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IMPACT OF FLORIDA TIMESHARE REGULATION ON US LODGING FIRMS

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Abstract:

Florida has the highest concentration of vacation ownership (timeshare) units in the United States, and after the Great Recession, many people were looking to sell their timeshares on the secondary market. As a result, rampant fraud in the industry grew to the extent that timeshare fraud became the number one complain in the Florida Attorney General's Office by 2011. Examples of timeshare owners falling victim to these fraudulent resale operators prompted the creation of the Timeshare Resale Accountability Act. This paper examines the impact of this law on the major US lodging firms that operate in the timeshare industry by way of shareholder wealth, and finds mixed results, but notably negative impact on stock returns.

INTRODUCTION

This study focuses on the stock performance of publicly traded vacation ownership (or timeshare) corporations, including lodging corporations that have vacation ownership operations, which are affected by changes in Florida state vacation ownership regulations. While event studies have been performed in the lodging sector (Canina, 2001; Kwansa, 1994), little has been done in the vacation ownership (timeshare) industry in the area of regulatory impact (in this case a new criminal law passed in Florida relating to the secondary timeshare market).

Changes in Florida timeshare regulations and statutes were chosen because Florida has the highest concentration of vacation ownership properties in the United States, with over 23% of all timeshare units residing in the state, according to the American Resort Development Association International Foundation (AIF, 2011). Any changes in Florida timeshare laws would affect a large portion of each timeshare company's unit-inventory.

Research Question

The key research question addressed in this study is: do changes in Florida state law regarding the vacation ownership industry impact shareholder wealth of lodging firms that operate a vacation ownership business?

One may ask, why Florida? In Orlando alone, it is estimated that timeshare visitors spent an average of \$1,785 per travel party during 2011 (AIF, 2012). When this figure is extrapolated for all timeshare visitors to Orlando area timeshare resorts, the total dollar amount is estimated to be \$363 million. However, and perhaps more importantly, these timeshare traveling parties spend an estimated \$1.3 billion at other local non-timeshare businesses (Dorf, 2014).

Florida recognizes this large financial impact of the timeshare industry and listens to what the industry has to say. In terms of employment and the timeshare industry's relationship to the rest of the economy, the industry's employment multiplier is higher than that of restaurants, general retail, and hotels in the same areas (AIF, 2012). The employment multiplier is a number that represents the multiplier for other jobs that are created per number of timeshare industry jobs. For instance, in 2011 the timeshare industry's multiplier was 2.28. This means that for every timeshare job (1.00), 1.28 additional jobs were created in other industries. It is also worth noting that 2011 was a year still marked by weak economic recovery from the Great Recession.

Timeshare fraud became so common in Florida that timeshare-related complaints constituted the state's number one fraud complaint in 2010 (Elmore, 2012). Florida Attorney General Pam Bondi's office received almost 7,000 complaints during a nine-month period in 2011. That was more than all other consumer complaints in the state combined (Elmore, 2012). From 2009 to 2011, the Florida Attorney General's Office received more than 19,000 complaints about timeshare reseller fraud (Strain, 2011).

In an effort to control this growing problem of fraud in the timeshare resale market in the state, Florida House Representative Eric Eisnagle introduced a bill in December of 2011, HB 1001, which became the Timeshare Resale Accountability Act on July 1, 2012. This law addressed many of the issues regarding how timeshare resellers operate in the state of Florida. The bill focuses primarily on how timeshare resellers operate and delineates penalties for operators who violate these laws that could result in a fine not to exceed \$15,000 for each violation under the Unfair and Deceptive Trade Practices Act (Turner, 2012).

DATA AND METHODOLOGY

Event studies have been performed in a number of industries regarding changes in industry regulations or the passage of new laws that affect an industry. Many studies have been conducted on topics such as real estate (Impson & Conover, 2011; Nanda and Ross, 2012), financial deregulation (Graddy, Reuben, Strickland, & Bass, 2004), state and federal laws and

regulations (Ababneh & Tang, 2013), and mergers and acquisitions in the hospitality industry (Canina, 2001; Kwansa, 1994), among many others.

An event study attempts to examine the pricing behavior for a sample of companies that have experienced a specific event, which might have occurred at a specific time or may have occurred over several points in time around a particular calendar date (or “clustered”). Bowman (1983) explains the basic procedural steps in conducting a proper event study:

1. Identify the event of interest. The events of interest for this study will be the three dates that pertain to the passing of the Timeshare Resale Accountability Act by the Florida State Legislature (March 9, 2012), the date the Act was signed into law by the Florida governor (June 22, 2012), In terms of the securitization announcements of the various timeshare businesses, see the Timeshare Securitizations Event Study section later in this paper.
2. Model the security price reaction. The model is defined as the method by which expected returns are calculated, and for this study, the Fama French Time Series Model Portfolio time-series CDA (Crude Dependence Adjustment) statistic, the jackknife statistic (Tukey, 1958) and the standardized cross-sectional statistic were used. In addition, because of the relative small samples used in this study, the Bootstrap resampling method (Efron, 1979) will be used to allow the results to be more comprehensive. The Fama French model is used as it measures the difference in returns between large and small corporate portfolios, as well as measures the difference between returns on corporate portfolios that have low and high book to market ratios.
3. Estimate the excess returns. The excess returns, or abnormal returns, are calculated using one of many methods available, including the market model, arbitrage pricing model (Ross, 1976), the unadjusted means model and the mean adjusted model, which defines the expected return as the mean of past security returns over a given period (Bowman, 1983). This paper will use the market model, as it is accepted by researchers as a more complex and refined means of determining an estimate of expected returns (Wells, 2004). The market model also uses a risk-adjustment factor in the calculation of estimated or expected returns, and is thus considered to have a higher level of sophistication than other estimation models (Wells, 2004).
4. Organize and group the excess returns. A standard practice is to use accumulated abnormal (excess) returns over time. One aggregation model, developed by Fama, Fisher, Jensen and Roll (1969), is called the Cumulative Average Residual (CAR), or sometimes mean CAR.

-
5. Analyze the results using a statistical tests of significance structured for a hypothesis that is null.

In order for any abnormal returns to be defined, a set of normal returns, which are the expected returns that are unconditional of any specific event but are conditional on other information, must be specified (Kothari & Warner, 2004). There are several models that can be used to show expected returns. The three primary models are the market model, capital asset pricing model (CAPM), and the constant expected returns model (Kothari & Warner, 2004). As stated earlier, this paper utilizes the market model.

In a typical event study, the focus is usually on the mean of the abnormal return distribution, and a typical null hypothesis would be to determine whether the mean abnormal return at a specific time (t) is equal to zero (Kothari & Warner, 2004).

Peterson (1989) states that the basic premise of an event study is to assess whether abnormal returns are shown by securities that are the result of specific corporate or industry-wide event or events. Such events may include mergers and acquisitions, changes in senior management of an organization, announcement of a stock split, earnings announcements, changes in regulation that affects an entire industry, or a natural disaster that has affected a specific industry, among many other events.

This study will utilize the daily stock returns of the vacation ownership firms', as daily stock prices allow for more precise measurement of abnormal returns (Kothari & Warner, 2004). This will translate into a more focused understanding of a given announcement's effect on the stock price. In addition, this study will focus exclusively on the short-horizon event study window, as a significant amount of literature has determined inherent problems encountered with long-horizon event study methods (Brown & Warner, 1980; Kothari & Warner, 1997; Lyon, Barber, & Tsai, 1999). According to Kothari & Warner (2004, p. 9), "we can have more confidence and put weight on the results of short-horizon tests than long-horizon tests."

The event window should be as short as possible around the actual event, so as to try to eliminate any other factors that might influence stock returns (Boehmer, Broussard, and Kallunki, 2002). Brown and Warner (1985) illustrated that the use of a long event window reduces the power of the test statistic, which may lead to incorrect inferences about a particular event's significance. The nature of the legislative process, however, is long and drawn-out. There are 114 calendar

days between the date that the Act passed the Florida State House of Representatives and the date the Act become enforced law.

Accordingly, for this study, two event windows will be used: 1) from one day before the event date (-1) to one day post-event (+1), and 2) from the day of the event (day 0) to one day post event (+1). These event windows will be based around these specified events:

Passage of Act by Florida Legislature – March 9, 2012
Date Florida Governor Scott signed Act – June 22, 2012

The questions that this paper will address in terms of the Florida law being enacted are contained in the following hypotheses:

- H1 There is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the passage of the Timeshare Resale Accountability Act by the Florida House of Representatives on March 9, 2012.*
- H2 There is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the signing of the Timeshare Resale Accountability Act into law by Florida Governor Scott on June 22, 2012.*

Below is the actual list of corporations that was used in the sample to gather expected returns and abnormal returns. Securities data from CRSP were used for the following stocks (all of which are lodging firms that have a timeshare business or are exclusively timeshare, such as the case with Diamond Resorts and Marriott Vacations Worldwide):

Table 1
Sample of Firms
Florida Timeshare Resale Accountability Act
Bluegreen Corporation
Hyatt Hotels Corporation
Marriott Vacations Worldwide
Starwood Hotels and Resorts Worldwide
Wyndham Worldwide

The Center for Research in Security Prices (CRSP), published by the University of Chicago, was utilized to retrieve stock price histories for the firms listed above.

Fama French Time Series Model Event Study Results

The parameters of the event windows for this study, as suggested by Ababneh and Tang (2013), Ghani and Childs (1999), and Reynolds (2008), were one day before the event (-1) to one day post event (+1), resulting in the event window (-1, +1), and the day of the event (0) to one day post event (+1), resulting in the event window (0, +1). Longer event windows could be employed, but at the risk of introducing possible confounding events (Ghani & Childs, 1999).

The estimation period for this study started fifty-one trading days prior to each event window, and reached back 255 trading days prior to the start of the estimation period. The results are arranged by the following event dates, March 9, 2012, and June 22, 2012. Each event date has the same parameters of estimation window and event windows. We start the discussion of the March 9, 2012 results, as this is the date the Florida House of Representatives passed the Act.

Event Date: March 9, 2012.

The event window of one-day pre-event to one day post-event (-1, +1) resulted in a mean cumulative abnormal return of -.53% and was significant at the 5% level under the portfolio time-series CDA t test (-.237) using the Bootstrap procedure. The event window (0, +1), which is the day of the event date to one-day post-event, showed a mean cumulative abnormal return of -.29% and was not significant at any level. The event windows are listed in Table 2, and the bootstrap resample results are listed in Table 3.

Table 2 Fama-French Time-Series Model, Value Weighted Index March 9, 2012 Event Date							
Window	N	Mean Cumulative Abnormal Return	Positive Negative	Portfolio Time- Series (CDA) t	Cross Sectional Error t	Rank Test Z	Jackknife Z
(-1,+1)	5	-0.53%	2:3	-0.237	-0.807	-0.520	-0.052
(0, +1)	5	-0.29%	2:3	-0.159	-0.522	0.001	0.416
Note. The symbols \$, *, ** and *** denote statistical significance at the 0.10, 0.05, and 0.001 levels, respectively, using a two-tail test. The symbols (, < or), and > correspond to \$, * and show the direction and significance of the generalized test.							

Table 3
Parametric Statistics Repeated with Bootstrap
Significance Levels
March 9, 2012 Event Date

Window	<i>N</i>	Mean Cumulative Abnormal Return	Portfolio Time-Series (CDA) <i>t</i>	Cross Sectional Error <i>t</i>
(-1,+1)	5	-0.53%	-0.237**	-0.807
(0, +1)	5	-0.29%	-0.159	-0.522

Note. The symbols \$, *, **, and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.

The primary event window of (0, +1) resulted in a mean cumulative abnormal return of -0.29% and was not significant at any level. However, the (-1, +1) event window showed a mean cumulative abnormal return of -0.53% and was significant at the 0.05 level in the Bootstrap Significance Test, with a CDA result of -0.237. In light of the analysis discussed above, the null hypothesis H1 is rejected for the (-1, +1) event window.

Event Date: June 22, 2012.

The event window of one day pre-event to one day post-event (-1, +1) resulted in a MCAR of -3.97% and was significant at the 5% level under the jackknife Z test ($z = -2.267$). The event window of (0, +1), which is the day of the event date to one day post-event, showed a MCAR of -3.61% and was significant at the .10% level under the jackknife Z test ($z = -6.086$). This event window showed no significance under the primary test, the portfolio time-series CDA *t*-test, however, there is significance at the 1% level for both the (-1, +1) and (0, +1) event windows using the Bootstrap resampling procedure. The main Fama French results are listed in Table 4 and the Bootstrap Fama French results are listed in Table 5.

Table 4 Fama-French Time-Series Model, Value Weighted Index June 22, 2012 Event Date							
Window	N	Mean Cumulative Abnormal Return	Positive Negative	Portfolio Time-Series (CDA) <i>t</i>	Cross Sectional Error <i>t</i>	Rank Test Z	Jackknife Z
(-1,+1)	5	-3.97%	1:4	-1.784\$	-2.055	-1.509	-2.267*
(0, +1)	5	-3.61%	0:5	-1.473	-2.543	-1.890\$	-6.086**
Note. The symbols \$, *, ** and *** denote statistical significance at the 0.10, 0.05, and 0.001 levels, respectively, using a two-tail test. The symbols (, < or), and > correspond to \$, * and show the direction and significance of the generalized test.							

Table 5 Parametric Statistics Repeated with Bootstrap Significance Levels March 9, 2012 Event Date				
Window	N	Mean Cumulative Abnormal Return	Portfolio Time-Series (CDA) <i>t</i>	Cross Section Error
(-1,+1)	5	-3.97%	-1.784**	-2.055\$
(0, +1)	5	-3.61%	-1.473**	-2.543\$
Note. The symbols \$, *, **, and *** denote statistical significance at the 0.10, 0.05, 0.01, and 0.001 levels, respectively, using a two-tail nonparametric bootstrap of the indicated test.				

Hypothesis H2 is restated here: there is no significant difference in the size of the mean cumulative abnormal return, or shareholder wealth, for vacation ownership companies or hotel companies with vacation ownership interests upon announcement of the signing of the Timeshare Resale Accountability Act by the Florida Governor. In light of the analysis discussed above, the null hypothesis is rejected.

CONCLUSIONS

The day that the Timeshare Resale Accountability Act was passed by the Florida legislature, March 9, 2012, there publicly traded lodging firms that had significant timeshare operations experienced a -0.53% mean cumulative abnormal return in securities for the day preceding the

passing of the law to one trading day after the passing of the law. It had a 1% significance level under the bootstrap significance test. There could have been other events that took place in the industry or that were company-specific that negatively affected the securities of the five companies in the sample.

The day the bill was signed into law by the Florida governor, June 22, 2012, the five firms experienced a -3.97% cumulative abnormal return, significant at the 1% level under the bootstrap significance test, indicating that either another major negative event or events may have contaminated the event window (-1, +1) or the firms had a significant negative reaction to the bill being signed into law.

Although this study touches on a state-level law in the state with the most timeshare units in the United States, future research could explore other state laws concerning real estate, the brokerage of the timeshare units themselves, regulatory environments at the state level, and national marketing campaigns that benefit the industry as a whole.

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MANAGING THE SELECTION PROCESS FOR LEADERSHIP TRAINING: US MILITARY ACADEMIES

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Abstract:

In this turbulent world the US military provides the nation's security. Paramount to the military's success is the quality of its leadership. While all four academies have provided a number of distinguished military leaders through history, this paper raises the question whether the current nomination process is the most effective at providing the quality applicants necessary for the US military's future.

THE ISSUE

In a turbulent world, few things are more important to U.S. national security than the quality of its military leaders (Korte, 2014). Acknowledged as a primary source for intensively trained and cultivated military leadership are the four elite service academies: the Military Academy at West Point, the Naval Academy in Annapolis, Maryland, the Air Force Academy in Colorado Springs, and the Merchant Marine Academy in Kings Point, New York. It would be difficult to fault the acclaimed success of the academies in providing a core of officers who have served the nation admirably. What is often in question, however, is whether the desired end product and the means employed to acquire those who graduate from the academies are deemed the best available. Much has been written and debated about the continued necessity for maintenance of the academies, their costs to the federal government, and whether other sources of commissioned officers such as the Reserved Officer Training Corps or Officer Candidate Schools produce any less quality product.

INTRODUCTION

From their start in 1802 service academy graduates have served in all of the US conflicts. Some distinguished graduates include: Dwight D. Eisenhower (Supreme Commander of the Allied Forces in World War II) Robert E. Lee (Commanding General of the Confederate Army), Ulysses S. Grant (Commander of the US Union Army), General Douglas MacArthur, (World War II) David Petraeus (Former General and CIA director) , and AOL co-founder Jim Kinsey (United States Military Academy, 2014).

HISTORY

The US Congress established West Point, commanded by Benedict Arnold, during the Revolutionary War (Hansen, 2010). When Arnold's plan to sell details of West Point's fortifications to the British was discovered, Arnold was captured and convicted of treason. After the War the location was used as a military academy but struggled without adequate funding or support from Congress and civilian leaders leery of a powerful federal government with an army. However, the War of 1812 with Brittan disclosed the glaring weaknesses of US military preparation in general and particularly of its military leaders. Subsequently, West Point was officially established in 1802 but languished with inadequate leadership and funding until 1833 when it became a very well organized military academy under its superintendent, Captain Sylvanus Thayer (Hansen, 2010).

BACKGROUND ON APPLICANTS AND GRADUATES

Today the academies have a total of 15,443 undergraduates (Grove, 2014). These include 4,592 at West Point, 4,461 at the Air Force Academy, 4,441 at Annapolis, 963 at the Coast Guard Academy, and 986 in the Merchant Marine Academy (Grove, 2014).

The academies are very selective, only about 8% of the applicants were admitted out of the 15,171 that applied in 2014 (What is the acceptance rate for the United States Military Academy, 2014). As a group they have high retention and graduation rates, approximately 92% and 75% respectively (United States Military Academy, 2014). The classes are usually small averaging 20 students or less with a student to faculty ratio of 7.1 (United States Military Academy, 2014). A high percentage of students are male (84% at West Point) and 16% are female (United States Military Academy, 2014).

The academies offer a range of majors with the five most popular being: engineering, social sciences, foreign languages, engineering technologies, and history (United States Military Academy, 2014). West Point alone has 25 NCAA Division I teams with participation required in either a team or other sports. Many complete an experience serving in active Army units, attending advanced training courses, and or civilian internships such as duty with the Supreme Court or NASA (United States Military Academy, 2014).

All the cadets are given rigorous physical and academic training. The first year is usually the most difficult adjustment with the academies' complete control over the cadets' lives. Along with the academic, physical and military training they receive instruction in ethical and social development in order to develop a well-rounded graduate (United States Military Academy, 2014).

None of the academies charge for the school so tuition is free paid by the US government. The average cost per graduate is approximately \$487,000 (Korte, 2014).

The academies determine their qualifications for admission. In general, they require: American citizenship, at least 17 years of age but not yet 23, demonstrated leadership in athletics and other extra-curricular activities, SAT or ACT scores, be in good physical and mental health, and must pass a comprehensive medical exam (Government Accounting Office, 2003, September A).

THE CASE FOR THE MILITARY ACADEMIES

The academies prepare young men and women for service in our military. The disastrous war of 1812 showed the need for standing military and military academies to prepare its leaders (Hansen, 2010). The world surrounding the US is turbulent and unpredictable as noted by President Obama. The President specifically mentioned continued conflicts around the world, terrorism, Russian actions in Ukraine, and China's rising military power in China. Included in his speech was the need for different approaches for different conflicts (Obama, 2014).

Maldonado (2013) argues that the traits of leadership and management trained in the military are valuable in the workplace. They represent some of the "best trained, experienced, and mission driven professionals in the civilian world"

Jim Collins (Burlingham, 2013), the author of several books on great organizations, observed and participated in many West Point activities along with the cadets (Burlingham, 2013). His intent was to examine the culture of the organization, the morale of the students, and their environment. He concluded that West Point students are more engaged, work cooperatively in very competitive environments, have a greater spirit of service, and learn how to deal with failure (Burlingham, 2013). Because the program is comprehensive, both physical and academic, it is interesting that the students admit that each of them will fail at something. However, they work together to get their colleagues through that failure, thus teaching them how to face failure, learn from it, and grow (Burlingham, 2013).

Collins concludes that more organizations, business and others need to learn and emulate this culture of high achievement (Burlingham, 2013). He remarks that they have very good social skills including collaborative techniques although they are competing against each other (Burlingham, 2013).

CRITICISMS OF THE MILITARY ACADEMIES

Shuger (1994) raises a number of issues about the U.S. military academies including: costs, efficiencies, deprivation of social contact, and the lack of statistical proof that their graduates perform better than other training programs (Shuger, 1994). His most significant criticism is that

the service academies are more expensive than graduates from ROTC or other officer candidate programs. Currently these costs can reach \$487,000 and require only five years of service after graduation (Korte, 2014). Shuger (1994) argues that these costs are about 3.8 times more than ROTC programs and times more than officer candidate programs. He notes that two thirds of all generals and admirals are not academy graduates.

The Government Accounting Office (GAO) criticized the service academies in 1992 and then again three times in 2003 that the preparatory schools for each academy do not have clear mission statements with which to measure performance especially effectiveness and cost efficiencies (Government Accounting Office, 2003, September A, September B and September C). Each academy has a preparatory school of about 10 months that prepares possible candidates for the service academies but at an overall cost of \$22 million (Government Accounting Office, 2003, September A).

These preparatory schools focus on recruiting enlisted personnel, minorities, recruited athletes, and women. A high percentage graduate from their preparatory school. Their graduation rate of 76% is very high and their retention rates once in the academies ranges from 51 to 59% (Government Accounting Office, 2003, September A, September B and September C). Their acceptance rate of 76% into their respective service academy is also high. Conversely, their cumulative GPA once in the academies is slightly lower than the average of the academies (Government Accounting Office, 2003, September A, September B and September C).

THE NOMINATION PROCESS

History

In 1843 a goal of increasing the size of the academies led to the Secretary of War asking Congress for nominations (Korte, 2014). In 1900 Congress allowed senators to nominate at large candidates from each state. Notably during World War I, the Congressional nomination system was bypassed. The largest change occurred in 1950s when the West Point Superintendent persuaded some members of Congress to stop using a principal nomination that had to be accepted and instead submit a list of ten possible candidates (Korte, 2014).

