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EDITORIAL NOTES

The Spring 2004 edition of the *Pennsylvania Journal of Business and Economics* (*PJBE*) reflects the spirit of continuous improvement and growth that the members of the APUBEF Executive Board have set for the entire organization. All papers accepted for publication in this edition underwent not only a double-blind review for content, but also a rigorous review of grammar, formatting, and style. The latter thanks to the efforts of the *PJBE*'s newest editor, Dr. Leon Markowicz of Lebanon Valley College. Dr. Markowicz, a professor of English, is a member of the Business and Economics Department at Lebanon Valley College. His efforts, along with those of the Editorial Review Board, help to ensure that only well-written, high quality papers appear in the *PJBE*. We are very happy that he has decided to join our team and thank him for his efforts.

The spirit of growth is reflected by the increase in the size of the Editorial Review Board, and the diversity of the institutions that are represented. There are currently 18 individuals who have generously volunteered their time and efforts to coordinate reviews at the universities where they reside. Almost half of the current members of the Editorial Review Board reside outside the State System of Higher Education, and several are from out-of-state. This is evidence that the value of APUBEF and the *PJBE* is being recognized by a broader range of constituencies than in the past. We are grateful to all of the members of the Editorial Review Board for their hard work, and welcome the new members.

Last, but certainly not least, we thank those individuals who reviewed manuscripts. Without the efforts of these individuals, there would be no Spring 2004 edition. Our reviewers are the gatekeepers for quality control, and their standards are rising. The acceptance rate for this issue was 40%, down from 50% in previous editions. This is the result of the efforts of the editors and reviewers to increase quality standards while still providing authors with useful feedback to assist them in their efforts to complete a publishable paper.

Finally, we thank all of those individuals who submitted manuscripts. We encourage all of the members of APUBEF to continue to consider the *PJBE* as an outlet for their creative work, and to encourage their colleagues to do so as well.

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HISTORY REPEATING ITSELF: THE DEBATE OVER ACCOUNTING FOR STOCK OPTIONS

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ABSTRACT

This paper discusses the similarities between a debate that occurred in Congress in 2002 over classifying stock options as a form of compensation expense and debates that occurred almost 10 years ago in Congress on the same topic. This recent Congressional debate was initiated as a partial response to the various financial reporting scandals that have come to light during the past two years.

Current accounting rules do not require the cost of stock options to be recognized as expenses in a company's income statement. While many members of the U.S Congress and some leaders in Corporate America are proposing that stock options be treated as expenses, a significant faction of the U.S Congress and many corporate leaders oppose treating stock options as expenses. To date, no formal legislation has been passed, though many companies have voluntarily chosen to expense stock options.

This paper examines the role that political lobbying and campaign contributions have had on various bills that have been proposed in the U.S Senate on the topic of accounting for stock options. This study reviews who were the key sponsors and co-sponsors of the various bills proposed and what industry groups strongly supported the sponsors and co-sponsors of the bills.

INTRODUCTION

This paper examines the role that political lobbying and campaign contributions have had on the congressional debates of 2002 and the early 1990's over financial accounting rules for stock options. While the role of campaign contributions and political lobbying in the setting of tax policy has been recognized and examined extensively in both the popular press (Alter, 1997) and academic research (Begay et al., 1993), the role that politics and campaign contributions plays in the setting of financial accounting standards has not received as much public scrutiny and discussion.

This paper focuses on a series of bills introduced in the U.S. Senate in the last 10 years related to the issue. However, before we discuss the role that political lobbying has had on this debate, it is important to explain where the Financial Accounting Standards Board (FASB) currently stands on this issue. In December 2002, the FASB issued Statement 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which provides alternative methods of transition for a voluntary change to expensing stock options using the fair value based method of accounting for stock-based employee compensation. In addition, Statement 148 amended the disclosure requirements of Statement 123, "Accounting for Stock-Based Compensation," to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation (FASB, 2002). Under the provisions of Statement 123 that remain unaffected by Statement 148, companies may either recognize expenses on a fair value based method in the income statement or disclose the pro forma effects of that method in the footnotes to the financial statements (FASB, 1995).

In March 2003, the FASB announced that they would begin a project on stock-based compensation that will address whether to require that the cost of employee stock options be treated as an expense. As part of this project, the Board agreed to revisit its 1994 decision permitting companies to disclose the pro forma effects of the fair value based method rather than requiring all companies to recognize the fair value of employee stock options as an expense in the income statement (FASB, 2002). [1]

A final standard was initially expected to be issued by the FASB before the end of 2003, but is not expected to be issued until the first quarter of 2004. However, in April of 2003, the Board tentatively decided that the cost of stock options should be treated as an expense. In 2002 well before the FASB tentative decision, the idea of expensing stock options was already being met with significant opposition from numerous political and business leaders. While a number of major companies had voluntarily decided to reflect stock option costs as an expense in reporting their earnings before the FASB tentative decision, more companies have chosen to simply disclose the potential cost of these expenses in the footnotes to their financial statements. At the end of 2002, the FASB invited comment from industry leaders on the issue. Eighty-eight percent of the industry respondents to the FASB opposed mandatory expensing of stock options (FASB, 2003).

As noted above, the focus of this paper is on the role of political lobbying and campaign contributions on the debate on accounting for stock options. Consequently, it does not advocate one accounting method over another. Accounting for stock options is a complicated accounting issue without a clear cut answer. Strong arguments can be made for recognizing expenses at the grant date of an option and equally strong arguments can be made that because of various factors it is not possible to reasonably determine the cost of an option at grant date (Gleckman, 2002). While this paper does not take a position, a summary of the pros and cons for accounting for stock options as expenses can be found in Appendix A.

The Politics of Stock Options

With regard to the politics of the issue, this debate began to take shape in June 1993 when the FASB issued its original exposure draft on accounting for stock options[2]. The 1993 exposure draft concluded that the value of stock options issued to employees should be considered compensation and recognized in the financial statements. The exposure draft recommended that option pricing models be used to estimate the value of stock options. In addition, the FASB recommended that disclosures related to stock option plans be enhanced.

The exposure draft met with significant opposition from the business community and the Congress, particularly the U.S Senate. Various industrial sectors (i.e., financial services, electronics/high tech and general business/retail) opposed the new accounting rules. Some of the arguments against the new rules were related to the technical complexity of the issue (i.e., that it was impossible to develop appropriate option pricing models). However, the primary argument made by political leaders and the business community was based on economic terms (Jacobson, 1995). At the time of this debate, numerous studies were quickly conducted to support the position that recognizing stock options as expenses in the financial statements would have dire economic consequences. For example, a Merrill Lynch study at the time stated that expensing stock options would have slashed profits among leading high-tech companies by 60 percent on average (McNamee, 2000).

In the words of Jim Leisenring, the vice chairman of FASB from 1988 to 2000, "It wasn't an accounting debate....We switched from talking about, 'Have we accurately measured the option?' or, 'Have we expensed the option on the proper date?' to things like, 'Western civilization will not exist without stock options,' or, 'There won't be jobs anymore for people without stock options.' ... People tried to take the argument away from the accounting to be just plainly a political argument." [3]

Two specific pieces of legislation, the "Equity Expansion Act of 1993" and the "Accounting Standards Reform Act of 1994" were introduced in the U.S. Senate to prevent the FASB from changing the accounting rules for stock options. This represented somewhat of a departure from the general policy of allowing the FASB to independently set accounting standards. Ultimately the FASB decided to encourage rather than require the use of a method that would have companies recognize stock options as compensation expense at the grant date. This decision was largely believed to be a result of the unprecedented political pressure that was placed on the FASB. The FASB's decision to revise the accounting standard represented a shift from its general policy that financial standard setting should be based solely on determining the proper accounting treatment, rather than also considering some perceived economic cost to changing an accounting standard. In the words of James Hooton, who was then chief of Arthur Andersen's worldwide auditing, "It was the first time that accounting principles had become very, very much influenced by commercial interest and political interest."[4] Whether this was the first time the FASB revised an accounting policy due to political pressure is a debatable point. However, it did demonstrate the effect that campaign contributions and political lobbying by various industry sectors had on the development of an accounting standard.

In the years since 1994, the amount of campaign contributions by various industrial groups has increased dramatically. As noted on Table 1, between 1994 and 2000, four major business sectors (Financial Services, Electronics/High Tech, Lobbyist/Lawyers and General Business/Retail) all had more than 100% increases in their political campaign contributions. Most notably, the financial services sector increased over 200% and the

Electronic/High Tech Industry increased almost 400%.

As noted above, the events of 1993 and 1994 may have been the beginning of politics/lobbying playing a significant role in the development of accounting standards. However, events in 2002 have shown that they were not the end of political lobbying. For example, at the beginning of 2002, as a result of the various financial reporting scandals during the previous year, the U.S Congress began to draft legislation related to reform in the accounting industry. This legislation ultimately resulted in the passage of the Sarbanes-Oxley "Accounting Industry Reform Act" on July 30, 2002. This legislation mandated various reforms to the accounting industry including the prohibition of auditors engaging in consulting services for their auditing clients and independent funding of the FASB.

However, the bill did not address the issue of accounting for stock options. Legislation related to the stock option issue, "Ending the Double Standard for Stock Options Act," was introduced as an amendment to the Accounting Industry Reform Bill. This amendment was vigorously opposed by the same business sectors, as well as many of the same senators, that opposed changes in rules for accounting for stock options in 1993 and 1994.

METHODOLOGY

This study reviewed the three bills discussed above and identified the sponsors and co-sponsors of the three bills. Data was then gathered related to the campaign contributions made by four business sectors (Financial Services, Electronics/High Tech, Energy and General Business/Retailers) to members of the U.S Senate. A comparison was made between the Senate sponsors and co-sponsors of the applicable legislation to a list of the "Top Twenty" Senate recipients of campaign contributions from each of the four business sectors.

In addition, within the financial services sector, the campaign contributions given by the accounting industry was examined separately. The accounting industry was examined separately because it was one of the strongest opponents to the proposed new rules. It was opposed by the accounting industry in general and the Big Six (now Big Four) accounting firms in particular.

The rationale for identifying the sponsors and co-sponsors of the legislation was that these senators were arguably the strongest supporters for those particular pieces of legislation. By comparing the sponsors to a list of the top 20 senators who received the most campaign contributions, we could identify possible relationships between the campaign contributions and the positions taken by various politicians.

The source for who sponsored and co-sponsored particular pieces of legislation was provided by THOMAS. THOMAS is an Internet site established by the Library of Congress.[5] It stores a series of government databases including the Congressional Record Text and the Congressional Record Index. The source for which senators received the most financial support in particular business sectors was the Center for Responsive Politics. The Center for Responsive Politics is a non-partisan, non-profit research group based in Washington, D.C. that tracks money in politics and its effect on elections and public policy. The Center conducts computer-based research on campaign finance issues for the news media, academics, activists and the public at large.

In addition, to the three specific pieces of legislation noted above, a similar analysis was conducted of a 1994 Senate non-binding resolution condemning the FASB proposed changes for accounting for stock options, and a 2002 bill introduced as a response to the bill mandating significant changes in accounting for stock options. For the 1993-1994 legislative season (the 103rd Congress), campaign contributions received for 1994 election cycle were examined. For the 2002 legislative season (the 107th Congress), campaign contributions for the 2000 election cycle were examined since full 2002 campaign contribution data was not available.

RESULTS

Legislation in the Early 1990's

The first piece of legislation examined was the "Equity Expansions Act of 1993" (S. 1175).[6] This legislation was sponsored by Senator Joseph Lieberman from Connecticut and was co-sponsored by 14 other senators from both political parties. This bill, if it had been enacted into law, would have mandated that no compensation expense be reported on a company's income statement for stock option plans.

Table 2 identifies the sponsors and co-sponsors of this legislation that also were in the "Top

Twenty" list of senators who received financial contributions from the four business sectors and the accounting industry. A review of the support received by the senators who sponsored or co-sponsored this legislation indicates that many of these senators received strong support from the aforementioned business sectors and the accounting industry.

Specifically in the finance, law and retail sectors, 50% of the senators who sponsored or co-sponsored the bill were classified as being on the "Top Twenty" list of senators who received support from that particular business sector (See Panel A of Table 2). In the electronics/high tech sector, 42.9% of the senators were part of the "Top Twenty" group. With regard to the accounting industry, a review of Panel B indicates that the senators also received strong support from the accounting industry (42.9%). In addition, it should be noted that many individual senators received strong support from 75% or 100% of the sectors examined.

The second piece of legislation examined was the "Accounting Standards Reform Act of 1994" (S. 2525). This legislation was also sponsored by Senator Joseph Lieberman and was co-sponsored by seven other senators from both political parties. This act, if it had been enacted into law, would have amended the SEC Act of 1934 to require that any change in an accounting principle or standard would require an affirmative vote of the majority of the Senate in order to be enacted. This law would have hindered the independence of the FASB, which has historically been responsible for developing accounting standards.[7]

In the same manner as Table 2, Table 3 identifies the sponsors and co-sponsors of this legislation that also were in the "Top Twenty" list of senators who received financial contributions from particular business sectors and the accounting industry[8]. A review of Panel A of this table indicates that many of the senators who sponsored or co-sponsored this legislation also received strong support from the various business sectors.

Like the "Equity Expansion Act" discussed above, in the finance, lobbyist/lawyers and general business/retail sectors, 50% of the senators who sponsored or co-sponsored the bill were classified as being among the "Top Twenty" group of senators. In the electronics/high tech sector, 37.5% of the senators were part of the "Top Twenty" group.

With regard to the accounting industry, the support received by supporters of the Accounting Standards Reform Act was also very strong. Specifically, 37.5% of senators were in the "Top Twenty" category. In addition many individual senators also received strong support from 75% or 100% of the sectors examined.

The final piece of legislation from the early 1990's that was examined was a concurrent resolution expressing the sense of the Senate on the stock option accounting standard proposed (S.CON. RES. 34). Unlike the two other acts discussed above, this act was not a formal bill, but rather a non-binding concurrent resolution and was passed by the Senate.

This legislation was sponsored by Senator Bill Bradley from New Jersey and was co-sponsored by 16 other senators from both political parties. This act stated that the accounting standards proposed by the FASB would have grave economic consequences particularly for businesses which rely heavily on entrepreneurship. It also stated the Board should not change the current accounting rules to require that businesses deduct the value of stock options from income.

A review of the support received by the senators who sponsored or co-sponsored the bill indicates that for each business sector roughly a third of the senators were in the "Top Twenty" category (See Table 4). While this is not as high a percentage as the other two bills, it still represents a significant number of the senators sponsoring the bill. With regard to the accounting industry 31% of the senators were in the "Top Twenty" category.

2002 Legislation

The first legislation from the 2002 session examined was the "Ending the Double Standard for Stock Options Act" (S. 1940). This legislation was sponsored by Senator Carl Levin from Michigan and Senator John McCain from Arizona and was co-sponsored by five other senators from both political parties. This bill, if it had been enacted into law, would have limited the amount of the deduction for stock option costs corporations are allowed to take for tax purposes to the amount of expense they reported for financial reporting purposes. As most corporations do not recognize significant expenses for financial reporting purposes, this legislation would have, in effect, largely eliminated the tax deduction for most corporations.

A review of Table 5 indicates that, unlike the other bills, only Senator McCain had received significant support from the four aforementioned business sectors. In addition, it should be noted that Senator McCain's strong support from these business sector groups may have been largely related to his 2000 presidential campaign.[9] Unlike the earlier bills, this bill was not supported by any of the business sectors that have been examined in this study. Rather, this legislation was strongly opposed by all these business sectors. Although Senators Levin and McCain wanted to get a vote on the Senate floor to have this bill added as an amendment to the Sarbanes-Oxley Accounting Industry Reform Act, this legislation was not brought up for a vote in the Senate.

The final legislation examined in this study was drafted in response to the Levin-McCain legislation. This legislation was the "Stock Option Fairness and Accountability Act" (S. 2760). It was sponsored by Senator Enzi of Wyoming and co-sponsored by nine other senators. Rather than mandating a specific method for accounting for stock options, this legislation instead basically called for further study on the stock option issue. It instructed the SEC to analyze and report recommendations to certain Congressional committees on the accounting treatment of stock options.

A review of the support received by the senators who sponsored or co-sponsored this legislation indicates that, in some respects, the senators received stronger support for this bill than any of the other bills discussed. While only 20% of the senators were in the "Top Twenty" list for lobbyists/lawyers, in the financial services and high tech sectors, 50% of the Senators who sponsored or co-sponsored the bill were classified as being in the "Top Twenty" category. In the general business/retail sector, 60% of the senators were in the "Top Twenty" category which was the highest percentage for any bill. With regard to the accounting industry groups, 50% of the senators who strongly supported the bill were in the "Top Twenty" category. The 50% support level for the accounting industry also represents the strongest level of support of all the pieces of legislation examined.

DISCUSSION

Five pieces of legislation were examined in this study, three from the early 1990's and two from 2002. An examination of the financial support received by the senators who strongly supported each of these bills provides evidence for the continuing significant role that politics and campaign contributions play in the setting of accounting standards.

The three pieces of legislation from the early 1990's and the 2002 Stock Option Fairness and Accountability Act were designed to either directly or indirectly prevent stock option costs from being recognized as expenses in a company's financial statements. As noted above, a series of business sectors/industries strongly opposed any changes that would require stock option costs being reported as expenses. Many of the senators who strongly supported these pieces of legislation were strongly supported financially by the aforementioned business sectors that vigorously opposed the expensing of stock options.

In contrast, the "Ending the Double Standard for Stock Options Act" which was proposed in 2002 was designed to encourage companies to recognize stock options as expenses. This was strongly opposed by the business sectors examined in this study, and the senators that strongly supported this legislation were almost completely absent from any of the "Top Twenty" business sector/accounting industry lists examined.[10]

While the three pieces of legislation from the 1990's provide strong support for the role that politics played in setting accounting standards at that time, the two pieces of legislation from 2002 seem to indicate that the role of lobbying/campaign contributions in the accounting standard setting process continues to be significant. The level of support for politicians who supported the 2002 "Stock Option Fairness and Accountability Act" was in many respects greater than any of the early 1990's bills that were also supportive of the business sectors position. In addition, the virtual lack of support by the business sectors for senators who strongly supported the 2002 "Ending the Double Standard for Stock Options Act" also indicates the financial consequences of taking positions on accounting standards contrary to the view of powerful business sectors.

While this paper concludes that an analysis of the data provides strong support for the continuing role that politics plays in the setting of accounting standards, it should be noted that a number of senators not on any "Top Twenty" lists also co-sponsored bills that were supportive of the various business sectors interests. Also the paper is definitely not implying that any individual senator or senators supported a bill solely as a result of campaign contributions received from a particular group.

As noted at the outset of the paper, accounting for stock options is a complicated technical accounting issue without a clear answer. Rather than implying that a senator's position was based solely on campaign contributions from a particular business sector, it is this study's position that it is reasonable to assume that strong financial support by particular business sectors may have played a role in some senators' positions on various pieces of legislation.

It is also important to note that the only piece of legislation discussed above that was passed by the full Senate was the 1994 non-binding resolution that stated the FASB should not change the current accounting rules to require that businesses deduct the value of stock options from income. However, various sources cited above stated that just the introduction of this legislation in the early 1990's had a significant role in the FASB changing its position at that time. Given what happened in the 1990's, it is reasonable to conclude that these earlier bills and the introduction of bills taking a position against stock options in 2002 may have also had a significant impact on the FASB decision making process.

CONCLUSION

The importance of political lobbying and campaign contributions on the legislative process is certainly not a new story or one relevant only to the setting of financial accounting standards. However, given all the recent problems of the accounting profession, the role of politics in the accounting profession has particular importance at this time.

While this study focused on legislation introduced in the early 1990's and in 2002, the pattern of government leaders taking a strong role in the setting of accounting standards appears to be continuing. In May 2003, Senator Ensign of Nevada and Senator Boxer of Californian co-sponsored S. 979 the "Broad-Based Stock Option Plan Transparency Act of 2003."

This bill was a reaction to the tentative decision of the Financial Accounting Standards Board in April to mandate the expensing of stock options. This bill would place a three year moratorium on the mandatory expensing of stock options. It would temporarily prevent the Securities and Exchange Commission from recognizing any accounting standard related to the treatment of stock options. The bill would further require the SEC to adopt rules requiring companies to report information regarding their stock option plans and, after three years, the SEC would be required to issue a report. Commenting on the bill, Senator Ensign stated, "This issue was brought to my attention by a couple of hundred chief executive officers and leader in the high tech world. This is their No.1 issue because when they are properly structured stock options are valuable incentives for productivity and growth" (Carney, 2003).

Whether Senator Ensign and Senator Boxer's bill should become law is a debatable issue. What appears more certain is that, for the foreseeable future, politics, political lobbying and campaign contributions will continue to play an important role in the setting of accounting standards and the accounting profession in general. Consequently, business professionals and academic researchers may want to continue to monitor the positions political leaders take on particular accounting issues and what groups provide financial support to these political leaders.

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[1] The International Accounting Standards Board (IASB) is also currently examining the issue of accounting for stock options. The FASB has said it will work with the IASB toward a converged standard that would reduce or possibly eliminate any differences between those that use the IASB standard and those that follow United States' generally accepted accounting principles.

[2] The lack of political interest in this issue before 1993 is likely related to the fact that historically no significant stock-based employee compensation has been recognized under APB 25 "Auditing for stock issued to employees."

[3] Transcript of "Bigger than Enron" a *Frontline* Public Broadcasting Service television special (June 20, 2002).

[4] Transcript of "Bigger than Enron" a *Frontline* Public Broadcasting Service television special (June 20, 2002).

[5] The THOMAS website can be found at http://thomas.loc.gov.

[6] S. stands for a Senate bill as opposed to H.R. which would be a House of Representatives bill.

[7] The SEC has historically had the right to reject accounting standards promulgated by the FASB. However, before this legislation being proposed, the SEC did not have to formally approve each standard developed by the FASB. In addition, while the FASB has traditionally solicited opinions from the public (i.e., corporations, public accounting firms, government officials) through the use of exposure drafts, the FASB has always acted as an independent entity.

[8] Tables 4-6 analyze particular bills in the same manner as Tables 2 and 3.

[9] In the 2000 election cycle, the politicians that received the overall highest contributions were George W. Bush, Al Gore and John McCain, who were all presidential candidates (Center for Responsive Politics).

[10] As noted above, of the seven senators who strongly supported the bill only Senator McCain was on some of the "Top Twenty" lists and this may have been largely due to his 2000 Presidential campaign.

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Appendix A

Pros and Cons of Accounting for Stock Options as Expenses for Financial Reporting Purposes

Pros

- The value of stock options issued to employees is compensation. Since it is a form of compensation, the cost of this compensation should be recognized as an expense in a company's income statement when the option is granted.

- There are option pricing models/methods that would enable companies to estimate the cost of a stock option at grant date.

- For tax reporting purposes when employees exercise stock options, companies are able to deduct the cost of these stock options.

Cons

- Although option pricing models/methods exist, they are at best imprecise estimates of a stock's value at the initial grant date. Too many uncertainties exist and too many assumptions have to be made at the time a stock option is granted to precisely measure its value. These uncertainties/assumptions include the following:

    - Volatility- How much will the underlying stock price fluctuate over the next decade? (It is the most important assumption to make and arguably the toughest to forecast.)
    - Interest Rates and Dividends: What will interest rates be over the life of the option? Will the underlying stock pay dividends?
    - Employee Behavior: How long will recipients hold an option before cashing in? How many will forfeit options?

Source: "The Imperfect Science of Valuing Options." McNamee et al. *Business Week.* October 28, 2002.

