698	.404
	Within Groups	216.109	328	.659		
	Total	216.569	329			
Human Contact	Between Groups	5.587	1	5.587	6.719	**.010***
	Within Groups	272.746	328	.832		
	Total	278.333	329			

*The table shows the statistical significance using ANOVA analysis. ** indicate significance at $p<0.01$ and *significant at $p<0.05$. The ANOVA result shows that there were significant differences at the .01 level on trust.*

Table 6 shows comparisons of means among factors between adopters and non-adopters. Each factor includes all items derived from the factor analysis. In general, adopters had high mean scores on compatibility, trust, third party concern and status factors, while non-adopters had high scores on difficulty, security and human contact factors.

IMPLICATIONS

The study found that there were differences between perception toward online banking of adopters and non-adopters on three basis, compatibility, trust and human contact. The implication for these findings are discussed below.

Both consumers and corporate consumers can receive benefits from online banking. The benefits to consumers are convenience, time saving and comfort that will encourage customers to increase their usages of bank services. Banks also benefits from online banking by reducing costs in accessing and using in the banking services (Gurau, 2002). This study shows that compatibility was an important attribute for the adoption of online banking, indicating that consumers in UAE preferred innovations for their lifestyle. Ease of use, convenience and twenty-four hour availability of services from online banking was favorable for UAE consumers.

Many previous studies as well as the current study find that trust is one of the most important attribute for the online banking adoption. Using a qualitative approach for their research in Thailand Rotchanakitumnuai and Speece (2003), show that non-adopters did not trust financial transactions made via online channels. The same study found that non-adopters had a negative attitude toward internet banking. Similar findings regarding trust were identified in this study for UAE non-adopters who perceived online banking as risky. Security, privacy and technology used for internet banking were the main issues of trust from non-adopters perception.

Table 6: Comparisons of the Mean Scores on the Characteristics

	Adopter Mean	Non-adopter Mean
Compatibility		
1. Internet banking saves my time as compared to traditional banking	3.80	3.59
2. I like privacy	4.01	4.00
3. I am familiar with technology	3.85	3.79
4. Internet banking enables transactions to be conducted at home	3.53	3.50
5. Internet banking is compatible with my lifestyle	3.77	3.38
6. I like sourcing services on the internet	3.85	3.43
7. Internet banking provides convenience since it is available 24 hrs	3.84	3.55
Difficulty		
1. Internet banking web pages are confusing	2.94	2.81
2. Using traditional banking is more effective than using internet banking	3.05	3.13
3. Using Internet banking requires a lot of mental effort	2.98	3.04
4. Traditional banking is a difficult way to conduct banking transactions	3.96	3.08
5. Internet banking is a difficult way to conduct banking transactions	2.88	3.09
6. Using Internet banking can be complicated and frustrating	2.98	3.15
Security		
1. Internet banking is unsecured	2.84	3.09
2. Internet banking offers no receipt on payment	2.99	3.13
Trust		
1. Using an Internet banking is financially secure	3.42	3.12
2. I trust in the ability of an Internet bank to protect my privacy	3.49	3.18
3. I trust in technology an Internet bank is using	3.56	3.30
Third Party Concern		
1. Third party may track my bank usage patterns on the internet	3.24	3.12
2. Third party may be able to access my financial details on the internet	3.24	3.18
Status		
1. I use Internet banking to improve my social status	3.36	3.10
2. My decision to adopt Internet banking is influenced by my colleagues	3.17	3.09
Human Contact		
1. Absence of human element discourages internet banking usage	3.16	3.38
2. Face to face interaction is important for bank service	3.30	3.67

The table shows the comparisons of mean scores on of the seven factors.

In service businesses, especially banks, human contact is a major element for consumers. However, there was a contrast on the perception of online banking use between adopters and non-adopters on the human contact issue. Adopters were more likely to require less or no human interaction when they performed transactions with the bank (Gurau, 2002). Conversely a lack of human contact or physical interaction prevented some consumers from using online banking services. It is the main barrier for online adoption found by Mattila, Karjaluoto & Pento (2003). Consumers who prefer face-to-face interaction are more likely not to adopt online banking, limiting the uses of online services. This study supported the findings of previous studies that adopters and non-adopters differ in their perception toward human contact.