The current system is established through separate statutes (U.S.C. 10 U.S.C. 9342 for the USAFA, 10 U.S.C. 6954 for the USNA and 10 U.S.C. 4342 for the USMA [(United States Code Annotated, 2017). Throughout the 1970's and 1980's there have been proposals to eliminate the role of Congress and allow the academies to choose their own candidates. Representative Matthew McHugh D-NY stated in 1975 that abolishing the system would free it from politics and provide "a single uniform standard of admissions" (Korte, 2014). He also stated that Congress likes the power to nominate and the academies also like the "buy-in" from Congress (Korte, 2014).

There have been some abuses by Congress where two members nominated each other's relatives or they received money for nominations (Korte, 2014). One retired general argued that currently some members of Congress choose their own candidates without any academy input.

A Detailed Explanation of the Process

In theory, the **Congressmen nominate and the respective Academy's Registrar appoints**. An applicant, interested in attending an academy, submits the necessary paperwork to a respective congressional office in his/her district which starts the selection process. Each member of Congress, at any given time, can have up to five nominees enrolled at an academy (Korte, 2014). Depending on attrition or other factors, there is usually at least one vacancy to be filled by every representative or senator every year. For each vacancy the Congressional member basically has two alternatives for nominating a candidate. The method used by the majority of Congress involves submitting a list of ten candidates to the respective academy allowing the academy to choose who receives an appointment. Each congressional representative currently uses their own selection system.

The nominations are not done with any standardized process. Congressional representatives may try to designate the best applicant and others may invoke political influence. About a third of Congressmen choose to designate a "principal" nominee. Such an appointment guarantees enrollment as long as the individual meets minimum academic, physical, and medical requirements are met. There are pros and cons to both methods both from the perspective of the Academy and the Congressman involved. Would the Academy and the country be better served if all Congressmen selected nominees on a more standardized merit instead of congressional appointment?

THE QUESTION

Background

Because each congressional representative uses their own selection system, these nominations are not done with any standardized process. Some Congressional representatives may try to obtain the best nominations and others may have political influences. Would the academies be better served if all of them selected applicants on merit instead of congressional appointments? In addition, should there be a meticulous screening/vetting process devoid of any external influences other than meeting or exceeding standards in all areas deemed essential for maximum fulfillment of product development- academically, physically, mentally or morally?

Critiquing the Current System

In theory, the Congressional Representatives nominate and the respective Academy's Registrar appoints. An applicant, interested in attending an academy, submits the necessary paperwork to a

respective congressional office in his/her district which starts the selection process. Each member of Congress, at any given time, can have up to five nominees enrolled at an academy (Korte, 2014). Depending on attrition or other factors, there is usually at least one vacancy to be filled by every representative or senator every year. For each vacancy the Congressional member basically has two alternatives for nominating a candidate. The method used by the majority of Congress involves submitting a list of ten candidates to the respective academy allowing the academy to choose who receives an appointment. About a third of Congressmen choose to designate a “principal” nominee. Such an appointment guarantees enrollment as long as the minimum academic, physical, and medical requirements are met. There are pros and cons to both methods both from the perspective of the Academy and the Congressman involved.

Pros of a Competitive Nomination

In applying this method of nomination, a Congressional Representative may submit up to ten nominees to the Academy based on whatever criteria the Congressional Representative develops. The names could be rank ordered or alphabetical leaving it up to the Academy to choose. However, ranking the names could connote a preference. The key word not to be overlooked is “competitive” and here is where the term “best qualified” enters into the nomination issue. To arrive at a competitive list, many Congressional Representatives will use a panel or group of panels composed of individuals deemed by the Congress Representative as best suited to review an applicant’s paperwork submission and conduct an interview to subjectively evaluate the applicant’s qualifications

Cons of a Competitive Slate

On the surface the term “competitive” may seem easily defined but there are inherent shortcomings starting with the choice of panel members, the criteria/questions used in interviewing, and the amount of time available for such a critical decision. Panel members may range from those with a military or Academy background to educators or political associates who may or may not have knowledge of an Academy’s mission or environment. The multifaceted categories of an applicant’s background activities ranging from academics to sports to extracurricular can pose a challenge for panel members to truly evaluate. For instance, whereas the Academy Registrar’s staff would be able to better compare academic quality of one high school versus another and hence differentiate among grading criteria, panel members would only be able to focus on stated grade point average.

Pros and Cons of Principal Nomination

Perhaps the only perceived “pro” of a Congressional principal nomination would be the reasonable guarantee of geographic and ethnic diversity from the many districts in the nation.

Cons of Principal Nomination- unless scrupulously applied, a principal nomination could be viewed as patronage.

SOME POSSIBLE SOLUTIONS

Standardizing the Process

Given that quality should be the predominant factor in selecting applicants for admission to the Academy for officer training and development, the appointment process would benefit from a more standardized approach characterized by transparency (appointments devoid of political influence). Implementing such an appointment approach should be dependent on a uniform evaluation of applicants' scholastic competency, demonstrated leadership qualities as displayed in sports, affiliated youth organizations (scouting or Jr ROTC) , extracurricular activity involvement, underlying motivation as evidenced by substantial military career intentions (i.e. Academy visits, involvement in Jr ROTC programs, discussion with current/prior military officers, knowledge of service academy mission and active duty commitment).

To maximize objective screening of applicants and because of Congressmen's busy schedules, Congressmen can utilize selection panels consisting of three to four individuals either known to the respective Congressman or having expressed an interest in the Academy selection process to interview and evaluate applicants in their districts. Personal experience with different Congressmen as a member of selection panels over the past 15 years is that too often panel members are merely constituents of the Congressman rather those familiar with the stated Academy mission/purpose, the demands of cadet life, expected service experiences after graduation, and' "importantly", do not interview all the applicants to assure consensus of the panel members' final slate provided to the respective Congressman for submission to the Academy Registrar.

Ideally the panelists should score candidates using a standardized form (attached) which, in turn, could be used by the Congressman in submitting the up to ten (10) authorized applicant names to the Academy Registrar. Again, the key premise adhered to to reasonably assure "the most desired" potential leaders are identified to fulfill the nation's armed forces is that "Congress should nominate and the Academy Registrar should appoint". Such an approach would eliminate "Principle" appointments where there is a lack of panel review of applicant qualifications.

Congressional staffers charged with conducting the nomination process should be uniformly briefed by the Academy Registrar followed by panel members given a similar briefing outlining what is desired from efforts of those conducting the initial applicant screening process. A range of suggested questions (attached) that should/could be addressed during interviews could again offer some uniformity and consistency in evaluating responses.

Other Documents for Panel/Nominator Review

Of added value in discerning an applicant's merit for a recommended nomination by the Congressman or appointment by the Academy Registrar would be a personal essay expressing the candidate's rationale for seeking an appointment subsequent to a military career and desire to serve the country.

The Ideal Process

Suggesting modification to a 173 year old relic of political patronage that has grown in scope will probably not occur without a major occurrence highlighting the dire need for strong military leadership in an ever decreasing core of career minded officers. Reserve and guard units, although manned by competent leaders are not a substitute for the "hard core" cadre of career minded professionals filling and forming the first line of national defense leadership.

An "ideal" service academy appointment system must start with an unbiased Congressional review of the existing system with a commitment to a process devoid of political largess and focused on proven and/or potential leadership skills. Lobbying and political action committees exert influence and call attention to areas of personal interest to businesses but military oriented organizations such as the Military Officer Association garner limited publicity for needed reforms in the narrow public sector of military manning.

There is an urgent need to study the dichotomy between the lure of admittance to a prestigious all expense paid education at a service academy for a payback of five years active duty service versus a scholarship to an equally prestigious civilian institution of higher learning. Screening for the academies should have no room for accepting other than the most qualified potential leader.

Would the academy be better served if nominated applicants submitted to the Registrar were selected only by the Academy Registrar and solely on merit?

A Merit Based System

Another possible solution is to remove the current system and use a merit based system such as that used by the Coast Guard Academy. The pros are obvious which would be selection based on merit only. The cons are that this would require Congressional changes to existing statutes and a loss that some see as beneficial to them personally.

Current Human Resource Management Selection Practices

There is considerable research and practical support of standardized merit based selection systems (Ryan and Polyhart, 2013). The military academies have access to a century of

developed private and public sector human resource practices. Current human resource management practices exist to further the organization's strategic goals by ensuring that the right people with the right skills and the right training are available when needed (Hendon and Lussier, 2017). Use of current standardized merit based systems would ensure that the military academies have the best qualified candidates.

Both the military and the private sector have used techniques developed by the other such as use of testing as a placement tool during WWI to deal with the large number of incoming men (Bateman and Snell, 2013) or the use of small group training for enlisted leaders (Bateman and Snell, 2013) or the development of mathematical algorithms by the military later enhanced by the private sector leading to the use of large databases and algorithms to solve operations, supply chain or queuing issues.

Who Uses Current Human Resource Management Systems and Why

Big businesses, medium sized businesses, public employers and many federal contractors cannot operate in today's environment without developed human resource management (HRM) tools (Snell and Bohlander, 2013; Rue, Ibrahim, & Byars, 2011; Philips and Gully, 2014; Mathis, Jackson, and Valentine, 2014). Their environments are too complex and sometimes turbulent (Dess, McNamara, and Eisner, 2014).

Finally, government regulation of all human resource functions is extensive. The Equal Employment Opportunity Commission (EEOC) has published extensive guidelines on recruitment, selection, compensation and other HRM functions (EEOC, 2017). After the Supreme Court ruling on testing in Griggs v. Duke Power (1971), the EEOC guidelines require that recruitment and selection tools be fair and job related (EEOC, 2017). The EEOC has federal agency powers to provide guidance, support for claimants, or in some cases to sue companies on their own. The result is an extensive set of case law on recruitment, selection and all other HRM functions (EEOC, 2017).

What Can the Academies Use?

The military academies cannot absorb all of these tools at once but could use what the private sector has learned by starting with placement and selection. The effects of not testing and incorrect selection can produce negative effects (Meinert, 2013) that last a long time and are difficult to erase (Geerling and van Ker, 2001). The first step is to determine what qualifications are correlated with success at the academies and later military career success (Snell and Bohlander, 2013; Crook, Todd, Combs, Woehr, and Ketchen, 2011). The body of a century of private and public sector selection can be summed up as standardized merit based systems that are fair, valid, and select the best qualified.

EPILOGUE AND AUTHORS' THOUGHTS

As mentioned above, Congressional motivation to change a 173 year old relic of political patronage will probably not occur without a major occurrence highlighting the dire need for strong military leadership in an ever decreasing core of career minded officers. Reserve and guard units, although manned by competent leaders are not a substitute for the “hard core” cadre of career minded professionals filling and forming the first line of national defense leadership. There is an urgent need to study the attraction of an all-expense paid college degree at a prestigious military academy versus a scholarship to an equally prestigious non-military institution. The academies will continue to be criticized without better selection practices.

A final thought - screening for the academies should have no room for acceptance other than finding the most qualified potential leader.

Hopefully the above will stimulate some discussion of the nomination process.

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Appendix 1

Nominations to the Military Academies

Congressional Nominations are detailed as follows:

- 10 from each state, 5 by each Senator from that state
- 5 from each congressional district
- 5 from the District of Columbia by the Delegate from the District of Columbia.
- 3 from the US Virgin Islands nominated by that delegate
- 5 from Puerto Rico nominated by the Resident Commissioner
- 3 from Guam nominated by the delegate from Guam
- 2 from American Samoa, nominated by their delegate
- 2 from the Commonwealth of the Northern Mariana Islands by their delegate.

Designated non-Congressional appointments

These can be made by the President of the U.S., the Vice President, the Secretaries of the Armed Forces, the superintendents of each academy, and the Governor of Puerto Rico (Petersen, 2012).

Appendix 2

2017 Service Academy Evaluation Criteria Scoring

Level 1 Interview (A, B, C / GO or NO GO): This is a 5-minute interview to determine if a more extensive interview is warranted. The GO / NO GO decision is not based solely on the 5 minutes but mostly on the candidate's application. Each panelist will score the candidate and after the interview the panelist will discuss if there is an A and C for the same candidate. Panelist will not be required to change their score, but the hope is that there is no more than I level difference between panelist scores.

- A — Highly competitive candidate for a primary / alternate nomination, one of the best candidates
- B — Moderately competitive for a nomination, will likely get a level 2 interview
- C — Marginally competitive for a nomination, may or may not get Level 2 interview

Level 2 Interview: please use the candidate's essay question, letter to Congressman, and both interviews in scoring. **Panelist will discuss if scores differ by more than 3 points in a given area.**

Scholastic (max 40 points / 40%): This will be based solely on their best score on the ACT or SAT and their "Weighted" GPA. All Panelists need to have the same score, so please check before finishing scoring. Please do this while you are reviewing the candidate's application prior to interviews.

Leadership (max 5 points / 5%): This criterion is used to evaluate the candidates for seeking out and excelling in leadership positions in extracurricular activities, e.g. example, team captain, eagle scout, and student body class officer. Please consider the scope and involvement required of the leadership position. Generally, just being captain of a sports team would warrant a 1 or maybe 2. Multiple leadership positions could warrant a 5. Do not consider letters in academics or making honor roll as those are scored in scholastic section.

Extracurricular Activities (max 15 points / 15%): Examples scored in this criterion - student government, after school clubs, varsity and club sports, scouts, employment, community or religious groups. Generally scoring would be one point for involvement in a club / sport and additional points for awards / significant achievements. Do not consider letters in academics or making honor roll as those are scored in scholastic section.

Motivation / Diversity (max 20 points / 20%): This is a completely subjective scoring criterion. Please consider motivations as worth 15 points and diversity as the remaining 5 points. For motivation consider leadership potential, family attitudes / values, character, career intentions, self-confidence, and discipline. For diversity please consider the candidate's openness to diversity and response to interview question.

Knowledge of Service Academies (max 20 points / 20%): Does candidate understand the function & purpose of the academies, active duty commitment after graduation, and honor code. Consider the candidate's efforts to gain more information about the academies (visits to an academy, meeting with current cadets or midshipmen, attending parent's club meetings, etc.).

Bonus (max 5 extra points): This is to be used sparingly for candidates that have overcome hardships, crisis or demonstrated qualities above and beyond those of even the highest qualified candidates. Panelist may award 1-5 points and please indicate why in the notes portion of the scoring sheet. These points are in addition to 100 points available in all other criteria.

Appendix 3

2017 Service Academy Applicant Evaluation

A Applicant's Name					
Academy Choices					
1.		3.			
2.		4.			
Level 1 Interview Score: A B C					
Scholastic					
College Boards	SAT		ACT	Max Pts	Notes
	0-1600		23	4	
	1610-1650		24	6	
	1660-1700		25	8	
	1710-1800		26	10	
	1810-1850		27	11	
	1860-1900		28	12	
	1910-1950		29	13	
	1960-2000		30	14	
	2010-2090		31	15	
	2100-2150		32	16	
	2160-2200		33	17	
	2210-2300		34	18	
	2310-2390		35	19	
	2400		36	20	
Grade Point Avg	GPA	Pts	GPA	Max Pts	Notes
	0-3.0	4	3.61-3.70	16	
	3.01-3.2	7	3.71-3.8	17	
	3.31-3.3	8	3.81-3.9	18	
	3.31-3.5	11	3.91-4.0	19	
	3.51-3.6	12	4.01 +	20	

Leadership: officer in extra-curricular group, captain of sports team, leader in employment	5	
Extracurricular Activities: after school activities, sports/athletics, scouts, employment, volunteer work, church	15	
Motivation / Diversity: leadership potential, family attitudes, character, career intentions, self-confidence discipline, & understanding of diversity	/ 20	
Knowledge of Service Academies: function / purpose, honor code, academy visits, application	/ 20	
Bonus:	/ 5	
TOTAL SCORE	/ 100	

Use Back of this page for comments

Panelist's Signature _____

Appendix 4

2017 Service Academy Interview Questions

Level 1 Interview Questions

- o If you could pick any leader to be your mentor who would it be and why?
[Leadership,
Motivation/Diversity]
- o Why do you want to serve as commissioned officer in a military service?
[Knowledge of
Service Academies]

Level 2 Interview Questions

- Rapid Fire Questions
 - o If you could talk for one hour with anyone in history, who would it be and what would you ask to talk about. [Motivation/Diversity]

-
- o What are your plans if you are not admitted to an academy? Have you visited any of the service academies? If so, when and why. [*Motivation/Diversity, Knowledge of Service Academies*]
 - Longer Answer Questions
 - o Name a leadership challenge you had to overcome and how did you do it? [*Leadership, possibly others*]
 - o How do you anticipate diversity would impact you in a military environment? [*Motivation/Diversity*]
 - o Panel choice (pick a question below or ask a similar type question that will help you as a panelist determine the candidate's knowledge and/or motivation to attend an academy). [*Knowledge of Service Academies, Motivation/Diversity*]
 - Question about active duty commitment following graduation)
 - Motivation to go to an academy (follow up from letter to Congressman)
 - How they will deal with discipline environment
 - Honor Code Question (please read their essay and come up with a good follow-up essay, examples below)
 - Tell us what the toleration clause in the honor code means to you?
 - How would you feel about having to confront your best friend or roommate about possibly violating the honor code?
 - o If selected to an academy, America will invest \$300,000 in your education and training, tell us why you are worth it. [*All categories*]

USING EXPERIENTIAL LEARNING TO ENHANCE STUDY ABROAD PROGRAMMING: WALKING ON THE WILD SIDE

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Abstract:

In this paper session, an innovative and fun activity used in a study abroad summer program will be explored. “Walking on the Wild Side of Paris” is based on the premise that experiential learning activities lead to more meaningful learnings and opportunities for reflection. For many students, the foreign setting is more demanding, the safe structure of classroom learning in which they normally excel is yanked away. This is an opportunity to approach learning in a new way. “Walking on the Wild Side of Paris” is an assignment that asks students to “get out and do it!”

Introduction

As colleges and universities in the United States prepare students to enter an ever-increasing global society, the pressure on these institutions to provide culturally sensitive educational programs is growing. (Espiritu, 2008) We are now living in an unprecedented era of study abroad programs. Estimates extrapolated from UNESCO statistics suggest that more than 2 million students participate in these programs on a yearly basis. (Lutterman-Aguilar, and Gingerich, 2015).

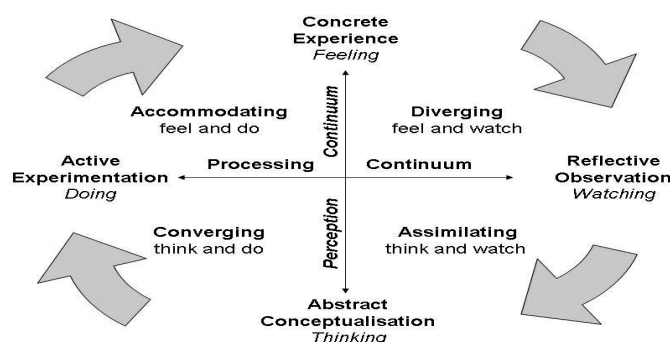
Although study abroad programs are an increasing feature of university life, the study abroad experience in and of itself does not necessarily lead to the development of global citizenship. Having been a faculty member for over twenty-five years in such programs, I have come to the firm belief that the best experiences for students is to implement courses designed to immerse students as deeply as possible by utilizing the concepts and principles of experiential learning. Some might argue that all study abroad programs hold the possibility of experiential education. However, in my experience some programs simply move the course from the home university to another campus and transfer the academic units without necessarily utilizing the international experience as a basis for learning. Those courses in which I have incorporated aspects of experiential learning have been the most successful ones I have taught.

Experiential Learning

Experiential education is a philosophy and theory of education rooted in experience. A fundamental belief of experiential education is that experiences alone are not educational in and of themselves. Dewey (1997, p. 25, p. 87) argues “Activity that is not checked by observation of what follows from it may be temporarily enjoyed. But intellectually it leads nowhere.” Dewey goes on to argue that carefully chosen experiences supported by reflection and critical analysis lead to deeper and lasting learning. Experiences must be reflected upon to lead to knowledge so that the experience may become transformative.

David Kolb’s model of experiential learning in Figure 1, illustrates how learning is a complex interaction of experiences, that learning is not a single process, but is both active and passive. Learners go through a four-stage cycle of concrete experience followed by observation and reflection, leading to the formation of abstract concepts that result in hypothesis to be tested, which in turn may lead to new experiences (Hunsaker, 1980). In this model, experiences alone are not enough: reflection and analysis are an essential component of experiential learning. My experience teaching abroad have deepened my belief in this concept. Any educational endeavor studying abroad that does not structure reflection and critical analysis of the international experience as an integral part of the curriculum is missing the point.

Figure 1. David Kolb’s model of experiential learning



Source: Hunsaker, 1980

Students who do not have this opportunity are missing the value of experiential learning which provides an opportunity to enhance deep learning and understanding. John Wallace, (1993) gives a terrific example of this process in his own work. He writes about a course in geography and a paper he wrote on drought and famine. He passed the course and thought nothing more about it

until an experience he had when studying in Calcutta. Here as he watched victims of drought and famine die, his learning changed forever.

Experiential Learning in Study Abroad Programs

Experiential learning in study abroad programs offer opportunities for students to develop enhanced self-discovery and ownership in the learning process through self-reflection. As an instructor in different locales teaching abroad (Italy, France, Croatia, Spain, Turkey, Germany, China, Korea) I now try to design activities that challenge students a little bit, often beyond their “comfort zone” but not to the point of panic. This idea is based on the Yearkes-Dodson Learning Curve principle which states that “maximum learning is promoted when the student’s anxiety is at a moderate level. When anxiety is too low, motivation to learn is limited. When anxiety is too high, motivation is inhibited as well.” (Citron and Kline, 2001).

Many faculty in study abroad programs tend to emphasize content over process. Although this may be understandable, especially in some fundamental courses, the learning opportunity for engagement in both individual and collective reflection and analysis of the experiences is imperative. Faculty members need to value the reflection aspect as well as learn to become skilled in facilitating the analysis and reflection. Adequate time must be built into the syllabus and class time. “Allowing adequate reflection time is vital for study abroad experiences.” (Citron and Kline, 2001).