Table 1
Campaign Contributions

Sectors ($ Millions)	2000	1994	$ Increase (Decrease)	% Increase (Decrease)
Finance (1)	$304.9	$97.0	$207.9	214.3%
Electronics/High Tech	135.6	28.5	107.1	375.8%
Lobbyists/Lawyers	130.5	52.5	78.0	148.6%
General Business/Retail	175.4	69.9	105.5	150.9%
TOTAL (2)	$746.4	$247.9	$498.5	201.1%

(1) Within the Finance Sector, the Accounting industry contributions went from $6.9 million in 1994 to $14.8 million in 2000, an increase of 114.5%

(2) Totals represent the totals for the four business sectors (Finance, Electronics/High Tech, Lobbyists/Lawyers, General Businss/Retail). Total contributions for all buisness sectors (i.e. Agribuisness, Energy) were $1.4 billion for 2000 and $536.3 million for 1994, an increase of 161%.

Note: The amounts on this page are based on contributions of $200 or more from Political Action Committees (PACs) and individuals to federal candidates and from individual and soft money donors to political parties, as reported to the Federal Election Commission. While election cycles are shown in this table and other tables in this study as individual years (i.e. 1994, 2000) they actually represent two-year periods. For example, the 2000 election cycle runs from January 1, 1999 to December 31, 2000.

Source: The Center for Responsive Politics and THOMAS (A Congressional website).

Table 2
Equity Expansion Act of 1993 (S. 1175)
Introduced 6/29/1993

Summary The bill would have amended the SEC Act of 1934 to prohibit a charge against earnings on the exercise of performance stock options. In other words, no compensation expense would be allowed to be reported on the income statement for stock option plans.

PANEL A-Sectors

Sponsor (S) Co-sponsors	Finance	Electronics/ High Tech	Lobbyists/ Lawyers	General Business/ Retail	% of Sectors Contributing to a Senator
Lieberman (S)	X	X	X		75%
Boxer					
DeConcini					
Feinstein	X	X	X	X	100%
Gregg					
Hutchinson	X	X	X	X	100%
Johnston					
Kerrey (Rob)	X			X	50%
Lautenberg	X	X	X	X	100%
Lugar		X	X	X	75%
Mack	X		X	X	75%
Murray					
Robb	X	X	X	X	100%
Smith					
% of Senators	**50.0%**	**42.9%**	**50.0%**	**50.0%**	

PANEL B-Accounting

Sponsor (S) Co-sponsors	Accounting (1)
Lieberman (S)	X
Boxer	
DeConcini	
Feinstein	X
Gregg	
Hutchinson	X
Johnston	
Kerrey (Rob)	X
Lautenberg	X
Lugar	
Mack	X
Murray	
Robb	
Smith	
% of Senators	**42.90%**

(1) The Accounting industry is part of the Financial Services buisness sector. Source: The Center for Responsive Politics and THOMAS (A Congressional website).

Table 3
Accounting Standards Reform Act of 1994 (S. 2525)
Introduced 10/6/1994

Summary The bill would have amended the SEC Act of 1934 to require an affirmative vote of the majority of a quorum of the Securities and Exchange Commission for either the adoption or modification of any accounting principle or standard. This law would have hindered the independence of the FASB.

PANEL A-Sectors

Sponsor (S) Co-sponsors	Finance	Electronics/ High Tech	Lobbyists/ Lawyers	General Business/ Retail	% of Sectors Contributing to a Senator
Lieberman (S)	X	X	X	X	100%
Boxer					
Feinstein	X	X	X	X	100%
Gregg					
Mack	X		X	X	75%
Murray					
Robb	X	X	X	X	100%
Smith					
% of Senators	**50.0%**	**37.5%**	**50.0%**	**50.0%**	

PANEL B-Accounting

Sponsor (S) Co-sponsors	Accounting (1)
Lieberman (S)	X
Boxer	
Feinstein	X
Gregg	
Mack	X
Murray	
Robb	
Smith	
% of Senators	**37.5%**

(1) The Accounting industry is part of the Financial Services business sector. Source: The Center for Responsive Politics and THOMAS (A Congressional website).

Table 4
Senate's View on FASB Position on Options (S. CON RES. 34)
Introduced 8/6/1993

Summary Expresses the sense of Congress that:
1.) The accounting standards proposed by the FASB will have grave economic consequenses particularly for businesses which rely heavily on entrepreneurship.
2.) The board should not change the current accounting rules by requiring that business deduct the value of stock value of stock options from profits.

PANEL A-Sectors

Sponsor (S) Co-sponsors	Finance	Electronics/ High Tech	Lobbyists/ Lawyers	General Business/ Retail	% of Sectors Contributing to a Senator
Bradley (S)					
Coverdall					
DeConcini					
Durenberger					
Faircloth					
Feinstein	X	X	X	X	100%
Gregg					
Gorton	X	X	X		75%
Hatfield					
Kohl					
Lautenberg	X	X	X	X	100%
Lieberman	X	X	X	X	100%
Mack	X		X	X	75%
Mikulski					
Shelby					
Wofford	X	X	X	X	100%
% of Senators	**37.5%**	**31.3%**	**37.5%**	**31.3%**	

PANEL B-Accounting

Sponsor (S) Co-sponsors	Accounting (1)
Bradley (S)	
Coverdall	
DeConcini	
Durenberger	
Faircloth	
Feinstein	X
Gregg	
Gorton	X
Hatfield	
Kohl	
Lautenberg	X
Lieberman	X
Mack	X
Mikulski	
Shelby	
Wofford	
% of Senators	**31.3%**

(1) The Accounting industry is part of the Financial Services business sector. Source: The Center for Responsive Politics and THOMAS (A Congressional website).

Table 5
Ending the Double Standard for Stock Options Act (S. 1940)
Introduced 2/13/2002

Summary Amends the Internal Revenue Code to limit the amount of deductions taken for property transferred in connection with a stock option to the amount trated as expense for financial reporting purposes.

PANEL A-Sectors

Sponsor (S) Co-sponsors	Finance	Electronics/ High Tech	Lobbyists/ Lawyers	General Business/ Retail	% of Sectors Contributing to a Senator
Levin (S)					
McCain	X	X	X	X	100%
Dayton					
Durbin					
Feingold					
Fitzgerald					
Graham					
% of Senators	**14.3%**	**14.3%**	**14.3%**	**14.3%**	

PANEL B-Accounting

Sponsor (S) Co-sponsors	Accounting (1)
Levin (S)	
McCain	X
Dayton	
Durbin	
Feingold	
Fitzerald	
Graham	
% of Senators	**14.3%**

(1) The Accounting industry is part of the Financial Services business sector. Source: The Center for Responsive Politics and THOMAS (A Congressional website).

Table 6
Stock Option Fairness and Accountability Act (S. 2760)
Introduced 7/19/2002

Summary Instructs the Securities and Exchange Commission to analyze, and report recommendations to certain congressional committeess on the accounting treatment of stock options including:
1.) the adequacy of current disclosure requirements to investors and shareholders on stock options
2.) the adequacy of corporate governance requirements, including shareholder approval of stock option plans
3.) the accuracy of available stock option pricing models

PANEL A-Sectors

Sponsor (S) Co-sponsors	Finance	Electronics/ High Tech	Lobbyists/ Lawyers	General Business/ Retail	% of Sectors Contributing to a Senator
Enzi (S)					
Allard					
Allen	X	X	X	X	100%
Boxer					
Brownback					
Burns		X		X	50%
Ensign	X			X	50%
Feinstein	X	X	X	X	100%
Frist	X	X		X	75%
Lieberman	X	X		X	75%
% of Senators	**50.0%**	**50.0%**	**20.0%**	**60.0%**	

PANEL B-Accounting

Sponsor (S) Co-sponsors	Accounting (1)
Enzi (S)	
Allard	
Allen	X
Boxer	
Brownback	
Burns	X
Ensign	X
Feinstein	X
Frist	
Lieberman	X
% of Senators	**50.0%**

(1) The Accounting industry is part of the Financial Services business sector. Source: The Center for Responsive Politics and THOMAS (A Congressional website).

RESEARCH FACTORS TO BE CONSIDERED FOR NEW PRODUCT DEVELOPMENT

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ABSTRACT

New product development is critical for a company's survival and success. New products must replace old products when the old products become obsolete. Companies stay viable by continually introducing new products to the marketplace. For companies to be successful, their products must meet customer needs. However, it is sometimes difficult to understand customer needs and to design products to meet those needs. Marketing research may provide partial or misleading information regarding customer needs for some new products. Drawing from the literature and industry experience, the authors discuss factors that affect new product success. Ten propositions are developed regarding factors that affect new product success. Strengths and weaknesses of marketing research for new product development are evaluated for different types of innovations. In addition, ten guidelines are presented for researchers to enhance new product success, with their application to an industry example.

INTRODUCTION

Product innovation is vital for organization success. There are five types of product innovation (Crawford and Di Benedetto, 2003), as follows:

1. New-to-the-world products or discontinuous innovations or breakthrough products. Products like the car, the VCR, the TV, the telephone were new-to-the-world products when they were first introduced to the market.
2. Me-too products or new-to-the-company but not new-to-the-world products or new category entries or new product lines. For example, AT&T's Universal Visa Card was new to the company but not new to the market.
3. Product modifications. All products have been somehow modified or enhanced. With product modification, the older product that is modified is not offered to the customer. For example, textbook publishers frequently publish new editions of the textbooks and do not sell older editions. Coca Cola Corporation modified and replaced its Coke by New Coke in 1985.
4. Line extensions. Companies often extend their product lines. For example, Toyota offered Avalon to extend its product line of Toyota cars. Line extension offers customers more choice of products in the product line.
5. Product repositioning. Repositioning may simply involve advertising copy repositioning to change the customers' perception of the new product or it may involve actual changes in the physical product as well as advertising copy repositioning. In 1951, copy repositioning was used to successfully reposition Marlboro as a men's cigarette. General Motors, however, repositioned Chevrolet as a sports brand by changing the advertising as well as the product itself.

Most new products are line extensions that offer incremental changes; successful breakthrough products, though, are infrequent. Estimates showed that only 10% of new products between 1989 and 1993 were considered breakthroughs (Angeli, 1995). Often the true potential of a new product is not revealed early in the product testing stage, especially if it is a breakthrough product. Line extensions are relatively less risky and less profitable than breakthrough products. Although the risks of failure are higher for breakthrough products, the rewards of success are often tremendous. The degree to which a new product is a breakthrough will increase the length of time that the product is adopted by the market as well as the longevity of the product (Samli and Weber, 2000).

Many new products fail in the marketplace (Power et al., 1993). Even major companies suffer from failures of new product introductions and withdraw their new products. For example, Ford withdrew Edsel, IBM withdrew PC Jr., Pepsi Cola Corp. withdrew Pepsi Crystal and R.J. Reynolds withdrew Premier, the first smokeless cigarette. The trend in business is to introduce new products that offer incremental improvements over the existing products or services; this short-term orientation leads to an overall decrease in innovation and breakthroughs (Urban & Hauser, 1993).

Core Product and Augmented Product

To understand the role of customers in new product success, it is essential to understand the concept of the core product and the augmented product. Core product is the essential product that all producers of the product offer. For example, all hotels offer a bed for overnight stay. The augmented product includes features that enhance the core product and it allows various producers to differentiate their products from competing products. For example, a hotel may offer mini-bars in its rooms while another hotel may not offer mini-bars in its rooms. Numerous transportation companies offer the over-night package delivery service (the core product) and augment the core product by many features like drop-off places, tracking, delivery on Sunday, etc.

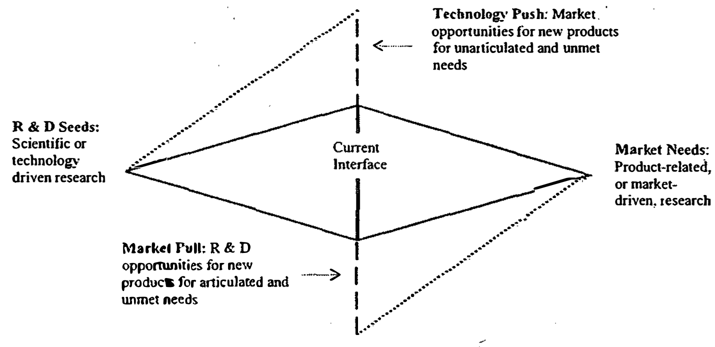
Buyers are most familiar with the core products and augmented products for existing products and therefore product modification and product line extension efforts of a company would be considered a familiar one for most buyers. However, buyers are not familiar with the core products of new-to-the-world products and hence are less likely to provide valid responses based on past experiences since there would be no past experiences to provide any comparison in this case.

Market researchers measure customer preferences to design new products. However, marketing research has strengths and weaknesses for different types of new products. Often customers say that they will buy a product, but they do not buy the product when it is made available. On the other hand, some customers say that they will not buy a product, and then they buy after the product has been introduced in the marketplace. Understanding customer needs is often very difficult, especially when people themselves do not know what they really need or want. And yet, a research study shows that the success of new product depends on three key aspects of customer knowledge generation: information acquisition, interpretation and integration (Calantone & Li, 1998).

Market Pull versus Technology Push

Figure 1 illustrates two forces driving the success of new products: the market pull and the technological push.

Figure 1
R & D Sees Versus Market Needs: The Forces Driving the Success of New Products



Source: Adapted from Sharp Electronics.

New product development requires skillful convergence of the two areas of research – market pull and technology push. Marketing research identifies unmet needs of the market that exert a pull on R&D efforts. On the other hand, scientific breakthroughs push for application opportunities and commercialization of technology. Successful interface of the push and pull generates products such as the cellular phone, personal computer, fax machine, as well as VCR represented by the area of current interface in Figure 1. Market pull creates opportunities for new product development when there is no know-how to satisfy the articulated needs of customers, such as an affordable vehicle that does not consume fuel. Technology push seeks marketing opportunities to create the market demand for the benefits of the new know-how or unarticulated needs. This paper cautions marketers regarding the effectiveness of marketing research in situations represented by articulated but unmet needs (market pull) and unarticulated and unmet needs (technology push).

FACTORS AFFECTING NEW PRODUCT SUCCESS

Based on literature review, industry experience and discussion, we identify several factors affecting new product success and develop the following propositions:

Proposition 1: New product success will be more likely when the buyers are familiar with the core product.

Familiarity with the core product will make it easier for people to adopt the new product. People are more familiar with the core products of product modifications, line extensions and me-too products and less familiar with new-to-the-world products.

Proposition 2: New product success will be more likely when the buyers are familiar with the augmented product.

People are more familiar with the augmented product for product modifications, line extensions and me-too products.

Proposition 3: New product success will be more likely when marketing research is conducted effectively.

Incorrect use of marketing research will not lead to new product success.

Proposition 4: New product success will be more likely when the buyer's perceived rewards are higher than perceived switching costs.

The perceived switching costs could be the time and effort required to adopt the new product, and the rewards are in terms of gains in productivity and savings of time and costs. Customers are more likely to adopt the new product if the switching costs are less than rewards. Switching costs, such as behavior change in the adoption process, are likely to be higher for new-to-the-world products and lower for other types of new products. However, perceived switching rewards may be higher for some new-to-the-world products than for me-too products or product modification or line extension innovations.

Proposition 5: New product success will be more likely when the buyer has a strong desire to adopt the new product.

If the buyer is not willing to adopt the new product and overcome the costs involved during the adoption process, then the new product is less likely to succeed.

Proposition 6: New product success will be more likely when the perceived advantage of new product is higher than that of competing products.

Advantages in terms of functionality, time saving, convenience, price, productivity and performance will enhance new product success against competing products.

Proposition 7: New product success will be more likely for product line extensions, product modifications, me-too products than the new-to-the-world products.

New-to-the-world products involve the greatest risk of new product failure since people are not familiar with the new core product. Me-too products involve moderate risk since, while the product is new-to-the-company, it is not new-to-the-market. Product modifications and product line extensions involve low risk of product failure since the producer and the market are familiar with the core and most of the augmented product.

UNDERSTANDING BUYER BEHAVIOR

Buyers include consumers and organizational buyers. Researchers analyze information collected through communication with the buyers or through observation of their behavior. Buyers communicate with the researcher through conversations or responses to questionnaires. The observation method requires researchers to observe buyer behavior to make inferences regarding buyers' perceptions and preferences.

Communication Method

Communication research is more successful for organizational buyers since often they are more familiar with products that they buy and organizational products are often custom-made according to buyer specifications. Understanding consumer behavior, however, is much more difficult than organizational buyer behavior. This is especially true for products unfamiliar to consumers or situations that consumers cannot visualize based on past experiences. This is particularly true for technology-intensive products or products that require learning new skills and new behavior patterns.

Customers buy products to satisfy certain needs like hunger, safety, love, status, and fulfillment. Products may satisfy one or more of these needs, and often customers may not be aware of all the needs that are being satisfied by the purchase and use of a particular product. For example, Americans have been buying SUVs in large numbers even though it is shown that the gas mileage is very poor and there is a greater risk of rollover due to the greater height of the vehicle. However, in addition to the need for transportation, there are some needs at the subconscious level regarding the need for survival and to make a statement about oneself in terms of height and control over others. SUVs look more threatening and have a larger presence on the road than an ordinary car (Shaffer & Goodman, 2002).

Market research is most useful for product modifications, line extensions and me-too products. Market research, however, does not guarantee successful new product development, especially for breakthrough products where people have not fully understood their own needs. In the latter case, consumer statements of perceptions and preferences can be difficult to interpret. Insights and creativity are required to translate research findings into successful product design. Several researchers have cautioned about the proper use of marketing research in new product development (Johansson & Nonaka, 1987; Hodock, 1991; Martin, 1995; Ziegler, 1994).

Marketing researchers may utilize both quantitative and qualitative research to tap into customers' subconscious minds to identify motives behind their purchase behavior. Marketers rely on market research to monitor the driving factors of product demand and to estimate the potential of new product success.

Several limitations and pitfalls face researchers who interview customers about their perceptions, preferences and product usage. Often respondents provide wrong or misleading answers due to reasons like (1) the respondents may be confused, (2) they may be in a hurry, (3) they do not want to disappoint the researcher and try to anticipate what the researcher wants to hear, and (4) respondents make decisions in artificial settings where real money is not involved.

Consequently, marketers run two types of risks when using the research findings. First, customers say that they will buy a product but do not buy the product when it is made available. Second, customers say that they will not buy a product, and then they buy it when the product is introduced by the competition!

Customers Say They Will Buy But They Do Not

A 1993 study by the National Restaurant Association found that there is a gross disparity between what people intend to eat and what they actually eat. They intend to eat health-oriented foods like fresh fruits and bran muffins, but they actually eat a lot of burgers. As a result, many new food products have been less successful. Examples include McDonald's McLean Burgers, KFC's skinless fried chicken, and Pizza Hut's low-calorie pizza.

Pump baseball gloves, the movie *Junior* staring Arnold Schwarzenegger and many other new products have failed or been less successful because consumers behave contrary to survey results. This may lead to losses and bad publicity especially when a new product is introduced to replace an existing product, as was the case when the new Coke replaced the old Coke in 1985.

Customers Say They Will Not Buy But They Do

Customers may not be familiar with their own unarticulated needs and may not properly respond to marketing research. This is often the case when they are asked to evaluate breakthrough products. Respondents might not be able to foresee their long-run use habits for these products at the time of the research. In surveys, customers have often said that they would not buy many products; yet, companies have successfully introduced these products despite these negative results from market research. For example, Chrysler's Minivan, Federal Express, CNN, the first PC server called Systempro by Compaq, and frozen foods proved to be successful. Barry Diller forged ahead with Fox Broadcasting even though surveys said there was no need for another network.

Observation Method

Instead of directly asking customers about their preferences, some researchers obtain such information by observing potential users in their natural settings. The observers make inferences regarding desirable product features and the potential usage. Mirro Company, a cookware manufacturer in Manitowoc, Wisconsin; Steelcase, the Grand Rapids office furniture supplier; and Urban Outfitters, a chain of clothing stores with headquarters in Philadelphia, are examples of companies that successfully follow the observational or anthropological approach to product design.

In the process of developing a product that enables the company to enter the specialty cookware market, Mirro Company used video and direct observation to record the cooking habits and subconscious and unconscious behaviors of customers in their kitchen at home. Every aspect of cooking, storing, using and cleaning cookware, was observed. The designers were able to interpret and integrate the information to develop the Allegro cookware that is round on the bottom and expands to a square at the top. The cookware has a non-stick surface, developed exclusively for Mirro by DuPont that withstands contact with the dreaded metal utensils. The cookware was so successful selling through infomercials since 1998 that the company postponed its introduction to specialty and department stores (Rydholm, 2000).

Steelcase used observation methods to find what makes people work effectively in teams. They discovered by observing office workers that people in teams function more effectively if they can do some work collaboratively and some privately. This led to the design of modular office units called Personal

Harbor. Similarly, Urban Outfitters studied people in their natural settings and observed what would appeal to them, instead of directly asking them about their preferences in clothing. Japanese companies regard observation research as a major method by which they study consumer preferences and behavior. Honda was the first automaker to install coin trays in their cars as a result of observing the inconvenience of finding change at tollbooths (Martin 1995, Johansson & Nonaka, 1987).

Sometimes, customers do not realize the limitation of existing products until an improved product is introduced to the market. Gillette had much research indicating that men were highly satisfied with Gillette Blue Blades. In reality, men were walking around with nicks, cuts, and scratches on their faces. It was only when they saw an alternative, stainless steel blades from Wilkinson, that the complaints about Blue Blades surfaced. Similarly, women were satisfied with regular blades until Gillette introduced Gillette Sensor for Women. Women realized that they did not need to suffer from cuts and nicks as a result of using men's razors (Ovans, 1998).

Observation research has its limitations. Whether it is conducted in a natural or artificial setting, the observation method relies on the observer as a research instrument. Responding as a whole person, the investigator observes, selects, coordinates and interprets information on consumer behavior. Research conclusions run the risk of being self-serving because this method is susceptible to observer effects bias. It is important to understand the investigator's point of view and its impact on the observation. For instance, research subjects who are aware of being observed may change their behavior so as to be viewed in a more socially desirable light. This is similar to the threat in any communication research that the informants, intentionally or unintentionally, say what they think the researcher wants to hear.

While communication and observation research have their strengths and weaknesses, they complement each other and both should be utilized if possible.

ENHANCING THE EFFECTIVENESS OF MARKET RESEARCH

Customers can be grouped into four categories in terms of whether their needs are articulated or unarticulated and whether they are presently being served or not. Table 1 shows four categories of market situations regarding new product development, customer familiarity with core and augmented product, risk of new product failure and the usefulness of market research.

Table 1
Situations of New Products Research

Types of Needs and Customers	Customers Served (Present Customers)	Customers Not Served
Articulated Needs	A. Exploited Opportunities Existing Products Buyers are very familiar with the core and augmented product of the company Some risk of existing product failure Marketing research is very effective	B. Unexploited Opportunities Me-too products, modified or repositioned products for new market segments Buyers are very familiar with the core and the augmented product offered by the competitors Moderate risk of new product failure Marketing research is very effective
Unarticulated Needs	C. Unexploited Opportunities Line extensions, improvements, and repositioning for present market segments Buyers are very familiar with the core and the augmented product Lower risk of new product failure Marketing research is very effective	D. Unexploited Opportunities Breakthrough products Buyers are not familiar with the core or the augmented product Highest risk of new product failure Marketing research is least effective

In situation A, customers' responses are most reliable because they have prior experience in using the product and are clear about their needs. Most product development research focuses on innovations closely related to other existing products, or line extensions or improvements of older products for new applications by existing customers (situation C), or me-too or modified or repositioned products for new market segments (situation B). The most challenging situation for marketing research is for breakthrough products (situation D). Thermo Electron, which sustains a patient's diseased heart until a transplant could be performed, fax machines, VCRs, and microwave ovens were probably too new as product concepts for initial customer evaluations. Customers had too little experience from which they could draw a reliable conclusion.