In marketing there are two major segments, users and non-users. Different strategies are needed to attract customers from these two segments. For users or existing customers, normally a firm tries to keep its customers and grow its business with existing customers. Repeat buying or using more products and services are the strategy for the user segment. However the company also needs to persuade non-users to use its products or services. Awareness or product trials are sound strategies for the non-user segment.

To increase the number of online users, bank managers need a strategic plan to capture the non-adopter segment. This paper shows that compatibility was the main factor that non-adopters. Non-adopters felt that using online banking was not the way of their life, implying there was no benefit associated with the adoption of online banking.

Compared to adopters, this study indicates that non-adopters perceived fewer benefits than adopters on these following opinions: Internet banking saves my time as compared to traditional banking, Internet banking enables transactions to be conducted at home, Internet baking provides convenience since it is available twenty-four hours, I like privacy, I am familiar with technology, Internet banking is compatible with my lifestyle and I like sourcing services on the internet.

Banks need to communicate with non-adopters. The purpose of the communication to emphasize the benefits of using online banking such as time savings, convenience, anytime and anyplace availability. In addition, banks may use brochures or other media such as TV or radio to demonstrate that using online banking is a new lifestyle. These may include how to do bank transactions online and to source information and services. The instructions and information presented must demonstrate ease of use.

This study found that trust was also the main issue that non-adopters were concerned. Non-adopters had low scores on the following opinions: Using an Internet banking is financially secure, I trust in the ability of an Internet banking to protect my privacy and I trust in technology an Internet banking is using.

Banks should be aware of this issue because customers may not be interested in using services online if they feel insecure. Communication is the key to solve these problems. Banks need to emphasize the importance of security as their first priority task, and they need to build confidence and trust for customers who will use services online. The back should communicate through the website, brochures or newsletters that using services online is safe. The bank website also informs customers about the bank's online security system. Banks should use the website to alert their customers about any potential frauds.

Another finding from this study was that non-adopters emphasized the importance of human contact when they do transactions at a bank. This finding was consistent with previous studies. In the non-adopter opinion, face-to-face interaction is a must. The following opinions were captured from non-adopters from this study: Absence of a human element discourages internet banking usage, and Face to face interaction is important for banking service.

Banks may need to have online help for customers who need assistance. Talking live with a bank employee online may add a human element to online services. Customers may feel that there is no difference between using services online and at the bank.

CONCLUSION

The purpose of this study was to identify characteristics of online banking adoption in UAE. The first step was to examine UAE consumers perceptions toward online banking. The study included both adopters who already used online banking and non-adopters who did not use online services. Comparisons of characteristics of the adoption of internet banking between adopters and non-adopters were investigated. The sample included 330 respondents including both adopters and non-adopters. The respondents were primarily young, educated, middle income class, and working people who were more likely to be target consumers for online banking.

To ensure the reliability and relevance of the questionnaire, both qualitative and quantitative methods were used. Qualitative methods included focus group interviews. Forty-four questions were developed based on qualitative method and evidence from previous studies. Modification of the questions were made to fit the local environment. The questions were tested through a pilot study. Factor analysis was used to identify the factors of adoption of online banking. The results indicated seven factors as follows: compatibility, difficulty, security, trust, third party concern, status and human contact. Several hypotheses were tested on the identified factors. The focus of the hypotheses were on the comparisons of perceptions of online banking between adopters and non-adopters. Analysis of variance (ANOVA) was used for hypotheses testing.

The primary finding of this study is that adopters and non-adopters differ on their perceptions of onling banking adoption on three factors (compatibility, trust and human contact). Adopters had high mean scores on compatibility and trust, while non-adopters had a high mean score on human contact. These results led to statistical significant differences on these three factors, and the findings supported three hypotheses.

The limitation of this study is the sample selection. Because this study used non-random sampling the results may not be generalized for the UAE population. Repeated studies in different regions of UAE would be beneficial . This study did not emphasize demographic variables, which may play a key role for the adoption of internet banking. Observation and investigation of the effect of demographic variables on the adoption of online banking is also an opportunity for future research.

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ACKNOWLEDGEMENT

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