Example of an Experiential Learning in a Study Abroad Program

Following is one example of a group assignment given to undergraduate students in a study abroad program held in Paris. Students in study abroad programs in major European cities often gravitate to the familiar. They take the classes and then seem to gravitate to the iconic sites, take photos and “selfies” to post on social media, and often leave without any deeper knowledge. “Walking on the wild side of Paris” is an assignment developed over the course of many visits and explorations of Paris.

This group assignment is followed up with individual assignments that allow the students to reflect at a deeper level. The assignment has been done by approximately 75 different students, and the feedback has been mostly excellent.

Walking on the wild side of Paris

Group Assignment

This group activity is a self-guided ethnic neighborhood report. Your group will give both oral and written reports. Further individual opportunities for reflection on this experience will be provided at the conclusion of the course.

In groups of 3-4, choose one cluster from the groups below, and pick a minimum of three addresses to visit within the cluster. (Note: We will randomly draw numbers, and the first group will choose first, so that we have different reports/experiences to share with the class.) Please double check locations and addresses to see that there have been no changes, as the list has been developed over a number of years. The places you visit may be large or small, the employees and/or volunteers may or not speak English, but this is part of the discovery activity-to gather information in an environment with which you are totally unfamiliar.

This is not a tour of classical Paris, monuments and museums, but rather a Paris kaleidoscopic, multi-ethnic enclaves that will demonstrate the global nature of Paris. Paris is a hotbed for international migration, but it is easy to miss this fascinating aspect of the city if one sticks strictly to the tourist track. The ethnic communities generally surround the core of the city.

If you have a Paris street guide, it will be useful. Please be careful of using mobile devices in public, as you do not want to draw attention to your possessions. There is a map of the immediate areas at each metro stop that will allow you to find the streets indicated. At each location you visit, look for written materials to take along with you and do not be afraid to ask questions or to explain to those on-site what the goal of your assignment is.

Please visit other sites in your area, and include a general description of the neighborhood, the people, the merchants, the street life and other things you observe. It may be fun to eat a meal in each neighborhood, or drink tea, or a little pastry.

Talk to as many people as you can about what you are observing. Take pictures.

You may have to ask permission to do so. Write up your findings in a four to five-page group paper. Your groups will also present their discoveries and adventures to the class in a creative manner. As a part of your assignment, determine how the cluster group came to settle in Paris.

Country Cluster Groups and Visitation Sites

Cluster One

The Maghreb (North Africa: Algeria, Tunisia, and Morocco)

Addresses to Visit

Centre Culturel Algerien (Algerian Cultural Center)

171 rue de la Croix-Nivert

Metro: Boucicaut or Felix-Faure; M-Sat, 1-17h30, evenings with special exhibits

Nina Bazar (Arab market)

35 boulevard de Belleville

Metro: Bellville; Tues-Sat, 9h30to 19h30

The Goutte d'Or district (neighborhood in the 18th arr)

Commonly known as Little Africa. Generally, this neighborhood is avoided by most Parisians, but if you take normal precautions and go during busy daytime hours you should not encounter any trouble.

Barbes Market

Here you will encounter Africans dressed in brightly colored robes. The crowds reflect the diversity of the Arab world. This is the biggest bazaar in France where total chaos prevails. Not for the faint of heart, this dense and always packed market runs along Blvd. de la Chapelle and Blvd. Roucheouart., just under the metro tracks. Food, fragrant piles of fresh herbs, clothing, housewares, and textiles, just about everything is for sale here. You will find lots of ethnic food, crafts and spices. Keep an eye on your belongings. The market is also next to the giant TATA discount store which is also worth a visit.

Metro: Barbes-Rochechouart; Weds and Saturday: mornings until 2:00pm

Marche Dejean

18th arr: open Tuesday to Saturday

At this West African market, you will find food stalls filled with deadly chili peppers, exotic fruits and pungent spices, halal butchers, cosmetic parlors and boutiques with inexpensive African textiles. You might want to have lunch at one of the traditional Senegalese or Ivory Coast restaurants.

Metro: Chateau Rouge

Cluster Two

The Mashrek: representative countries

Egypt, Lebanon and Syria

(If you choose this cluster, do not make all three visits to Egyptian sites alone)

Addresses to Visit

Centre Culturel d-Egypte (Egyptian Cultural Center)

111 boulevard Saint-Michel

Metro: Luxembourg

M-Fri, 10-19h

Quartier de la Foire au Claire

Place @ passage, et rue du Claire, rue d'Aboukit, rue de Domiette

Metro Reamus-Sebastapol

Entire Egyptian-influenced neighborhood from 1798, although the neighborhood is no longer Egyptian, it will not take you long to discover its Egyptian roots, in particular, look at the façade at 2, place du Caire and enter the passageway.

Maison d' Egypte (Egypt House)

132 ave du Maine

Metro: Gaite

M-Sat, 10-2 and 3-7

Lebanon

Eglise Maronite Notre-Dame du Liban

15-17 rue d'Ulm

Metro: Luxembourg

Syria

Centre Culturel arabe syrien: Arab-Syrian Cultural Center

12 rue de Tourville

Metro: Ecole Militaire

M-Thurs, 10-6, Friday 10-7

Cluster Three***Kurdistan, Turkey and Armenia***

Addresses to Visit
Kurdistan

Institut Kurde (Kurdish Institute)

106 rue Lafayette, back courtyard (this site is located in an apartment complex)

Metro: Poissoniere

M-Fri, 9:30-6:30; Sat, 2-6

Centre culturel kurde Ahmet Kaya

16 rue d'Engheim

Metro: Strasbourg-Saint Denis

Everyday, 10-19h

Turkey

Eglise du Saint Esprit

(Replica of the Aya Sofia mosque in Istanbul)

186 avenue Daumesnil

Metro: Daumesnil

Armenia

Maison de la culture armenienne (House of Armenian Culture)

17 rue Bleue

*Last year's students said this was "hidden "in an apartment complex, it is simply an apartment which serves as a meeting places. The students were invited to stay for dinner and said "it was the best food we've had so far in Paris"

Metro: Cadet

Hours and activities vary

Cluster Four: Iran***Addresses to Visit***

Centre Culturel Pouya

(Independent, secular center for Persian arts)

48 bis quai de Jemmapes

Metro" Republique

Everyday from 10-22h

Centre culturel Iranien (Iranian Cultural Center)
6 rue Jean-Beart
Metro: Saint-Sulpice
M-Sat, 15-19h

Artisanat d'Iran (Iranian artistic goods)
28 rue Gay-Lussac
Metro: Luxembourg
M-Sat, 10-19h30

Cluster Five

Sub-Saharan Africa

Addresses to Visit

As-Art
(African furniture, houseware and decorative accessories which support principles of sustainable development, environmental preservation, social equity and sustainable management.)
*students last year bought gifts for parents and others
3 Passage du Grand-cerf
Metro: Etienne Marcel
T-Sat 11:30-19h30

CSAO (Compagnie Senegal L'Afrique de Quest)
(Boutique and art gallery)
3, 9 and 15 rue Elzevir
Metro: Saint Paul
M-Sat, 11-19h
Sunday, 14-19 (boutique only)

Espace Reine de Saba (Culturel Center of Yemen and Ethiopia)
30 rue Pradier
Metro: Buttes-Chaumont or Pyrenees
T-Sunday, 14-19h, opens at 11 on Saturdays

Maison d'Ethiopie (Ethiopia House)
19 rue Copreaux

Metro: Volontaires
T-Sun, 11-19h

Cluster Six: India, Sri Lanka and Pakistan

Addresses to Visit

Sri Manika Vinayakar (Very friendly Hindu temple, you must leave your shoes at the door)
72 rue du Phillipe-de-Girard
Metro: Max Dormoy
Everyday, 9h30-20h30

Centre Mandapa (Indian Cultural Center)
6 rue Wurtz
Metro: Glaciere
M-Sat, 11-19h

New Shamina Super Market (Indian bazaar)
184 rue du Faubourg Saint Denis
Metro: LaChapelle, Gare duNord
Sat, 10h-20h

VT Cash and Carry (Indian supermarket)
14 rue Dail
Metro: La Chapelle
9-9 everyday but Monday

Ganesha Corner (Indian and Sri Lankan bakery, snack shop and restaurant)
16 rue Perdonnet
Metro: La Chapelle

The Pakistani neighborhoods can be found in the Rue de Jarry and the Passage Brady. You may also choose one or both of these sites for this cluster.
Metro: Gare de l'Est and Strasbourg Saint-Denis

La Chapelle (Little Sri Lanka)
On the cusp of the 10th arrondissement know as "Little Safna" this neighborhood is bursting with activity, culture and color. Here you will find shops and restaurants reflecting the Sri Lankan and

South Indian culture. You will hear Tamil language in the streets, find chai tea, samosas and can go shopping for saris if you choose.

Main Streets: Rue du Fauborg, St. Denis, Boulevard de la Chapelle

Metro: La Chapelle, Gare du Nord

Cluster Seven

Quarter Chinois

This area is the largest Chinatown in Europe, filled with hidden charms and includes an impressive diversity, drawing on the heritage of the French colonies like Vietnam, Cambodia and Laos.

The area is best visited Wednesday through Saturday, as many shops are closed from Sunday through Tuesday.

Addresses to Visit

Metro: Place d'Italie

Tang Freres

48 Avenue d'Ivry

This is one of the largest Asian supermarkets in Europe, filled with many exotic ingredients.

Thai Fruit Center

189 Avenue de Choisy

Here you will find all sorts of unusual beverages such as canned bubble tea from Taiwan and Bourbon-brand beer from Reunion, the French speaking island off of the coast of Madagascar.

Les Olympiades

44 Avenue d'Ivry

Stalls filled with kitsch and knick-knacks from Asia.

Hua Name

51 Avenue d'Ivry

Inexpensive and delicious vegetable and bahn-mi sandwiches starting from 3 euros.

The following two places are not in the Chinese Quarter.

La Maison de l'Indochine (Cultural Center for Vietnam, Laos and Cambodia)
76 rue Bonaparte
*staff only spoke French and Chinese, Chinese students could communicate
Metro: Saint-Sulpice
M-Sat, 10-19h

Galerie de la Maison du Viet-nam (Vietnamese art market)
28 rue des Bernardins
Metro: Maubert-Mutualite, Cardinal Lemoine, Cluny-La Sorbonne
Sat, 11-19

Discussion

Although many students are initially very tentative to this assignment it has proven to be a most memorable assignment. I take care in forming the groups, so that there are at least one or two extroverted and adventurous types of individuals in each group. The assignment challenges them to learn in new ways, and by getting out of their comfort zones, with the support of their group members, the students become adept at interviewing, making observations in the communities and gain valuable insights into a multi-cultured global city.

Students have been invited for dinner at the house of Armenian Culture, a meeting place hidden in an apartment complex. A group of four young women spent the better part of a day having their hair corn-rowed in an African hair salon. New foods have been tried, a lone Asian-American student found cookies and sweets he had been craving, and lovely ethnic clothing and tchotchkes have been purchased.

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GARRY RIDGE, WD-40

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Abstract:

“Conventional wisdom tells us that if it isn't broken, we shouldn't fix it. WD-40 Company wasn't broken when Garry stepped into the role of CEO in 1997. It was a brand leader that had produced consistent profits for more than forty years. WD-40'S philosophy and culture were conservative, and that cautious approach had served the company well. Yet that wasn't good enough for Garry because he knew the company's best was yet to come” (Blanchard and Ridge, 2009, p. 5.). This paper is about how Ridge accomplished remarkable outcomes by applying his executive education to transform business strategy, organizational systems, culture, and leadership practices across the entire WD-40 leadership team.

Introduction

With its product's yellow shield and blue lettering, *WD-40* is widely-recognized for household and business maintenance—a popular penetrating lubricant and rust inhibitor with thousands of uses. *WD-40* is sold in dozens of sizes and packages with sales to 188 countries around the world. *WD-40* is found in over 80% of households and businesses in Australia, North America, the United Kingdom, and to a lesser extent in other regions.

When Garry Ridge became Chief Executive Officer in 1997, he found himself in a mature, consumer facing company producing a tremendously successful product that had already found a place in toolboxes of companies and households around the world. Garry realized the product's ubiquity was both a blessing and a curse. Wd-40 company was paying out almost 100 percent of its profits as dividends because it didn't know what else to do with the money. According to an article in Barron's at the time, “WD-40 is a cult product, but it is hardly a cult stock (Taylor, 2016).”

Garry realized this and instead of just riding the wave of WD-40's on-going success, he decided to take himself and the company to higher levels. So, he enrolled in the University of San Diego's Master of Science in Executive Leadership program and immediately begin applying what he learned at WD-40 Company. Since then, WD-40 Company's capital value has nearly doubled, the company has been growing at a 20%+ compounded annual growth rate, and 94% of its people say they are “fully engaged” in their work, which is over three times the national average (Wright and Kumar, 2016).

The WD-40 Brand and Business

Although widely thought of as a consumer product, *WD-40* was created for one specific industrial purpose. It was formulated in 1953 to prevent moisture from seeping into the Atlas missiles manufactured by Convair, an aerospace firm in San Diego, California. The brand name *WD-40* originated from its “water displacement” purpose, which was perfected with the “40th” formula—thus *WD-40*! The founders named their firm *Rocket Chemical Company* because its original use was to protect the Atlas rockets that made Earth orbits and moonshots.

In 1969, WD-40 expanded to a multiuse product. Its primary application was still to remove rust and prevent corrosion, but now there were a large number of domestic applications ranging from taking the sting out of ant bites to removing telltale lipstick from collars. Since the product was being sold to household customers and in other types of industries, the firm was renamed WD-40 Company Inc. (WD-40, 2017).

WD-40 Company became publicly-traded in 1973 (NASDAQ, trading symbol WDFC). Since that time, the WD-40 has showed continued growth and by 1993, *WD-40 Multi-Use Product* was found to be in four out of five American households and was used by 81 percent of trade professionals at work. More than one million cans were sold each week in the United States alone, and it had become “virtually a household name, used in numerous consumer and industrial markets such as automotive, manufacturing, sporting goods, aviation, hardware and home improvement, construction, and farming.

Despite its sales growth, the firm remained relatively small in terms of personnel. It only employed about 350 people world-wide, but they were generating over \$1-million in sales per employee. However, the WD-40 Company was a “one-trick pony” and a no-growth stock. For more than four decades WD-40 Company had gradually expanded distribution for its one product that was offered in several packages. It was a brand leader that had produced consistent profits for more than forty years, but it was stuck in a pattern generated by its own success (Wright and Kumar, 2016).

Garry Ridge: A New Leader with a Willingness to Learn

In 1997, Executive Vice President Garry Ridge was promoted to President and Chief Executive Officer. Ridge, a gregarious, charismatic Australian, greets people with a friendly, “G’day” and seizes every opportunity to speak with passion about WD-40 Company’s products, people, performance, and culture. As a new, forty-year old CEO, Ridge had a diploma from Sydney Technical College and twenty years of business experience, first in Australia, then in the U.S., most of it with WD-40.

When Garry moved to the US he realized that there was a lot he didn’t know and that if he did know, things could get better. In his words, “I surrounded myself with people who were

competent and gave them the freedom to be heard. I always listen with the intent of being influenced.” When Ridge was in his second year as CEO, he aspired to accelerate his learning and skills with graduate business education. His rationale: “I wanted to confirm what I thought I knew and learn what I didn’t (Blanchard and Ridge, 2009).”

After considering several executive MBA programs, Ridge became intrigued when the School of Business at the University of San Diego (USD), located one mile from WD-40 Company’s home office, announced a new graduate degree program specializing in leadership for practicing executives. Ridge applied for and became a charter cohort student in the *Master of Science in Executive Leadership* (MSEL), inaugurated in August 1999. He did not anticipate the impact this experience would have on him personally and how lessons learned would propel him to transform WD-40 Company.

WD-40 Company’s Engagement with the MSEL Program

Garry Ridge proved to be an intellectually curious learner who was eager to engage in experimental learning with applied practice. In reflecting on his MSEL experience Ridge shared, “That degree program has become the most influential learning experience in my life so far. I was not asked to go to the library and expand on what I had learned in class, but rather to take my learnings back to my company to test their application in the real world.”

CEO Ridge was about half way through the MSEL program when Steve Schwab, WD-40 Company Vice President of Sales, provided confirmation of Ridge’s experiential applications from the program. Schwab observed: “My boss Garry is amazing to watch when he comes to the office on Monday following one of his MSEL week-ends, we all know he is going to introduce something new and try it out. And you know what, ninety percent of the time it works

Development of a Leadership Engine

According to Noel Tichy, a professor of leadership and organizational transformation at the University of Michigan School of Business, “winning companies have ‘leadership engines’ where leaders exist at all levels and leaders actively develop the next generation of leaders (Tichy, 1997, p.6).” Winning leaders, like Garry Ridge, are great teachers. They are open to continual learning and they develop teachable points of view because they have reflected on their own lives and experiences (Tichy, p. 214). Ridge learned valuable lessons in the MSEL program and he wanted to share them with other WD-40 leaders.

Shortly before he graduated from the program, Ridge committed to sponsor one or two of his WD-40 leaders to each MSEL cohort thereafter. In effect, a partnership had been struck, and the partnership has flourished; the 22th WD-40 Company student-leader is currently enrolled in

the program. The MSEL's transformative power on WD-40 Company began during Ridge's student years, and has accelerated as more WD-40 Company leaders experienced the program's effect on them. In essence, Ridge created a leadership engine to actively develop leaders from the top down at all levels in WD-40.

From Classroom Model to Executing the WD-40 Transformation

"One of Garry's real 'ah ha' learning moments was in the last MSEL course. He pulled together his thoughts and experiences and designed a simple, integrated model that captures the essence of how he practices servant leadership." Exhibit 1, presents Ridge's system for developing a winning business organized around his philosophy, "Don't mark my paper—help me get an A." Engaged, continuous learners are central to Garry's approach to "Servant Leadership with an Edge."

The Servant Leadership with an Edge model is a circular, continuous six-step process. It begins with the development of a vision to provide a sense of direction and the clarification of values to keep decisions and behaviors on course. Then comes planning to establish goals and performance standards. Next is execution, where leaders observe and monitor performance, and coach or redirect when necessary. The final step is a performance evaluation where leaders review performance and discover learning moments when they exist.

Vision Backed by Ranked Values

Vision of Lasting Memories. An early priority for acting on Garry's model was a new vision for the firm, combined with ranked corporate values to build the tribal culture and servant leadership needed to sustain and strengthen firm performance. Garry Ridge delights in telling the world, "We're in the squeak, smell, and dirt business. Our products fix squeaks and get rid of smells and dirt. In essence, we are in the quality of life business (Blanchard and Ridge, 2009, p. 46)." From this whimsical remark flows a playful vision that encompasses more than just selling a rust inhibitor and lubricant. WD-40 Company's *stated vision* is: "To create positive lasting memories by solving problems in workshops, factories, and homes around the world (WD-40 Company, 2017)". As users solve problems through creative applications of WD-40 Company's products which have branched beyond the original *WD-40* multi-use product (MUP), they should remember the experience and reach for a WD-40 Company product the next time they encounter a "squeak, smell, or dirt" problem.

Values Drive Behavior. The vision provides direction, guided by prioritized values that serve as behavior guides. Garry originally drafted the WD-40 values as an MSEL assignment, and they were later refined by tribe leaders. Throughout the firm, leaders frequently discuss company values in meetings and conversations, especially when a colleague encounters a situation that challenges one or more values. At the top of the list is the value that trumps all others, "doing the right thing." Exhibit 2, lists WD-40's rank-ordered values.

The sentiment about the extent to which WD-40 is a value driven organization was universally articulated in statements by other WD-40 leaders. Referring to an incident when one large retail-customer threatened unethical hardball action that would cost WD-40 Company an estimated \$4 million in lost sales, Pete Dumiak' Senior Vice President of North American Sales shared that "We stood up and took the hit. We didn't sell out, believing it is more important that everyone respects us at the end of the day.... We stay true to values, even in tough times, even in economic downturns." George Arguelles, Innovation Strategic Business Planning Manager remembers that "The 2008 financial crisis was a wake-up call to how dependent we were to U.S. sales. But even with a sales decline, Garry's conviction to protecting the tribal culture meant there were no employee layoffs. The crisis even served as a stimulus to new product innovation."

Tribal Culture and Learning Environment

The WD-40 Company organization Garry inherited was silo based, where guarding knowledge yielded personal power but sub-optimized corporate performance. Garry wanted to pass on his passion for learning & professional development to others at WD-40 Company. In his quest to transform leaders into learners that would transform WD-40 Company, he began asking his people, "When's the last time you did something for the first time?" He wanted people to be inquisitive, to ask questions and take chances.

Garry realized that company leaders' fear of venturing out from the safety of their specialized roles was thwarting the exploration of huge growth opportunities. Breaking up the silos of knowledge became a necessary early action to create a "learning environment" and a "tribal culture" that would encourage innovation and risk taking. Garry determined that to generate more creativity, people needed to change their mind sets from maintaining the safety of the status quo, and fear of failure, to one that promoted freedom to experiment and try new ideas. Garry set out to is to create a company of learners.

Learning Environment

To implement his vision and his servant leadership with an edge leadership model, Garry needed to generate a respectful culture that replaced a fear of punishment when things going wrong with what he calls "learning moments." *Learning moments* are opportunities to review what is working and what is not. They replace what Garry calls the "typhoon zone." According to Garry, "continually planning and executing without review and learning can blindside you with what we call a typhoon; a destructive event. That's when somebody makes a mistake that hurts both the organization and that person's reputation. Since we don't want that to happen, it is important to take time to pause, review progress, and look for any learning—whether or not a mistake has been made (Blanchard and Ridge, 2009)." So, during the performance reviews and day-to-day events, rather than dwell on mistakes when they happen, the WD-40 Company

culture emphasizes “*learning moments*” without a stigma of blame. Learning moments can be positive or negative, but they are never bad, so long as they are shared for the benefit of all (Taylor, 2016).