Three propositions are presented below regarding the effectiveness of marketing research for new product development.

Proposition 8: Marketing research will be more effective when the buyers are familiar with the core product.

Buyers will be more familiar with me-too products, product modifications and line extensions, but less so with new-to-the-world products. Therefore, marketing research is most effective with product modifications, product line extensions and me-too products. Marketing research will be least effective for new-to-the-world products.

Proposition 9: Marketing research will be more effective when the buyers are familiar with the augmented product.

When people are familiar with the augmented product, they are likely to respond correctly about their needs regarding the product.

Proposition 10: Marketing research will be more effective when it is used properly.

Proper use of both communication and observation research is required for the success of marketing research since both methods complement each other. Sometimes market research is used to justify managers' preconceived notions and rejected if the results do not support these notions. Sometimes marketing research is not properly used as in the case of the New Coke in 1985.

GUIDELINES FOR EFFECTIVE MARKET RESEARCH

Ten guidelines are presented here to increase market research effectiveness for new product development. These guidelines apply to all types of product innovations.

1. Nature of Innovation

   Is it a line extension, product modification, product repositioning, me-too or a breakthrough product? Product modifications, repositioning and line extensions are less risky while breakthrough products are more risky. Marketing research is most useful for line extension products. Customers lack foresight and therefore cannot visualize truly revolutionary products. Hal Sperlic, the father of the minivan, who took the concept from Ford to Chrysler, noted that Ford decided not to develop a new minivan since no historical market segment existed for the product (Hamel & Prahalad, 1994). However, Chrysler was willing to take the risk of producing a breakthrough product.

2. Develop an appropriate customer profile in terms of demographics, psychographics, and use habits

   To better serve customers, market segmentation on relevant dimensions is necessary.

3. Develop an appropriate marketing mix

   All four elements of the marketing mix (product, price, promotion and distribution) should fit the needs of the target market segment.

4. Choose the right research method

   Both communication and observation methods have strengths and weaknesses and complement each other. Use communication methods if customers are familiar with the core and augmented product and can correctly visualize the new product and realistically answer the questions. Use observation methods to supplement the communication method. Quantitative and qualitative research can be utilized to tap into buyers' conscious and subconscious motives behind product purchase.

5. Ask the right questions and observe the right behavior

   In the 50's, Tappan asked people how their stoves could be improved. Respondents replied in terms of what they knew could be changed. Old people said: "Move the dials to the front so that I can see them." Young people said: "Keep the dials to the rear so my children won't be able to touch them." Tappan responded by placing the dials between the burners. GE, on the other hand, asked people in focus groups what they hated most about their ranges. One person said: "Cleaning my oven." GE engineers responded with the self-cleaning oven. The dial changers agreed that a self-cleaning oven is what they always wanted and that was what they bought (Martin, 1995).

   Focus on benefits offered to meet fundamental customer needs. Is the product easy to use? Does it make the customer more efficient? Does the product offer a differential advantage over competing products? Berggren and Nacher (2000) suggest that there are six stages of customers' experience with new products: discovery, purchase, first-use, ongoing use, management, and disposal. While direct observation methods are often chosen for researching this type of customer experience lifecycle, the study effort should cover the entire experience from product discovery through disposal.

6. Appropriate product design

   IBM conducted a study that showed that people have less space on their desks at home than in the office. As a result, in 1997, IBM offered a PC with a smaller footprint for home. This PC won numerous product design awards in 1997 for economizing space at the users' desk at their homes. Now many new PCs follow this trend for both home and office PCs.

7. Properly utilize research results

   Regarding market research, Hendon (1994) notes that many firms provide lip service to market research. They pay for the report, read it and then go ahead and do what they wanted to do in the first place. Sometimes this works but often it does not work. He notes that many marketing managers are not properly trained in market research techniques and often pay insufficient attention to research results. He suggests that it is dangerous to launch a new product or service without doing market research.

8. Derive the right conclusions from research

   For example, in a survey, if half the people want a small car and the other half want a large car, then an incorrect response would be a compromise size i.e., a mid-sized car that, in fact, nobody wanted. The best response would be to offer two different sizes of car, one for each segment.

9. The researcher should not be biased

   Are the results going to be utilized only if they support a decision already taken by the management? Market research findings should be considered when making decisions. If the decisions are already made, then market research findings may be rejected if they do not support management's viewpoint. In this case, market research would be a waste of time and effort.

10. Sales and profit forecasts

    The market demand for a new product changes over its life cycle. Many factors affect its demand, namely changes in customer needs and preferences; competitiveness of brands in terms of fit with customer needs and preferences; competitiveness of products with new technology that better meet customer needs; customer awareness; product availability; pricing; and other services such as warranty and after-sale services. Often the purchase-intention scale is used to forecast demand for a new product. However, purchase-intention surveys may not be effective predictors of sales of new products (Ovans, 1998), and problems may arise with aggregation methods used to forecast new product sales using the purchase-intention scale (Dubas et al., 1999).

    It is easier to forecast demand for line extensions because most of the factors that influence customer demand are often known. Information about me-too products can be collected since the product is not new to the market. It is, however, more difficult to forecast potential sales and profitability of a breakthrough product because there is no historical basis for accurate estimation of its demand. For example, when the first computer was developed, the experts estimated that six computers would meet all the world's computational needs. When the Internet was commercialized, the experts forecasted that it would create less impact on people than radios or televisions (Jobs, 1996). Various statistical techniques can be utilized to forecast demand and profits. However, it is recommended that researchers should develop three estimates: most pessimistic, most likely and the most optimistic. These three estimates may be used individually or combined using a weighted average for decision making.

An Application: New Coke Versus Coke Classic

In 1984, PepsiCo had been conducting the "Pepsi Challenge." They sponsored nation-wide blind taste tests, and the majority preferred Pepsi to Coke. When The Coca-Cola Company conducted their own blind taste tests, they also found that the majority preferred Pepsi over Coke. Sergio Zyman, a former PepsiCo marketer, had enormous success at the Coca-Cola Company when he introduced Diet Coke in 1982. He was the head of U.S. marketing for the Coca-Cola Company when he was put in charge of the top-secret Project Kansas in 1984. The company invested US $4 million in market research in 190,000 blind taste tests in which new Coke beat old Coke and Pepsi. Zyman acted boldly to reverse Coke's 20-year market-share decline versus Pepsi and replaced the 98-year old Coke with a better-tasting new Coke in 1985. As a result of customer revolt, however, the old Coke was brought back to the market as Coca -Coca Classic, 79 days after the introduction of the new Coke (Hendon, 1994).

The new Coke (Coca-Cola) became a famous new product flop. How did this happen? Let us examine the decision making process at Coca Cola Company that led to the introduction of new Coke and what role marketing research played in the development and introduction of new Coke.

1. Nature of Innovation.

This is a product modification since the old Coke formula was modified in the new Coke, which replaced the old Coke. Marketing research should have been very effective in this situation since buyers were very familiar with the core and the augmented product.

2. Develop an appropriate customer profile in terms of demographics, psychographics and use habits.

Customer profiles should have been developed for existing customers and those that had switched to the main competitor, Pepsi Cola Corporation. However, Project Kansas was a top-secret project and specific information about customer profiles is not available to the public.

3. Develop an appropriate marketing mix.

An appropriate marketing mix was developed in term of pricing, promotion and distribution. However, the new Coke was not acceptable to many customers especially when the Old Coke (Coke Classic) was not provided.
In 1985, Coca-Cola Classic was introduced alongside Coca-Cola (new Coke), and the two brands had distinct advertising campaigns, with the youthful, leading edge "Catch the Wave" and "We've got a Taste for You" campaigns for the new taste of Coke (Coca-Cola) and the emotional "Red, White and You" for Coca-Cola Classic. In 1992, new Coke was renamed Coke II with a new can with some blue color, Pepsi's traditional color. Coke II is still available in selected metro areas. Coca-Cola executives and many others in the soft drink industry believed that cola drinkers prefer the taste of new Coke, even though they remain fiercely loyal to old Coke and Pepsi – a loyalty perhaps more due to advertising campaigns than to taste (The Coca-Cola Company, 2003).

4. Choose the right research method.

The right research method was not chosen. Blind taste tests were not supplemented by taste tests with brand names. The researchers and executives focused on product and not the brand itself and thus ignored customers' emotional attachment with the brand.

5. Ask the right questions and observe the right behavior.

The right questions were not asked and customer behavior was not observed. Zyman's team had ignored the emotional bond of customers to the old Coke. The Coca-Cola Company executives did not ask their focus groups: "What would you think if new Coke were to replace old Coke and whether or not they would want a new Coke?" As a result, they did not realize the passionate attachment Americans had to Coke. It seemed that Coke was almost part of the patriotic feeling of being an American. All Coke's top executives were foreign born - Brazilian, Mexican, Argentinean, and Egyptian – and therefore were not intimately aware of the American patriotic attachments to various products (Hendon, 1994).

6. Appropriate product design.

The product was not designed properly since it relied only on blind taste-test comparisons. The design ignored the appeal of the original Coke with the brand name attached to the product.

7. Do not ignore research results.

Research was not properly conducted and McCann Erickson Agency's advice about introducing new Coke as a flanker brand was ignored.

8. Derive the right conclusions from research.

Correct conclusions were not drawn from the research. Blind taste test comparisons that favored the new Coke should have been followed by further taste tests with revealed brand names because the brand names are revealed in the real world. In addition, the management's decision to sell only the new Coke and not the old Coke was not supported by market research.

9. The researcher should not be biased.

The managers were biased in favor of the new Coke. Also all top executives were not born in America and Coca- Cola was revered almost like the American flag.

10. Sales and profit forecasts.

Sales and profit forecasts for the new Coke were not reasonable. Coca-Cola executives misread customers' deeply held values about the old Coke.

CONCLUSION

New product success is enhanced by buyer familiarity with the core and the augmented product, effective marketing research, higher perceived rewards of switching to the new product and the buyer's willingness to adopt the new product. Researchers can enhance the effectiveness of market research and new product development by addressing issues pertaining to these factors. Market research for new product development is more effective in some situations and less effective in others. The effectiveness of market research also lies in the method of gathering information regarding customer needs and the difficulty of inferring product demand based on the findings. Marketers should be cautious of the limitations of research methods.

It is necessary to realize that both communication and observation methods have something to offer. Managers and researchers are encouraged to be open to multiple research strategies and alternative ways of seeking information. Furthermore, it is also important to accommodate competing insights from different methods and seek convergence of these insights.

Finally, a good idea today may not be good enough tomorrow. In today's market, customer preferences can change rapidly with new developments in technology. In industries where the product life cycle is relatively short, customer preferences can be fleeting. One might call it the cycle of consumer sentiment. New products have a better chance of success if they are introduced at the beginning of a shift in the customer sentiment. Hence research effort has to be continuous to keep abreast of changing buyer needs. Managers then have to strive for faster cycle time than their competition in translating research findings into products.

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OUTCOMES ASSESSMENT PROGRAM FOR CORE MARKETING COURSES AT THE UNIVERSITY OF PITTSBURGH AT JOHNSTOWN

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ABSTRACT

The author has developed an outcomes assessment plan for the three courses comprising the core of the marketing track within the business major at the University of Pittsburgh at Johnstown (UPJ). The plan has been accepted by business department faculty and will be fully implemented upon the completion of a pilot study in the fall 2003 semester. Various assessment tools will be used, including several that are untried within the department. The selection of assessment mechanisms was based on an analysis of current outcomes assessment theory, the identification of tools that have been used effectively at other colleges and universities, a list of critical marketing skill and knowledge areas prepared earlier by two UPJ business faculty, and a set of expected student outcomes identified obliquely in UPJ's mission statement and promulgated in its Strategic Plan. Given the dynamic nature of assessment programs, changes will undoubtedly be made to the set of tools identified here. The successful implementation of this assessment plan should result in the development of students who are better prepared to handle the rigors of professional employment or graduate school. Students, employers and the University should all benefit.

INTRODUCTION

The use of outcomes assessment to measure undergraduate educational quality has grown enormously in recent years as governments and accrediting agencies have pushed for evidence of student learning. Assessment is usually carried out at three interrelated levels: university, program, and course. During the past two decades, the focus of assessment has shifted from measuring the quality of inputs (e.g. SAT scores, high school class rank, faculty credentials, library holdings) to measuring the quality of learning.

Alverno College in Milwaukee is at the forefront of the outcomes assessment movement (Alverno College, 1990). Its well-established and oft-imitated assessment program incorporates dozens of activities to monitor and improve individual student learning. Alverno, a predominantly women's college of 1,000 students, has developed the following set of assessment principles:

- Assessment puts the focus on the student's progress toward publicly identified learning outcomes, with explicit criteria for success.
- Assessment calls for the student to integrate what she knows with what she can do - the concept of performance.
- Assessment is not an "add-on" but an on-going, integral part of the learning process.
- Assessment entails feedback to the student: detailed, behavioral diagnoses of strengths and weaknesses through which she eventually develops the skills of self-assessment necessary for independent learning.
- Assessment entails externality; student performances are evaluated not only by their teachers but by external assessors.
- Assessment samples student performance in a variety of settings (the major, support area, off-campus experiential learning, etc.) and in multiple modes (writing, speaking, group interactions, etc.)

Alverno's assessment model is student-centered, goal-oriented, integrative, inclusive and evolutionary. Most universities are too large or lack available resources to carry out enterprise-wide assessment at this level. But many individual programs have successfully implemented the Alverno model, at least in part. For example, the Health Studies Department at Eastern Illinois University (EIU) has established an assessment program that includes portfolio assessment, an Advisory Council review of student competencies, a review of internship performance by supervisors, focus group and exit interviews with graduating seniors and alumni surveys (Deming, Doyle & Woods, 1993). The use of an Advisory Council is noteworthy because it consists of 16 health care practitioners from the local community who regularly meet to discuss competencies essential to their field and to measure the progress of EIU students in mastering these competencies. The practice of including external stakeholders in the assessment process is becoming increasingly popular. The advantages are clear: these experts can help determine the set of skills required for success in their field and clarify the expectations of graduating seniors.

Dill et al. state that assessment programs should measure quality relative to the university's mission and include a combination of performance indicators, self-analysis and external review (Dill et al., 1996). Boud calls for the use of sustainable assessment, asserting that the measurement of student learning should focus on those skills that are necessary for lifelong learning in both formal and informal settings (Boud, 2000). He argues that assessment programs can be developed to meet the needs of the present without compromising the ability of students to meet their own future learning needs. In short, assessment programs should be designed to simultaneously measure student learning and provide students with the skills needed to undertake their own assessment activities as they go through life.

THE ASSESSMENT PROCESS AND THE VALUE ADDED ASSESSMENT INITIATIVE

There is general agreement that the assessment process is composed of four steps: establishing standards to achieve objectives, designing instruments and activities to measure outcomes, creating experiences that provide desired outcomes, and using assessment results to improve the process and the learning outcomes (Manton & English, 2002). Assessment instruments fall into three major categories: objective tests, authentic assessment, and indirect assessment. Objective tests are typically used to measure a student's comprehension of facts and concepts, the so-called lower-order skills. Authentic assessment tools measure more subjective, higher-order abilities such as critical thinking and problem solving. These include projects, papers, case analyses and portfolios. Indirect assessment involves asking students or alumni to determine how well they learned the skills needed to be successful in their field. DeMoss and Benzing caution that, while this kind of testing is easy to administer, its validity is questionable, especially when current students are asked to determine how useful their program has been in preparing them for employment (DeMoss & Benzing, 2002). Most students don't fully comprehend what they need to know or be able to do.

An example of using assessment to measure the development of lower-order skills at the course level is provided by the College of Business and Technology at Texas A&M University-Commerce (Manton & English, 2002). During the Fall Semester of 1999, they implemented a process designed to assess student knowledge of basic concepts considered important in business core courses. For each selected course, instructors were required to prepare in advance a list of what students should know. Standardized questions were then prepared for each knowledge item. These questions were administered to students through exams during the semester. This process required instructors to establish learning objectives and appropriate test questions before the first day of class, which ensured that adequate attention would be given to the most salient subject matter.

The measurement of higher-order skills is more problematic and - apparently - less common. Schneider reports that such measurement is sorely lacking. Citing results from the National Survey of Student Engagement (2001), she states:

As a community, and on most campuses, we remain unable to provide useful information on students' development of outcomes that are widely considered important, not just within the academy but for proactive participation in the economy: analytical and communicative capacities; facility in addressing unscripted problems in one's own field; the ability to translate skills and knowledge to new domains and new kinds of problems; the capacity to take context and contingencies into account in resolving problems; the ability (and inclination) to integrate learning from different contexts; the ability to learn with and from others; the capacity to assess the ethical and value dimensions of an issue; or the ability to take others' views productively into account in solving real-world problems...too much of the higher education assessment effort is still going into institutional study of more basic aspects of students' learning such as writing (especially entry- and minimum competency writing tests), mathematics assessment (typically aimed at what should be a high school level of attainment), and reading (Schneider, 2002).

Schneider adds that it's time "for higher education to proactively lead a national effort to focus assessment on higher-level learning outcomes." (Schneider, 2002) She espouses the Value Added Assessment Initiative (VAAI), whose leaders "are experimenting with ways to assess the academy's most advanced outcomes, and not just our most minimal requirements" and "are asking whether students can apply their analytical skills and knowledge to novel tasks, tasks reflective of the issues citizens and professionals actually encounter in the world beyond college" (Schneider, 2002).

The VAAI was established in the fall of 2000 by the RAND Corporation's Council for Aid to Education (CAE) (Benjamin & Hersh, 2002). Its goal is to create measures of quality in higher education that anyone – students, faculty, university administrators, employers, parents – can use to evaluate the quality of academic programs. It identifies quality as the success of a program in developing the abilities students will need to be successful in life. It recognizes that some students enter college with greater life-skills and knowledge than others. Value added is the difference the program makes in the student's development, taking into account where the student started. Measuring value in this way requires assessing what students know and can do as they begin college and comparing it to what they know and can do upon graduation.

Since VAAI's inception, several academics have weighed in on its mission and prospects for success. Schneider contends that VAAI exercises should be incorporated throughout the curriculum but are essential in credit-bearing senior year capstone courses (Schneider, 2002). She argues that students need incentives to show what they are capable of doing and how much they have progressed. The best incentive available in a course is a letter grade. Schneider either ignores or fails to recognize the possibility of measuring learning and skills development through experiential methods such as internships, projects and service learning. Benjamin cautions that value added assessment will provide utility to a program only if it results in continuous improvement of curricula and pedagogy (Benjamin & Hersh, 2002). Strada echoes this sentiment, adding that measures of student assessment must be coordinated with faculty classroom responsibilities (Strada, 2002). Where students fail to develop, courses, and possibly programs, must be changed.

Stephen Klein, a member of the VAAI development team, has prepared a list of factors that should be considered in evaluating the efficacy of a given approach to measuring value added (Klein, 2002). Paramount among them is that faculty must view the chosen measures as being appropriate indicators of the skills and abilities that should be enhanced by a college education. But, according to Douglas C. Bennett, President of Earlham College, reaching a consensus on appropriate measures is a difficult task (Bennett, 2001). Even within a department, "value" may have many dimensions. Moreover, effects unfold over time. Some contributions to learning may only be realized years after a student has graduated. Should an attempt be made to measure these effects while the student is still in school?

While the VAAI has not completed its framework for measuring value added, Klein has provided some examples of generalized tasks that may be considered appropriate indicators of relevant learning. They include:

- Formulating hypotheses to explain some phenomena (as described by a table, figure, or text) and the development of a plan to determine which hypothesis (or combination of hypotheses) is most likely to be correct.
- Anticipating the possible consequences of (and methods for coping with) different types of problems, such as an environmental challenge, a new law or social policy, a glitch with a new product or client, or an anticipated employee action or employer policy.
- Demonstrating an understanding and tolerance of the points of view of others so as to reach a viable and effective solution to a difficult situation.
- Weighing the pros and cons of alternatives in order to make and justify

an equitable or appropriate distribution of limited resources when there is no ideal solution and limited information available (Klein, 2002).

Taylor and Marienau propose the use of constructive-development theory as a framework for assessment (Taylor & Marienau, 1997). This theory, developed by Kegan, has its roots in Piaget's theory of cognitive development. It is predicated on the belief that development occurs through shifts in perception. Central to this theory is the assumption that cognitive development moves over time from simple to more complex, and that "third level" development usually occurs during the years when traditionally aged students are college undergraduates. Taylor asserts that students develop the capability of thinking at a higher level as they mature. Therefore, comparatively greater higher-order reasoning should be asked of students as they approach graduation.

Kanuka suggests using the SOLO taxonomy, developed by Biggs, to measure mastery of academic work (Kanuka, 2001). The SOLO taxonomy recognizes five levels of cognitive sophistication:

1. Prestructural – the task is not attacked appropriately.
2. Unistructural – one or more aspects of the task are picked up and used (understanding as nominal).
3. Multi-structural – several aspects of the tasks are learned but are treated separately (understanding as knowing about).
4. Relational – the components are integrated into a coherent whole, with each part contributing to the overall meaning (understanding as appreciating relationships).
5. Extended abstract – the integrated whole at the relational level is reconceptualized at a higher level of abstraction, which enables generalization to a new topic or area (understanding as far as transfer and as involving metacognition).

Again, greater higher-order thinking should be expected of students as they progress through school.

Almost all academics agree that the development of critical thinking skills is essential in preparing students for life outside college. Unfortunately, critical thinking is difficult to assess. Aretz, Bolen and Devereux have proposed using a multimethod approach based on three components of critical thinking – knowledge, thinking skills and attitudes (Aretz, Bolen & Devereux, 1997). Specifically, they endorse the use of the Reflective Thinking Appraisal for assessing thinking skills and the California Critical Thinking Dispositions Inventory for assessing attitudes toward critical thinking. The third component, knowledge, is discipline-specific and requires different tools for different disciplines. Presumably, students will have mastered critical thinking only when they score well in all three areas. Even students who exhibit superior subject knowledge and critical thinking ability will fail to be successful thinkers if they are not inquisitive. With this three-pronged approach, improvement efforts can be focused on the area(s) of critical thinking where students fall short of expectations.

ASSESSMENT TOOLS

The tools available for assessment include competency exams (including before-after and oral exams), projects (group and individual), papers, case analyses, performances, presentations, portfolios, surveys of current students or alumni (including exit interviews), self-assessment, and external review (including advisory councils and internship supervisors).

Having students maintain portfolios, subject to periodic faculty review, serves the dual purpose of determining (1) whether a student's basic skills have improved over time and (2) whether the student has been exposed to the programmatic information deemed important. To ensure that students keep their portfolios current, faculty should announce at the beginning of the term which material should be added to the portfolio.

Regarding surveys, Bennett states that self-reporting has greater validity when it measures student or alumni perceptions about improvement in *specific* skills such as writing or speaking (Bennett, 2001). Taylor and Marienau argue that self-assessment should not be confined to surveys completed by students at the conclusion of their studies. Students should be encouraged to conduct ongoing self-assessment in the form of reflective writing tasks focusing on a particular aspect of the learning process (Taylor & Marienau, 1997). By looking inward, students begin to recognize where they have achieved success in developing essential skills and – of equal importance - where further improvement is needed. These compositions should be evaluated by faculty members, who then contribute their own candid assessment of the student's strengths and weaknesses and work with the student on devising a plan to improve the student's performance in areas that are substandard.

ASSESSMENT OF CORE MARKETING COURSES AT UPJ

The University of Pittsburgh at Johnstown's (UPJ) Strategic Plan calls for assessment at the university, program and course levels. Assessment is referred to several times in the Plan, most notably in the objectives related to Strategic Initiative 1.5, which encourage departments to develop assessment programs encompassing majors, courses, undergraduate research, service learning, and internships for the purposes of ensuring that students acquire the requisite skills and knowledge for success in their future endeavors and that faculty receive feedback for strengthening academic programs.

In the fall of 2002, the author developed a proposal for assessing the three core courses of the marketing track: Principles of Marketing, Marketing Management, and Marketing Research. These courses are offered each semester and are required of business majors completing the marketing track within the management concentration. Marketing students must also complete other courses chosen from a list of approved related courses. Some of these are marketing courses offered on an irregular basis (i.e. as a special topics course). The proposal focused on the three main courses within the track. In addition to proposing assessment tools for each course, assessment mechanisms were identified for combinations of courses. The proposal was approved by the faculty of the Management Department. Implementation will begin with a pilot study in the fall of 2003.

There is considerable agreement among academics that a formal assessment program should be based on the university's mission. UPJ's mission reads, in part:

> UPJ's mission is to offer an affordable, high-quality educational experience to students of strong intellectual potential...A rigorous curriculum supports this mission by guiding students in developing disciplined, informed thinking; communication skills; problem-solving skills; strategies for information access; respect for the views of others; and a lifetime love of learning.

In 2001, Mr. Ronald Vickroy and Dr. John McGrath of the Management Department prepared a proposal to create a marketing concentration (rather than only a track) for business majors. The proposal included a section on assessment which identified the following skills and outcomes sought for students completing the concentration:

Mastery of basic interpersonal skills.
- -Communications skills (written and oral).
  - -Reports, presentations.
- -Teamwork and collaborative skills.
  - -Basic leadership and interpersonal skills.

Development of critical thinking skills.
- -Problem solving skills.
  - -Ability to assess and interpret key environmental variables.
  - -Issue analysis and interpretation.
- -Decision making skills.
  - -Ability to apply rational thought and objective measures to decision making.

Development of analytical and technical skills.
- -Understand, apply and manage key elements of the marketing mix.
  - -Understanding of pricing, promotion, product and distribution variables.
  - -Conduct basic market analysis.
  - -Ability to assess competitive advantage.
  - -Conduct basic marketing research.
  - -Develop a basic marketing plan.
- -Achieve competency in basic information technology applications.
- -Basic knowledge and understanding of the functional areas of finance and accounting.

Organization skills.

-Time management.

-Capacity to deal effectively with change.

Continuous learning.

-Evidence of post-graduation education and training.

-Graduate study, seminar and conference attendance, workshop, professional licensure.

With an eye on UPJ's mission and Strategic Plan, the author proposed, and the faculty accepted, using the following assessment tools to measure the success of the core marketing courses in developing student proficiency in the knowledge and skill areas identified as critical by Mr. Vickroy and Dr. McGrath:

Pretest/posttest. Students will be given an objective test covering basic marketing concepts during the first week of Principles of Marketing and again upon the completion of the three core courses. Results will be compared to ascertain the extent to which completing the core courses enhanced students' knowledge of important marketing principles. The primary concern will be with aggregated results. If a number of students perform poorly in a particular knowledge area, instructors will know that more attention needs to be paid to that topic. Student grades will not be affected by their performance on these exams, although feedback can be provided to students who appear to be deficient in one or more knowledge areas after taking the exam the second time. Determining when each student should retake the exam may be problematic, since students do not necessarily complete Marketing Management and Marketing Research sequentially. Instructors will need to ask students at the beginning of these courses whether they are about to complete the three course set. As an incentive for students to complete the exam and take it seriously, extra credit can be given or the exam can be substituted for a scheduled course assignment (provided the grade is not based on the student's exam performance). The use of a commercially available standardized exam would permit benchmarking with comparable institutions. Alternatively, an exam could be created in-house to save money and/or gain greater control over question content and format.

Written exams. Written exams are already given in all three core courses. These exams provide an excellent means for determining whether students are learning the basic concepts. They also provide feedback to students about substandard performance. Essay questions and problems are used to measure higher-order critical thinking and problem solving skills.

Oral exams. Upon completion of the three core courses, students will be given a 10-15 minute oral exam in an instructor's office. The exam will cover basic marketing concepts, but the focus will be on the student's ability to communicate his or her thoughts orally on a one-to-one basis without prepared notes or supporting materials. Feedback will be provided to the student. The exam will not be graded, but will be a requirement for graduation with a marketing track.

Individual projects. Individual projects are currently assigned in Marketing Management and Marketing Research. Collectively, these projects measure writing, presentation, critical thinking and organization/information gathering skills. Instructors will work with students individually to develop strategies for improving deficiencies. Improvements will be monitored through an analysis of the student's portfolio (explained below). Instructors will also meet regularly to discuss student progress and alert each other about a student's deficiencies or apparent lack of motivation.

Group projects. Group projects are currently assigned in all three core courses. Feedback is needed from group members about each student's effort and ability to work with the group. In-class group exercises are used in Marketing Research. These provide the instructor with an opportunity to get a first-hand look at how individual students interact with their group.

Term papers. A traditional term paper is assigned in Marketing Research. This provides students with an opportunity to collect and analyze information and prepare a report of limited length using appropriate citation methods. Since Marketing Research is a writing-enhanced course, students are provided with feedback (about quality of the material, quality of writing, conciseness, etc.) and given the opportunity to resubmit the paper. Improvement is measured.

Case analyses. Multiple case analyses are assigned in Marketing Management. This provides students with an opportunity to combine information with intuition, experience and judgment to identify opportunities and problems and develop strategies for improving organizational performance. As students complete more cases, the instructor can monitor improvement in critical thinking and problem solving. Since the case analyses are of a limited length, students must be concise in their analyses.

Presentations (individual and group). Presentations are currently assigned in all three core courses. Instructors can measure a student's ability to speak in front of a group with prepared materials. Since Marketing Research is a speaking-enhanced course, each student makes at least two presentations. Feedback is provided after the first presentation. During the second presentation, the instructor checks to see whether improvements have been made in areas of deficiency and provides feedback again.

Self-assessment. Towards the end of Marketing Management and Marketing Research students will be asked to write a narrative reflecting on their writing and speaking skills and knowledge of marketing concepts. After reading the paper, the instructor will meet with the student to offer his or her candid, constructive assessment of the student's development. Together they will work on strategies to improve areas of deficiency. This exercise will give students a voice in the assessment process. Obviously, it is imperative to make this a positive experience for students. Instructors will be encouraged to use tact in offering criticism and offer praise, as well.

Portfolios. All marketing students will be required to maintain a portfolio of selected work to be submitted at the end of each of the core courses. Instructors will inform the students at the beginning of the course of items to be included in the portfolio. Portfolios will probably consist of written individual and group projects, term papers, case analyses, presentation materials, self-assessments and quizzes and exams. Instructors will review the contents, prepare written comments and meet with the students individually to discuss the quality of their portfolios. Any shortcomings will be discussed and a plan devised to make improvements. The portfolio will be used to help determine whether students are effectively learning about salient marketing concepts and whether their writing, problem solving and critical thinking skills are improving. Ultimately, students can use the contents of their portfolios as samples of their work in job searches. An external advisory council consisting of marketing professionals from the Johnstown area will assist in reviewing the portfolios, though not as extensively as the faculty. These practitioners will provide important insights into whether instructors are covering the right material and students are adequately developing the basic skills necessary for success in marketing employment.

External advisory council. In addition to reviewing portfolios, this council will meet with marketing faculty periodically (perhaps yearly) to apprise them of important changes in the marketing field and/or changes in the skills set required of successful marketers. Establishing and maintaining this correspondence will provide the additional benefit of enhancing the university-business community relationship. Council members will feel a sense of ownership in the student learning process.

External review of student performance. Supervisors of internships, service learning assignments and other experiential activities engaged in by marketing students will be called on to review student performance. This will be handled through periodic focus group discussions, informal interviews, reports or questionnaires.

Exit surveys and surveys of alumni. Upon completing the core marketing courses, students will be asked to complete a self-administered questionnaire to evaluate the quality of the marketing education they have received. Similar surveys will be administered to these students at pre-determined intervals after graduation to see if their opinions have changed. For example, surveys may be mailed to students one, three and five years after graduation. The survey instrument could be left unchanged, resulting in a longitudinal study designed to determine whether the passage of time and/or the influence of work and other life experiences has impacted student opinions of their UPJ marketing education. Alternatively, the questionnaire could be modified to reflect probable changes in students' lives after graduation. Either way, valuable information will be obtained about the perceptions of former students towards the education they received in their chosen track.

CONCLUSION

The assessment program described above has been approved by the faculty of UPJ's Management Department, which believes it is ambitious but attainable. Responsibility for implementing the program will rest primarily with the two members of the UPJ management faculty who teach marketing courses. Currently, one of these instructors teaches about 75% of the core courses, including every section of Principles of Marketing. To achieve an equitable distribution of the workload, some "sharing" of Principles of Marketing students will be necessary. This should be accomplished with little difficulty.

Once implemented, the marketing assessment program will always be a work-in-progress. Some of the tools recommended above undoubtedly will work in less than exemplary fashion when put into practice. Others might require the utilization of too many resources to be of benefit. These tools will be modified or eliminated. Conversely, effective assessment tools not identified in this proposal could be added to the mix. Successful assessment programs are inherently flexible and dynamic.

Students, employers and colleges should all benefit from the successful implementation of assessment programs like the one described here. By achieving in the aggregate the learning and skills objectives established in the assessment plan, colleges will turn out graduates better equipped to handle the increasingly complex requirements of professional employment. In turn, the colleges will enhance their reputation for supplying the marketplace with qualified employees. Students will benefit by graduating with knowledge and skills deemed desirable by employers (or graduate schools). With a more holistic approach, society will benefit as students develop a keener understanding of how they can contribute to the improvement of their communities.

FUTURE DIRECTIONS

Relatively little empirical support exists for the efficacy of specific assessment tools. Researchers may want to examine tools in widespread use, especially those that are time-consuming and/or expensive to maintain (e.g. portfolios), to determine their contribution to the attainment of assessment objectives. It should not be taken on faith that every tool currently in vogue is truly effective in helping students learn or develop important skills. At the very least, a careful analysis of assessment mechanisms is likely to lead to the recognition of some tools that – while useful – are of questionable worth from a cost/benefit perspective. By identifying tools of dubious merit, researchers will enable faculty and administrators to focus their energies on assessment mechanisms that really make a difference.

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VETERANS' PREFERENCE IN HIRING AT PENNSYLVANIA'S STATE SYSTEM UNIVERSITIES

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ABSTRACT

Pennsylvania's Military Affairs Act of 1975 requires the use of veterans' preference in Pennsylvania government employment. Veterans' preference legislation and its regulations indicate that, if a veteran meets the minimum qualifications for a government position in Pennsylvania, then he/she shall be given preference over any non-veterans in the hiring process. To date, not one study has been conducted on the impact of veterans' preference in Pennsylvania's State System of Higher Education. To begin to fill that void, human resources directors and selected social equity/affirmative action directors at Pennsylvania's State System universities were surveyed, in part, to gain insight as to how veterans' preference may have affected hiring practices and decisions at their universities. This study also enabled the researchers to collect data on how those involved in the hiring process, such as search committee chairs, department chairs, unit heads and others, were made aware of veterans' preference and how to comply with the regulations.

INTRODUCTION

The use of veterans' preference in hiring in Pennsylvania's state government agencies and institutions is nothing new. However, the knowledge and application of the law seems to be a recent development at Pennsylvania's State System universities. A survey of human resources directors and selected affirmative action directors at these universities has enabled the researchers to gather data regarding the awareness and implementation of veterans' preference in university hiring.

HISTORICAL PERSPECTIVE

Veterans of the armed services have received preference in federal job appointments since the close of the Civil War, when the U.S. Congress decided to provide veterans with credit for the economic loss incurred while serving their country and to repay the obligation it recognized to disabled veterans (U.S. Office of Personnel Management [U.S. OPM], 1999). At the federal level, the legislation enacted over time has required that an individual either have a service-related disability or have served in a combat area to receive federal employment advantages (U.S. OPM, 1999). Given that the laws must be updated to define eligibility parameters following each conflict/war in which U.S. troops are engaged, there have been many revisions of legislation. Today's veterans' preference law is derived from the Veterans' Preference Act of 1944, as amended; it is codified in several provisions of title 5, United States Code (U.S. OPM, 1999). The most recent amendment to title 5 was in 1998 with the Veterans Employment Opportunities Act, with hiring preference extended to virtually all federal opportunities (Veterans Employment Opportunities Act, 1998).

Veterans' preference in Pennsylvania can be traced back to 1887 when the Pennsylvania legislature, like its federal counterpart, initially granted a preference to civil war veterans (Marlowe, 1995). They were to be preferred for public positions throughout the Commonwealth (Milcoff, 1999). Additional veterans' preference laws applying to specific agencies and varying classes of cities were enacted between 1906 and 1937 (Milcoff, 1999). At the end of World War II, the Veterans' Preference Act of 1945 was passed as the Pennsylvania legislature anticipated the return of many veterans to the work force (Milcoff, 1999). In 1975, the legislature repealed the 1945 law and replaced it with the Military Affairs Act of 1975, specifically sections 7101-7109, which for the most part are a re-enactment of the Act of 1945 (Milcoff, 1999).

PENNSYLVANIA'S VETERANS' PREFERENCE

Veterans' preference law in Pennsylvania is more favorable to veterans than the corresponding legislation at the federal level. At the federal level under the Veterans Employment Opportunities Act of 1998, a person is "preference eligible" if the person has been honorably discharged from the armed forces after three or more years of active service (Veterans

Employment Opportunities Act, 1998). Preference eligible individuals are then allowed to compete for vacant positions at the federal level where the agency is accepting applications from individuals outside its own workforce. The positions include standard civil service openings, as well as jobs in the "excepted service," those that are not governed by civil service laws and the U.S. Office of Personnel Management, such as positions in the Federal Bureau of Investigation or the Central Intelligence Agency (U.S. OPM, 1999).

In Pennsylvania, veterans who have completed their military service commitment and received an honorable discharge are eligible for veterans' preference. Members of the National Guard or Reserves are eligible if they have completed basic training. Spouses of disabled veterans and widows or widowers of veterans are also eligible. However, widows or widowers who remarry and divorced spouses of disabled veterans are not eligible to claim veterans' preference. Under Pennsylvania law, service in a declared war or disability is not a qualifying requirement for preference eligibility (Military Affairs Act, 1975). The constitutionality of the Pennsylvania Veterans' Preference Act was challenged and upheld in the U.S. District Court in 1997 (Giles v. Dunmore Borough Council, 1997).

Individuals who pass Pennsylvania state civil service examinations required for appointment to positions covered by the Commonwealth of Pennsylvania's merit system receive additional benefits in recognition of their military service (Military Affairs Act, 1975). This legislation applies to non-civil service appointments as well, for example, appointments to any one of the Pennsylvania's State System universities. In recognition of their service and loyalty, legislators sought to favor veterans who apply for public employment positions (Milcoff, 1999).

METHODOLOGY

The application of Pennsylvania's veterans' preference law has been a topic of high interest over the past decade in Pennsylvania's State System of Higher Education (SSHE). Both administrators and faculty at Pennsylvania's State System universities have expressed concerns about how this legislation affects the hiring process and impacts other goals. To learn more about how the legislation impacts hiring in State System universities and other related issues, an exploratory study was conducted involving all 14 SSHE universities: Bloomsburg, California, Cheyney, Clarion, Edinboro, East Stroudsburg, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock and West Chester.

Phone interviews were conducted with representatives of the human resources departments at all 14 universities, usually with the vice president or director of human resources. A half-dozen social equity or affirmative action directors were queried as well for supplemental information and to clarify certain practices. A structured questionnaire was used, but the researchers asked other in-depth and follow up questions that varied from respondent to respondent. Selected questions from the survey are presented in Table 1 – Summary of Responses.

RESULTS

Impact on Hiring

Generally speaking, the respondents believed that veterans' preference did have an impact on hiring at their respective universities. At twelve of the universities, respondents noted that, at the very least, it forced their organizations to review their hiring policies and procedures to ensure that they were not in conflict with veterans' preference legislation. One respondent noted that while his/her university did not make an extra effort to recruit and hire veterans, veterans' preference was still viewed as the "ultimate preference." It superseded all other preferences. Yet, some respondents volunteered that they did not consider veterans' preference as part of affirmative action, since affirmative action is designed to eliminate the effects of past discrimination against protected minority groups and women. Four of the respondents said that veterans' preference in hiring is viewed disdainfully by a few faculty at their universities due to stereotyping and negative attitudes towards veterans. Rick Weidman, director of government relations for the Vietnam Veterans of America, coined the term "vet-ism" to describe the bias against hiring veterans and claimed that it is as real as other "isms," such as sexism and ageism (Crawley, April 15, 2002). Search consultants at Wesley, Brown & Bartle Co., Inc., a New York City-based search firm that specializes in diversity and military recruiting assignments, conducted a study in 1995 for the Chairman of the U.S. Joint Chiefs of Staff (<http:// www.wbbusa.com/ MilitarySourcing.htm>). The results indicated that veterans were "vastly underemployed" and that veterans faced barriers to employment similar to those faced by women and minorities. Further evidence of negative attitudes towards veterans' preference was discovered in

Elliott's 1986 study on the attitudes of a random sample of state merit system employees and human resource professionals in the State of Alabama (Elliott, 1986). In brief, he found that veterans' preference was not viewed as a popular system by state merit system employees and was clearly perceived negatively by the human resource professionals (Elliott, 1986).

Identifying Veterans

The practices used by State System universities to identify veterans in the applicant pool vary widely. One university, Clarion, actually asks the job applicants for staff positions to indicate on the application blank if they are claiming veterans' preference. Most of the other universities are less proactive in identifying veterans. Using pre-employment inquiry cards whereby a job candidate may disclose his/her veterans' status as well as gender and ethnicity/race is standard practice at State System schools. Since the completion of these cards is voluntary and does not require the candidate to list his/her name, social equity/affirmative action directors and human resources personnel may not always correctly identify veterans as well as protected minority group members. Further, since most applicants for administrative and faculty positions do not fill out application blanks, search committee members may only be able to determine if a candidate is a veteran if he/she includes military service and type of discharge on his/her resume. In such a case, committees dominated by members with negative attitudes towards veterans may exclude such a candidate from further consideration.

Awareness of Veterans' Preference

There appears to be considerable variance among the State System universities in terms of the extent to which department chairs, unit heads and search committee members are made aware of veterans' preference. While 13 schools have hiring procedures manuals (approved or pending approval), six make no mention of veterans' preference in their manuals, while others only briefly mention the law without explaining the eligibility criteria or the purpose of the law. Oversight for compliance with veterans' preference as well as other employment discrimination laws is split between human resources departments and social equity/affirmative action offices. For the most part, human resources departments deal primarily with staff hiring while social equity/affirmative action is more directly involved with administrative and faculty hiring, including training those involved in the hiring process. At some State System universities, human resources personnel are involved with every search that takes place on their campuses in one way or another.

Annually, five State System universities hold general training sessions for search committee chairs, department chairs, directors and other administrators involved in the hiring process. However, the sessions are not mandatory for faculty members. In other cases, social equity/affirmative action directors hold separate meetings with each search committee to discuss the hiring process and compliance with equal employment opportunity laws, affirmative action, veterans' preference regulations and the relevant collective bargaining contract. One university relies primarily on inter-office correspondence to disseminate relevant veterans' preference information.

TABLE 1
Summary of Responses

QUESTIONS	YES	NO	NOT SURE
Has Pennsylvania's Veterans' Preference legislation had an impact on hiring at your University?	12	2	0
Have department chairs and unit heads been made aware of Veterans' Preference legislation and its requirements for hiring?	13	0	1
Have search committee chairs been made aware of Pennsylvania's Veterans' Preference legislation and its requirements for hiring?	14	0	0
Does your hiring procedures manual specifically make reference to Pennsylvania's Veterans' Preference legislation?	8	6	0
Has your university encountered any resistance in complying with the Veterans' Preference legislation?	12	2	0
Were veterans offered jobs within the last 12 months as a direct result of Veterans' Preference?	8	4	2

Resistance to Veterans' Preference

At 12 schools, respondents noted that they have encountered some resistance from search committee members and others in their willingness to comply with veterans' preference. More often than not, the resistance emanates from the faculty. In addition to the antipathy towards veterans cited earlier, some faculty members believe that veterans' preference is unfair and may result in a position being filled by someone who is far from the best. Also, some faculty do not like to be told what to do and, as a result, may purposely exclude veterans assuming that they are able to ascertain a candidate's veteran status. There is a concern that giving preference to veterans will undermine the diversity goals of the university and make it more difficult to hire women and protected minority group members. This argument may be less valid today as it relates to minorities considering the ethnic/racial composition of the military over the past few decades.

In general, the respondents felt that, after raising some initial objections to veterans' preference, most of those involved in searches accepted the use of veterans' preference and seemed genuinely interested in complying with the legislation. This was especially true after learning that the candidates still had to meet the minimum qualifications for the job.

Veterans Hired

For the twelve months preceding the survey, respondents reported that their universities extended contract offers to anywhere between zero and six veterans as a direct result of veterans' preference, with approximately seventy percent of the veterans accepting the offers. At one university six veterans were extended offers of employment, while at seven others it was estimated that between one to three veterans received offers. Respondents from three of the universities stated that no veterans were offered contracts as a direct result of the legislation. In three cases, the respondents simply did not know how many veterans were extended offers, nor were they able to provide a reasonable estimate. Veterans were hired to fill high-level administrative positions as well as staff and faculty slots (Slightly more than twenty percent of the job offers to veterans went to faculty candidates.). A few rejected veterans called to inquire why they were rejected and threatened to file a complaint with State Human Relations Commission or file a lawsuit. However, no such complaints or lawsuits were filed during the examination period. According to the State System's Office of Legal Counsel, several State System universities were defendants in no less than five federal and state actions arising from alleged violations of the veterans' preference law prior to 1997.

THE FINALIST POOL

In recent years, the State System's legal counsel has tried to provide guidance to the universities through a series of legal opinions on how to comply with Pennsylvania's veterans' preference. In part, the legal opinions were issued in hopes that State System universities would use them to comply with the law and, thus, avoid being defendants in costly and protracted litigation.

In 1996, the State System's chief legal counsel recommended using a "finalist pool" in applying Pennsylvania's veterans' preference. Of course, in order for this to work, a search committee must produce a pool of at least two, preferably three, candidates to award veterans' preference. While most administrative and staff search committees may be able to do this, faculty search committees currently do not have to comply with such a request. The collective bargaining agreement between the faculty and the State System, known as the Agreement Between Association of Pennsylvania State Colleges and University Faculties (APSCUF) and State System of Higher Education (State System), July 1, 1999 to June 30, 2002, prohibits the State System from mandating that faculty search committees present more than one candidate as a finalist. Specifically, Article 11 (see Sections A through D) grants faculty the right to recommend for appointment a single candidate. As a result, the faculty are under no obligation to forward to the president more than one name as their "finalist pool." While the State System acknowledges this right, it still strongly recommends the desirability of having searches produce a finalist pool of at least three candidates when feasible.