One tribal leader noted the practicality of this: “The idea of learning moments expands the mindset. People feel free to take risks, and to realize that I don’t have to do everything alone. People become more courageous, and the ‘me’ focus just doesn’t happen. We can poke fun of one another and realize, ‘we learned something here’.” (Rick Soares, Vice President-U.S. Sales)

Ridge also encourages everyone at the company to become “learning maniacs” who are determined to keep learning as fast as the world is changing. To do that everyone takes the *WD-40 Maniac Pledge*: “I am responsible for taking action, asking questions, getting answers, and making decisions. I won’t wait for someone to tell me. If I need to know, I am responsible for asking. I have no right to be offended that I didn’t ‘get this sooner.’ If I am doing something others should know about, I am responsible for telling them (Taylor, 2016).”

To facilitate fulfillment of this pledge, all tribe members who have an interest in professional development have access to professional development coaches and a series of comprehensive development and training programs. George Arguelles, Innovation Strategic Business Planning Manager, commented, “I am blessed to be working for a company that has an extraordinary learning culture that offers tons of training options for self-improvement and leadership in order to optimize performance and camaraderie at work (WD-40 Company Careers, 2016).”

Ridge walked his talk in 2002, when he removed a group of senior executives with backgrounds in strategy, marketing, and finance, from their day-to-day roles, and assigned them to *Team Tomorrow*. Their charter was to look into the future and figure out what technologies the company would have to acquire and what skills it would have to develop to continue its success by re-imagining its existing products and creating whole new lines of businesses.

Team Tomorrow lasted for ten years and gave rise to a series of products, brands, and business strategies that still shape WD-40’s prospects for years to come. Examples are WD-BIKE and the WD-40 Specialist line, as well as a packaging breakthrough for the flagship WD-40 delivery system called Smart Straw. “Our job was to wake up every day and think about new sources of revenue for the future,” says Graham Milner. “It would never have happened if we also had day-to-day responsibilities for the present.” Garry disbanded Team Tomorrow in January 2012 after deciding that responsibility for imagining the future could be folded back into the business (Taylor, 2016).

Tribal Culture

Ridge believes that his ‘tribe’ philosophy is the underlying current for WD-40’s success. In Garry’s thinking, a “tribe” is more persistent and permanent than a team. A tribal culture provides an on-going sense of identity and belonging, with stories of honored folklore told and retold by the tribal chieftain and tribal leaders. The tribal culture is based on the WD-40 values of care, candor, accountability & responsibility. It is nourished by a learning environment supported by the WD-40 credo “we are not here to mark your paper we are here to help you get an A.” In Garry’s words, “Tribes are enduring. They believe in learning and teaching. They also bring in a sense of belonging and think about longevity. We all here, belong to the WD-40 tribe (Wright and Kumar, 2016).”

After a few cycles of initiating the planning, execution, and review model, described in more detail below, the values and tribal unity culture became embedded. They are widely discussed in meetings and stories are told to illustrate the norm of how we do business at WD-40 Company. “Through folklore, warriors, ceremony, meaningful work, evolving norms, teamwork, community learning and a strong sense of accountability a tribal culture is formed and becomes a self-sustaining place where people want to stay and grow (WD-40 Company Careers, 2016).”

Planning, Execution, and Review

In 2000, CEO Ridge initiated a new performance review process for all WD-40 tribal leaders and tribal members (Blanchard and Ridge, 2009, pp. 17-41). Values were in place and the embryonic tribal culture needed a tangible process to emphasize accountability and responsibility. Garry is fond of saying, “*I’m not here to mark your paper; I’m here to help you get an A.*” Thus, the performance review process includes a personalized final exam, grades, and consultation to eliminate surprises between tribal leaders and members. WD-40 Company’s “coaching-conversational process” involves planning, execution, review and learning. This three-part sequence clarifies job expectations, goals, and provides grades with feedback.

Planning. Toward the beginning of the year, tribal leaders meet individually with their tribe members to establish the three parts of a member’s final exam: (a) gaining agreement on the essential functions of the member’s unique job, (b) setting priorities on 3-5 short-term SMART goals e.g., Specific, Motivational, Attainable, Relevant, and Trackable, and (c) emphasizing that to get an A, a tribe member must live company values.

Execution. Situational Leadership© II lessons and language are used to promote frequent leader-member conversations to discover differences in a tribe member’s competence and commitment across task functions. Leaders use the DiSC® profile assessments and concepts to discern the personality dispositions of others, and how to alter their actions to get along better with people who have different preferences. Discussion then focuses on the leadership style

most appropriate for each job function to help members earn an A. Leaders are then prepared for day-to-day coaching where they observe and monitor performance and praise or redirect.

Review and Learning. Beyond day-to-day conversations, quarterly “informal/formal discussions” are held to review if action changes are needed, and to amend exam components if relevant. Each tribe member completes his or her own annual performance review—with proposed grades. Thus, everyone writes only one performance assessment.

Although the WD-40 Company performance review process is about winning (earning an A), tribal members vary in competence and confidence across their personal job tasks and functions. Earning a B grade does not mean failure, only that “I need help on this goal.” However, when a leader assigns a C grade on a function or goal, it usually means a lack of effort by the member.

Execution of Tools Learned in the MSEL to Effectively Lead Others

During interviews with the MSEL alumni at WD-40 Company, respondents offered a variety of stories about how skills learned in the MSEL program directly enhanced their leadership behaviors. Some even spoke about applications beyond the WD-40 workplace. The three tools most frequently noted were the *DiSC® profile*, *Situational Leadership® II*, and the *Leadership Point-of-View*. Each of these will be summarized below, followed by leaders’ own words about the results of applying these MSEL tools (Zigarmi, D., K. Blanchard, M. O’Connor, and C. Edeburn, 2005).

DiSC® profile assesses preferences for certain behaviors over time. Leaders learn to understand the impact of their behavior on others, how to discern the personality dispositions of others, and how to alter their actions to get along better with people who have different preferences. See Appendix 1 for more information about the DiSC.

One VP spoke holistically about what he learned, “I now use the *DiSC® profile* and *SL®II models* to accommodate for individual differences in learning and decision making.... I found the old me was not as intentional in my leadership styles and in leading change as I should have been. I ignored power-politics, but now am better at negotiations and upholding ethics. I’ve even learned to use statistics as a decision-making tool.” (Mike Freeman, Divisional President-The Americas)

Situational Leadership® II (SL®II) provides leaders with a model and language to discern the task competence and commitment of co-workers. It also shows leaders how to align their behavior to the type of direction and support others need to be effectively engaged. See Appendix 2 for more information about Situational Leadership II.

One recent graduate used *Situational Leadership® II* to exert upward influence: “In a meeting with my boss, I drew the SL®II model on a sheet of paper, and said, ‘on the right side, here is where I need your help.’ On the left, ‘leave me largely alone, but even so, still reach out to me.’ I did this for each of my goals, explaining why I needed help on some tasks, and why not on others. It helped him in managing me because we were talking the same language.” (Tom Reynolds, National Account Manager)

The ***Leadership point-of-view*** is one key to effective servant leadership. When formulating their leadership point-of-view, leaders identify the contributors to their leadership philosophy, values and performance expectations. They then formulate a plan to share their leadership point-of-view with others to improve work relationships and overall performance.

The vice president of marketing remarked, “I developed my *leadership-point-of-view* one month in class and shared it the next month with my entire department. I find that it is a bit therapeutic to share details of my past and how I’ve gotten to this point today. In doing so, a leader has to open up, and be vulnerable in transparency. A leadership point-of-view is never completed.” (Tim Lesmeister, Vice President of Marketing)

The ***WD-40 Leadership Lab*** is another development that enhances learning moments and people development at WD-40. Two factors led to development of the in-house WD-40 Leadership Laboratory: (1) the career success and organizational contributions of graduates from USD’s MSEL program, and (2) the desire to have all tribe members understand the WD-40 Company lexicon, culture, processes, and ways of thinking. The Leadership Lab was initiated in 2012 by several MSEL alumni to stimulate a learning environment for tribe members to develop skills and grow professionally. The Lab, is a two-day classroom experience that provides a framework for the language and terms that senior managers use with an emphasis on learning fundamental skills in using models and processes. The Lab consists of a 16-course curriculum, delivered world-wide.

Financial and Employee Engagement Results

During an interview with Garry Ridge, he summarized WD-40 Company’s impressive development. “Ever since we began the “Don’t Mark My Paper—Help Me Get an A” performance management system, our company’s annual sales have more than tripled, from \$100 million to more than \$339 million. And we’ve accomplished this feat while making the company a great place to work.”

In the WD-40-Company Fourth-Quarter and Fiscal Year 2016 Financial Results report, Garry reported that “We live in a world that is volatile, uncertain, complex and full of ambiguity. Despite all the events taking place in the world today the tribe delivered a solid end to fiscal year 2016.” “During the full fiscal year, we generated a significant amount of our sales in currencies

other than the U.S. dollar, therefore foreign currency exchange headwinds had a significant impact our reported results. On a constant currency basis, net sales for the full fiscal year were about \$396 million, up 5 percent compared to last fiscal year. The tribe has never been more aligned and focused. We are clear about our purpose. We know why and how we do what we do, and our strategic initiatives focus us on how we use our time, talent, treasure and technology to achieve our long-term goals (WD-40 Company-Reports: Fourth Quarter and Fiscal Year-2016, 2016).

Fiscal Results

WD-40 Company Reported its Fiscal Year (ended August 31) 2016 Financial Results on October 19, 2016. Total net sales for the fourth quarter were \$97.2 million, an increase of 6 percent compared to the prior year fiscal quarter. Net sales for the full fiscal year were \$380.7 million, an increase of 1 percent compared to the prior fiscal year.

Net income for the fourth quarter was \$14.2 million, an increase of 21 percent compared to the prior year fiscal quarter. For the full fiscal year net income was \$52.6 million, an increase of 17 percent from the prior fiscal year. Diluted earnings per share were \$0.99 in the fourth quarter, compared to \$0.80 per share for the prior year fiscal quarter. Full fiscal year diluted earnings per share were \$3.64 compared to \$3.04 in the prior fiscal year. Gross margin was 57.4 percent in the fourth quarter compared to 54.3 percent in the prior year fiscal quarter. Full fiscal year gross margin was 56.3 percent compared to 52.9 percent in the prior fiscal year.

Selling, general and administrative expenses were up 17 percent in the fourth quarter to \$32.0 million when compared to the prior year fiscal quarter. Selling, general and administrative expenses for the full fiscal year were up 8 percent to \$117.8 million compared to the prior fiscal year. Advertising and sales promotion expenses were down 9 percent in the fourth quarter to \$5.4 million compared to prior year fiscal quarter. For the full fiscal year advertising and sales promotion expenses down 3 percent to \$22.3 million compared to the prior fiscal year. (WD-40 Company-Reports: Fourth Quarter and Fiscal Year-2016, 2016).

Employee Engagement

A Gallup study covering 30 years and 17 million workers found that there are three types of employee engagement. *Engaged* employees work with passion and feel a profound connection to the company. *Not engaged* employees are basically checked out at work. They just put in hours instead of energy. *Actively disengaged* employees are miserable at their jobs and actively undermine coworkers and sabotage projects (Crabtree, October 8, 2013).

In 2014, another Gallup poll found that the majority of U.S. employees (51%) were not engaged. Less than one-third (31.5%) of U.S. workers were engaged in their jobs and 17.5% were

"actively disengaged" in 2014 (Adkins, January 28, 2015). Compared to these industrial averages, the 2014 WD-40 global employee opinion survey revealed that a remarkable 93.1% of the employees in WD-40 are engaged, with 96% of them demonstrating trust in their supervisors. The details of the WD-40 survey are summarized in Exhibit 3.

Future Challenges

According to William C. Taylor, co-founder of *Fast Company Magazine* and author of the new book, *Simply Brilliant: How Great Organizations Do Ordinary Things in Extraordinary Ways*, "I'm not sure I've met a CEO who has made learning more central to the corporate culture than Ridge has, or has found more ways to develop a thirst for learning among his colleagues. Ridge created a culture of learning that transformed the WD-40 organization and the brand from a one-trick pony and a no-growth stock to a global juggernaut with a market value of \$1.5 billion. (Taylor, October 21, 2016)."

But where will Garry's efforts to transform leaders into learners to keep transforming WD-40 Company go from here? Garry is not resting on his laurels. He wants to enhance WD-40's sustained winning streak through strategies such as brand extensions and border expansions. He is focused on achieving his vision and goals for WD-40. According to Garry, "It's great to hear people across the company, anywhere in the world, say, 'I just had a learning moment' and share it with other people." His dream is for WD-40 to be viewed as a "leadership and learning laboratory for business." The challenge is making his tribe strong enough to face the stiff competition and creative enough to enter new markets (Wright and Kumar, 2016).

Although the most recent WD-40-Company-Reviews by Glassdoor (Glassdoor.com, 2017) were 100% positive, several respondents had some advice for management. Following are some quotes about potential challenges for WD-40 leaders as they contemplate the future.

"I need to ensure that I don't become complacent and smug. I would then offer that advice to all other leaders of our company. We're always going to be a package of Swiss cheese: we'll live by our values and we'll accomplish our objectives 99% of the time, but we'll always have holes to find and fill. As soon as we think we've got it all whipped, we won't."

"Small company so sometimes resources get constrained and projects must be prioritized. We don't have always have access to cutting edge technology but we also may not need it. Could be better at collaborating across the Company as employees are located all over the world."

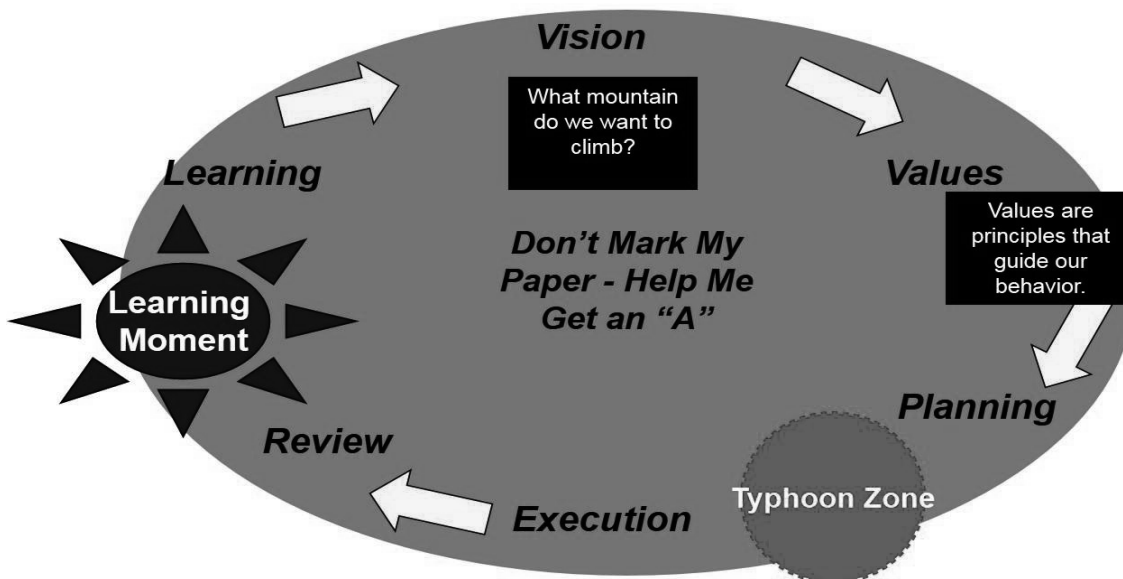
"I feel like I'm always about two inches under water. There are so many opportunities to improve what we're doing, and the list of valuable things to do is endless. But I don't believe that this is a symptom of WD-40 Company, per se. I think it's the bane of existence for people who like what they are doing and struggle saying 'no'."

“Another possible downside to working at WD-40 Company is that we are spread thin and wide. We have a bit over 400 employees who live in 14 countries, generating revenue and growth in 176 countries. It's really hard to maintain close personal working relationships over those distances and time zones without being there in person. So, those of us with global responsibilities spend a lot of time in the air, which can be a physical challenge at times.”

Looking in the mirror first, I'd say I need to ensure that I don't become complacent and smug. I would then offer that advice to all other leaders of our company. We're always going to be a package of Swiss cheese: we'll live by our values and we'll accomplish our objectives 99% of the time, but we'll always have holes to find and fill. As soon as we think we've got it all whipped, we won't.

“People don't want to leave so there can be limited opportunities for advancement.”

Exhibit 1. Servant Leadership with an Edge



Source: WD-40 Company, Third Quarter, Fiscal Year 2013 news release, p. 9.

Exhibit 2. WD-40 Values Ranked by Priority

We are committed to:

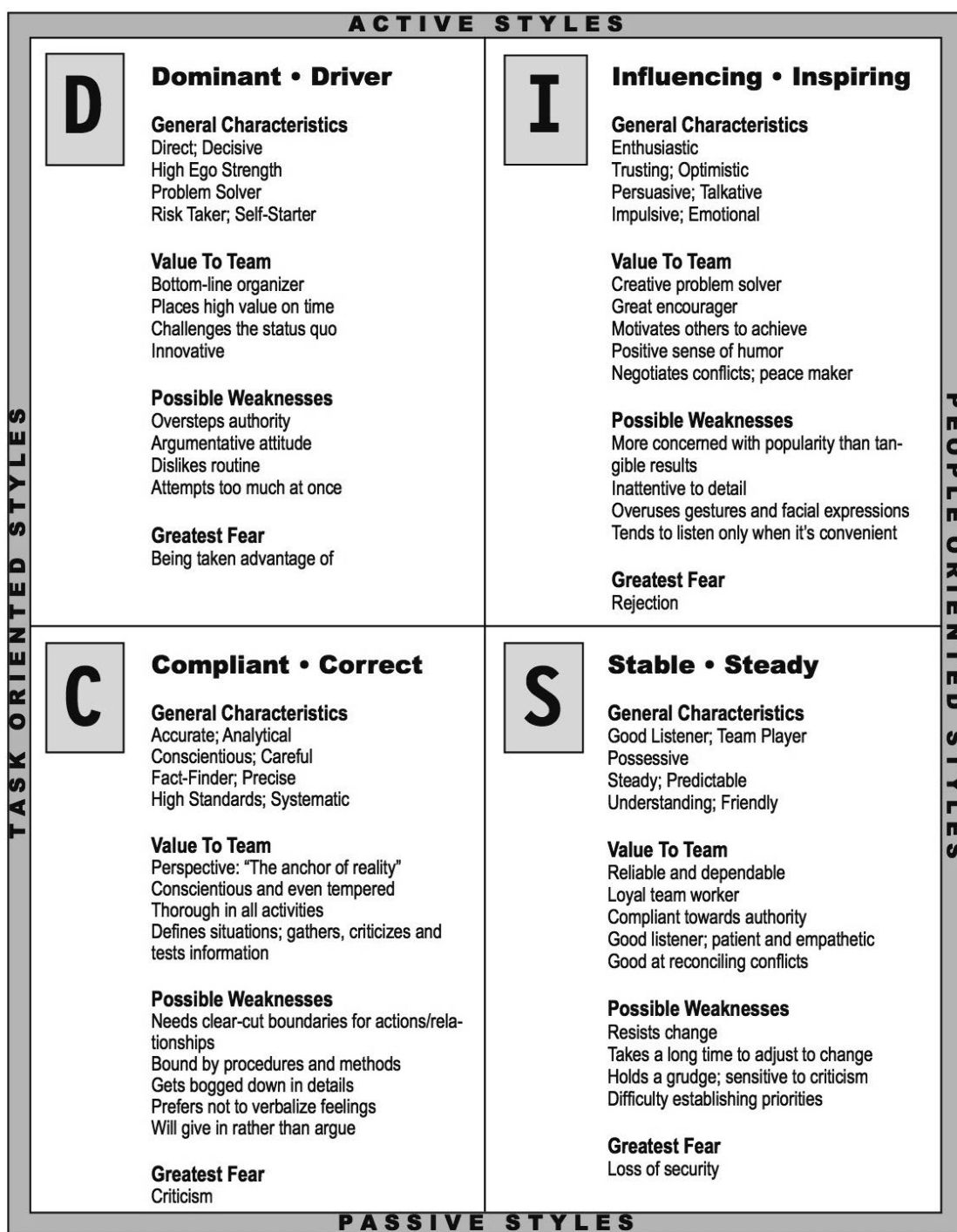
1. Doing the right thing
2. Creating positive, lasting memories in all our relationships
3. Making it better than it is today
4. Succeeding as a tribe while excelling as individuals
5. Owning it and passionately acting on it
6. Sustaining the WD-40 economy

Source: Retrieved May 1, 2017, from <https://www.wd40company.com/who-we-are/our-values/>

**Appendix 1:
DiSC®
Style
Preferences**

Exhibit 3: 2014 WD-40 Employee Engagement Survey Results

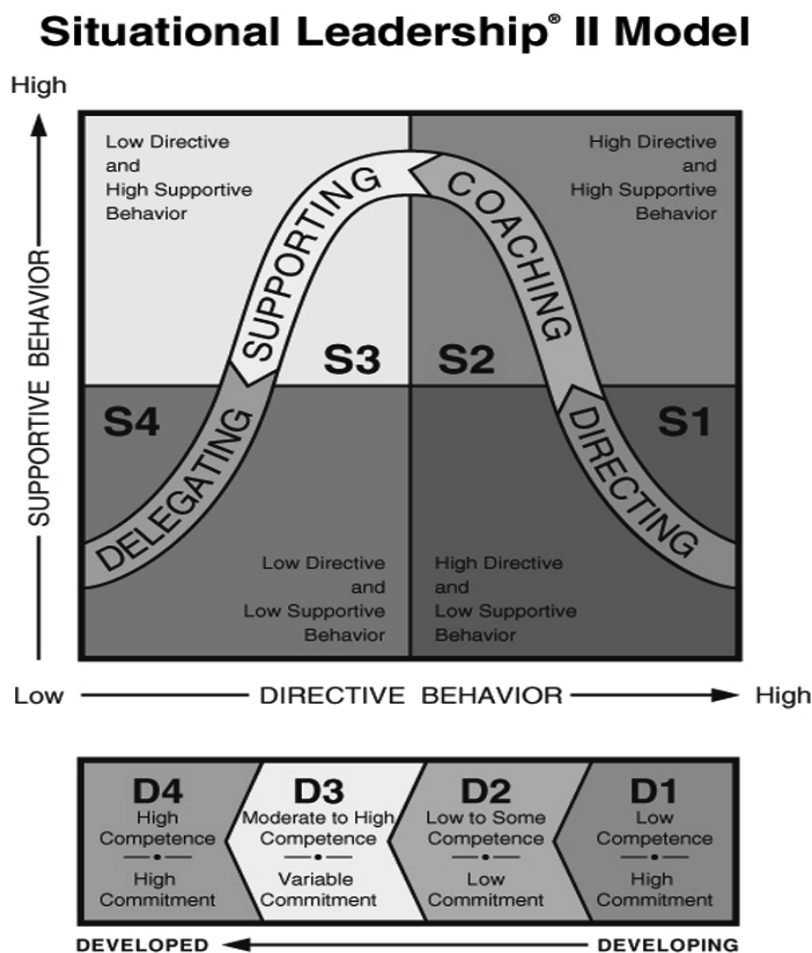
Question	Result
Average of all questions	93.7
I understand how my job contributes to achieving WD-40 Company's goals.	99.7
I know what results are expected of me.	98.6
I love to tell people that I work for WD-40 Company.	97.6
I am clear on the company's goals.	97.1
I respect my supervisor.	97.1
I feel my opinions and values are a good fit with the WD-40 Company culture.	96.8
WD-40 encourages employees to continually improve in their job, to "make it better"	96.3
I am excited about WD-40 Company's future direction.	95.6



Source: Retrieved 11/27/16 from, <https://www.bing.com/images/search?q=DiSC%C2%AE%20profile&qs=n&form=QBIR&pq=disc%C2%AE%20profile&sc=8-13&sp=-1&sk=>.