Another important and related concern is who is a finalist. Is an applicant a finalist if he/she meets the minimum qualifications for the position as stated in the position announcement (advertisement) or job specification? Perhaps. While the court in Brickhouse v. Spring-Ford Area School District (1995) recognizes that employers must be free to set hiring criteria to ensure competency, it also notes that the criteria for the position must be spelled out in advance of the selection process and not formed ad hoc during or after the selection process (Milcoff, 1999). So, adding criteria such as the completion of a successful interview or an effective teaching demonstration after the search process has begun may not wash with the courts. Thus, search committees are advised to include "completion of a successful interview is required" in all advertisements and position announcements. Further, search committees are cautioned to refrain from referring to candidates who are invited for on campus interviews as "finalists."

In addition to the training provided by the universities' administrations regarding veterans' preference legislation and its role in the hiring process, the lawyer who serves as director of contract implementation for the Association of Pennsylvania State College and University Faculties (APSCUF), the statewide faculty union, was very active in requesting the local union officers to urge their respective university administration to educate those involved with faculty hiring with regard to Pennsylvania veterans' preference law. The faculty union saw the need to assume an active role as a result of a finding against West Chester University (WCU) in 1996 (Dautremont v. West Chester University, 1996). The Commonwealth Court of Pennsylvania found that WCU violated the Veterans' Preference Act for non-civil service positions and awarded the petitioner, a disabled veteran who met the minimal advertised qualifications, a position at WCU. This finding, in conjunction with the Brickhouse determination, convinced the union that serious changes had to be made to the way faculty position announcements are advertised. In 1997, APSCUF's lawyer found no faculty position announcements that had a requirement to "successfully deliver a lecture" and only one university's announcements, those at Kutztown, explicitly stated the need to complete a "successful interview." In 2002, the researchers determined that virtually all announcements for all faculty positions at the 14 universities include at least the requirement of completing a "successful interview or teaching demonstration."

CONCLUSIONS & FUTURE RESEARCH

During the past six years, the State System has made a serious effort to educate university administrators, in particular social equity/affirmative action directors and human resources directors, on the importance of complying with Pennsylvania's veterans' preference statute. Given that not one single action for violation of this statute has been filed against a State System university or employee since 1996, it would appear that State System administrators have achieved one level of success. A caveat is in order, though. The absence of lawsuits or complaints should not automatically be construed to mean that State System universities are actually giving preference to veterans as intended by the legislators. The use of subjective, yet legally defensible, selection devices, such as interviews, presentations and demonstrations, could be used by some search committees to eliminate veterans from consideration as finalists. Although some State System employees may still harbor negative attitudes towards veterans, the fact that most search committees consist of at least three members may serve to negate the bias against veterans that any one individual may bring to the process.

Another factor to consider in examining the State System's recent record in implementing veterans' preference is the likelihood that some veterans may be unaware of their rights under Pennsylvania's veterans' preference law and regulations, and, as a result, fail to take any action after they have been rejected for a position. This may be especially true for veterans who reside in states outside of Pennsylvania and apply for non-civil service positions at State System universities. State codes regarding veterans' preference do vary. (See survey results of veterans' preference laws and regulations (<http://www.vfwdc.org/NEVO/guide.htm>). So, if public sector employers do not inform veterans of their rights as applicants in their states, the veteran may erroneously assume that veterans' preference is implemented and enforced in the same manner from one state to the next. Further, if the veteran applicant currently resides in a state where veterans' preference is highly limited, he/she may assume that the same limitations apply in Pennsylvania. Implementing an application process with standard forms on which applicants declare their veteran status early in the process may help raise veteran and search committee awareness regarding the preference statute. A brief description of Pennsylvania's veterans' preference rights could be sent to each candidate upon receipt of an initial application on which veteran status is declared.

There appears to be great variation across State System universities in informing and educating employees involved in recruitment activities on the need to comply with Pennsylvania's veterans' preference. Some universities barely give more than lip service to the law during meetings and training sessions with search committees. Further, some universities do not even mention the statute in their hiring procedures manuals. At a minimum, each State System university should include in its hiring procedures manual the following: an explanation on what is Pennsylvania's veterans' preference, who is eligible, and how to comply with the law.

Another important issue for search committees is how to adhere to Pennsylvania's veterans' preference and still retain the rights awarded in the collective bargaining agreement between the state and the faculty. Do search committee members understand that they are legally bound to recommend a preference eligible applicant who meets the advertised qualifications, as this applicant is the legal "finalist" for the position? Further training of search committees and other parties involved in hiring with respect to the priority of preferences, for example affirmative action vis-à-vis veterans' preferences, should also be considered.

The reader is cautioned that this study is exploratory in nature and, for the most part, only represents the experiences of selected human resources and social equity/affirmative action directors at State System universities. Future research activities may involve surveying a sample of State System university administrators, unit heads, department chairs and search committee members on their awareness and understanding of Pennsylvania's veterans' preference statute and attitudes towards veterans in general.

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SOCIAL CAUSE VERSUS PROFIT ORIENTED ADVERTISEMENTS: DESIGNING A UNIQUE MESSAGE STRATEGY

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ABSTRACT

Social cause marketing research has fostered the position that, if social cause messages are to be effective and encourage behavioral change, they must be perceived as different from other advertising messages. This article evaluated over 500 magazine print advertisements by content analysis to reveal cause related, nonprofit and profit oriented advertisements. Upon identification of these three advertisement types, further analysis explored information content and emotional appeal message strategies. The results significantly indicate that cause related and nonprofit advertisements elicited more emotional appeals than profit oriented advertisements, while profit oriented advertisements conveyed more information content. Specifically, profit oriented advertisements contained more information regarding price, quality, performance, contents, availability, offers, packaging and new ideas than cause related and nonprofit advertisements. In comparison, only independent research was revealed more frequently with both cause related and nonprofit advertisements. Nonprofit advertisements provided the most safety and nutrition cues of the three advertisement types, while cause related revealed the most independent research, company research, and taste cues. Nonprofit advertisements evoked more fear, anger, interest, sadness, disgust, and surprise than cause related and profit oriented advertisements. Profit oriented advertisements were judged most pleasant.

INTRODUCTION

The theoretical framework of social cause marketing has been widely portrayed in much of the literature (Maibach & Shenker, 1997). A common position has been the unclear classification or determination of viable social cause marketing efforts versus those actions forwarded by marketers merely for financial reward (Andreasen, 1994). The primary purpose of a social marketing program is behavioral change, with increased awareness of the cause as a worthwhile outcome (Kotler, Roberto, & Lee, 2002). Many social issues have been championed including child literacy, anti-tobacco and anti-drug programs, adolescent obesity and gun safety, to name but a few. Advertising is often chosen as the primary tool for communicating these cause related initiatives. Marketers, to strengthen their position in an arena of increasing indifference, are acutely aware of this need for effective advertising. In the past, nonprofit organizations and government sectors were the major sponsors of social cause programs. Today, as marketers are experiencing more intense competition, social cause efforts have garnered a much more prominent role in the profit seeking efforts of the corporate domain. These profit oriented organizations are participating in these social cause efforts more aggressively than ever before (Lavack & Kropp, 2003).

This article defines social cause advertising as the communication of socially beneficial programs or concerns to influence an individual's behavior which will improve their well being and that of society. The social cause advertisements examined in this article were further distinguished as either cause related or nonprofit advertisements. Cause related advertisements are sponsored by profit oriented organizations and link advertised companies, products or services with a social cause. For example, a yogurt company may advertise they will donate a portion of the profits from the sale of their yogurt to breast cancer research. The advertisement is sponsored by a for-profit organization and unites their company or product with a social cause. In contrast, nonprofit advertisements are sponsored by nonprofit organizations. For example, the American Cancer Society may sponsor an advertisement to encourage annual mammographies to reduce the occurrence of breast cancer. The American Cancer Society is a nonprofit organization promoting a social cause.

Social cause advertising differs from mainstream profit oriented advertising in that the main purpose of the latter is economic gain realized from these efforts. A common theme in this research area is that, for a social cause message to be effective and encourage some form of behavioral change, it must be perceived as different from other advertising messages. The purpose of this article is to reveal diverse approaches advertisers select to promote social cause versus profit oriented messages. The work also extends past research by exploring differences between these advertisement types in terms of information content and emotional responses. Specifically, print advertisements were evaluated by content analysis to identify cause related, nonprofit and profit oriented messages. Upon identification of the samples reflective of these three advertisement types, further analysis examined information content and emotional message appeal strategies. Information content has remained a vital tool for communicating objectives to an intended target audience (Abernethy & Franke, 1996; Hunt, 1976). Likewise, emotional appeals are instrumental in providing the creative punch to enhance persuasion (Shimp, 1997). While some behavioral changes are the result of rational decision-making others, are due to emotionally driven responses. However, limited research is available about how much influence information content and emotional appeals have on the communication of social cause versus profit oriented messages.

BACKGROUND

The introduction of the term "social marketing" occurred with a seminal article by Kotler and Zaltman (1971) whereby marketing elements were identified to facilitate the exchange of socially desirable causes, ideas or behaviors. Later, social cause marketing and social marketing have often been used synonymously in the literature to refer to the social marketing activities described above. This article labels the above activities as social cause marketing. Kotler, Roberto and Lee (2002) identify commercial or profit-oriented advertising as focusing on selling goods and services, while social cause advertising has as its intended recipients the person, a group or the betterment of society. Profit oriented advertisements have financial interests as a primary concern with the competition represented as other corporations promoting similar product offerings. In contrast, social cause marketing places emphasis on selling a desired behavior. The competition is the individual, group or society whom the marketer desires to influence. Social cause advertising is one facet of social cause marketing as initiatives are communicated to selected audiences. The role of advertising is primarily communication, while social cause marketing embraces far more extensive activities including other remaining elements of the marketing strategy. These additional social cause marketing tools include the product idea with its packaging of benefits, the price which must be paid in exchange for achieving the desired change, and distribution enabling the participant to partake in the behavioral process.

Much noteworthy work has emerged in the social cause marketing area including design, effectiveness, responsiveness, attitudes and behavioral change (Austin, Pinkleton, & Fujioka, 1999; Kotler & Roberto, 1989; Reichert, Heckler, & Jackson, 2001; Ross & Patterson, 1992). An important and recurring theme is evident in this stream of research that, if social cause marketing is to be effective, it must be perceived as a distinct and viable change facilitator from other commercial efforts. For example, Kraak and Pelletier (1998) identified distinct social cause marketing campaigns as avenues for the introduction and dissemination of new nutritional and health care related issues to children and teenage youth. Efforts were identified as increasing the occurrence of desired behaviors among these targeted individuals. Kraak and Pelletier (1998) reported that public health practitioners are increasingly opting for these advertising strategies as a means for showcasing social causes. Once again, clearly defined social cause marketing messages were identified as primary contributors to the achievements of the campaign.

Although the accolades of social cause marketing abound, for-profit organizations that actively pursue popular social causes to reach desired audiences may experience scrutiny. One common criticism is the public concern as to what is or is not social cause advertising (Stead & Hastings, 1997). For example, ethical issues may be presented concerning the underlying purpose of social cause messages. Strategists are keenly aware that applying marketing resources to a social cause will not only contribute to the betterment of society but also to their corporate image and financial rewards (Haley, 1996; Lorge & Brewer, 1998; Ross & Patterson, 1992). This joining of for-profit and nonprofit organizations to enhance social causes has been labeled as "cause marketing alliances" (Nowak & Washburn, 2000). The debate persists as these marketing activities are sometimes not easily recognizable. "Backdoor" efforts to gain acceptance by the consumer may entice the purchase of a particular product as a result of its company's association with a social cause. In other words, a profit oriented advertisement may in fact be disguised by a weak social cause message. The objective of social cause messages, whether sponsored by nonprofit or for-profit organizations, should be the stimulation of behavior for the betterment of society. A nonprofit may sponsor the message themselves or solicit aid from profit oriented organizations. The profit oriented organization may sponsor advertisements disseminating information about the cause or offer direct contributions. These cause related advertisements specifically unite profit oriented organizations and social causes together in an advertisement message whereby the profit oriented organization offers assistance to the identified cause. The sponsor may link financial contributions to the cause with sales of the advertised product or service. Irrespective of whether the social cause message is nonprofit or cause related, the goal of social cause advertising is to deliver a message that will induce a desired behavior from an intended target audience.

Past social cause literature has attempted to distinguish between social cause versus profit oriented advertisements. However, the authors examined an overall level of social cause activity or only one social cause program, thereby limiting the research findings (Gunther & Thorson, 1992; Haley, 1996; Austin, Pinkleton, & Fujioka, 1999; Hill, 2001). Often researchers categorized the advertisements before analysis based upon what they theorized was the intent of the advertiser. If specific advertisement types were identified by the researchers before the analysis, no scientific methods were implemented to discern the types. For example, Bloom and Hussein (1995) examined social marketing initiatives and evaluated the success of a program based upon varied attributes including the type of social problem addressed, the type of sponsorship structure (solo, partnership or team), the strength of the association between the desired behavior and purchase of a product (weak or strong) and, last, the amount of personal benefit an individual may receive by participating in the desired behavior. The authors effectively evaluated program success based upon the attributes stated above by a review of prior literature examining these efforts but did not distinguish between social cause and profit oriented advertisements.

While product attributes may have universal appeal and product functions are similar across markets, individual perceptions of these product characteristics, as they pertain to cause related initiatives, may vary dramatically. If the advancement of a society is an intended objective, then not only is it important what is communicated in an advertisement but the manner in which it is said. Although the ethical concerns mentioned earlier are recognized by advertisers, an important fact remains: nonprofit and for-profit organizations have combined vast resources for their social cause efforts (Business For Social Responsibility, 2003). The nonprofit entities greatly appreciate the additional support and exposure these corporations provide (Haley, 1996). Also relevant is the thinking that social cause marketing may inherently be both subjective and open to criticism, since implicit in its realm is the improvement of society (Smith, 1997). Thus, further support is fostered for viable attempts at social change versus those intent on reaping financial rewards from these efforts. Likewise, a recognized need exists for more effective standards and strategies regarding these social marketing practices (Maibach & Shenker, 1997).

This article contributes to the domain by uniquely providing a quantitative (questionnaire) versus qualitative (case-analysis) approach to identify social cause advertisements. There has been no recognized quantitative method for discerning social cause versus profit oriented advertisement. Although cause related programs have been studied at length, the characteristics of the actual advertisement types have not been extensively operationalized before. In addition, the research further enhances advertisers' analytic skills by identifying and examining common print advertisement elements such as slogans, illustrations, and response mechanisms as they individually pertain to social cause messages. Theoretical arguments are presented and tested which investigate differences in information conveyed and emotional responses elicited in social cause versus profit oriented advertisements.

RESEARCH DESIGN

Social Cause Advertisements

In order to determine if an advertisement truly embraces the spirit of social cause marketing, the authors returned to the definitions of social cause marketing. After extensive literature reviews and interviews with academics and advertising industry executives, a comprehensive list of characteristics was generated which, by definition, tapped unique features of social cause versus profit oriented advertisements. A questionnaire was administered capable of distinguishing between the two advertisement types (Sciulli & Bebko, 2003). See Appendix A for instrument. The instrument included statements about advertisement theme, sponsor identification and economic objectives, copy, visuals, slogan, headline, response mechanisms, and expected consumer behaviors in response to the advertisements. Next, two advertisements were selected for formal pretesting of the instrument. A review of several hundred advertisements yielded two advertisements which uniquely exemplified one social cause and one profit oriented theme. The former was an advertisement sponsored by a non-profit organization with the goal of changing behavior and attitudes toward drug use. The latter was a food advertisement sponsored by a profit oriented company for the purpose of selling more of its products. The instrument was administered to a convenience sample of 50 marketing students. Respondents were asked to indicate on a 7 point Likert-type scale (1 indicating strongly disagree to 7 indicating strongly agree) how well a particular statement described an advertisement. The 11 questions in the survey were asked for each advertisement resulting in a sample size of 100 cases.

Various statistical tests were performed on the collected data (Sciulli & Bebko, 2003). Pearson correlation coefficients were calculated and the results revealed all 11 items were significantly related at the .01 level of significance. As expected, items 4 and 8 had significant negative correlations with the remaining items due to purposefully providing directionally opposite questions to prevent response bias. These two items were then reversed coded resulting in significant positive correlations with the remaining items. As a test of reliability, Alpha was calculated for the instrument (Cronbach Alpha = .9837). It is evident that the calculated alpha was an acceptable indicator of reliability. T-tests were performed to determine if the advertisements were significantly different for each scale item. There were significant differences between the social cause and profit oriented advertisements for each of the scale items ($p \leq .01$). In addition, grand means for the items were calculated for each of the two advertisement types. As expected, using t-test analysis showed the two grand means were significantly different ($p \leq .01$). Although pretests with only one advertisement per type will inevitably raise questions about the ability to generalize results, the methods used to select and discern the advertisement types may be defended as a reliable and valid analytic process. The article formally examines the three advertisement types, information content and emotional appeals of a substantial sample of over 500 advertisements and discusses below.

Information Content

The information content of an advertisement message has been popularly determined by 14 evaluative criteria developed by Resnik and Stern (1977) including price or value, quality, performance, components of contents, availability, special offers, taste, packaging or shape, guarantees or warranties, safety, nutrition, independent research, company research and new ideas. Numerous studies have replicated the methodology pioneered by the above authors whereby the information content of the advertisement is determined to contain any of the information criteria (Ji & McNeal, 2001; Abernethy & Franke, 1996). If the content of the message contains at least one of the criteria, it is classified as an informational advertisement.

Emotional Appeals

Creative appeals of an advertisement are determined by the persuasive style of the message content. Message content consists of what is stated in the advertisement as well as the manner in which it is said. Persuasive or creative appeals of print advertisements have been depicted in numerous ways including fear, humor, sex and intellectual appeals (Shimp, 1997). The former three appeals are grounded in emotional persuasion, whereas the latter pursues a rational, logical approach. Emotional appeals are depicted by creating affective or subjective impressions of intangible aspects of a product. Emotional appeals have been commonly discerned by the Mood Rating Scale developed by Plutchik (1980) and modified further by Hong, Muderrisoglu, and Zinkhan (1987), and include happy, fearful, pleasant, angry, interested, disgusted, sad and surprised.

Hypotheses

Information cues often describe "hard" data versus "soft" cues depicting lifestyles (Mueller, 1991). Since many social cause messages are related by definition to lifestyle changes, it has been proposed that social cause messages by nature should be more emotionally driven (Fass, 2002; Gunther & Thorson, 1992). For example, a person is aware that, if they drink and drive, statistics (hard facts) indicate they have a higher likelihood of being in a fatal automobile accident. However, many individuals continue to drink and drive. Thus, in order to discourage this behavior, individuals are made cognizant of the emotional devastation their behavior causes (soft sell). Similar realities may be evident with domestic violence, breast cancer and obesity (Bloom & Hussein, 1995). It appears that emotion, not logic, is a more favored approach for stimulating behavioral change (Andreasen, 1994).

Social cause issues may encourage more reflective introspective types of behavior whereas consumers purchasing profit oriented goods or services may actively seek out information concerning these transactions in an attempt to better educate themselves as to the best product choice. As discussed earlier, profit oriented messages have as an intended goal to persuade the consumer to purchase their product. In contrast, social cause messages often spotlight behavioral change as a welcomed outcome. Thus, social cause advertisements whether cause related or nonprofit may contain less information cues and elicit more emotions due to individuals, decision-making processes, and desired outcomes.

Similarly, when comparing cause related and nonprofit advertisements, it may be inferred that cause related advertisements will require more information cues than nonprofit advertisements as the sponsor explains their affiliation and how the consumer may participate in the cause. Likewise, nonprofit advertisements may evoke more emotional responses than cause related advertisements, as cause related messages, by design, require more advertisement copy devoted to information cues than emotional appeals. This may be due to a desire to link their product or service with the cause. Nonprofit advertisements often have a singular objective of behavioral change while cause related advertisements may encourage product sales as well. In summary, social cause and profit oriented advertisements may differ in terms of the content of communicated information and strength by which emotional appeals persuade an intended target audience. These differences may be reflected in the amount and type of information cues and emotional appeals conveyed in the studied print advertisements.

Based upon previous findings, evidence of information content and emotional appeals is expected to vary based upon advertisement type. The four hypotheses which will be analyzed and tested are stated below:

H1: Profit oriented advertisements will provide statistically more information cues than cause related advertisements.

H2: Cause related advertisements will provide statistically more information cues than nonprofit advertisements.

H3: Cause related advertisements will evoke statistically stronger emotional appeals than profit oriented advertisements.

H4: Nonprofit advertisements will evoke statistically stronger emotional appeals than cause related advertisements.

ANALYSIS

To investigate whether information content and emotional appeals vary in social cause versus profit oriented advertising messages, a content analysis of popular magazine advertisements was conducted. Advertisements selected for inclusion in the research appeared in consumer magazines in the United States from 1999-2002 and purposefully included a variety of formats such as fashion, women,s, business, news, sports, and hobby. This broad range of magazines ensured a cross section of advertisements. Initially over 3,000 print advertisements were collected. Only full-page original colored advertisements were analyzed with duplicate advertisements eliminated. Since information content was found to vary across product types analyzed (Abernethy & Franke, 1996), assorted product types were purposefully selected to ensure variety with advertisements randomly selected within these product types. Nine product types were examined including perfume, hygiene and cosmetics, food, pharmaceuticals, electronics and computers, financials, automobiles, fashion and other. An "other" category was created for those advertisements not readily identifiable as promoting an identified product type. These exercises resulted in a total of 535 print advertisements included in this analysis.

All three domains including social cause, information content and emotional appeals used established definitions, instruments and procedures. Content analysis techniques were employed as specified by Kassarjian (1977) and refined later by Kolbe and Burnett (1991). Two trained judges independently examined all 535 advertisements to reveal product type, advertisement type, information content and emotional appeals. The instrument discerning social cause versus profit oriented advertisements was described above (Sciulli & Bebko, 2003). Further classification of the identified social cause advertisements, as either cause related or nonprofit advertisements, required additional analysis. Once again, the definitions and examples of the three advertisement types were reviewed with the judges. The judges were then asked to classify the determined social cause advertisements as either cause related or nonprofit. An attempt to resolve any disagreements between the judges was accomplished through discussion. Those advertisements for which the judges could not agree were eliminated from the study. The information content of an advertisement has been popularly determined by 14 evaluative criteria developed by Resnik and Stern (1977) including price or value, quality, performance, components of contents, availability, special offers, taste, packaging or shape, guarantees and warranties, safety, nutrition, independent research, company research and new ideas. Using the instrument developed by Resnik and Stern (1977), judges were asked to analyze each advertisement to reveal the amount and type of information cues contained in each message. If the content of the message contained at least one of the above criteria, it was classified as an informational advertisement. As discussed earlier, emotional appeals were determined by the Mood Rating Scale developed by Plutchik (1980) modified further by Hong, Muderrisoglu, and Zinkhan (1987). Emotional responses to an advertisement were determined by eight adjectives including happy, fearful, pleasant, angry, interested, disgusted, sad, and surprised. Judges were asked to identify on a 5 point Likert-type scale (1 indicating not at all to 5 indicating strongly) how they felt based on the above emotions after viewing each advertisement. The scale enabled the coder to report more than one emotion if desired.

Reliability Measurements

Using content analysis techniques, two judges independently coded all advertisements. Each judge received extensive training as to descriptions of rules, procedures and definitions to ensure valid findings and research replications (Kassarjian, 1977). Coding sheets were prepared and discussed with the judges. Pretesting with randomly selected advertisements was conducted to ensure comprehension and consistency in assigned tasks. Inter-judge reliability tests were applied to the coding schemes. Pearson correlation coefficients were calculated for the 11 item Likert-type social cause instrument to verify that the two coders independently assigned the same code to the items. The results revealed all 11 items were significantly related at the .01 level of significance. As expected in the preliminary analysis discussed earlier, items 4 and 8 had significant negative correlations with the remaining nine items due to purposefully providing directionally opposite questions to prevent response bias. These two items were then reversed coded resulting in significant positive correlations with the remaining items. A Cronbach Alpha = .9683 was calculated for the 11 item instrument classifying the advertisements as social cause versus profit oriented. The reliability assessments for the cause related and nonprofit advertisement nominal scale classifications revealed 100% inter-coder agreement between judges. The percentage of inter-coder reliability was calculated by the percentage of times both coders independently assigned the same advertisement type to the same advertisement. These inter-coder reliability assessments are consistent with other content analysis procedures recommended for Likert-type and nominal scales and satisfy the requirement (Davis, 1997; Graham, Kamins, & Oetomo, 1993; Peter, 1979; Holsti, 1969).

RESULTS

Social Cause Advertisements

First, social cause and profit oriented advertisements were identified using the identified social cause instrument. An overall grand mean was calculated for the entire sample. The overall grand mean for the total sample was 2.8599. Confidence intervals were then calculated at the 99% level resulting in a mean range from 2.7644 to 2.9555. Based upon the calculated confidence intervals, the total sample was segregated into two distinct samples, each depicting an advertisement type. Those advertisements with means > 2.9555 were classified as social cause advertisements. Advertisements with means < 2.7644 were classified as profit oriented advertisements. Advertisements with calculated scale means between 2.7644 and 2.9555 were eliminated from the analysis. Thus, the difference between the mean number of responses for the two advertisement types is statistically significant at the 99% level of significance. This exercise produced a final sample including 206 social cause advertisements and 305 profit oriented advertisements. As further proof of the classification system, grand means were calculated for the two advertisement types based upon the calculations performed above. The calculated grand means were 3.8220 for the social cause advertisements and 2.2091 for the profit oriented advertisements. ANOVA testing revealed the two advertisement types to be significantly different ($F = 3182.09$ at .000 level of significance). In addition, t-tests were performed to determine if the advertisements were significantly different ($p < .01$) for each of the 11 scale items. Table 1 displays the mean scores and results of the t-tests. There were significant differences between the social cause and profit oriented advertisements for each of the eleven items included in the scale. The grand means for the 11 items calculated for each of the two advertisement types were compared. As expected, the t-tests supported the earlier reported ANOVA testing that the two grand means were significantly different ($p < .01$).

TABLE 1
T-TEST OF MEANS BETWEEN SOCIAL CAUSE AND PROFIT ORIENTED ADVERTISEMENTS

*All items significant at the .000 level

VARIABLE	GROUP 1=PROFIT n=305 2=SOCIAL CAUSE n=206	MEAN	S.D.	SIG
The sponsor is affiliated with a social cause.	1	2.26	.345	.00
	2	4.16	.424	
The copy provides information about a social cause.	1	2.35	.514	.00
	2	4.11	.501	
The visuals illustrate a social cause.	1	2.14	.398	.00
	2	3.20	.747	
A product purchase is not encouraged for the purpose of economic gain by the sponsor.	1	2.12	.510	.00
	2	3.84	.677	
Behaviors related to a social cause are encouraged.	1	2.06	.387	.00
	2	3.80	.650	
The headline pertains to a social cause.	1	2.12	.433	.00
	2	3.71	.587	
The purpose of the ad is not economic gain for the sponsor.	1	2.02	.436	.00
	2	3.78	.686	
A social cause is expressed (or described) in the ad.	1	2.13	.354	.00
	2	4.03	.434	
A response mechanism is provided for feedback related to a social cause.	1	2.52	.863	.00
	2	4.17	1.03	
The ad provides information about the outcomes or consequences of a social cause.	1	2.08	.381	.00

As stated earlier, further analysis delineated the social cause advertisements as either cause related or nonprofit advertisements. Once again, the definitions of the advertisement types were reviewed with the judges. The judges were then asked to classify the 206 social cause advertisements as either cause related or nonprofit. Those advertisements for which the judges could not agree were eliminated from the study. This exercise resulted in 97 cause related and 107 nonprofit advertisements. Grand means were calculated for the two social cause advertisement types. The grand means were 3.5230 for cause related advertisements and 4.0930 for nonprofit advertisements. A t-test indicated the two advertisement types were significantly different ($p < .01$). In addition, ANOVA testing revealed all three advertisement types to be significantly different ($F = 2629.958$ at .000 level of significance).

Information Content

Table 2 provides the amount and type of information cues offered by social cause versus profit oriented advertisements. Overall, profit oriented advertisements delivered more information cues than cause related and nonprofit advertisements (1,264 cues vs. 325 cues and 382 cues). Performance, contents and availability cues were employed most frequently for all advertisement types, while taste, nutrition and guarantees portrayed the least. The lack of nutrition and taste cues may be the result of product type influences since there were a limited number of ads that promoted food oriented products. The minimal amount of guarantee cues may be attributed to the small sample size. Only five guarantee cues were revealed in total for both cause related and nonprofit advertisements. The total number of

TABLE 2
FREQUENCY OF INFORMATION CONTENT CUES FOR PROFIT ORIENTED, CAUSE RELATED, AND NON-PROFIT ADVERTISEMENTS

INFORMATION CONTENT CUES	PROFIT ORIENTED ADS WITH CUES n=305	% OF PROFIT ORIENTED ADS WITH CUES	CAUSE RELATED ADS WITH CUES n=97	% OF CAUSE RELATED ADS WITH CUES	NONPROFIT ADS WITH CUES n=107	% OF NON-PROFIT ADS WITH CUES
PRICE	53	17.4	5	5.2	9	8.4
QUALITY	139	45.6	32	33.0	26	24.3
PERFORMANCE	258	84.6	68	70.0	82	76.6
CONTENTS	241	79.0	57	58.8	80	74.8
AVAILABILITY	220	72.1	60	61.9	76	71.0
OFFERS	30	9.8	7	7.2	7	6.5
PACKAGE	96	31.5	28	28.9	28	26.2
GUARANTEE	17	5.6	3	3.1	2	1.9
SAFETY	80	26.2	21	21.6	39	36.4
IND.RESEARCH	19	6.2	10	10.3	8	7.5
CO.RESEARCH	30	9.8	10	10.3	6	5.6
NEW IDEA	39	12.8	9	9.3	7	6.5
TASTE	25	8.2	9	9.3	5	4.7
NUTRITION	17	5.6	6	6.2	7	6.5
TOTAL CUES	1264		325		382	

cues employed by an individual advertisement categorized by advertisement type is displayed in Table 3. As the number of information cues increased for an advertisement, the greater the likelihood that it was a profit oriented advertisement. In fact, other than independent research and nutrition, there were no information cues counts found to be more prevalent in cause related and nonprofit advertisements than profit oriented advertisements. The results indicated that 54% of the profit oriented advertisements had three or more cues, in comparison with only 34% for nonprofit and 26% for cause related advertisements. ANOVA testing further supports these results. The mean number of information cues for cause related and nonprofit advertisements was significantly lower than the mean number of cues for profit oriented advertisements (M(cause related cues) = 1.8608 and M(nonprofit cues) = 1.9813 vs. M(profit oriented cues) = 2.5049). Using ANOVA demonstrates this finding is statistically significant (F = 16.583 at .000 level of significance). These findings support Hypothesis H1 that profit oriented advertisements will provide statistically more information cues than cause related advertisements. However, the mean number of cause related information cues was less than the mean number of nonprofit information cues. Likewise, as mentioned above, 34% of the nonprofit advertisements versus 26% of the cause related advertisements conveyed three or more cues, and nonprofit advertisements revealed more total cues than cause related advertisements. Hence, these findings do not support Hypothesis 2 that cause related advertisements will provide statistically more information cues than nonprofit advertisements.

TABLE 3
NUMBER OF INFORMATION CONTENT CUES PRESENT FOR PROFIT ORIENTED, CAUSE RELATED, AND NON- PROFIT ADVERTISEMENTS

NUMBEROF CUES PRESENT IN AN AD	PROFIT ORIENTED ADS	% OF TOTAL PROFIT ORIENTED ADS	CAUSE RELATED ADS	% OF TOTAL CAUSE RELATED	NON-PROFIT ADS	% OF TOTAL NON-PROFIT ADS
	n = 305		n=97		n=107	
0 CUES	3	1%	9	4%	1	1%
1 CUE	36	12%	24	25%	21	20%
2 CUES	102	33%	43	44%	48	45%
3 CUES	87	29%	15	15%	25	23%
4 CUES	47	15%	6	6%	12	11%
5 CUES	25	8%	4	4%	0	0%
6 CUES	5	2%	1	1%	0	0%
>6 CUES	0	0%	0	0%	0	0%

Individual T-tests were also conducted for each of the 14 information cues for cause related, nonprofit and profit oriented advertisements (Table 4). Of the 14 cues, 13 were significant at the .05 level based upon advertisement type. Guarantee was the only cue found to be insignificant with the three advertisement types. Of the 13 remaining cues, eight were delivered more for profit oriented advertisements than the other two advertisement types. Price, quality, performance, contents, availability, offers, package and new ideas had higher mean cues with profit oriented advertisements. In comparison, five of the remaining 13 cues were revealed more often with either cause related or nonprofit advertisements including safety, independent research, company research, taste and nutrition. An analysis of cause related versus nonprofit advertisements provided seven cues that were significantly greater for cause related advertisements including quality, offers, packaging, independent research, company research, new ideas and taste. In comparison, six cues were significantly more prevalent for nonprofit advertisements including price, performance, contents, availability, safety and nutrition. In summary, Tables 2 through 4 suggest that profit oriented messages contain more information cues than social cause messages. Thus, hypothesis H1 is supported as profit oriented advertisements conveyed more information cues than cause related advertisements. However, Hypothesis H2 is not supported as nonprofit advertisements revealed more information cues than cause related advertisements.

TABLE 4
SIGNIFICANT DIFFERENCES OF INFORMATIONAL CUES BY ADVERTISEMENT TYPE
PROFIT ORIENTED n=305, CAUSE RELATED n=97, AND NON-PROFIT n=107

INFORMATION CUES	AD TYPE	MEAN	T	COMP	SIG
PRICE	1 PROFIT ORIENTED	.095	7.67	1 - 2	.00
	2 CAUSE RELATED	.026		2 - 3	.02
	3 NON-PROFIT	.042	2.28	3 - 1	.00
			3.12		
QUALITY	1 PROFIT ORIENTED	.269	14.60	1 - 2	.00
	2 CAUSE RELATED	.175	6.62	2 - 3	.00
	3 NON-PROFIT	.122	5.83	3 - 1	.00
PERFORMANCE	1 PROFIT ORIENTED	.585	30.44	1 - 2	.00
	2 CAUSE RELATED	.438	12.67	2 - 3	.00
	3 NON-PROFIT	.481	15.14	3 - 1	.00
CONTENTS	1 PROFIT ORIENTED	.498	26.93	1 - 2	.00
	2 CAUSE RELATED	.304	11.27	2 - 3	.00
	3 NON-PROFIT	378	17.31	3 - 1	.00
AVAILABILITY	1 PROFIT ORIENTED	.457	23.39	1 - 2	.00
	2 CAUSE RELATED	.366	11.03	2 - 3	.00
	3 NON-PROFIT	.416	13.84	3 - 1	.00
OFFERS	1 PROFIT ORIENTED	.049	5.76	1 - 2	.00
	2 CAUSE RELATED	.036	2.73	2 - 3	.01
	3 NON-PROFIT	.033	2.72	3 - 1	.01
PACKAGE	1 PROFIT ORIENTED	.162	11.58	1 - 2	.00
	2 CAUSE RELATED	.144	6.24	2 - 3	.00
	3 NON-PROFIT	.131	6.13	3 - 1	.00
GUARANTEE	1 PROFIT ORIENTED	.028	4.24	1 - 2	.00
	2 CAUSE RELATED	.016	1.75	2 - 3	.08
	3 NON-PROFIT	.009	1.42	3 - 1	.16
SAFETY	1 PROFIT ORIENTED	.139	10.05	1 - 2	.00
	2 CAUSE RELATED	.124	4.87	2 - 3	.00
	3 NON-PROFIT	.196	7.45	3 - 1	.00
IND. RESEARCH	1 PROFIT ORIENTED	.033	4.39	1 - 2	.00
	2 CAUSE RELATED	.052	3.32	2 - 3	.00
	3 NON-PROFIT	.037	2.93	3 - 1	.00
CORESEARCH	1 PROFIT ORIENTED	.049	5.76	1 - 2	.00
	2 CAUSE RELATED	.052	3.32	2 - 3	.00
	3 NON-PROFIT	.028	2.51	3 - 1	.01
NEW IDEA	1 PROFIT ORIENTED	.067	6.51	1 - 2	.00
	2 CAUSE RELATED	.046	3.13	2 - 3	.00
	3 NON-PROFIT	.037	2.60	3 - 1	.01
TASTE	1 PROFIT ORIENTED	.041	5.21	1 - 2	.00
	2 CAUSE RELATED	.052	3.00	2 - 3	.00
	3 NON-PROFIT	.023	2.28	3 - 1	.02
NUTRITION	1 PROFIT ORIENTED	.031	3.89	1 - 2	.00
	2 CAUSE RELATED	.031	2.52	2 - 3	.01
	3 NON-PROFIT	.047	2.17	3 - 1	.03

Emotional Appeals

Emotional appeals were tested with ANOVA given the Likert-type scales employed to measure the phenomena (Table 5). Results indicated that cause related and nonprofit advertisements were more emotion evoking than profit oriented advertisements. Statistical analysis reveals this difference to be significant. Nonprofit advertisements revealed an overall 2.0911emotional mean score, cause related advertisements an overall 2.0058 emotional mean score, and for profit oriented advertisements an overall 1.8257 mean. This comparison is significant (F = 57.832 at .000 level of significance). Further examination demonstrates that seven emotional appeal levels varied significantly for the three advertisement types. Profit oriented advertisements were deemed more pleasant. In contrast, nonprofit and cause related advertisements evoked more fear, anger, interest, disgust and sadness, as well as more surprise. Only happy emotions were found to be insignificant among the three advertisement types. This offers further support of the perception that social cause methods favor stimulation of emotional reaction to achieve desired goals. Of these seven significant emotional appeals, all were greater for nonprofit than cause related advertisements. In summary, hypotheses H3 and H4 are supported that social cause advertisements conveyed stronger emotional appeals than profit oriented advertisements, and nonprofit advertisements conveyed more emotional appeals than cause related advertisements.

TABLE 5
ANOVA FOR EMOTIONAL CUES FOR PROFIT ORIENTED n=304, CAUSE RELATED n=97, AND NON-PROFIT n=107 ADVERTISEMENTS

EMOTIONAL CUE	MEAN	S.D.	F	SIG
HAPPY				
PROFIT ORIENTED	3.026	.532	2.906	.056
CAUSE RELATED	2.881	.738		
NON-PROFIT	2.897	.758		
FEARFUL				
PROFIT ORIENTED	1.038	.197	63.806	.000
CAUSE RELATED	1.531	.706		
NON-PROFIT	1.533	.744		
PLEASANT				
PROFIT ORIENTED	3.123	.543	5.365	.000
CAUSE RELATED	2.928	.781		
NON-PROFIT	2.935	.774		
ANGRY				
PROFIT ORIENTED	1.023	.149	44.261	.000
CAUSE RELATED	1.289	.548		
NON-PROFIT	1.393	.606		
INTERESTED				
PROFIT ORIENTED	3.243	.613	23.483	.000
CAUSE RELATED	3.392	.609		
NON-PROFIT	3.706	.566		
DISGUSTED				
PROFIT ORIENTED	1.020	.139	39.379	.000
CAUSE RELATED	1.268	.549		
NON-PROFIT	1.383	.646		
SAD				
PROFIT ORIENTED	1.023	.171	64.917	.000
CAUSE RELATED	1.505	.765		
NON-PROFIT	1.570	.769		
SURPRISED				
PROFIT ORIENTED	1.110	.344	10.203	.000
CAUSE RELATED	1.253	.536		
NON-PROFIT	1.313	.560		
TOTAL				
EMOTIONAL CUES	1.826	.191	57.832	.000
PROFIT ORIENTED	2.006	.287		
CAUSE RELATED	2.091	.300		
NON-PROFIT				

Product Type Influences

Analysis of product type influences based upon advertisement type was inconclusive. Upon closer examination, this may be due to the original pool of advertisements selected for analysis. Since advertisements were purposefully varied to include both advertisement types and nine product categories, there were advertisements from the overall sample categorized by the judges as "other." Since many social cause advertisements do not promote a specific product category but a behavior or social agenda, this may have contributed to the inconclusive findings.

CONCLUSIONS, FUTURE RESEARCH, AND MANAGERIAL IMPLICATIONS

A recurring theme in social marketing research has been that, as audiences are confronted with ever- increasing marketing messages, it becomes necessary for advertisers to develop tools to distinguish their cause related objectives from other profit seeking initiatives. This article offers a research instrument which may aid in the design of more effective social cause advertisements. When the marketplace is saturated with unclear messages, confusion results and intended objectives are not achieved. Research reflects the ongoing debate of what constitutes social cause advertising. Persistent ethical concerns may also be thwarted by more effective and targeted message strategies. In order for the target audience to clearly discern the promoted social cause, it is necessary that the message be perceived as more than a persuasive attempt to purchase a product. It is vital that intended target audiences perceive these messages differently from other mainstream profit oriented advertisements. This article attempts to satisfy these needs by comparing information content and emotional appeals of cause related, nonprofit and profit oriented print advertisements. The results from the content analysis exercises indicated that there are identifiable differences in the manner in which information content and emotional appeals are portrayed between social cause and profit oriented advertisements. As a whole, social cause advertisements elicited more emotional appeals than profit oriented advertisements, while profit oriented advertisements conveyed more information content.

The proposed instrument will enable advertisers to better plan, communicate, and execute their cause related agendas. The methodology can be applied by both practitioners and academics to further clarify and promote such campaigns. The research provides a unique glimpse of the audience's viewpoint of a social cause effort. Each desired stage of the advertising process from message awareness to adoption can be identified and examined. The instrument can be applied at both the pre-testing and post-testing stages of the process to achieve particular objectives. Print advertising elements such as slogans, illustrations and response mechanisms may be individually analyzed in an attempt to design more effective social cause messages. Future comparisons between these advertisements with other mediums such as television, radio, outdoor, Internet and newspapers will further this agenda.

There were limitations to this research. Other statistical methods for exploring these issues may be employed beyond content analysis. The authors realize that the instrument discerning the two advertisement types is unique in its quantitative approach. However, considering the exhaustive research and statistical analysis discussed above, it may be suggested with confidence that the instrument is a reliable and valid research tool. The article focused exclusively on print magazine advertisements. Follow-up efforts may explore commercial advertisements as well. Also, the analysis was limited to select items depicting information content and emotional appeals. Future studies may examine other aspects relevant to advertising strategies including the effectiveness of emotional appeals for social change. For example, a study may examine negative versus positive emotional appeals to achieve a desired response. The common practice of negative appeals may warrant a more positive focus to reach an intended target audience such as children or teenagers.

The research framework proposed in this paper provides meaningful and insightful approaches to an ongoing desire for social cause initiatives. Assorted patterns may emerge with respect to these programs. A marketer may then be better prepared to tailor advertising strategies unique to socially beneficial programs or concerns. Exercises such as these may help integrate advertising efforts with other elements of a social marketing strategy. It may be possible to empirically address the appropriateness of a customized advertising campaign tailored to specific social cause needs versus a universal approach which entails one encompassing advertisement campaign with both economic gain and social cause as objectives. As the popularity of social cause advertising increases, insight into fostering desired cause related programs may prove worthwhile to not only the intended audience but the sponsoring organization as well. This article may theoretically and empirically support the need to approach each situation independent of others, thus providing much desired unique informational and creative approaches for reaching an intended audience.

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APPENDIX A

Social Cause Versus Profit Oriented Advertisements Questionnaire

Please indicate your agreement with the following statements concerning the selected advertisement by circling the appropriate number, 1 indicating strongly disagree to 7 indicating strongly agree.

	Strongly Disagree						Strongly Agree
1.	The sponsor is affiliated with a social cause.						
	1	2	3	4	5	6	7
2.	The copy provides information about a social cause.						
	1	2	3	4	5	6	7
3.	The visuals illustrate a social cause.						
	1	2	3	4	5	6	7
4.	A product purchase is encouraged for the purpose of economic gain by the sponsor.						
	1	2	3	4	5	6	7
5.	The slogan expresses a social cause.						
	1	2	3	4	5	6	7
6.	Behaviors related to a social cause are encouraged.						
	1	2	3	4	5	6	7
7.	The headline pertains to a social cause.						
	1	2	3	4	5	6	7
8.	The purpose of the advertisement is economic gain for the sponsor.						
	1	2	3	4	5	6	7
9.	A social cause is expressed (or described) in the advertisement.						
	1	2	3	4	5	6	7
10.	A response mechanism is provided for feedback related to a social cause.						
	1	2	3	4	5	6	7
11.	The advertisement provides information about the outcomes or consequences of a social cause.						
	1	2	3	4	5	6	7

THE EFFECT OF STRATEGY COMPLEMENTARITIES BETWEEN CORPORATE FOCUS AND GLOBAL STRATEGY ON FIRM PROFITABILITY AND RISKS

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ABSTRACT

The effect of strategy complementarities between corporate focus and global strategy on firm profitability and risks is theoretically examined in this paper. We argue that global strategy complements corporate focus in terms of enlarging scale economies in production/R&D, enhancing learning, escalating demands and reducing risks. High degrees of corporate focus also complement global strategy by concentrating firm resources and managerial efforts on a small range of businesses, making a successful implementation of global strategy more feasible. Consequently, firms with high degrees of corporate focus and global strategy can extend their strengths and reduce their weaknesses of being focused on dominant or small-range businesses. In this paper, four propositions are proposed. Limitations and future research directions are also discussed.

INTRODUCTION

Over the past decade, the strategy field has become more fragmented with many schools of thought and many theoretical alternatives (Foss, 1996). Mintzberg, Ahlstrand and Lampel (1998) have identified ten schools of thought in their book *Strategy Safari* and have argued that each school of thought represents part of the complete picture of the strategy field. In addition to various schools of thought categorized by Mintzberg et al. (1998), strategy literature has evolved around three broader categories: business-level strategy (Barney, 1991; Porter, 1980; Stabell & Fjeldstad, 1998), corporate-level strategy (Hoskisson & Hitt, 1994; Rumelt, 1982; Wernerfelt & Montgomery, 1988), and international dimensions of strategy (Ghoshal, 1987; Levitt, 1983; Melcher & Arogyaswamy, 1993; Yip, 1989). It appears that research in these three aspects of strategy has theoretical foundations rooted in the schools of thought identified by Mintzberg et al. (1998). For example, industrial organization is the theoretical basis of the studies in business-level strategy (Hill, 1988; Porter, 1980) while resource-based view is the theoretical underpinning of the studies in both business-level and corporate-level strategies (Barney, 1991; Rumelt, 1982; Wernerfelt & Chatterjee, 1991). However, to our knowledge, the research in business-level strategy, corporate-level strategy, and international dimensions of strategy appears to be isolated although those three aspects of strategy are not mutually exclusive in practice.