Appendix 2: Situational Leadership® II Model

The situational theory of leadership suggests that no single leadership style is "best." The most effective leaders match their leadership style to the developmental level of competence and commitment.



Source: Retrieved 11/27/16 from, <https://www.bing.com/images/search?q=situational+leadership+model&qs=IM&form=QBIR&pq=situatio&sc=8-8&sp=5&sk=IM4>

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CORRELATING ECOMMERCE WEB PAGE LOAD TIMES WITH REVENUE: A METHODOLOGY FOR ANALYSIS

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Abstract:

For revenue-generating ecommerce web sites, web page load time and revenue have a quantifiable relationship. The nature of that relationship is of course unique to each organization, but understanding its exact impact on revenue and which web pages impact revenue most can give an organization added focus in future site development and in managing site performance. This paper documents work performed by the student-led Utah State University Business Intelligence Group in the form of a page load time data analytics project done for Lenovo PC International. We document our project methodology and results gleaned from analyzing Lenovo's large clickstream data store in order to find which web pages affect revenue most, and estimate potential revenue gain that could be realized by improving web page load times. We share aspects of our project methodology including the logic behind a multi-stage data model used for reducing Lenovo's large clickstream data to a workable, project-specific subset; the use of such tools as R, Hive, HiveQL, Ambari, and Tableau; and an interesting use of the Random Forest machine learning method. We also share specific figures found in our analysis which may be of interest. They suggest the uniqueness of customer paths through a website and reaffirm the notion of negative correlation between revenue and page load time, also providing a view into the specific nature of that relationship.

Introduction

It is intuitive to think that web page load times affect a company's online conversion rate, meaning the rate at which customers visiting a site will purchase. This is actually a documented phenomenon. In official testing, Amazon has seen a decrease in sales of 1% for a 100 millisecond slowdown of their site (Linden, 2006). Bing.com saw a 1.5% revenue decrease for a 250 millisecond slowdown, with a 0.6% increase in revenue for every 100 millisecond speed up (Kohavi et al., 2013). Another relationship revenue has with web page load time is SEO rankings. Since 2010, Google has been factoring page load time into their ranking algorithm

(Google, 2010), which can decrease a company's revenue stream by decreasing their rate of customer discovery.

In light of these observations, and in partnership with the Lenovo Global Business Intelligence Team, our university's Student Business Intelligence Group was afforded the opportunity of looking at Lenovo PC International's click-stream data with the goal of linking revenue with the page load times of the web pages on Lenovo.com. Our goal for Lenovo was to estimate the relationship between revenue and page load times for those pages that contribute most to revenue, to get an idea as to what load times are optimal. Specifically, we wanted to discover what times maximize revenue, what the current median page load times were, and what \$ revenue gain might be expected from bringing the current median times down to those discovered optimal times.

A classic method for observing page load time's effect on revenue is simulating delays in load times for randomly selected sub-populations through A/B Testing, which is the method both Google and Amazon used in the figures cited above (Kohavi, Deng, Longbotham, & Xu, 2014). When an organization does not have an A/B framework in place or cannot afford to lose revenue to longer page load times during testing, alternative methods can be used. One method was defined by Poggi, Carrera, Gavalda, Ayguade, and Torres, in which machine learning was used to develop a model that could predict sales. Through their methodology, in periods when lower than normal page load times happened naturally in the data, actual sales associated with those times could then be compared to the model's predicted sales, and the difference between the two figures used as an estimate of sales lost to poor page performance (Poggi et al., 2012).

The methodology we used differs from these. While we do not disclose the specific optimal load times and estimated revenue figures by page for Lenovo.com that were found in this analysis, we do present the methodology we formed and used that allowed us to work with the size of Lenovo's data. We also share about the technologies that were used, and more universally applicable statistics found that do suggest insights about the relationship between web page load time and customer conversion rate, and the uniqueness of customer visits to a website.

Defining a Logical Model

We began with the approach of using user paths as a way to link revenue to page load time. The first step was data exploration and defining what a user path is. Technically speaking, we defined a user path as the chronological sequence of all pages a website visitor (user) visits

during a session on Lenovo.com. Sessions are unique to users and expire after 20 minutes of website inactivity.

This user path allowed us to link pages a user visited to revenue, even for those page visits that are not to a checkout or payment confirmation page. If a purchase was made during a session, we associated all web pages visited during that session and their individual load times with those revenue dollars. If no purchase was made, all pages visited in the session and their load times were associated with zero revenue. With this new association of revenue with page visits, we were able to proceed with a logical model to use and take insight from.

Initial Approach: User Paths and Revenue

Initially we were interested to see what the top user paths were by revenue. Which sequence of pages being visited leads to revenue the most frequently? That would give us an idea of which pages mattered most, and which should be focused on in development to bring their median load times down. Median page load time was chosen as a representative metric because for most of Lenovo's web pages, page load time is not normally distributed but right-skewed, with a very small percentage of extreme outliers.

To compare user paths, using an R script we pared down the paths to only the unique page names visited during the user's session, then sorted those pages alphabetically to eliminate visit order. This because of the exceptionally large number of web pages Lenovo has. Even with these simplifying steps, the number of paths that intersected was very minimal. In sampling done for 556 sessions spanning 18,000 page visits, only 5% of paths were found to be common. We drew the conclusion that for websites with many pages and lots of content, user click paths are highly unique. The paths were deemed too unique to pull value from in regards to our objectives.

Making a Data Model

Our next approach was to look at the top pages by revenue, and the differences between page load times for page visits leading to revenue and page visits not leading to revenue. To allow for fast query times and processing, we created a multi-stage data model in Lenovo's Apache Hive cluster that progressively trims the data. To create each entity in the data model we used HiveQL, the SQL-like Hive query language, and Apache Ambari, an open-source tool that provides an easy-to-use GUI for managing Hadoop clusters. The entities in the data model built off each other and took this narrowing path:

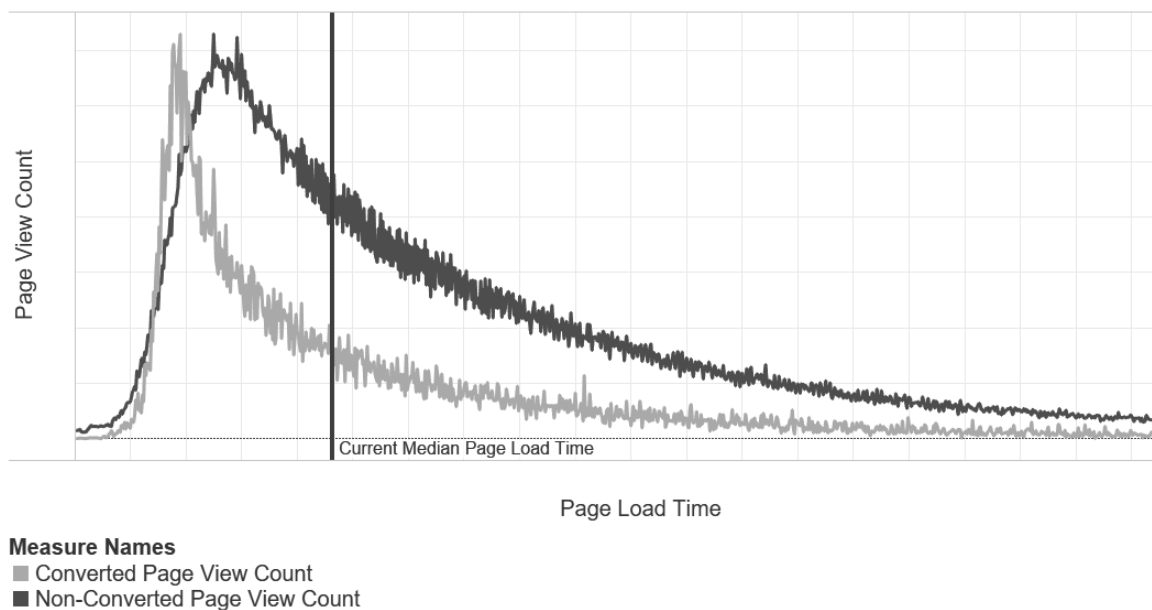
1. Full global clickstream data →
2. Time-constrained US clickstream data containing only project-specific fields →

3. Separated revenue-linked and non-revenue-linked clickstream datasets →
4. Denormalized, separated clickstream datasets that include the session's associated revenue in each page visited in the session →
5. Denormalized, separated clickstream datasets for just the top 31 pages associated with the most revenue

For another part of the analysis we simplified once more into a 3-column table to be used as features for a Random Forest model in predicting conversion (realized revenue) among sessions with no revenue that may have converted had their page load times been more optimal. More details are described below.

2nd Approach: Correlation Between Revenue and No Revenue for Top Pages

With denormalized and separated revenue-linked and non-revenue-linked data for the top 31 pages, we aggregated, visualized, and compared in Tableau page load time histograms for page visits associated with revenue with those that weren't. We compared those two histograms for each of the top pages, and discovered that among some of the pages, like that for the page seen in figure 1, the differences in the histograms did suggest a correlation between page load time and whether a visitor made a purchase.



[Figure 1]

We then conducted a more formal correlation analysis on a large sample: 3 million+ rows of data. The data was collected using Hive CLI due to the export limitations of Apache Ambari. After calculating the exact correlation between page load time and the binary outcome of conversion for each of the top pages by revenue, the largest absolute correlation was found to be -0.11, with the large majority of pages having at least some negative correlation between conversion and page load time. Thus, the observation for this domain is that as page load time goes up, likelihood of conversion tends to slightly go down. These observations agree with those made by Amazon (Linden, 2006), and Bing (Kohavi et al., 2013), who showed their revenue going down by a small percentage as page load time increased.

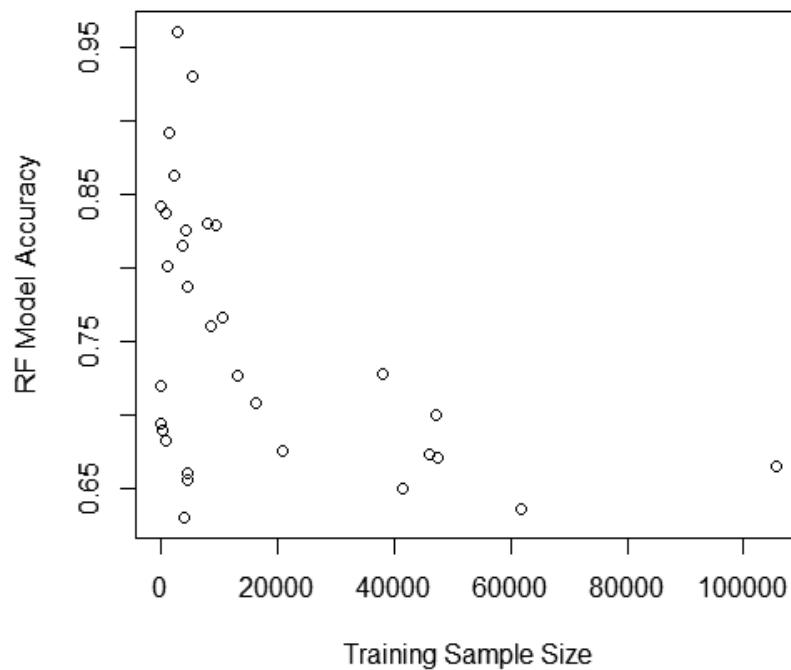
There is more than one potential insight to draw from this. With these small correlation figures, it would seem that in general, a higher page load time does not greatly reduce a website visitor's likelihood to buy. These correlations do suggest some relationship however, and given the size of Lenovo's business, being able to identify which pages' load times affect conversion the most would be very valuable. An increase of revenue, even if only by 1% or 2%, can mean millions of dollars in revenue for large organizations. Spending the time to bring median page load times down for those specific pages could still bring an increase in revenue well worth the effort.

Quantifying the Correlation

Our next step was to estimate the value in dollars of this correlation for each of the top pages, to see where the greatest opportunities for realizing lost revenue were. We found that a Random Forest model implemented from the 'randomForest' R package could predict, using page load time alone, whether a page visit was linked to revenue with an average 75% accuracy (see figure 2). A separate model was trained and applied for each of the top 31 pages. Each point in figure 2 represents an RF model.

We used the Random Forest models to augment our Tableau visualizations for Lenovo with values for each of the top pages representing approximated lost revenue due to poor page load times. The trained Random Forests, applied in a non-traditional way, were used to approximate for each page, out of the customers who didn't convert, which would have converted if they'd had an optimal page load time. This was done by taking each model, trained on a sample of labeled converted and non-converted web page visits, and applying it to only the set of web page visits that did not end in conversion, to see which visits the model predicted as converted. We took those predictions of conversion as our set of non-converted users that would have converted, if they'd had more optimal page load times during their session. This resulting number of 'conversions missed due to bad load times' was then multiplied by the average revenue amount for web page visitors who did convert. Finally, that figure was multiplied by the

accuracy of the Random Forest model (a number less than one) to make the estimates more conservative, thus attempting to adjust for the inaccuracies of the RF model. This was done separately for each page. These dollar amounts were our estimates of revenue lost per page due to poor page load times and supplemented our deliverable to Lenovo.



Conclusions

There were several general observations we took from this project. Our analysis reinforced the idea that poor page load time is negatively linked to a customer's likelihood of buying. We also drew the conclusion that user click paths tend to be very unique for large websites and observed that in the case of Lenovo, page load time has a small to large right-skewed distribution without exception. The majority of page visits had a lower load time, with a minority tailing into higher and much higher load times. The fact that we could predict conversion using page time alone with an average 75% accuracy was also of note. While that is not completely practical for predictive purposes, the predictive leverage page load time gives in this situation does affirm the negative correlation between page load time and revenue. Finally in regards to big data methodologies, we found the practice of reducing and aggregating our data store in stages an approachable way of working with Lenovo's massive data store. While the table of data for each stage of our data model lived statically, one could use this multi-stage approach in a live production environment. Each table could be used as a logical waystation in a data-pipeline, and

each entity could be implemented as a view if not too computationally intensive, or an actual table or materialized view that could be updated nightly if large amounts of processing is necessary to reach that next stage in the model.

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AIMCO AIMS AT AIRBNB AND MISSES: TRADITIONAL REIT VS DISRUPTER--LEADERSHIP ROLES IN THE SHIFT TO THE SHARE ECONOMY

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Abstract:

In 2017, Apartment Investment Management Company (Aimco), one of the country's largest real estate investment trusts (REIT) and residential landlords, filed lawsuits against Airbnb in California and Florida, alleging that the online home-sharing software company enables tenants to break their lease agreements through unauthorized sublets causing irreparable damage to Aimco as the principle property owner. In December 2017 a federal judge in California ruled against Aimco. A study of the differences of leadership at AIMCO, a traditional REIT with a hierarchical-based leadership style, as opposed to the collaboratively-oriented leadership at Airbnb will lend a perspective for an analysis of the lawsuits, their origins, and the changes afoot in the housing rental market in the age of the sharing economy. The article will present an overview of Aimco and Airbnb, explain the parameters of a REIT and the challenges that Aimco faces in the new share-economy. The article will explain the lawsuits and the reasoning of the Court in deciding in favor of Airbnb. An evaluation of the role of leadership in each company will embrace an analysis of ethical issues in these two different companies operating in the residential rental industry.

INTRODUCTION

As one of the leading businesses in the "sharing economy," Airbnb has gone from "disrupter" of conventional short-term rentals, such as hotel rooms and Mom and Pop B&Bs, to one of the world's largest businesses in hospitality. Despite the economic power of this technologically-driven, online broker for short-term rentals world-wide, Airbnb continues to face legal battles focused on regulatory and policy issues (Penn & Wihbey, 2017; Hook, 2016). Some of these legal battles have focused on local and state regulations (Benner, 2017), some on federal laws outlawing discrimination based on race, ethnicity or disability (King, 2016), some on fraud and liability issues (Alvarado, 2017). These legal conflicts bring with them a wake of questioning as to the ethical framework of the basic business model of the sharing economy as well as whether these legal concerns arise from excessive and outdated regulation (Leonard, 2014; Raval, 2016).

Recent lawsuits filed in Florida and California bring yet another challenge to Airbnb. In 2017, Aimco (Apartment Investment Management Company), a Real Estate Investment Trust (REIT)

whose corporate headquarters are located in Denver, Colorado, sued Airbnb in Florida and California under state law for tortious interference with a contract, looking specifically for injunctive relief to stop Airbnb from allowing residents of Aimco properties to rent their properties to Airbnb (Pettersson, 2017; Liptak, 2017). Raucous parties on luxury roof-top units in Miami and Los Angeles, property damages that cannot be remedied by property insurance due to the nature of the short-term rental, and unauthorized entry to resident-only areas of luxury units precipitated the lawsuits. Based on the purported harm suffered by Aimco renters who have to put up with the disruptive activities of Airbnb renters, Aimco upped its anti in June, 2017, amending its complaint in California and in Florida to include all apartment owners harmed by those unruly Airbnb renters (“Aimco Steps Up Litigation,” 2017). Aimco seeks class action status on behalf of those property owners in both suits. In December 2017, a federal judge in California ruled against Aimco in the suit (Pettersson, 2018; Aimco vs Airbnb Dismissal, 2017). The Florida suit is still pending.

Despite the problems associated with short-term tourists banging on the wrong doors in the middle of the night and late-night drunken parties, the underlying irritant to Aimco arises out of the potential loss of its considerable tax break from the federal government because of its status as a REIT. In order to qualify for that tax break, a REIT cannot offer hotel or motel type services; all stays must be 30 days or longer (“Real Estate Investment Trusts,” 2017). Is Aimco fighting for its tenants or its own corporate profit? Meanwhile, Airbnb has grown rapidly, allowing many middle class renters to grow their incomes exponentially. These lawsuits emphasize the ethical tension between an online broker facilitating arrangements that fly in the face of lease agreements that require quiet and peaceful enjoyment, respect communal rules for noise, trash and “quiet time,” and ignore compliance with local rules and regulations.

This article will present an overview of Aimco and Airbnb. It will explain the parameters of a REIT and the challenge that Aimco faces as a Trust, both in terms of standing in the law suits as well as taxation issues. It will present an analysis of the lawsuits, and the 2017 California legal victory for Airbnb. An inquiry into the role of leadership in a traditional company like Aimco and that in a “disrupter” company in the new “sharing economy,” such as Airbnb, will emphasize how leadership and management hold responsibility for the business practices that result in lawsuits or in business growth. An evaluation of changes to the federal laws regulating REITS will examine how Aimco might have chosen a different path that litigation for “correcting” its competitor’s behavior.

APARTMENT INVESTMENT MANAGEMENT COMPANY: AIMCO

The Apartment Investment Management Company, also known as Aimco, was founded in Denver, Colorado in 1975. Terry Considine, the CEO and Chairman of the Board, started the company under the name The Considine Company (“Corporate Facts,” 2018). Considine began acquiring real estate and other companies and then, in 1994, decided to take the company public,

initiating the IPO (initial public offering) as a Real Estate Investment Trust (REIT) under the trading name AIV (“Corporate Facts,” 2018). Terry Considine, a popular Republican politician in Colorado who served two terms in the Colorado senate from 1987 to 1992 and spearheaded the grassroots initiative that led to Colorado being the first state to impose term limits on the governor, state legislature and congressional delegation (“Colorado term limits,” 2018), was drawn to the multifamily residential industry while studying law at Harvard in the late 1960s. He established a REIT under the sponsorship of the Boston firm Cabot, Cabot and Forbes, one of the older, more established real estate brokers in the country (Brofman, 2015).

In 2006 and 2007 Aimco peaked with one billion dollars in sales and was one of the biggest operators of apartment homes in the US (“Corporate Facts,” 2018). After the 2008 crash of the economy, Aimco struggled to get back on track with its large portfolio. Finally, in 2010 the company decided to rebrand and strategized to be smaller and more focused. The company sold many properties in order to focus on B/B+ properties in key markets. Aimco is now one of the top real estate investment trusts across the country and has enjoyed the benefits of a good rental market for the last several years. At the beginning of 2017, Aimco owned properties in 22 states and the District of Columbia, including 46,311 apartment units, 32,433 conventional apartment units in main metropolitan areas such as Atlanta, San Francisco Bay Area, Boston, Chicago, Denver, the Washington metro area, Los Angeles, Miami, New York city, Philadelphia, San Diego and Seattle, 5,489 apartment units in other non-core markets, and 8,389 units of affordable housing, providing housing to more than 250,000 residents (Form 10K SEC, 2016; “Corporate Facts,” 2018). The company’s shares are listed on the S&P 500 and are publicly traded on the NYSE under the symbol “AIV” (“Corporate Facts,” 2018). Predictions showed that the rental market, however, would slow in 2017, resulting in more stabilized rents and more supply in the market (Fisher, 2017). This may be one reason for Aimco’s lawsuits against Airbnb: to secure every dollar possible and decrease resident turnover.

REAL ESTATE INVESTMENT TRUSTS: REITS

An analysis of the rules that regulate a REIT—rules that grant tax benefits but also impose limitations—lend insight to the Aimco lawsuits. A real estate investment trust (REIT) is typically a company that owns income-producing real estate such as apartments, office buildings, storage facilities, and warehouses (REITS, 2018). REITs provide a way for individual investors to earn a share of the income produced through commercial real estate ownership – without actually having to go out and buy commercial real estate. The REIT buys and develops real estate to operate it and make a profit; REITs are not involved in building or construction (REITs, SEC, 2018). REITs enjoy tax breaks as long as they abide by government regulations. According to the Securities and Exchange Commission, to qualify as a REIT, a company must have the bulk of its assets and income connected to real estate investment and must distribute at least 90 percent of its taxable income to shareholders annually in the form of dividends. (REITS, SEC, 2018). If a REIT pays out at 100% it is exempt from federal tax (REITS, SEC, 2018).

In addition to the distribution of 90% of its taxable income to shareholders through dividends, the IRS monitors two other regulations by which a REIT must abide in order to not lose its favorable tax status (“Definition of REITs,” IRS, 2018). The second rule concerns income investment. 75% of total assets must be based off of real estate (“Definition of REITs,” IRS, 2018). Also, 75% of gross income must be made off of rents, sales of real estate or other real estate related transactions (“Definition of REITs,” IRS, 2018). The third and final regulation relates to services offered; the IRS rules prohibit a REIT from providing healthcare services or offering any kind of hotel or motel-type services (“Definition of REITs,” IRS, 2018). A REIT can provide a space to meet with a health care provider but cannot pay a licensed practitioner or endorse healthcare services. The prohibition against a REIT offering hotel or motel-type services means that all stays in a REIT residence must be 30 days or longer. No turn down services such as linen services may be offered.

However, a Taxable REIT Subsidiary (TRS), created by the REIT Modernization Act of 1999, allows a REIT to offer a more complete range of services—such as spa or turn down services—to its tenants without jeopardizing its REIT status with the IRS (TRS, 1999; Matheson, 2001). Key to the dispute between Aimco and Airbnb is the requirement that even with a TRS involved, the tenant must stay at least 30 days. This is an important fact because the services that Airbnb offer are generally short term services and would ultimately violate the regulations of a REIT and potentially lead to Aimco losing their REIT status and tax offset.

In addition to the REIT Modernization Act and the role of a TRS with the portfolio of a traditional REIT, Congress passed the REIT Investment Diversification and Empowerment Act of 2007 (RIDEA) and revised language of the Housing and Economic Recovery Act of 2008 both of which include enabling legislation that allow REITs to buy and sell assets more effectively (RIDEA, 2007; “Housing,” 2008). This means that a traditional REIT can participate in entrepreneurial activities through their taxable REIT subsidiaries (TRS). An example of this kind of beneficiary exploitation of the inclusion of a TRS in a traditional REIT would be for an apartment REIT, like Aimco, to establish a partnership with Airbnb structured to “temporarily ease vacant units and introduce a revenue sharing between the existing resident and the landlord” (Litroff & Robinson, 2017). Aimco, however, chose a traditional route of rattling sabers and engaging the new “disrupter” in litigation rather than explore new possible partnerships.

As emphasized above, in order to qualify as a REIT, the corporation’s income must come from passive real estate investments. If more than the statutorily mandated amount of the REIT’s income comes from non-qualified sources, the corporation loses its favorable tax status. The rental of real property is the primary source of allowed income for a REIT. This limits the scope of services a REIT can offer, however, if a REIT were to choose to pursue a partnership with a company such as Airbnb utilizing the inclusion of a TRS in its portfolio, the additional income generated by the TRS activities would be subject to a corporate-level tax. Nevertheless,

shareholders might very well see that this arrangement gives flexibility to a REIT and allows it to expand its business without jeopardizing its IRS status—as long as the primary rental incomes flows from rentals of more than 30 days (Litroff & Robinson, 2016). For a REIT like Aimco, a partnership with Airbnb through a TRS might have presented a more promising option than lawsuits. Aimco could demonstrate to its shareholders possible growth based in the exploration of value-created possibilities based on a transparent relationship with Airbnb instead of daunting court room battles (Litroff & Robinson, 2016).

AIRBNB

The founders of Airbnb, short for Air Bed & Breakfast, started the company in 2007 because they were unable to afford their San Francisco apartment rent. They created a lodging space in their apartment and then created a website to market this space to travelers looking for a unique “locals-only” experience, instead of the large hotel-chain experience (Salter, 2012). As a market intermediary, Airbnb charges a listing fee to the host (seller) and a booking fee to the traveler (buyer). Airbnb, therefore, is a software platform that brings buyers and sellers together in the short-term rental market. Airbnb acts as a broker and takes a percentage of the sales without owning any real estate. Headquartered in San Francisco, with the original “roommates” now as millionaire CEOs--Brian Chesky CEO, Joe Gebbia CPO, and Nathan Blecharczyk CTO,--Airbnb is still privately held with an estimated annual revenue of \$125 million dollars, operating in 192 countries with 150 million users (Airbnb, 2017). The company assists with peer to peer sharing in the housing market. Where traditionally a traveler would book through a hotel or search online for a bed & breakfast or hostel, that traveler now can connect to a local host willing to rent out a room in their home or their entire home. Over the last 9 years Airbnb has been able to build a valuation of \$30 billion dollars, 30% more than the value of the Hilton hotel company (Chafkin, 2016). Airbnb boasts an inventory of 2.3 million rooms, larger than the Hilton, Marriott and Inter-Continental hotel chains combined (Chafkin, 2016).

Airbnb enjoyed rapid growth but now policy makers are putting up barriers by passing new regulations and laws (Hook, 2016). Because private homeowners—“hosts”—are not subject to the kinds of regulations or taxes that apply to hotels or apartments, local governments are imposing new regulations (Hawkins, 2016). For example, taxation of the revenue earned by homeowners has been scrutinized because they avoid transient occupancy taxes (2016, Chafkin). Individual municipalities have their own regulations regarding short term leases and hospitality services but since Airbnb does not own any of the real estate that they broker, the company has defaulted to the individual to manage themselves, pay the required taxes, and abide by any local regulations. Hosts should know and comply with jurisdictional zoning restrictions, second-home property taxes, insurance coverage and property management costs. Municipalities, and the politicians that run them, see the potential for a revenue stream in this unregulated field. Portland has welcomed short term rentals but requires that hosts purchase an annual permit for \$178 dollars; Airbnb collects lodging taxes on behalf of the host (Schwaar, 2016). Austin, Texas

requires annual licenses for vacation rentals and is considering increasing fines for unlicensed properties (Austin Code, 2018; Schwaar, 2016). Allegations of discrimination against hosts from African-American or Asian renters continue (Ong, 2017) to which CEO Chesky has responded “Discrimination exists in the world....We can’t interview (every host) and rip it out completely (Chafkin, 2016).” Airbnb is learning how to navigate around newly imposed regulations; Aimco, meanwhile, was forged in the highly-regulated world of REITs.

Along with the emergence of Airbnb, a website called AirDNA arose to provide analytics to potential hosts on Airbnb (Airdna, 2018). AirDNA furnishes detailed market information detailing supply, demand and pricing. AirDNA equips people interested in buying real estate for the specific intention of renting as a business a myriad of tools and market intelligence. AirDNA details information regarding hot markets, apartment home versus traditional home rentals and even REITs potentially in danger from Airbnb’s growth. This information is important to potential investors of REITs. It also demonstrates why landlords such as Aimco are threatened by Airbnb’s success. A majority of apartment homes owned by a landlord do not allow subletting due to credit and criminal background checks. For example, the period of time from 2104 to 2015 showed a rapid increase in the supply of Airbnb rentals; the entire inventory of homes and apartments grew by 159% over one year—from 85,939 units to 222,670 units. Apartment units in and of themselves increased almost three-fold, accounting for 40% of the Airbnb inventory. Aimco, not surprisingly, took notice.

Airbnb has a higher supply concentration rate than hotels in top markets such as Los Angeles, Miami or Boston as the tables below illustrate. Airbnb accesses a high percentage of apartments in the top markets which, of course, concerns Aimco given that these top markets are the REIT’s target markets. Likewise, the percentage of home and apartment rentals in relation to hotel rentals in the top 10 markets shows Airbnb gaining access at a rapid pace. In Florida and California where the Aimco lawsuits originated, Airbnb continues to gain more and more of the apartment rental market (Canton, 2015).

ARBNN DISRUPTS AIMCO’S REALITY: DIGITAL DISRUPTION OF THE COMMERCIAL REAL ESTATE INDUSTRY

In 2015 Aimco decided that Airbnb posed a significant threat to its traditional business operation. As Aimco tenants began to rent their properties on the Airbnb website, Aimco became concerned that Airbnb was not only benefiting from Aimco’s properties—its amenities, insurance, locations—but that Aimco was at risk of losing its REIT special tax status. Residents began to complain about their neighbors subletting. Claims of excessive partying resulting in damage were continuous. Because Aimco is self-insured, Aimco was paying for the property

damage. Two properties owned by Aimco presented conspicuous examples of the clash between Aimco and Airbnb: The Palazzo in Los Angeles and The Flamingo in Miami (Billings, 2017).

The Palazzo penthouse rents for \$18,000 a month; penthouse residents have exclusive access to a rooftop bar with a lounge area. When a resident paying \$18,000 a month for an apartment saunters up to enjoy his or her exclusive rooftop bar only to encounter strangers engaged in inebriated party activities, a catalyst for a lawsuit sparks. Similarly, at The Flamingo apartment complex in Miami, the upper levels go for up to \$10,000 a month with an amazing patio and bay view. Again, drunken short-term neighbors partying on the balcony give rise to a landlord spurred to legal action (Pettersson, 2017).

As the complaints started to arrive, Aimco initially sued the residents who broke their lease agreements (Billings, 2017) for breach of contract. As is common in all residential leases, Aimco leases prohibit subleases and assignments without the permission of the landlord. Section 18 of the residential lease agreement has been modified to specifically prohibit the use of Airbnb, Homeaway and VRBO (Billings, 2017). Because of the Airbnb short-term rentals, Aimco has pursued breach of contract claims with all the individual residents who have broken their lease by subletting through Airbnb; the court costs and fees have mounted. Property insurance claims presents another costly issue to Aimco because Aimco is self-insured and therefore must pay for all damages caused by short term leases. In 2016, Aimco tried another strategy for preventing the problem of subletting: legal action against Airbnb (Billings, 2017).

In personal interviews with Aimco personnel, the following information came forward about the genesis of the lawsuits. Discussion between Airbnb and Aimco started in July of 2016 as a general conversation and information gathering communications about the “Friendly Builder’s Program” that Airbnb had plans to launch (Friendly Builder’s Program, 2018). Airbnb suggested that Aimco try to make all buildings sharing-friendly or devote 10% of its buildings as “sharing friendly” for Airbnb to use (Olsen, 2016). Aimco declined in fear of losing REIT status. Aimco pressed Airbnb to take down all listings that were Aimco addresses arguing that Aimco had the property rights not the tenant that was posting on the website. Airbnb held steady in denying any involvement with residential disputes. Airbnb offered to communicate to the host--the owner of the posts-- the demands of Aimco that any listing of an Aimco address must be deleted from the Airbnb website. However, Airbnb refused to actively take down the posts of Aimco addresses. Airbnb stressed that if Aimco were to join the “Friendly Builder’s Program” a report would be generated that would allow Aimco to easily identify addresses that violated the lease agreement with Aimco. Aimco would provide a written lease agreement to Airbnb and Airbnb would notify the host of breach of contract with Aimco.

At this point in October of 2016 Airbnb would not commit to removing any Aimco posts. Legal counsel from Aimco sent demands to Airbnb to cease and decess listing any Aimco properties on the website (Diamond, 2016). At this time, fifty apartments at The Flamingo in Miami were listed on Airbnb (Diamond, 2016). In December of 2016 Aimco delivered another cease and

desist notice to Airbnb threatening further legal action. Airbnb stopped communication and Aimco filed suit (Billings, 2017).

AIMCO VS AIRBNB: CALIFORNIA AND FLORIDA LAWSUITS

In 2017, Aimco filed lawsuits in Florida and California against Airbnb. Both lawsuits were filed under state law with the first cause of action being tortious interference with a contract (Pettersson, 2017). The key arguments in Aimco's motions for a preliminary injunction against Airbnb included a focus on the continuation of brokering sublease transactions at Aimco's apartment communities without Aimco's approval, ignoring Aimco's request to cease the listing, abetting the trespassers of Aimco properties, and impacting the value of Aimco properties ("Aimco steps up," 2017). Although no written contract exists between Aimco and Airbnb, Aimco's motions were based on a view that Airbnb is willfully assisting residents in the violation of lease agreements.

Aimco believed its reputation was at stake in prime markets such as Los Angeles, San Francisco, New York and Miami. Terry Considine, CEO of Aimco, in a public statement about the cases declared that "[i]t is not acceptable to us that Airbnb actively promotes and profits from deliberate breaches of our leases, and does so in utter disregard of the disrespectful and unsafe situations created for our full-time residents and their families. We are asking the courts to compensate Aimco for our losses and to enjoin Airbnb from participation in further illegal activity at our properties so that our law-abiding residents can enjoy a high quality living experience" (Carson, 2016). Aimco asked for injunctive relief to stop Airbnb from allowing residents to promote Aimco properties. The lawsuits also present other causes of action such as fraud and deceit, and unfair business practices, but the claim of tortious interference with a contract was the paramount claim (Billings, 2017).

Airbnb's spokesperson Nick Papas stated, "This attack on the middle class by powerful interests is wholly without merit" (Pettersson, 2017). Airbnb presented several strong defenses to the lawsuits. In California, Airbnb stressed that Aimco has already evicted residents referenced in the case and thus the case is moot because there is no ongoing controversy. Airbnb also countered that in California a trust has no standing to sue, only trustees can sue. The primary defense that Airbnb referenced relied on the 1996 Federal Communications Decency Act. Airbnb claimed that computer service providers are immune from liability for publishing and failing to screen hosts (Aimco vs Airbnb, 2017).

On December 29, 2017, the federal judge in California ruled against Aimco, agreeing with Airbnb that it is insulated from the claims by the Communications Decency Act of 1996, a law that shields online service providers from liability for the content users post (Aimco vs. Airbnb, 2017; Pettersson, 2018). "Here, what allegedly makes the listings 'unlawful,' 'illegal,' or 'offending' is that they advertise rentals that violate Aimco's lease agreements," U.S. District

Judge Dolly Gee said in a Dec. 29 ruling. "Airbnb hosts, not Airbnb, are responsible for providing the actual listing information" (Aimco vs. Airbnb, 2017; Pettersson, 2018). Aimco may appeal the California decision. In the Florida case, the Court denied Airbnb's motion to dismiss in December, 2017 (Pettersson, 2018).

CONSEQUENCES? NEW PARADIGMS? REIT'S AND THE SHARING ECONOMY?

The outcome of these cases may have major impacts on the future of short term rentals. Airbnb had no choice but to fight the lawsuit; if it were to settle, more lawsuits from other landlords could avalanche. The California victory for Airbnb portends a shift in traditional business models of large landlords. Will a large Apartment landlord such as Aimco see a possibility in rethinking its position and gaining access to the sharing economy through a TRS as suggested above? Might Aimco see an opportunity to work with the sharing community and share property rights with its tenants?

Ethical questions that push the boundaries of traditional property law arise in these disputes. Should a tenant have some type of property rights if they pay rent besides quiet and peaceful enjoyment? The sharing community has been hailed as a savior by some who have had problems making rent or mortgage payments. The sharing community has helped create supplemental income for many. On the other hand, is it ok for Airbnb to dismiss any responsibility for controlling the hosts' posts? What kind of due diligence should be required of this new "disrupter"? How far will they go in exploiting unregulated systems?

Airbnb needs to address the social well-being of people impacted by their business mode while Aimco needs to embrace a future vision of the rental market. Both companies must work with their communities and regulators to support laws that will enhance their business models while benefitting their wide range of stakeholders. If both companies were to focus on strategic business practices that focused on not only profit but on future possibilities, their differences could give way to yet another iteration of the share-economy and the REIT. Leadership is crucial to such steps.

LEADERSHIP: ESSENTIAL GUIDE FOR CHANGE AND SUCCESS HIERARCHICAL VS COLLABORATIVE

John Kotter of Harvard University, in an essay on leadership, notes that "management brings a degree of order and consistency to key dimensions like quality and profitability of products... [while] leadership, by contrast, is about coping with change (Kotter, 2001)." Management is about organizing and staffing; leadership is about aligning people, motivating and inspiring; the function of leadership is to produce change (Kotter, 2001). Leaders create visions and strategies.

The measure of the value of this leadership is how well it serves the interests of its important constituencies—its many stakeholders (Kotter, 2001). Leadership, at its core, is an effort in helping stakeholders comprehend a vision of an alternative future (Kotter, 2001). This kind of leadership is dependent on knowing how to communicate challenges, to empower people with a sense of self-esteem and control; it includes an objective of the ability to live up to one's ideals (Kotter, 2001). This kind of leadership is dependent on acquiring a breadth of knowledge and committing to spreading it to a network of relationships.

The increasingly fast-moving, competitive business environment of the new century challenges managerial behavior to become one of leadership. A comparison of the leadership of Aimco and Airbnb illuminates a vast difference in values and approaches to a leadership style. Terry Considine, CEO and founder of Aimco, has honed his leadership qualities through years of grooming with the guidance of some of this country's most established real estate moguls, the Cabots and the Forbes. Brian Chesky, founder and CEO of Airbnb, had no experience in start-up business. His curiosity led to his inviting collaboration in his efforts and knowing when to seek coaching. Traditional hierarchical leadership styles are being challenged by more collaborate and inclusive leadership structures and this dispute between Aimco and Airbnb invites an opportunity to analyze the strengths and weaknesses of both leadership styles.

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**WHEN ONE TIME IS ONE TIME TOO MANY
HOW A SINGLE INCIDENT OF SEXUALLY HARASSING BEHAVIOR CAN BE SEVERE ENOUGH TO
CREATE AN ACTIONABLE HOSTILE WORK ENVIRONMENT CLAIM**

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Abstract:

Human resources professionals and managers usually know that sexually harassing behavior in the workplace can open the door to liability under federal and state law. The question often arises whether the conduct was sufficiently “bad” enough to create such liability. Evaluating the possibility of a lawsuit can involve conducting an investigation and then trying to make a determination of whether there is sufficient harassment to warrant a legal defense of a claim or to make other accommodations such as a prompt settlement of an employee’s charge.

Sexual harassment claims usually involve the evaluation of a collection of incidents when determining whether the conduct was sufficiently “severe or pervasive” as to “alter the terms and conditions of employment.” This legal test is vague and subject to various interpretations. Managers often must rely upon the judgment of attorneys to help determine whether the various jokes, physical conduct, sexual inquiries, etc., meet the vague legal test. Even then, the best guidance is usually in the form of “likely” or “not likely” to establish liability.

In the past, courts have said there is no magical mathematical formula to determine whether the behavior is sufficiently severe or pervasive. While most cases involve multiple actions over a period of months or years, there are some cases where a single, isolated episode can be enough to trigger liability. The episode must be quite severe to meet the legal test of establishing an alteration of the conditions of employment. This paper examines the characteristics necessary for a single incident of sexual harassment to qualify as severe or pervasive enough to qualify as a hostile work environment. Verbal comments, physical touching and sexual assault can occur in isolation, and courts must determine whether these behaviors meet the legal standard to support a Title VII claim, even if they happen only a single time.

Key Words: human resources, employees, sexual harassment, hostile work environment, severe or pervasive, Title VII, discrimination, sexual discrimination

The Recent Proliferation of Sexual Harassment Consciousness

There is little doubt that public awareness of sexual harassment is rising. Recently reported cases in Hollywood, politics and American businesses have prompted some news outlets to create entire websites devoted to developments in sexual harassment. (CBS News 2018). Touting it as

an in-depth website devoted to the topic, CBS notes it provides “[c]omplete coverage of the fallout from allegations of harassment and misconduct rippling through American businesses, politics and culture.” (CBS News 2018). The headlines include stories involving allegations of sexual harassment against Hollywood figures such as Harvey Weinstein, sports figures such as a figure skating coach Richard Callaghan, political figures such as former Iowa Senator Bill Dix, and actors such as Scott Baio. (CBS News 2018). Of course, even the American President Donald Trump is not immune from allegations of sexual harassment. (Saslow 2018).

While there seems to be no shortage of stories of sexual harassment involving famous public figures, it appears the average American worker is not immune. High profile cases of workplace sexual harassment include allegations that male employees at ESPN watched pornography on computers and kept “scorecards” on female workers they targeted for sex. (Miles 2018). And, it’s not just the sensational cases in the news that seem to be the problem. The New York Times recently published a story detailing the constant sexual harassment servers in the food service industry must endure in order to ensure good tips. (Einhorn 2018). In an attempt to quantify the problem, one recent study listed a public space as the most frequent location for sexual harassment to occur at 69 percent, but it also found that 38 percent of women who reported sexual harassment indicated they experienced it at their place of work. (Kearl 2018).

These types of sexual harassment allegations, those of employees against coworkers or supervisors, can form the basis of a lawsuit. While other laws exist to give victims redress for harassment or assault in other contexts, such as public places, a specific cause of action exists for employees under Title VII of the Civil Rights Act of 1964 and similar state anti-discrimination laws. (42 U.S.C. §§ 2000e et. seq.).