This paper is an attempt to explore the intersection between the corporate-level strategy and international dimensions of strategy. More specifically, this paper explores the interaction or the complementarities of corporate focus and global strategy in influencing firm profitability and risks. In this paper, corporate focus refers to the degree to which firms concentrate on their core business, and global strategy is the one in which standardized products are offered across country markets and competitive strategy is dictated by the home office (Hitt, Ireland, & Hoskisson, 1999). As previously mentioned, the corporate-level strategy and international dimensions of strategy appear to be isolated in research while they are not mutually exclusive issues in business practices. Therefore, the study of the interaction between the corporate-level strategy and international dimensions of strategy can fill the gap between strategy research and business practices. From that viewpoint, this paper focuses on the strategy complementarities between corporate focus and global strategy and makes a unique contribution to the field of strategy.

Moreover, a stream of research on corporate focus (diversification and corporate refocusing) and firm performance has provided inconclusive findings. While one group of researchers has supported the positive relationship between corporate focus and firm performance (Hall & Lee, 1999; Hoskisson & Hitt, 1994; Lins & Servaes, 2002; Schmalensee, 1985; Wernerfelt & Montgomery, 1988), another group has advocated the negative relationship between corporate focus and firm performance (Carter, 1977; Copeland & Weston, 1979; Khanna & Palepu, 1997, 2000; Michel & Shaked, 1984). Since this paper explores the complementarities of corporate focus and global strategy (how corporate focus interacts with global strategy in influencing firm profitability and risks), it provides a partial explanation for the inconclusive findings in the previous corporate focus-firm performance studies. By exploring the strategy complementarities and providing partial interpretation for the mixed results in the previous corporate focus-firm performance research, this paper makes dual contributions to the strategy field.

LITERATURE REVIEW

Corporate Focus

The corporate focus of an organization is defined as the degree to which a firm concentrates on its core business. This definition is consistent with that of Schmalensee (1985), Wernerfelt and Montgomery (1988), Berger and Ofek (1995) and Comment and Jarrell (1995). These authors outline the relationship between the degree of corporate focus and the degree of diversification so that the higher the degree of corporate focus, the lower the degree of diversification (and vice versa). This view of corporate focus is distinct from a focus strategy as described by Porter (1980). In Porter's definition, focus refers to market niche that can be driven by either low cost or differentiation. Porter's use refines and constrains focus to a specific or narrow market segment, which is considered a business-level strategy. Since corporate-level strategy is the focus of this paper, the corporate focus refers to the level of a firm's concentration on its core business.

Research on corporate focus and firm performance has shown mixed results. A stream of studies has indicated that corporate focus is positively associated with firm performance (Schmalensee, 1985; Wernerfelt & Montgomery, 1988; Hoskisson & Hitt, 1994; Berger & Ofek, 1995; Comment & Jarrell; 1995). More recent studies (Lins & Servaes, 1999, 2002; Servaes, 1996) have shown that single-segment firms are more profitable than are diversified firms and that corporate diversification has not enhanced the value of firms in major developed countries. The theoretical explanations for the findings can be grouped into three categories: allocation of resources and competencies, goal alignment and economies in market and production activities. First, Schmalensee (1985) has proposed that less-focused firms are unable to transfer their competencies to a host of different markets; therefore, decreases in corporate focus can weaken firm performance as measured by accounting ratios. This explanation may overlap with the factor-based theory that Wernerfelt and Montgomery (1988) have used to explain the positive relationship between corporate focus and firm performance measured by Tobin's q. According to their theory, firms' diversification programs beyond their core business are launched by excess capacity of less-than-perfectly marketable factors. Such factors are expected to return less when used outside the core business or the industry first chosen. That action causes firms' marginal returns to decrease. In other words, resources, rather than being mainly invested in the best-performing business segment, are drained off to be used in relatively poor-performing business segments. This line of reasoning is congruent with that of Berger and Ofek (1995) who found that the value of the firm decreased as the firm diversified from core business. Hence, more-focused firms have better opportunities to enhance their performance.

The second explanation by Schmalensee (1985), Hoskisson and Hitt (1994) and Berger and Ofek (1995) is considered a managerial aspect, that is, misalignment of incentives between central and divisional managers. When firms become less-focused or more diversified and involved in more business segments, they may need more divisional managers. That can increase the possibility of conflicts over the issue of incentives between central and divisional managers or among divisional managers themselves. Individuals probably aim to improve their own division performance for better incentive programs, regardless of overall firm performance. In that case, power and politics may get involved in resource allocation and decision making, which can substantially harm the potential performance of the firms.

Third and also important, Berger and Ofek (1995) and Comment and Jarrell (1995) explain the positive relationship between corporate focus and firm performance in the contexts of production cost-reduction and product-market development. Single and dominant business firms with a high degree of corporate focus are more likely to achieve the economies of scale and learning curve, which can reduce production cost and enhance firm profitability, than are diversified firms with a low degree of corporate focus. Moreover, focused firms, due to their higher concentration of resources, can pursue product-market development more effectively than can less focused firms whose resources are diluted due to the variety of business-segments.

On the other hand, another set of studies has revealed opposing results on the benefits of corporate focus (Carter, 1977; Copeland & Weston, 1979; Khanna & Palepu, 1997, 2000; Michel & Shaked, 1984). They have shown that firm performance is positively associated with degree of diversification, and that high degrees of diversification can enhance firm survival in emerging markets. In other words, firm performance is negatively associated with corporate focus. The explanations of the findings are based mainly on corporate level synergies, market power, financial clout and revenue stability.

Carter (1977) explains the positive relationship between firm performance and diversification through synergy and market power. The diversified or less-focused firms can enjoy the synergistic effects that develop among complementary business segments. This allows an increased debt capacity and enables utilization of the generated cash flows from one business segment to support business operations and strategic efforts of the others. Michel and Shaked (1984) report similar findings in their studies that support this line of reasoning.

Copeland and Weston (1979) give another explanation from a finance perspective. Copeland and Weston (1979) have found that conglomerate firms with a low degree of corporate focus in the 1960's and the early 1970's showed higher firm performance measured by stock-price performance than focused firms did. They explain these findings by proposing that focused firms tend to have a high degree of debt-capacity and unused capital, which can be considered an opportunity loss. Furthermore, focused firms tend to lack economies of scope and may be more likely to forego positive net-present value projects. These firms then overlook an opportunity to increase the value of the firm. Additionally, focused firms may be over-dependent on one source of income and inherently have relatively high firm-specific risks and relatively high risk-exposure through the demand fluctuation of their dominant business; as a result, they tend to have relatively low revenue stability (Brigham, 1994). The lack of revenue stability can potentially cause difficulties in capital management and budgeting, drawbacks which are reduced in diversified or less-focused firms.

In sum, the researchers who advocate the positive relationship between corporate focus and firm performance highlight the benefits of having a high degree of corporate focus through economies of scales/learning curve, focusing on core competency, and a relatively low degree of agency problems. Conversely, those who support the negative relationship between corporate focus and firm performance appear to emphasize the shortcomings of having high corporate focus caused by limited demand, market risks and lacking economies of scope/synergies, market power and financial stability.

Global Strategy

"Globalization is a business initiative based on the belief that the world is becoming more homogenous; further, distinctions among national markets are not only fading, but, for some products, will eventually disappear" (Czinkota, Ronkainen, & Moffett, 1996, p.512). For example, there is a considerable demand for Coca-Cola soft-drinks in almost every country in the world, and people all over the world, not only those in the United State, wear Nike shoes. Globalization has changed the orientation of business competition, and that has turned some successes into failures and vice versa (Chakravarthy & Parlmutter, 1985; Lipman, 1989; Yip, 1989; Melcher & Arogyaswamy, 1993). Arguably, the powerful force that drives the world toward a converging commonality is technology (Levitt, 1983). Recent technological developments in communication, transportation, manufacturing and financial services, coupled with market-oriented government policies, enable firms to more easily manage business operations and exploit business opportunities in other countries (Bleakley, 1993; Chan, 2000). Firms are in a better position to adapt their products to fit the demands across countries as global markets have emerged. Global-wide diversification also contributes to organizational learning and improvements of innovative skills, which also enhance the profitable outcomes (Ireland, Hitt, Camp, & Sexton, 2001; Palich & Gomez-Mejia, 1999). Therefore, global strategy has become a possible strategic choice for firms.

Global strategy deploys standardization of products across country markets. This is accomplished through the direct control from the central or home office (Hitt et al., 1999). Generally, firms that successfully adopt global strategy and participate in global markets can take advantage of escalating demand for their products beyond their domestic territory and can achieve economies of scale that are not possible when confined to a domestic market (Ghoshal, 1987; Yip, 1989). "Addressing a global market simply adds to the number of potential customers" (Czinkota, Ronkainen, & Moffett, 1996, p.17), which means firms operate at a larger scale of production to meet the increasing demand of new customers in global markets. Moreover, increasing production to meet the demand in global markets allows firms to climb the learning curve faster and thus make their products available at lower costs to consumers (Ghoshal, 1987). Global markets also present firms an opportunity to exploit their already established reputation to enlarge their customer base (Chng & Pangarkar, 2000). In addition to advantages gained through production economies of scale and the learning curve, there are gains because of economies of scale for research and development (R&D). This is a key success factor in many industries and allows firms involved in global markets to amortize sizable R&D costs over a large number of product units. As a result, the firms can achieve a low research and development cost per unit (Franko, 1989). Nokia is based in Finland, which is a relatively small country. The limited domestic demand forced the company to develop global strategy in order to survive and grow. The company's worldwide expansion stimulated their innovative efforts, which resulted in its triumph in the global cell phone market over Motorola (Ireland et al., 2001).

By participating in global markets, firms can capture a certain degree of market-risk reduction, which theoretically cannot be attained by domestic diversification. Market-risk is the risk which stems from factors that systematically affect firms in most industries such as war, inflation, recession, high interest rates and major changes in regulation (Brigham, 1994). Global firms can offset an inferior performance of their business operation in one country due to negative economic conditions by a superior performance in another country with positive economic conditions. By that mechanism, firms involved in global markets can, to some extent, reduce the firms' total risk and reduce the fluctuation of earning streams (Kim, Hwang, & Burgers, 1989).

In summary, successful global strategy can enhance firm performance through escalating demand in global markets, economies of scale in terms of both production and research and development, and reducing risk driven by the international/market diversification. However, global strategy may require a significant amount of resources to make the strategy implementation process feasible and could potentially increase the complexity and difficulty in managing global operations especially when firms' managerial efforts are diluted by a wide range and diversity of businesses.

THEORETICAL ARGUMENTS AND PROPOSITIONS

Strategy Complementarities

The concept of complementarities has long been established in the fields of economics and strategy. Scholars in the resource-based school have tapped into the concept of resource complementarities (Chung, Singh, & Lee, 2000; Eneroth & Malm, 2001; Tyler, 2001), referring to the value of combined resources greater than the total value of resources in separation. Research has also tapped into strategy-resource complementarities (Chen, 1996), referring to the combination of firm resource and strategy/market positions having greater effects on interfirm competitive behaviors and ultimately on organizational performance than firm resource and strategy/market positions separately. However, strategy complementarities appear to be understudied. Strategy complementarities occur when firms implement two or more strategies interactively, and the resulting performance is superior to the level of performance that firms can attain through implementing individual strategies in isolation.

Firm Profitability

Firms with high degrees of corporate focus generally suffer from limited demand and lack of new opportunities in their core businesses and may experience diminishing return on their investment if they continue to stay focused on their core businesses. In response to such a situation, firms may, on the one hand, diversify into different businesses to find new business opportunities in order to enhance their profitability. However, when firms move away from their core businesses, they may not be as competitive in the new businesses possibly because their core competencies are not transferable to the new businesses and the firm resources are spread too thin (Schmalensee, 1985; Wernerfelt & Montgomery, 1988). As a result, the profitability enhancement may not reach its potential, especially when the firms face intense competition in their new businesses. On the other hand, when firms with high degrees of corporate focus attempt to enhance their profitability through global strategy, they can potentially create strategy complementarities between corporate focus and global strategy. Global strategy can reduce the shortcomings of having a high level of corporate focus in terms of limited demands since engaging in global markets opens windows of opportunities for firms to acquire a larger customer base and capitalize on the increasing demands. Firms with strong corporate focus, which may be most jeopardized by the demand plateau of their dominant business segments in the domestic market, can prolong the upward direction of overall demand movement by taking part in the expanding global markets. In addition, although moving into global markets, firms with strong corporate focus on their core businesses continue to build on their strengths and core competencies and, therefore, are more likely to succeed in the competition when compared with less focused or diversified firms.

Global strategy also allows firms to enjoy benefits from even larger economies of scale in production and research and development and to achieve extensive organizational learning, which are generally difficult to attain in domestic markets. However, global strategy, as previously mentioned, requires a significant amount of resources and managerial efforts in the implementation stage. By having high degrees of corporate focus, firms can zero in their resources and efforts on developing and globally commercializing fewer sets of products, which can increase the chance to implement global strategy successfully. Conversely, when diversified firms with a low degree of corporate focus adopt global strategy, they may magnify their managerial difficulty by spreading their managerial efforts and firm resources too thin into a variety of businesses in various countries and not having strong focus on their core competency, resulting in their weaker competitive position in the markets. In other words, it is more difficult for firms with low degrees of corporate focus to fully capitalize on the merits of global strategy, given their broad range of businesses and resource limitations. In sum, the economies of scale in production and R&D, escalating demands, competitiveness built on core competencies and extensive organizational learning, which are attained through strong corporate focus coupled with successful global strategy, can substantially contribute to firm profitability. These theoretical arguments suggest the following propositions.

Proposition 1. Global strategy can increase the profitability of firms with high degrees of corporate focus to a greater degree than it can increase that of firms with low degrees of corporate focus.

Proposition 2. The increase in corporate focus of firms with successful global strategy yields a greater level of firm profitability while the increase in corporate focus of firms with domestic orientation yields a lower level of firm profitability.

Proposition 1 and Proposition 2 highlight the effect of complementarities or the interaction effect between corporate focus and global strategy on firm profitability and can be graphically presented in Figure 1.

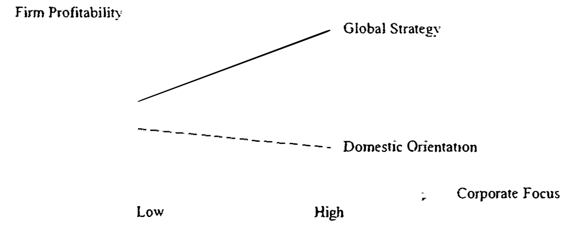

FIGURE 1. The interaction effect between corporate focus and global strategy on firm profitability

Total Firm Risk

In addition to improving firm profitability, firms with high degrees of corporate focus can achieve considerable degrees of risk reduction through successful implementation of global strategy. Risks can be in various forms inherent in the markets in which firms operate. Demand fluctuation and various changes in the markets can, to a significant degree, impose financial and market risks on firms with high degrees of corporate focus (focusing on single or dominant business). By engaging in global markets, firms can, to some degree, diversify the risks away through international and market diversification.

Moreover, firms that have high degrees of corporate focus and operate only in the domestic market are at risk of being surprised by the onslaught of competing firms and newcomers from other industries or foreign countries, and thus seeing their only or main source of income and market share threatened. For example, in the early 1970s, Michelin entered the U.S. market with a competitive pricing and promotion and advertising strategy as an income and market share threat to Goodyear whose home market (U.S. market) was the main source of its income and market share. By reducing price and increasing promotion and advertising in its home market, Goodyear would sacrifice margins in its largest markets (Aaker, 1995). The involvement in global markets allows firms with high degrees of corporate focus to reduce their dependence on a single source of income and market share. This reduces the risk associated with competing in a single market.

Additionally, firms with high degrees of corporate focus and successful global strategy can enhance the flexibility of their cash flow management (Aaker, 1995), because they have multiple sources of revenues from other markets outside their domestic territory. Relatively small revenues from one market and relatively large revenues from another can stabilize the overall revenues of the firms. Moreover, they can mobilize cash flow from a market in one country to support strategic efforts or business initiatives in another country, which can provide some margins of errors of the business initiatives. By integrating global strategy and high degrees of corporate focus, firms can therefore take advantage of flexible cash flow management, which has been seen as an exclusive feature of diversified firms (low degrees of corporate focus). Although global strategy can provide firms with risk-reduction benefits, diversified firms with low degrees of corporate focus may arguably not be in a good position to fully take advantage of risk reduction from global strategy as much as firms with strong corporate focus. The reason is that firms with low degrees of corporate focus already spread their managerial efforts and firm resources into a variety of businesses, and when they expand their diversified businesses into various countries and further stretch their managerial efforts and firm resources, as mentioned earlier they may increase their managerial difficulty and weaken their competitive position in the face of intense competition. As a result, they may increase the risk of losing businesses to their competitors as a tradeoff for their country/market-specific risk reduction through global strategy. In other words, it is more difficult for firms with low degrees of corporate focus to fully benefit from global strategy in terms of total risk reduction, given their broad range of businesses and resource limitations. The above theoretical arguments suggest the following propositions.

Proposition 3. Global strategy can reduce the total firm risk of firms with high degrees of corporate focus to a greater degree than it can reduce that of firms with low degrees of corporate focus.

Proposition 4. The increase in corporate focus of firms with successful global strategy increases the level of total firm risk to a lower degree than the increase in corporate focus of firms with domestic orientation.

Proposition 3 and Proposition 4 indicate the interaction effect or the effect of complementarities between corporate focus and global strategy on firm risks and can be graphically presented in Figure 2.

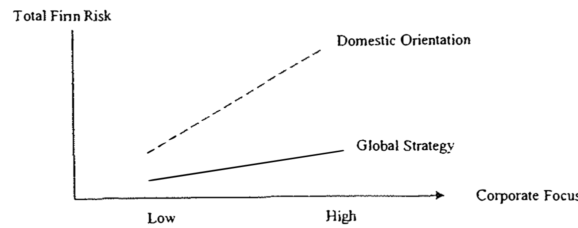

FIGURE 2. The interaction effect between corporate focus and global strategy on total firm risk

DISCUSSION AND CONCLUSION

In this paper, we propose the concept of strategy complementarities between corporate focus, which is corporate-level strategy, and global strategy, which is the international dimension of strategy. The field of strategy appears to be more fragmented over the last decade. Thus, by drawing the corporate-level strategy and the international dimension of strategy together through the concept of strategy complementarities, this paper makes a unique contribution to the integration of the strategy field.

In summary, we argue that global strategy complements corporate focus in terms of enlarging economies of scales in production and R&D, enhancing organizational learning through various global market operations, escalating demands and reducing risk through international/market diversification and flexible cash flow management. In other words, global strategy can help firms with high degrees of corporate focus to further enhance their strengths and substantially reduce or suppress their weaknesses of being focused on a dominant business or a small range of businesses. High degrees of corporate focus also complement global strategy by concentrating firm resources and managerial efforts on a small range of businesses, which can make a successful implementation of global strategy more feasible. These theoretical arguments provide a key managerial implication that to increase the probability of business success, firms in this era should focus on the business they have competency and know how and then try to operate such business globally. Put in Pigliucci's terms, firms should do the business they know how to do. "Do it right. And do it everywhere" ("Mini-nationals," 1993).

We also propose four propositions mainly arguing that there is a positive interaction effect between corporate focus and global strategy on firm profitability while that interaction has a negative effect on firm risks. The interaction effect implies that the effect of corporate focus on firm profitability and firm risks is altered or conditioned by the presence or absence of global strategy. This implication may be extrapolated to provide an alternative explanation for the conflicting findings of previous research on the relationship between corporate focus and firm performance if we regard firm profitability and risks as major indices of overall firm performance. That is, the positive relationship between corporate focus and firm performance will be strengthened by the presence of global strategy and will be weakened by the absence of global strategy. By providing a possible alternative explanation for the conflicting results in corporate focus-performance research, this paper makes another modest contribution to the strategy field particularly to corporate-level studies. In addition, the propositions graphically presented in Figure 1 and 2 may suggest an evolutionary path of firm strategy. First, firms may begin their strategy with strong corporate focus and domestic orientation. Then, when the return on investment from their dominant businesses has reached the point of diminishing return, the firms may find new investment opportunities by reducing their corporate focus and diversifying into new businesses while still maintaining their domestic orientation. After globalization has taken place and global business opportunities have become feasible, both firms with strong corporate focus and diversified firms with low corporate focus may take advantage of the global business opportunities by expanding their businesses into emerging global markets. However, in the case of diversified firms, the managerial difficulty arises and the competitive position of the firms is weakened, due to diversifying from their core competence into a variety of businesses and various global markets. In sum, firms in the globalization era may optimize their business opportunities and risk reduction through the strategy complementarities between strong corporate focus and global strategy.

This paper still has some limitations that may provide a point of direction for future research. First, this paper is conceptual in nature, and thus empirical studies to test the proposed theoretical propositions are needed. Second, for simplicity, this paper treats corporate focus and diversification as opposite ends on a continuum. That is, a high degree of corporate focus is similar to a low degree of diversification and vice versa. This may be too simplified a scenario. As pointed out by Rumelt (1982), diversified firms could engage in related or unrelated diversification. Coupling the types of diversification with the general theme of this paper may be an opportunity for the future research. In addition, this paper focuses only on global strategy, which is just one of many strategic options in the international dimension. In a broad sense, the future research in strategy complementarities could move toward the complementarities between business-level and corporate-level strategies and/or the complementarities between business-level strategy and the international dimension.

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OUTCOMES ASSESSMENT: THE SENIOR EXIT SURVEY

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ABSTRACT

Outcomes assessment has become an essential activity that is currently being carried out in some form by virtually every academic institution in the nation. One of the most effective assessment tools currently being employed in this effort is the basic survey instrument.

The decision by one university to develop a proprietary exit survey as part of its ongoing outcomes assessment plan is reviewed, the benefits and drawbacks of utilizing such a survey instrument are examined, and methods for successfully conducting an exit survey are discussed. The paper also includes a copy of the actual survey instrument employed, as well as a sample of the output obtained from administering the survey over several years to graduating seniors within one academic discipline.

INTRODUCTION

Outcomes assessment has become a priority for virtually all academic programs from K-1 at the local school district to the best known graduate programs at our nation's most prestigious universities. Whether externally from public or private funding sources, governmental agencies, and accreditation bodies, or internally through the various boards of trustees and layers of management, there has been a renewed emphasis in recent years in assessing the effectiveness of the educational process. This is especially true for the universities who are currently accredited by the American Assembly of Collegiate Schools of Business (AACSB) or those institutions who are in the process of obtaining accreditation from this organization. Specifically, Section C.2.2 of the current AACSB standards states: "Each degree program should be systematically monitored to assess its effectiveness and should be revised to reflect new objectives and to incorporate improvements based on contemporary theory and practice" (1993).

According to Gainen and Locatelli (1995), assessment of an educational program involves the systematic collection, interpretation, and use of information about student characteristics, educational environment, learning outcomes and client satisfaction to improve student performance and professional success. However, the actual process of conducting outcomes assessment has manifest itself in many forms. There have been attempts to demonstrate mastery of a core of basic knowledge in a specific discipline through the use of competency exams at the completion of a prescribed course of study. These have either consisted of standardized national exams or exams developed internally by the specific school. While the standardized exam allows for comparison of results with benchmark institutions throughout the country, internally developed exams can be tailored to the specific course content and defined goals of a school's unique program.

Problems associated with this type of assessment tool revolve primarily around availability and cost. For instance, in the area of Accounting, the AICPA Achievement Tests, which were a popular external assessment tool used by universities for many years, were discontinued in 1993 (Akers, et al. 1997). The currently available exams are designed to be general examinations of core business knowledge and thus do not test topics such as advanced accounting concepts. Also, because there are so few specific questions related to any one discipline, missing a single question can significantly affect the reported score for a given discipline.

At the other end of the spectrum, many schools have had their students maintain portfolios of their academic work. The portfolios are periodically reviewed to determine whether the individual student's basic skills show improvement as well as to ascertain whether the student has been exposed to the body of knowledge and various skills that the program has decreed.

Still another approach is to conduct some form of exit interview with each student. This can be in the form of oral interviews or through written exit/alumni surveys. Regardless of the methodology, the intent is the same, to obtain feedback from the students regarding their educational experience. Unlike the previous assessment tools that attempt to gauge the level of knowledge retained by the student, this type of analysis relies upon self-reporting by the students/alumni to measure their perceptions as well as to collect a range of demographic and other related information. One primary benefit of an exit survey is that it can be administered to a "captive audience", while alumni are outside of the university's realm of control and thus harder to effectively survey. [For a more complete discussion of the issues involved in the design of an outcomes assessment program, see Demong, et al. (1994).]

Many authors have documented the value of collecting program assessment data from recent alumni. For instance, Nichols (1991) stated that, "Activities reported by alumni some time after graduation, but reflecting attitudes or values which were intended outcomes of their program, are among the most powerful forms of behavioral assessment." Furthermore, Chamberlain et al. (1991) examined 18 potential outcome measures and found that administrators ranked alumni surveys fourth. Finally, Demong, et al. (1994) found alumni surveys to be the most pervasive of the six measures used in their outcomes-measures matrix.

OTHER SCHOOLS' EXPERIENCE AND SPECIFIC BENEFITS OF EXIT SURVEYS

Many schools and universities are presently engaged in the exit survey process. According to Nelson and Johnson (1997), the Psychology Department at James Madison University instituted exit surveys to better assess and improve department services to students.

The University of Washington (UW) Graduate School requires all M.A. and Ph.D. students to complete an exit survey. According to UW's web site (http://www.com.washington.edu/Program/Grad/exitsurvey.html), this better allows the university to assess the perceived quality of their academic programs.

However, one university with perhaps the most experience in the realm of outcomes assessment and exit surveys is Truman University in Missouri. They have more than thirty years of experience in the area and their assessment program has been used as a model for numerous universities who are currently attempting to institute their own regimen of assessment. Truman has a rather comprehensive document detailing their outcomes assessment program located on their web site at www.truman.edu. Truman also believes that their assessment program, including exit surveys, allows them to continually improve the quality of the education they provide.

Exit surveys provide timely feedback on the program of study, as well as about the university, in general. Specifically, they can:

a. Show what students liked and disliked about their major, specific courses, and faculty
b. Show the students' perceptions of their experience at the university.
c. Highlight the best and worst experiences that students have had.
d. Reveal what students think about the courses, instructors, majors, college, university in general (not necessarily the same as in (a) above.
e. Give faculty and administration a list of items to be addressed, as well as a list of things that are working well.
f. Allow the administration to compare students perceptions of programs, instructors, courses, college, etc.
g. Allow faculty and administration to use the results to address problems so future students have a better educational experience.

The remainder of this paper will look at one written exit survey that has been administered to graduating seniors for nearly a decade by the College of Business at Bloomsburg University, as well as how the results have been used.

PROBLEMS ASSOCIATED WITH EXIT SURVEYS

Obviously, before a program can administer an exit survey, it must have a survey to administer. The college had a choice, administer an established national survey or develop an in-house survey instrument. Both had their unique strengths and weaknesses.

Utilization of an externally prepared survey had many strengths and one major drawback. Among the strengths were the fact that the survey results would automatically be correlated to peer institutions throughout the country which would provide the opportunity for benchmarking. The college would also avoid the need to design and test a survey instrument which would mean that the assessment process could commence immediately. However, the college would have no input into the content of the survey and more importantly, because between three and four hundred graduating seniors would be surveyed each year, the cost of purchasing such a large number of surveys each year would be significant for a college with a fixed budget and very limited external resources.

The alternative was to develop a survey in-house. At first, this appeared to be a daunting task. However, once two faculty members were officially assigned to gather some basic data about exit surveys, the process moved forward rapidly. They soon found that several universities had posted their exit surveys on the World Wide Web and that other institutions welcomed inquiries and were willing to provide copies of their internally developed survey instruments. The two faculty members were also fortunate to be able to attend a conference on outcome assessment where they received a great deal of input on the various types of surveys that were in existence at the time.

Once a sample of approximately ten exit surveys had been collected, it became apparent that the types of questions asked were quite consistent from one survey to another and that virtually none of the surveys contained questions that were proprietary in nature.

Armed with the sample surveys, the two designated faculty members developed an initial draft of an exit survey. After reviewing the survey with the rest of the faculty members within the College of Business, and administering it to a cross sample of students, the final version of the survey was compiled (Exhibit A). It is important to note that, although members of the faculty have suggested various changes to the survey instrument during the intervening years, in order to preserve the ability of the college to conduct an ongoing longitudinal analysis of the responses, none of the changes have been implemented. A copy of the Department of Accounting's survey results, prepared in a longitudinal format, is presented in Exhibit B.

Preparation of the survey instrument proved to be far less complicated than figuring out how to administer it. Two hurdles appeared almost immediately. How could the students be convinced to complete the survey, and, how could they be convinced to take the process seriously. The problems were compounded by the fact that the college wanted to wait until the end of the students' final semester of undergraduate coursework in order to maximize their undergraduate experience while still maximizing the number of students who completed the survey.

It became apparent almost immediately that the students had very little interest in completing a lengthy survey just before graduation. Initially, graduating seniors were contacted by mail and asked to stop by the dean's office, at their convenience, prior to graduation, to complete the survey. A veiled threat suggesting that completion of the survey was actually part of the graduation process was included in the letter. The result, only about half of the graduating seniors showed up to complete the survey; and, many of those who did complete the survey did not take the process seriously as demonstrated by many of their responses. The participants were also not representative of the overall college population. Some departments had virtually none of their majors complete the survey. At the same time, the number of male students participating was well below their proportional representation in the college.

The participation problem was eventually solved when the Management Department volunteered to make the survey part of their Business Policies course. Policies is a required senior level course for the vast majority of the students graduating within the College of Business. It was administered near the end of the course, and, the students understood that completion of the survey was a course requirement. Although there was no academic reward granted to the students for conscientiously completing the survey, for the most part, the surveys have appeared to contain accurate and well developed responses.

The surveys have been administered as part of the Policies course for several years with no incidents. Actual analysis of the surveys is postponed until after the students graduate and the results aggregated by a faculty member who is not affiliated with the department who conducts the Business Policies course. As a result, the students have never questioned the efficacy of conducting the survey as part of the course.

THE SURVEY INSTRUMENT

As can be seen in Exhibit A, the survey instrument contains three sections. Section I, "College of Business Narrative", asks a series of questions designed to elicit demographic information about the respondents. Questions range from age and gender to information concerning their relatives who attend(ed) this university. The same questions are part of a survey instrument completed by all freshmen entering the college. Thus, the college is able to identify several basic characteristics of our graduates and to analyze changes in the profile of the student body between admission and graduation. Although no attempt has been made to use this information to increase retention, it has been used by at least one department to target potential majors.

Section II, "General College of Business Information" is broken down into two parts. Part I attempts to identify what influences affected the respondents decision to attend the University, as well as why they chose the major they did. These questions are also included in the incoming freshman survey mentioned above and are intended to aid in identification of ways to improve the recruiting process within the college. They also provide insight into the characteristics of students who are most likely to be successful in a given major within the college.

Part II elicits information about the respondents' educational experiences within their specific major, the College of Business, and in courses taken to fulfill their general education requirements. This part of the survey has proven to be very beneficial in identifying specific weaknesses in the educational process within the college. Since the data is collated by department, it has enabled the college to identify both areas of strength and weakness within specific departments and to direct resources and efforts to correct deficiencies and to reward strengths.

Part III enables the respondents to reply to specific questions about their educational experiences through unstructured narratives. They are given an opportunity to comment about their major, the College of Business, and their overall undergraduate educational experience at the university. Although antidotal in nature, they often provide the most insight into what the respondents perceive as the primary strengths and weaknesses of the college as well as their specific major. Unfortunately, because the responses are in the form of narratives, they have proved to be difficult to collate and report. Initially, the responses were simply transcribed into individual reports for each department with a summary of all of the reports going to the dean's office. This proved to be so unwieldy that currently each department is encouraged to review Section III for the surveys received from their majors and to prepare their own summary for use within their respective department.

COLLATION OF DATA

Since Sections I and II of the survey are recorded by the respondents on optical scan sheets it has been a rather simple process to have the sheets processed and the results downloaded as a data file. The results are then imported into a Minitab program, collated, and analyzed. The results are then recorded in a series of excel spreadsheets and disseminated to the individual department chairs and to the dean.

Annually, each department chair receives a copy of all survey results for the entire college, prepared in a comparative format by department. In addition, each department chair receives a longitudinal summary of their individual department's findings similar to the abbreviated report presented in Exhibit B. Of course, the dean receives copies of all the reports.

Under current practice, the dean reviews the survey results individually with the respective department chairs. As mentioned previously, the results of Section III are no longer summarized but are made available to the individual departments for review and analysis.

Individual departments within the college have included their survey results in various departmental reviews and have made the information available to outside reviewers. More importantly, the various departments have relied upon the information gathered by the surveys to initiate a variety of modifications to their program's structure, ranging from how they interact with the students, to changes in course content.

BLOOMSBURG UNIVERSITY'S USE OF EXIT SURVEY RESULTS

A major college wide outcome associated with the surveys has been implementation of a required senior audit for all students enrolled within the college. At least one semester prior to graduation, each student must review, with his/her advisor, all courses taken to date and develop a written mutually agreed upon plan for completion of all requirements for graduation.

A second specific outcome based upon the results of the exit survey was the implementation of a freshman library orientation session. The surveys indicated that students were not familiar with the breadth of available library resources and/or how to effectively use them. As a direct result, students are now required to attend a session presented by one of the research librarians that informs them of available resources and also provides hands on experience in their use.

The survey results were also instrumental in having the Accounting Department incorporate computerized practice sets in their curriculum to supplement the existing manual practice sets. This not only provides for reinforcement of basic accounting concepts, it also allows students to gain valuable experience in the usage of a popular accounting software package for small business.

The Accounting Department has also implemented a program under which personnel from the Career Development Center of the university will come in and meet incoming freshmen. They discuss the resources available to the students and the function of the Career Development Center. This arose as a direct consequence of graduating seniors indicating that they were not aware of all the services that were available to them through the Career Development Center.

The use of exit survey results by various academic departments is uneven at the present time. Some departments make extensive use of the results while others seldom refer to them (and may not even review them). This state of affairs seems to ebb and flow with changes in University and College administration. It appears that when individual administrators make program improvement a priority, the results of the exit surveys take on an elevated status and individual programs and departments use the results as change agents.

EXIT SURVEYS AND THE WORLD OF BUSINESS

Business and other organizations can benefit from the use of exit surveys. For instance, the San Bernadino County Fair has recently conducted exit surveys of its patrons. Fair CEO, Selma Harris stated,

> "We wanted to know what people liked, what they didn't like, what they'd like to see redone. We sought input on entertainment, where they are coming from so we know where our market area is and can better define it; that sort of thing." (Amusement Business, 2003)

Advertising executive, Jules Steinberg, is even more adamant about the use of exit surveys. He states,

> "…when ad effectiveness is gauged solely by measuring sales increases for the advertised product(s), the results are, at best, only half right. …Overlooked is the fact that the function of advertising is not to sell anything. It is, rather, to draw traffic to the store, leaving the task of selling to a well-trained sales force. …Combined with the thought that the owner/manager must also know just how good that sales team is, and what else the store might do to satisfy the shoppers, only one solution makes sense: an "exit survey" of the store's visitors". (2001)

Exit surveys are not just important to business and educational institutions, they have applications to the governmental sector as well. A survey done in the United Kingdom reported that 80% of workers who left their job did not have an exit interview. (People Management, 2002) The president of the Society of Personnel Officers in Local Government responded,

> "The organization needs to know how it can support the individual and where the job needs to be changed. An exit interview is a management tool that is used to gauge the effectiveness of employment practices." (People Management, 2002)

However, business and government practices can be applied to university settings with potential beneficial results. An exit survey is really nothing more than a specialized type of consumer survey. Both are designed to measure consumer satisfaction. Corporate America already surveys customers about consumer satisfaction. Universities could possibly mimic current business practices by using not only exit surveys, but also incorporate exit interviews into their assessment programs. A second extension would be to publish consumer satisfaction reports based on the results of the exit surveys as a recruiting tool.

SUMMARY

Historically, whether they have had an established process or not, virtually every educational institution in the United States has engaged in some form of outcomes assessment. However, whether to achieve/maintain outside accreditation, improve program quality, or, more importantly, to justify continued funding, formal outcomes assessment has become an indispensable part of the academic process in recent years.

There are many processes that an institution can employ to conduct outcomes assessment. In this paper we have looked at just one method, the exit survey. And, as with any implement employed to gather data, the exit survey has both strengths and weaknesses associated with it.

Perhaps it's greatest strength is the fact that the entity collecting the data has a captive audience.

In the case of a University, collection of data shortly before graduation precludes the effort and expense associated with eliciting information from alumni who have started careers and may no longer identify closely with their alma mater. In addition, if an institution can incorporate its exit surveys into the formal educational process, it can usually ensure high response rates, as well as increased information reliability.

Equally important is the fact that the experiences are fresh in the respondents' minds. They have not been tempered by the passage of time. The respondents are familiar with what is currently occurring within the organization; thus, the survey is soliciting responses to current practices, not historic practices that may have changed in the interim.

Exit surveys are just one of many tools that an institution can employ to conduct outcomes assessment. Most organizations that conduct successful outcome assessments employ a host of methodologies in tandem as part of a continuing process. They also have processes in place to review their results regularly and to use those findings to implement positive changes within their programs.

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EXHIBIT A

COLLEGE OF BUSINESS UNDERGRADUATE EXIT SURVEY

SECTION I

DEMOGRAPHIC PROFILE

General Instructions:

This survey is used by the College of Business to identify specific demographic characteristics of our student population. The information will be kept strictly confidential.

Directions:

An optical scan sheet is provided for you to record your responses. Please select only one response for each question. Please fill in the appropriate items at the top of the optical scan sheet as follows:

1. Your Last Name, First Initial, Middle Initial

2. Your Social Security Number

3. Department - Select the code that identifies your major

910 Accounting	930 Management
900 Business Education	970 Marketing
921 CIS	920 MIS
961 Economics	940 Office Administration
960 Finance	990 General

4. Course - Please fill in the number "016"

5. Section - Please fill in your current age

Blacken the appropriate circles completely for each of the above items.

Please put the replies for the following questions in the answer area of the scan sheet.

1. **Gender:**
   A. Male
   B. Female

The following list for race designation is the current EE06 government set and is being used for statistical purposes to coincide with government reports. We apologize if any of these terms are not the ones you would prefer to have as descriptive of yourself and we ask your indulgence in using the current government standards.

2. **Race:**
   A. Native American
   B. Black
   C. Hispanic
   D. Asian
   E. Caucasian

3. **Race: (cont'd.)**
   A. Other

4. **Geographical Location of Residence:**
   A. Pennsylvania
   B. New Jersey
   C. New York
   D. Other US State
   E. Europe

5. **Geographical Location of Residence (cont'd.):**
   A. Africa
   B. South America
   C. Central America
   D. Asia
   E. Other

6. **Residence status at Bloomsburg University:**
   A. On campus
   B. Off campus
   C. Commuter

7. **Attendance status**:
   A. Full-time (at least 12 credits)
   B. Part-time

8. **Employment Classification during the academic semester?**
   A. No employment
   B. Work study employment
   C. Part-time off-campus employment
   D. Full-time employment
   E. Both B and C

9. **Which of the following best describes how you were admitted to the College of Business?**
   A. Admitted as an incoming freshman
   B. Internal transfer from another college of BU
   C. Transfer from a two-year institution
   D. Transfer from another four-year institution.
   E. Other

Indicate which of the following, if any, family members are alumni of Bloomsburg University.

10. **Father:**
    A. Yes
    B. No

11. **Mother:**
    A. Yes
    B. No

12. **Brother or sister:**
    A. Yes
    B. No

13. **Grandparent:**
    A. Yes
    B. No

14. **Other:**
    A. Yes
    B. No

15. **Are any other family members currently enrolled at BU?**
    A. Yes
    B. No

16. **Which of the following was the <u>primary</u> source of your education funding?**
    A. Self
    B. Family
    C. Governmental loans
    D. Personal loans
    E. Scholarships

SECTION II
GENERAL COLLEGE OF BUSINESS INFORMATION

PART I:

Please base your answers to the next series of questions on the following scale.

A	B	C	D	E
Major Positive Influence	Minor Positive Influence	No Influence	Minor Negative Influence	Major Negative Influence

What impact did each of the following factors have on your decision to attend Bloomsburg University?

17. Financial considerations.
18. Reputation of Bloomsburg University as a whole.
19. Reputation of the College of Business at Bloomsburg University.
20. Reputation of a specific program within the College of Business.
21. Reputation of a specific program outside of the College of Business.
22. Geographic location of Bloomsburg University.
23. Size of the student population at Bloomsburg University
24. Size of classes at Bloomsburg University.
25. The College of Business's reputation for incorporating technology into the teaching and learning process.
26. Intercollegiate athletic programs at Bloomsburg University.
27. Influence of parents.
28. Influence of peers.
29. Influence of teachers and advisors in your high school.
30. Influence of Bloomsburg University's admissions personnel.
31. Influence of Bloomsburg University's advertising.

What level of influence did each of the following individuals have on your decision to choose a major in business?

32. Parent(s)
33. Your spouse
34. Your brother or sister
35. A BU faculty member
36. A high school counselor/teacher
37. A friend
38. Yourself
39. Other

What level of influence did each of the following factors have on your decision to choose a major in business?

40. Employment opportunities
41. Upward mobility
42. Earnings potential
43. Requirement of current employment
44. Familiarity with business environments
45. Interest in the subject matter
46. Other

PART II:

How would you rate the value of the following factors in regards to your undergraduate experience at Bloomsburg University.

A	B	C	D	E
Excellent	Good	OK	Weak	Very Weak

47. Availability of your advisor.
48. Quality of assistance provided.
49. If excellent means frequent advisor visits, how would you rate the frequency of your advisor visits?
50. Willingness of your advisor to work with you.
51. Fairness of the grading in courses you took within your major.
52. Fairness of grading in the courses you took outside your major within other departments of the College of Business.
53. Quality of the course content of courses you took within your major.
54. Quality of the course content of courses you took within other departments of the College of Business.
55. Quality of the instructors in the courses you took in your major.
56. Quality of the instructors in courses you took within other departments in the College of Business.
57. Availability of course offerings in your major.
58. Availability of course offerings in other departments within the College of Business.
59. Availability of course offerings outside of the College of Business.
60. The adequacy of the Library for projects assigned to you as part of your course work within the College of Business.
61. The adequacy of the Library for projects assigned to you as part of your course work outside the College of Business.
62. The incorporation of computer technology into your educational experience at Bloomsburg University.
63. The availability of technology at Bloomsburg University.
64. The social life at Bloomsburg University.
65. How would you rate your preparation for entering the current job market?
66. Your overall feelings about your educational experience at Bloomsburg University.

SECTION III
COLLEGE OF BUSINESS NARRATIVE

Please answer the following questions with a short narrative.

1. Which course(s) taken in your major proved to be the most valuable to you?

   Why?

2. What course(s) taken in your major did you find to be the least valuable to you?

   Why?

3. Which course(s) taken in departments outside your major, but within the College of Business, proved to be the most valuable to you?

   Why?

4. What course(s) taken in departments outside your major, but within the College of Business, did you find to be the least valuable to you?

   Why?

5. If you could start your undergraduate educational experience over, knowing what you now know about Bloomsburg University and your major, what would you do differently (e.g., selection of major, attending Bloomsburg University, study habits, social life, etc.).

6. Please note briefly your educational experiences from high school until now. Include schools, majors, minors, certification, etc. Feel free to include interim work experiences.

EXHIBIT B

Bloomsburg University
College of Business
Department of Accounting Graduate Survey
(Partial Results)

The following responses were ranked by the students on a scale of plus 2 (Major Positive Influence), plus 1 (Minor Positive Influence), zero, (No Influence), minus 1 (Minor Negative Influence), minus 2, (Major Negative Influence).

1. What impact did each of the following factors have on your decision to attend Bloomsburg University?

	Avg.	May Yr. 1	May Yr. 2	May Yr. 3	May Yr. 4	May Yr. 5	May Yr. 6	May Yr. 7
Financial considerations	1.28	1.40	1.31	1.14	1.53	1.26	1.00	1.30
Reputation of Bloomsburg Univ.	1.09	0.90	0.95	1.06	1.38	1.16	1.00	1.20
Reputation of College of Business	1.38	1.50	1.45	1.56	1.44	1.28	0.80	1.60
Reputation of a specific program within the College of Business	1.17	1.20	1.07	1.19	1.44	1.20	0.40	1.70
Reputation of other BU program	0.10	0.10	0.00	0.11	0.21	0.10	0.20	0.00
School's geographic location	1.16	1.40	1.19	1.19	1.09	1.18	1.10	1.00
Size of student body	0.86	0.90	0.88	0.69	0.91	0.92	1.00	0.70
Size of classes	0.96	1.00	1.00	0.89	0.97	1.08	0.80	1.00
Reputation for technology	0.56	0.60	0.60	0.44	0.79	0.51	0.30	0.70
Intercollegiate athletics	0.12	0.10	0.14	0.17	0.15	0.08	0.00	0.20
Parents	0.38	0.40	0.62	0.22	0.44	0.31	0.50	0.20
Peers	0.27	0.10	0.43	0.19	0.41	0.18	0.40	0.20
High school teachers/advisors	0.35	0.50	0.52	0.33	0.53	0.26	0.20	0.10
Bloomsburg admissions office	0.09	0.00	0.21	0.11	0.06	0.05	0.00	0.20
Bloomsburg advertising	0.13	0.10	0.14	0.14	0.26	0.08	0.10	0.10

2. What level of influence did each of the following individuals have on your decision to choose a major in business?

Parents	0.62	0.70	0.69	0.58	0.53	0.67	0.70	0.50
Spouse	0.09	0.10	0.26	0.06	0.15	0.08	-.10	0.10
Brothers/sisters	0.11	0.20	0.12	0.17	0.03	0.16	0.10	0.00
BU faculty member(s)	0.14	0.20	0.17	0.08	0.15	0.16	0.00	0.20
High school counselor/teacher	0.48	0.70	0.69	0.39	0.44	0.33	0.20	0.60
Friend(s)	0.32	0.30	0.31	0.22	0.47	0.21	0.50	0.20
Yourself	1.72	1.80	1.79	1.86	1.59	1.80	1.50	1.70
Others	0.21	0.20	0.17	0.22	0.29	0.18	0.00	0.40

3. What level of influence did each of the following factors have on your decision to choose a major in business?

Employment opportunities	1.63	1.90	1.64	1.61	1.65	1.64	1.30	1.70
Upward mobility	1.41	1.30	1.48	1.53	1.50	1.46	1.20	1.40
Earnings potential	1.54	1.50	1.52	1.50	1.53	1.61	1.30	1.80
Required by employer	0.37	0.20	0.31	0.50	0.50	0.49	0.40	0.20
Current familiarity with business environment	0.80	0.70	0.93	0.86	0.97	0.64	0.90	0.60
Interest in business	1.42	1.50	1.50	1.58	1.29	1.38	1.20	1.50
Other	0.31	0.30	0.34	0.28	0.41	0.26	0.20	0.40

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