A sexual harassment claim under Title VII exists if an employer discriminates against an employee on the basis of sex, among other things. The language of Title VII states it is “an unlawful employment practice for an employer to discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual’s race, color, religion, sex, or national origin.” (42 U.S.C. § 2000e-2(a)(1)). It is the phrase “terms, conditions, or privileges of employment” that the U.S. Supreme Court has ruled includes requiring people to work in a discriminatorily hostile or abusive environment. (*Los Angeles Dept. of Water and Power* 1978). With the Supreme Court concluding a hostile or abusive environment can form the basis of a discrimination complaint, the Court clarified that not all such environments will result in actionable sexual discrimination. To qualify as a “discriminatory hostile or abusive environment” it must be “sufficiently severe or pervasive to alter the conditions of the victim’s employment and create an abusive working environment.” (*Meritor Savings Bank* 1986). This legal standard of “severe or pervasive” harassment is designed to weed out minor instances of sexually harassing behavior, either due to a lack of

frequency or severity, and ensure only those cases that truly “alter the conditions” of the employment environment form the basis of a federal lawsuit. (*Meritor Savings Bank* 1986).

However, all sexually harassing behavior is not created equal. When women report sexual harassment, they usually report the following types of behaviors:

- Someone whistling, honking, making kissy noises, “Pssst” sounds, or leering/staring aggressively at you. (65%)
- Someone saying things like, “Hey Baby,” “Mmmm Sexy,” “Yo Shorty,” “Mami/Mamacita,” “Give me a smile,” or similar comments in a way that is disrespectful and/or unwanted and/or made you feel unsafe. (59%)
- Someone purposely touching you or brushing up against you in an unwelcome, sexual way. (51%)
- Someone calling you a sexist slur, like “Bitch,” “Slut,” “Cunt,” “Ho” or “Thot.” (46%)
- Someone talking about your body parts inappropriately or offensively (such as your legs, crotch, butt, or breasts), saying sexually explicit comments (“I want to do BLANK to you”) or asking inappropriate sexual questions. (43%) (Kearl 2018).

The question courts must often answer is whether these types of behaviors rise to the “severe or pervasive” level. To qualify, the test is whether the harassment “unreasonably interferes with the job performance of those harassed.” (Brooks 2000). The Supreme Court has noted that part of the severe or pervasive test is whether a reasonable woman would consider the harassing conduct sufficiently severe or pervasive. (*Harris* 1993). This test might be met by relatively minor behavior that occurs with frequency or by a smaller number of instances that are relatively more severe. The Supreme Court has ruled that when deciding whether the collection of sexually harassing behaviors the victim reports qualify to meet the severe or pervasive standard, courts should evaluate the frequency, severity and the level of interference with the work performance. (*Harris* 1993). In other words, relatively minor sexually harassing behaviors might meet the test if they happen often enough. Similarly, it’s possible that even a single, isolated instance of sexually harassing behavior might qualify as severe or pervasive if it is severe enough. This question of whether a single incident of sexually harassing behavior can even meet the test based upon severity alone is one courts have found vexing.

According to the recent study from stopstreetharassment.org, women who report being sexually harassed indicate they hear verbal harassment such as “kissy noises” more often than someone touching or brushing up against them in an inappropriate way, but it also categorizes harassment into several categories including “verbal harassment” and “physically aggressive harassment.” (Kearl 2018). In an attempt to place sexually harassing conduct into a comparison of relative severity, the study’s authors note that “physically aggressive” forms of sexual harassment are a “more severe form” than verbal sexual harassment. Physically aggressive sexual harassment reported most often included being sexually touched in an unwelcome way, being physically followed and being flashed or shown genitals. (Kearl 2018). The authors also note another

category of sexual assault, presumably a more severe form of physically aggressive sexual harassing behavior. (Kearl 2018). Thus, a list of severity categories of sexually harassing behavior from least severe to most severe might include the following:

- Verbal sexual harassment;
- Physically aggressive sexual harassment; and
- Sexual assault.

Given these categories, the question now remains how frequent must the sexual harassment be to meet the Supreme Court's test of altering the conditions of the employment and thus creating a hostile work environment. Most would probably agree that a single incident of "kissy noises" would not satisfy the severe or pervasive test. However, might a single sexual assault be enough, or would something in between qualify?

Verbal Sexual Harassment Without Physical Contact

It is difficult to find cases where courts have considered a single incident of verbal harassment alone as potentially reaching the severe or pervasive level. In fact, to differentiate between cases that will not reach the requisite level and actionable claims, the U.S. Supreme Court has characterized a single incident of verbal harassment as nothing more than a "mere offensive utterance." (Harris 1993). In a recent case, the Western District of New York faced the question of whether several offensive text messages could qualify as severe or pervasive. The court concluded that a reasonable jury could not find that the four exchanges were enough to be characterized as pervasive. (Figuerola 2018). Similarly, when an employee claimed she was the victim of two "non-threatening, non-physical comments," the Eastern District of Pennsylvania found the remarks insufficient to qualify as severe or pervasive after the employee claimed a coworker said he was stalking the employee's Facebook photos and remarked he wanted to touch a flower on her blouse. (Selvato 2016). General comments about a woman's makeup, eyeshadow and clothing were not enough either even when coupled with an alleged comment that the employee was hired because she was a woman. (Drinkwater 1990). This treatment of relatively mild sexually harassing behavior by the lower courts is in keeping with a U.S. Supreme Court's decision wherein the Court clarified that its "severe or pervasive" standard was "sufficiently demanding to ensure that Title VII does not become a general civility code." The Court noted that, "[p]roperly applied" the test will filter out cases involving the sporadic use of "abusive language, gender-related jokes and occasional teasing." (Faragher 1998).

When an allegation of a hostile work environment is based solely upon verbal comments, the courts seem reluctant to find the presence of severe or pervasive sexual harassment. One court has even gone so far as to conclude that a successful hostile work environment claim that is based solely upon verbal conduct is likely to be unsuccessful without some unwanted physical contact. (Pomales 2006). However, courts seem to indicate that if an isolated verbal comment

were to ever qualify, it must also include some type of physically-threatening aspect to it rather than just offensive comments. This is in keeping with the Supreme Court's list of factors in which it enunciated the factors for courts to consider when determining severity as "whether it is physically threatening or humiliating, or a mere offensive utterance..." (*Harris* 1993). Yet, even with the added component of verbal threat of harm, courts are reluctant to find a single comment is enough to qualify as severe. In the case of one female employee who brought a hostile work environment claim based upon a single incident, the woman alleged she overheard her supervisor, who was frustrated that he could not locate the woman, say on the radio to another employee, "Mark, sometimes don't you just want to smash a woman in the face." (*Gross* 1995). Still, the court ruled this isolated statement was insufficient to qualify as severe and more was needed such as "steady barrage" of sexual comments. (*Gross* 1995).

Continuing up the severity scale, a case involving a single verbal comment was still insufficient even though it was coupled with more sexual conduct. In this case, the female employee claimed she witnessed a coworker engaging in sexual horseplay. She claimed the coworker "...shouted to her 'What the fuck are you looking at!' and threatened to make her job miserable or more difficult." She claimed he also shouted, "Suck my dick, you black bitch" while also exposing his buttocks and penis. (*E.E.O.C.* 1995). In finding even this conduct insufficient to qualify as severe or pervasive sexual harassment, the court explained that the coworkers' behavior was "deplorable and even offensive, humiliating, and threatening." However, it was a single incident of "very limited duration" and was just "expressive behavior." There was no repetitive instance and thus concluded it was not enough to violate Title VII. (*E.E.O.C.* 1995). Similarly, in a First Circuit case, the court refused to find a single incident of a comment and a gesture sufficiently severe or pervasive. In this case, a female worker invited a male coworker to join her on a sales trip. He allegedly responded by saying "it would be great to come with you" and grabbing his crotch. (*Pomales* 2006). The court said the worker's claim was insufficient without some form of physical contact. (*Pomales* 2006). There have also been cases where little or nothing was said, but the conduct appears to cross the line into the physically threatening or humiliating categories. However, even with this component added, it is still difficult to find cases where a single incident is sufficiently severe. For example, when workers engaged in a "skit" that allegedly demeaned a female employee, the court ruled the behavior was not severe or pervasive even though it was performed at a meeting in front of a large audience. (*Nasser* 2009).

Physically Aggressive Sexual Harassment

Although still relatively rare, a more common allegation of single-incident sexual harassment is one that involves a physical touching of the victim. This category includes being physically touched in some unwanted way. (*Kearl* 2018). This is the type of situation where a coworker might touch a woman's buttocks, breast, shoulder or thigh. Usually, when the touching rises to the level of a sexual harassment allegation it is in concert with other behaviors such as verbal

comments and occurs repeatedly over the course of several months or years. However, there are cases where workers have sued based upon a single encounter that included physical contact.

In a case from the District Court of Puerto Rico, the court was faced with deciding whether a single sexual advance from a coworker was sufficient to constitute severe or pervasive sexual harassment. (*Del Valle Fontanez* 1987). The female worker claimed her boss called her into his office and then locked the door. She alleged he then pressed his body up against her. She claimed she could feel his erect penis against her body. She pushed him away, but he tried again seconds later. The court noted the entire encounter lasted about five minutes. While arguably a single incident of sexual harassment, the court refused to find this brief encounter sufficiently severe or pervasive to create a hostile working environment even with the physical contact. However, the court was careful to note that it would be conceivably possible that a single encounter could rise to the legal standard, but given the totality of the circumstances, this encounter was insufficient. (*Del Valle Fontanez* 1987).

In evaluating sexual harassment claims, the courts generally consider the conduct using a “reasonable woman” standard. (*Ellison* 1991). In other words, there is an objective component to the test of whether a reasonable woman would find the behavior not just offensive, but *so* offensive as to alter the conditions of the workplace and create an abusive working environment. (*Ellison* 1991). This is the lens the Ninth Circuit used to evaluate the claim of a female worker who alleged she was the victim of sexual harassing behavior that involved physical contact over brief period of time. In this case, a coworker allegedly put his hand on the female worker’s stomach and “commented on its softness and sexiness.” (*Brooks* 2000). She pushed him away, but the encounter didn’t stop there. He allegedly returned to place his hand underneath her sweater and bra to fondle her bare breast. (*Brooks* 2000). While this conduct might cross the line into the sexual assault category of sexually harassing behavior, the court still did not view it as severe enough to warrant a charge of a hostile work environment in violation of Title VII. The court reasoned that, even though the coworker’s conduct was “egregious” and the worker sought counseling following the encounter, it was single event that lasted just a few minutes. The coworker was removed from his job, and, thus, the court concluded that a reasonable woman could not find the encounter sufficiently severe to alter the conditions of her job long term. (*Brooks* 2000).

Sexual Assault

Not everyone agrees upon a precise definition of sexual assault. In fact, some of the cases noted above might qualify as a sexual assault depending upon the definition used. The U.S. Department of Justice says sexual assault is, “...any type of sexual contact or behavior that occurs without the explicit consent of the recipient. Falling under the definition of sexual assault are sexual activities as forced sexual intercourse, forcible sodomy, child molestation, incest, fondling, and attempted rape.” (U.S. Department of Justice 2018). The U.S. Department of

Health and Human Services expands upon this definition and includes the following types of conduct within its definition of the phrase:

- Any type of sexual contact with someone who **cannot** consent, such as someone who is underage (as defined by state laws), has an intellectual disability, or is passed out (such as from drugs or alcohol) or unable to respond (such as from sleeping)
- Any type of sexual contact with someone who **does not** consent
- Rape
- Attempted rape
- Sexual coercion
- Sexual contact with a child
- Fondling or unwanted touching above or under clothes
- Voyeurism, or peeping (when someone watches private sexual acts without consent)

- Exhibitionism (when someone exposes himself or herself in public)
- Sexual harassment or threats
- Forcing someone to pose for sexual pictures
- Sending someone unwanted texts or “sexts” (texting sexual photos or messages) (U.S. Department of Health and Human Services 2018)

In the cases of hostile work environment claims under Title VII, courts do not generally use a definition of a sexual assault as a demarcation of when a single instance of sexually harassing behavior crosses the threshold as severe or pervasive. Courts seem more likely to examine the exact nature of the physical contact and the severity of it rather than label it as sexual assault. While courts have noted that for a single instance to be severe or pervasive it must be “extremely severe,” they seem to struggle with just how severe is severe enough. (*Brooks* 2000). One court has attempted to clarify that relatively minor contact is not sufficient to meet the test.

“Physical harassment lies along a continuum just as verbal harassment does. There are some forms of physical contact which, although unwelcome and uncomfortable for the person touched, are relatively minor. Cumulatively or in conjunction with other harassment, such acts might become sufficiently pervasive to support a hostile environment claim, but if few and far between they typically will not be severe enough to be actionable in and of themselves. A hand on the shoulder, a brief hug, or a peck on the cheek lie at this end of the spectrum. Even more intimate or more crude physical acts—a hand on the thigh, a kiss on the lips, a pinch of the buttocks—may be considered insufficiently abusive to be described as “severe” when they occur in isolation.” (*Hostetler* 2000).

Rape seems to qualify as sufficiently severe, but there are usually extenuating circumstances in addition to a single rape. In such a case where the behavior crossed the line into “extremely severe,” the Ninth Circuit had to determine whether multiple rapes qualified as altering the conditions of employment. It found that a female worker who passed out and was repeatedly raped by a client could sue on the theory of a hostile work environment even assuming the three rapes were one incident since they occurred all in one night. (Little 2002).

In a case courts seem to use a severity benchmark of sorts, the conduct clearly fell within the definition of sexual assault regardless of the definition used. As an example of the type of conduct that would rise to the “extremely severe” level sufficient to support a Title VII claim, courts point to the case of *Al-Dabbagh v. Greenpeace, Inc.*, 873 F. Supp. 1105, 1112 (N.D. Ill. 1994). In this case, a female worker was attacked by a coworker slapped her, tore off her shirt, beat her, hit on the head with a radio, choked her with a phone cord, forced her to have sex, held her captive overnight. The coworker was arrested and charged with aggravated criminal sexual assault. (*Al-Dabbagh* 1994). The court found this conduct sufficiently severe as to form the basis of a hostile work environment claim, even though it arguable amounted to a single incident of sexually harassing conduct. (*Al-Dabbagh* 1994).

When courts cite to the *Al-Daggabh* case it is usually to compare the conduct of a single incident involving sexual contact to determine whether its severity is sufficient to alter the conditions of the workplace. Usually, courts conclude the complained-of conduct does not reach the necessary severity level when compared to the attacker in *Al-Daggabh*. For example, in the case of a school employee who complained a custodian came up behind her and pressed his body against her rear end and back, the court concluded that, when compared to *Al-Daggabh*, the sexually harassing behavior was “not sufficiently severe.” (*Watson* 2007).

Conclusion

Courts seem to embrace the Supreme Court’s directive to consider the totality of the circumstances when deciding whether sexually harassing behavior in the workplace qualifies as severe or pervasive and thus sufficient to support a hostile work environment discrimination claim under Title VII. (*Harris* 1993). The problem is that when faced with a single incident, courts have few other circumstances to consider in the totality. Thus, courts generally turn to determining whether the behavior meets only the severe prong of the severe or pervasive test. In other words, a single instance is the lowest it can possibly be on the pervasive prong due to the lack of frequency so courts are left only to consider whether the single act was sufficiently severe.

More often than not, courts conclude that a single instance falls short of meeting the necessary legal standard. Isolated touching, even if it arguably meets the definition of a sexual assault, is usually insufficient to support a claim even though a reasonable woman would find it highly offensive. Courts are looking for more to classify a single incident as extremely severe. While behavior may be inappropriate, distasteful, offensive and humiliating, absent something truly shocking as in the *Al-Dabbagh* case, female workers who try to sustain a Title VII based upon a single incident of sexually harassing behavior face a very steep climb.

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USING AVATARS TO IMPROVE MARKETING EDUCATION

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Abstract:

Over the years, numerous researchers have investigated the use of avatars in education and most have found the avatars has have a positive effect on students in various disciplines including many of the science, technology, engineering and math disciplines (STEM). Others have even explored the use of the technology in the social sciences. This research focuses on the use of avatars technology and how its impact on student learning. A total of 198 students from four sections of the Principles of Marketing course participated in this study. Content for all courses was the same with one exception. The pilot courses used avatars to communicate with students. The results showed that students in the two avatar-assisted courses performed better overall than students in the other two courses.

Keywords: Avatar, assessment, avatar-assisted, virtual instruction

In today's technology-filled classrooms, educators are constantly searching for new ways to enhance the learning process, improve student outcomes and increase the level of student engagement. Over the past decade, numerous new technologies have been introduced into elementary, secondary and postsecondary classrooms. Many of these technologies were designed to support constantly evolving educational environments. As educational institutions have transitioned from traditional face-to-face classroom to virtual learning environments, educators have worked diligently to embrace innovative technologies in an effort to improve learning outcomes.

In contemporary virtual learning environments (VLEs), new technologies and new models of teaching are making it possible to increase student engagement, student learning outcomes, productivity and motivation (Myers et al, 2016; Urso, 2015; Carter, 2015, Kim, 2015; Beldarrain, 2006). Avatars are just one of many technologies being used.

Avatars are pictures, drawings or iconic virtual representations of humans that function in a three-dimensional virtual world (Lee and Shin 2004). They can have male or female characteristics (e.g. body, shape, facial features, race and so on) just like in the natural world. However, in the virtual world the creators dictate whether the avatar will be human or take other more creative forms. Abstract avatars use cartoons or fictitious entities while naturalistic avatars

provide a humanoid form but with a degraded level of detail. Users can change the avatar's appearance, even their gender, as often as they like (Salem and Earle 2000).

Avatars are, for many, a unique cyber product that holds great potential for marketers as well as marketing educators. According to Hemp (2006) and Sharma et al (2013), avatars can be used in a variety of businesses to communicate with their constituents through virtual worlds such as Second Life. They also provide consumers with various psychological benefits such as anonymous personalization and an artificial sense of wellbeing (Lee and Shin 2004; Parks, Cruz & Ahn, 2014). For decades, this 3-D virtual world was dominated by the entertainment industry for use in film animation and high-tech video games. However, the contemporary virtual landscape has changed and the occupant list has expanded to include businesses as well as academic institutions. The literature indicates that marketers have used avatars for years in various capacities often as company spokespersons or representatives (Jin & Sung, 2010), sales agents (Holzwarth, Janiszewski & Neumann 2006; Mull, 2015) event planners and a part of branded "adverworlds" (Hemp, 2006). Therefore, it should come as no surprise that marketing educators have also integrated avatars into contemporary virtual learning environments. It has been well documented that engaging 3-D learning environments in which learners guide the avatars offer great promise for learner-centered education by enabling learners to participate in immersive experiences (Ratan et al, 2016; Adamo-Villani & Dib, 2016; Takeuchi & Hasegawa, 2015; Bredi et al, 2012; Bares, Zettlemoyer & Lester, 1998). Researchers have also documented how avatars have improved student performance and engagement in multiple disciplines, including marketing. This paper further explores the use of avatars in a minority-serving institution.

Literature Review

Second Life, a virtual world developed by Linden Labs, was one of the most popular virtual world sites in 2009 (Jin and Bolebrach 2009). As one of the pioneers in the 3-D virtual world where avatars rule and "anything is possible", Second Life set the stage for a new frontier in marketing and became a digital chimera visited by millions daily (Galagan 2008). However, the virtual landscape quickly changed after new competitors delved into 3-D environments and offered users the opportunity to create characters and decorate virtual environments free of charge. The emergence of this new model replaced more established business models where users were forced to pay for many virtual items with new technologies that allowed users to make their new cyber identities and environments portable so they could be embedded into blogs and other websites (Nuttall 2008). This was an extremely important development for marketers and marketing educators.

According to Mikropoulous and Strouboulis (2004), “education is a domain where virtual reality seems to be a powerful and promising learning tool.” Proponents of this virtual world laud the success stories associated with the use of the technology in numerous businesses and educational institutions. According to (Craig et al, 2014), the use of avatar-assisted learning improves the learning experience, student performance and provides an alternative to video tutorials. Lippa (2008) states, “Online teachers who use tools online tools like blogs and forums can also use avatars to make the Internet experience more personal and direct.” She further states that “open access, online courses and learning materials for the public, use avatars and virtual reality to help learners feel like they are actually sitting in a classroom and students feel more engaged and enthusiastic, even if they are learning independently at home.” Bredi et al (2012) posited that avatars could contribute to a higher degree of immersion and create a whole new generation of avatar users.

The concept of using avatars in enhance knowledge is not new and according to Bredi et al (2012) is “strongly supported by theory which indicates that there is a connection between virtual worlds and intrinsic motivation. Participants within these virtual worlds actively seek knowledge exchange and develop relationships, bit by bit, as they began to see themselves as part of a community.”

Although avatars can be used in hybrid or distance-education courses to enhance student engagement, not every educator is sold on the virtues of these virtual learning environments. Opponents question whether avatars can be used to support knowledge acquisition and exchange or if the technology is viewed by students as simply a form of entertainment, rather than a tool to help improve the learning process. According to Wang and Hsu (2009), “Moving students from face-to-face environments to these virtual worlds does not guarantee better outcomes. The instructors must understand the benefits as well as the challenges and determine whether this tool can be used to meet the instructional needs” (p.79). Although Craig at el (2014) support the use of technology, they indicated that avatars often lack much of the personality found in other technologies. The authors further state, “They also create the perception of a division between the classroom and e-learning environments as the students are effectively being taught by two separate personas; the teacher in the classroom and the avatar at home.” Other concerns include faculty perceptions about the technology. According to Baxter (2008), “Convincing faculty to step into a virtual world is hard, not because of skepticism, but because there is reluctance to go through the pain of ensuring they are competent in the environment and to translate the material on to it.” According to Miklos Sarvary (Baxter 2008), “Faculty members tend to do their own thing and it is difficult to say to “Why not set up your avatar tomorrow?” (p. 1). Still others express concern about simply replacing traditional classrooms with virtual worlds (Cassard &

Sloboda, 2016; Bergstrand & Savage, 2013; Galagan, 2008) and whether today's businesses and institutions are overvaluing the virtual rather than the power of physical presence.

Although research has shown that use of avatars in education can be beneficial, the debate continues as educators try to identify the best uses of the technology. Some researchers (Kao & Harrell, 2015) question whether the technology can be used to improve student performance and engagement. Still others (Greiner, Caravella & Roth, 2014; Herring 2015; Christopoulos , Conrad & Shukla, 2015) question whether it can be used to improve peer-to-peer communication as well as communication between faculty and students.

According to Prensky ((2005), today's classrooms consist of three types of students which he defines as follows:

"1. The students who are truly self-motivated. These are the ones all teachers dream about having (and the ones we know how to teach best). They do all the work we assign to them, and more. Their motto is: "I can't wait to get to class." Unfortunately, there are fewer and fewer of these.

2. The students who go through the motions. These are the ones who, although in their hearts they feel that what is being taught has little or no relevance to their lives, are farsighted enough to realize that their future may depend on the grades and credentials they get. So they study the right facts the night before the test to achieve a passing grade and become at least somewhat successful students. Their motto: "We have learned to 'play school.'"

3. The students who "tune us out." These students are convinced that school is totally devoid of interest and totally irrelevant to their life. In fact, they find school much less interesting than the myriad devices they carry in their pockets and backpacks. These kids are used to having anyone who asks for their attention—their musicians, their moviemakers, their TV stars, their game designers—work really hard to earn it. When what is being offered isn't engaging, these students truly resent their time being wasted. In more and more of our schools, this group is quickly becoming the majority. The motto of this group: "Engage me or enrage me" (p. 60)

He further states that "the big difference in today's and yesterday's student is this: kids back then didn't expect to be engaged by everything they did. There were no video games, no CDs, no MP3s—none of today's special effects. Those kids' lives were a lot less rich—and not just in money: less rich in media, less rich in communication, much less rich in creative opportunities for students outside of school. So we have to find how to present our curricula in ways that engage our students—not just to create new "lesson plans or put the curriculum online."

According to Skiba and Barton (2006), “Educators are faced with the challenge of adapting their teaching styles to accommodate a new generation of learners. The Net Generation or Millennials, who are now entering colleges and universities have learning expectations, styles, and needs different from past students.” Similarly, Urso and Fisher (2015), Wright et al (2015) and Jones (2015) state that millennials have different priorities and communication styles than prior generations and new education technologies must be considered to successfully engage them. Karns (2005) further suggests that not only are the students changing but the faculty that interact with these students are also changing. According to Wymbs (2011), digital technologies are also changing the way marketing educators teach classes and design the marketing curriculum.

Atwong and Hugstad (1997), Tuten (2009), Wood, Solomon & Allan, (2008) and Wood (2010) were among the first to discuss the use of avatar-based technologies and virtual 3D worlds in marketing. More recently, the literature has expanded to include additional studies about the use of digital technologies in higher education (Carter, 2015; Gregory, 2015; Buzzard et al, 2011; Drake-Bridges, Strelzoff & Sulbaran, 2011). According to researchers (Oblinger, 2006; Atwong & Hugstad, 1997; Gregory (2015), these 3D classrooms could become the next step in marketing education. In the virtual learning environment (VLE) learners create avatars or graphical representations of themselves to interact with others and avatar design is critical, because it is the means through which participants develop an identity and a corresponding sense of presence within the VLE (Annetta, Keisath & Holmes, 2008). If virtual worlds are to create an optimal experience, they must first establish a sense of presence (Jin and Bolebrach, 2009).

Presence is defined by Lee (2004) as a “psychological state in which virtual objects are experienced as actual objects” (p. 27). This is particularly important in virtual learning environments as this can contribute to social interaction within these environments. According to Tu and McIsaac (2002), a positive sense of social interaction has been associated with enhanced online engagement. According to Newmann (1992), student engagement is defined as “the student’s effort directed toward learning, understanding or mastering the knowledge, skills that academic work is intended to promote.” He further states that “levels of engagement must be estimated from indirect indicators such the amount of participation in academic work (attendance, portion of tasks completed and amount of time spent on academic work)” (p. 13).

Design of the Avatar

The design of the avatar is one the most important considerations. According to Kao & Harrell (2015), avatar design has been shown to impact engagement and performance. Typically the design process begins with the decision regarding whether the avatar should be a realistic

representation of the researcher or a more animated version and the effects associated with each. Other considerations included skin tone, facial features, how to capture movement, language, voice, and the most cost-effective method to develop and integrate the avatar into a course.

According to McArthur and Jenson (2014), avatar users have hundreds, even thousands, of options available to customize the avatars appearance and diversity in skin color is a key component of the design of the avatar. Holzwarth, et al (2006) found that avatar attractiveness is also a key component of the avatar design and effectiveness. Beck and Murphy (2012) and others (Myers et al 2016; Carter, 2011; Carter 2010; Baylor, 2009) examine the gender and/or ethnicity of teacher avatars and found that gender and ethnicity been shown to affect student expectations and evaluations. Carter (2015) even suggested that the “virtual ethnicity” construct could impede and students willingness to express themselves openly in the virtual world. However, Wallace and Maryott (2009) found that some of the same attitudes and biases that exist in the real world must also be addressed in the virtual world. They posited that participants in the virtual world tend to respond to people with characteristics that are similar to their own and physical attractiveness of the avatar may also be an additional factor to consider. Baylor (2009), Bandura (1997) and more recently, van der Land (2015) also found that appearance is key in directly influencing message acceptance, motivation and performance According to Boulos (2007), “Students tend to gravitate toward pedagogical agents or avatars that closely resemble their own real-life appearance. Ethnic groups might be more comfortable studying with an avatar of the same ethnicity, while younger students would be more attracted to a cool or hip avatar teacher” (p.240). Numerous studies (Kim, 2015; Subramonyam, 2015; Ahn, Fox & Bailenson, 2012) have shown that participants tended to design avatars that tend to resemble their real-world selves. These findings were further supported by research by Baylor (2009) and Bailenson, Blascovich, & Guadagni (2008) which purports that students are influenced more by avatars with characteristics which were similar to themselves, especially those of the same ethnicity/race. Baylor further states “it is particularly valuable for Black students to work with agents of the same race as they tend to have strong affiliations with agents of the same race” (p/ 3561).

Facial expressions and body movement are also important design considerations. Research has shown that an avatar’s facial expressions can influence individual’s perceptions and subsequent interactions. According to Hyde et al (2015), when avatar agents exhibit more human characteristics (e.g. facial expressions), people usually respond positively to them. They further state that students tend to prefer avatar educators that are more human rather than cartoon-like avatars. More fluid movements tend to make the avatar appear more realistic as opposed to more static images. While these factors may be important in the design process, they are not the foci of this research.

Over the past few years, many of design decisions regarding design, skin tone, gender and physical appearance have been simplified thanks to websites like Sitepal.com, voki.com, DoppleMe.com and educatorstechnology.com. Using these sites, the user simply navigates through a series of fairly simple steps to select the physical appearance, voice, and background for the avatar. Most of these sites also allow the user to easily convert text to speech. Figure 1 illustrates the design of the avatar that was used in this study.



Source: Sitepal.com

While most educators recognize the potential for many of the digital technologies that are available through their institutions and other sources, most would agree that the students' willingness to embrace the technology is also important. Another factor that must be considered is the student's access to the technology. This is extremely important in urban and underprivileged areas. According to Killion, Gallagher-Lepak & Reilly (2015), many institutions value increasing access for underserved student populations. However, there is a significant body of literature that indicates that educational inequalities still exist. Some researchers (Journell, 2007 & Light, 2001) have also examined how these issues have affected student engagement among minority students. According to Killion, Gallagher-Lepak & Reilly (2015), e-learning was supposed to "democratize the educational experience for all students," however, many question whether that has truly happened. Although much of the literature focuses the use of avatars in majority institutions, according to Kao and Harrell (2015), role model avatars have

been shown to improve the academic performance and engagement of African American participants, while there was little to no effect in white participants. Other studies (Hacker, 2014; Zhang, 2013; Hacker et al, 2015) have also examined the use of animated agents among minority participants and the results indicate that African Americans were more impacted than Latina, Asian Americans and Caucasians. However, there is little information exploring how avatars affect student performance in marketing education. The purpose of this research was to fill this void.

Methodology

This study used a course redesign experiment to determine whether the technology had an effect on student performance and engagement.

During the summer of 2015, an introductory marketing core course was completely redesigned as part of a Title III Academic Transformation Initiative. One of the key reasons for the redesign was to standardize the course content across the multiple sections and to test the avatar technology to determine whether this technology could be used to improve student performance. All content for the four sections was similar except for the test groups, which used avatars to communicate with students. Each course used a pretest and posttest to assess student performance in the course. Test questions were directly linked to marketing program goals and course objectives. The pretest was administered during the first week of class and the posttest was administered during the final week for all courses.

Each sample included students from multiple concentrations including economics, finance, management, management information systems, communications, visual design and marketing. This is due to the fact that this course is part of the business core and is considered a gateway course for other courses in the business program. The study used convenience sampling for the study and included 198 students in four sections of the Principles of Marketing course for two consecutive semesters. No monetary compensation was provided to participants; however, students were given a two-point extra credit incentive to encourage participation in the study.

Results

Course redesign experiment

The pretest assessment data indicated that most students had little or no knowledge about key marketing concepts during the first week of class for all sections. Posttest data showed that overall students in the avatar-assisted courses received higher posttest scores than students without the avatar. In the first group the difference between scores (3.10 versus 3.71) was relatively small, however the difference between the scores in the second group were much larger (3.89 compared to 2.97). Further analysis shows that the average posttest score for the avatar-assisted courses was 3.8 compared to 3.35 in the courses that did not use the avatar.. Further analysis also showed a higher number of quizzes and exams completed in the courses that used the avatar in comparison to the courses that did not use the avatar. The avatar-assisted courses had average quiz and exam completion rates of 90% compared to 78% for the courses without the avatar. Students in the avatar-assisted course also showed higher levels of responses in the discussions forums than those in the courses that did not use the avatar. The average discussion completion rate for the avatar-assisted courses was 93% compared to 79.5% for the courses without the avatar.

Table 1. Student Scores in Avatar-Assisted Courses vs. Non-avatar assisted courses

Section	Pretest	Posttest	Quizzes/Exams Completed	Discussions Completed
Avatar-assisted Group 1	2.26	3.71	90%	92%
Non-avatar Group 1	2.16	3.70	79%	83%
Avatar-assisted Group 2	2.21	3.89	90%	94%
Non-avatar Group 2	2.15	2.97	77%	76%

These results are consistent with the findings with prior studies, which indicate that avatars could be used to improve student academic performance.

Discussion

Prior research has explored culture influences on online interaction and shown that avatars have greater impact on African Americans. Based on in this study, avatars can be used in marketing education to improve student performance. However, educators should consider a few important guidelines when using avatar technology, especially in culturally diverse environments or minority-serving institutions.

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- 1) Be culturally sensitive to the complex issues facing a culturally diverse student population. Ethnicity of the avatar may not be the only issue that determines whether a student is able to connect with the avatar. The problems may be linked to students' feelings about self, the learning environment, one's own educational experience as well as other external factors.
 - 2) Don't plan to deliver an entire lecture using an avatar. Recognize the limitations that the technology offers. Each software option is different and there may be text-to-speech character limitations. This is a great tool that can be used to add a more "human" approach to course announcements, introduce new concepts, address frequently asked questions and even provide a starter post in discussion forums.
 - 3) Make sure that consider the context of the technology. According to Light (2001), it is as important as the technology.
 - 4) Consider body movements, language and vocal attributes, facial features, expressions and gender during the design process. If facial features can be created with a degree of realism, avatars can potentially improve student engagement and performance.
 - 5) Consider the class composition to ensure that the content provided by the technology addresses the needs of each type of learner in the class. Auditory learners can certainly benefit from the use of the technology. Visual learners may be more engaged but the question remains as to how to best design and utilize the technology in ways that meet the needs of all students. Avatars can be used to facilitate the learning process in various ways, however, the instructor also must consider the students' learning styles, skill sets and the limitations of the technology.

While these concerns represent are some of the issues that need to be considered to more effectively realize the potential of avatars in marketing education, it is also important to note the limitations of the study. The results of this study cannot be used to generalize about the overall performance of minority students in marketing education. A more diverse sample would be needed to determine whether ethnicity, learning style, class rank and gender may affect students' performance and engagement. However, this study offers some valuable insight into the use of the avatar technology in marketing education and its ability to potentially affect actual performance within a minority-serving institution.

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FRENCH ENTREPRENEURS: COLLEGE STUDENT PERSPECTIVES ON ENTREPRENEURSHIP IN THE NATION

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Abstract:

France historically is less entrepreneurial compared to counterpart nations, such as the United Kingdom, the Netherlands and USA. Many factors contribute towards France's low entrepreneurial levels such as, a reliance on salaried jobs, high taxation, funding difficulties, market fluctuations, and social premiums. With the above in mind, the authors sought to examine the impact that French culture has towards entrepreneurship thinking, desires and beliefs among college students in France. The goal was to identify the impact and perception that French culture plays on entrepreneurship and future entrepreneurship intentions among business majors. Specifically, an investigative study was conducted on 44 French college students to explore relevant Hofstede cultural dimensions, various commonalities, differences, and emerging patterns. The hope was to analyze the attitude that future college graduates have towards entrepreneurship in general and whether college students believe that the French cultural supports entrepreneurship or not. A thorough discussion of the results, as well as future study and suggestions are provided. Obstacles and challenges are addressed.

Key Words: entrepreneurs, entrepreneurship, small business owner, small business, French entrepreneurs, French college students, entrepreneurship thinking, culture

Introduction

French entrepreneurs are a rare commodity in a country with a long history of low entrepreneurship rates (Scheper, 2018). In fact, France continues to be plagued with low entrepreneurial levels year after year, compared to many of its peer countries, such as the USA, Netherlands and the United Kingdom (Scheper, 2018). There are many contributing factors to France's lack of entrepreneurship, such as an over reliance on salaried jobs (Scheper, 2018), high tax rates (Burningham, 2016), start-up funding difficulties (Burningham, 2016) due to a lack of organized angel finance investors and venture capital firms (Karabell, 2016). In addition, social premiums are highly valued by the French, which is challenging for entrepreneurship. French citizens place emphasis on strong welfare programs, desire early retirement, demand long vacations and substantial time off from work, expect low work hours, and demand expected

benefits when working for a company (Burningham, 2016; Scheper, 2018; Karabell, 2016). These desires and demands are counterintuitive for a start-up with little means and capital, especially in the early nascent venture years.

As a result, French entrepreneurs often opt to leave the country (Karabell, 2016) in search of nations with more inviting policies, with employees willing to work long hours, lower taxation rates, and with more overall start-up support.

In addition to the above and to further complicate matters, the French population encompasses a high percentage of people over 60 years of age and under 20 years. This age distribution is problematic for France's overall entrepreneurship rates because the typical age of entrepreneurs is 39 (Deeb, 2014), not over 60 and under 20 years of age. In fact, research shows that individuals between 25 and 40 years of age are more likely to be entrepreneurs compared to older or younger people (Scheper, 2016). Thus, the age structure and population distribution continue to hinder entrepreneurship in France thus far. It is important to note, France recently implemented new measures to stimulate entrepreneurship, thus attempting to combat low entrepreneurship levels through tax reforms, which reduces taxes for start-ups over the next 8 years. In addition, France created government sponsored programs to help encourage entrepreneurship and there has been an emergence of incubators supporting French companies through various start-up stages (Burningham, 2016). All these measures hope to spur entrepreneurship forward in France.

Doing Business in France

With the above in mind and to obtain a holistic view of entrepreneurship in France, the authors investigated various data pertaining to motivations surrounding entrepreneurship. Specifically, the logistics behind how easy or difficult it is for citizens to start a business in France was assessed. According to the World Bank's Doing Business Abroad 2018 report, France ranked 31 out of 190 nations in the world when comparing data on 11 indicator sets, such as the ease of doing business, securing intellectual property, registering a business, paying taxes, obtaining credit and various measures related to regulation of businesses throughout the start-up cycle. It is important to note that a ranking of 31 is a solid ranking when compared to the entire world. However, France's overall ranking is low when comparing it to similar, peer countries, such as the USA (ranked 6), the United Kingdom (ranked 7), Germany (ranked 20), and Spain (ranked 28) (www.doingbusiness.org).

Upon closer analysis, it was evident that France made small improvements resulting in slight rankings improvements from 2016, 2017 to 2018 regarding paying taxes (less procedures, less paperwork), dealing with construction permits (slightly faster permit issuance), and slight improvement regarding protecting minority interests (www.doingbusiness.org).

In addition to the above, when reviewing Global Entrepreneurship Monitoring or GEM (gemCONSORTIUM.ORG), it is evident that French citizens scored low on their total entrepreneurship activity (TEA) or percent of current entrepreneurship in the nation, which was 5.3%, compared to 8.8% for the UK, and 12.6% for the USA. It is important to note that France scored slightly higher compared to Italy which had a 4.4% for TEA. France also reported lower percentages of the population who considered entrepreneurship to be a good career choice, lower percentages who regarded entrepreneurship with a high status in the community, lower perceived capabilities to become entrepreneurs and a higher fear of failure rate for starting businesses compared to peer nations such as the UK and the USA. Interestingly though, France reported a relatively competitive innovation rate and higher entrepreneurship intention to start business within the next 3 years compared to the UK, the USA and Italy. For more information, see Table 1.

Table 1: GEM Data

GEM	France	UK	Italy	USA
Fear of Failure	40.3%	35%	49%	33%
TEA (% currently entrepreneurs)	5.3%	8.8%	4.4%	12.6%
High status	69%	77%	69%	75%
Good career choice	57%	59%	63%	64%
Innovation rate (new idea/few competitors)	33.9%	33%	27%	37%
Perceived capability	36.3%	48%	31%	55%
Entrepreneurship intention (next 3 years)	15.7%	9%	10%	11%

Hofstede Cultural Dimensions

After reviewing Doing Business Abroad and Gem data, the authors sought to investigate Hofstede's cultural dimensions to examine the impact the culture plays on entrepreneurship. The authors looked at the French student responses in relation to four of Hofstede's cultural

dimensions: power distance, uncertainty avoidance, long-term orientation, and masculinity. Power distance assesses the expectant and acceptance of unequal power distribution. Uncertainty avoidance considers how the individuals react to uncertainty and risk. Long-term orientation reflects the culture's value on long-standing tradition. Masculinity refers to the acceptance of traditional gender roles within a society (Hofstede, 1987). Findings are reported in the results section of the paper.

MATERIALS AND METHODS

Research design: For the purpose of this study, the authors employed a quantitative survey research design. The survey was designed in English and disbursed at a university in Le Havre, France. The intent of the study was to obtain descriptive, general information about French student perspectives regarding entrepreneurship in the nation.

Sample: France was selected as the nation for data collection in this study. The sample included French university business students from EM Normandie University in Le Havre, France. Students were comprised of upperclassmen taking business courses in English. Students were asked to complete a questionnaire in person. The survey was hand-delivered and dispersed to participants throughout the study. The sample was a random, convenience sample. A total of 55 hand-delivered surveys were provided to business students, resulting in 44 useable questionnaires. The response rate was 80%. According to Dennis (2003), this response rate is acceptable given the sample size. In fact, the response rate for this study is significantly higher than average when comparing response rates in similar studies. Researchers assert that almost thirty percent of articles published in upper-tiered business journals have response rates of less than 25% (Dennis, 2003). As this study reports a response rate of 80%, it exceeds average response rates and standards for the field.

Measures and analysis: The authors employed a mixture of open ended and close-ended questions on the survey. The open and close ended questions allowed participants the opportunity to select from pre-existing multiple-choice questions, dichotomous answers and allowed elaboration on answers where needed. Respondents were encouraged to expand on their ideas, opinions and thoughts to ensure that the researchers understood answers clearly. For the purpose of the study, descriptive statistics were calculated, and results were reported.

RESULTS

Descriptive statistics: The vast majority of the respondents lived in France most of their lives. Results indicate that 30 students or 68% reported living in France for 19 years or more, compared to 32% or 14 students who reside in France 5 years or less. Many respondents were female at 53%, compared to 47% males. Results indicate that of the 44 students surveyed, 2% were Sophomores, 73% were Juniors and 25% were Seniors. Thus, most students were upper classmen, whose ages were 20-23 years of age, with the average being 21. See Figures 1 & 2 below for more information.

Figure 1: Gender

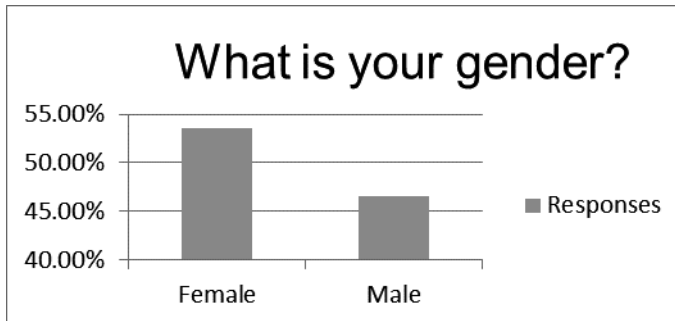
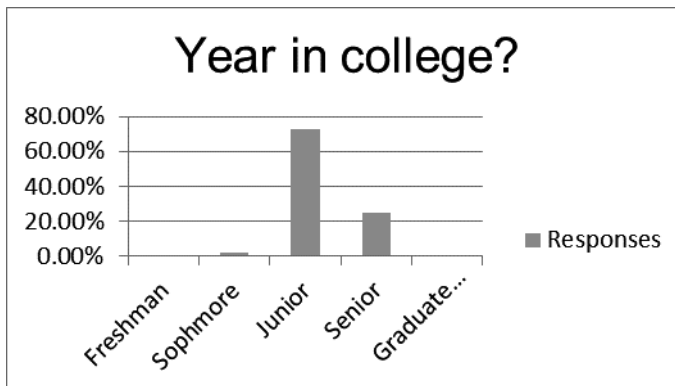


Figure 2: Year in College



As indicated in Table 2, 41 out of 44 or 93% of students surveyed believe that starting a business is a worthwhile profession, compared to 7% who did not. The majority of respondents (59%) agree or strongly agree that French society, as a whole, considers entrepreneurship to be a worthwhile profession, compared to 41% who disagreed. Interestingly, fifty percent of students believe that French culture does not in fact encourage or support entrepreneurs in the community during starting up stages, while 32% abstained from answering the question. Lastly, only 32% of respondents believe that French media glorifies entrepreneurs through storytelling, and positive coverage on the television, radio, newspapers, etc., compared to 30% who neither agree nor disagree, while 39% disagreed or strongly disagreed. For more information, please see Table 2.

Table 2: Career Choice, Worthwhile Profession, Media Glorification

Answer Choices	Strongly Agree/N	Agree	Neither	Disagree	Strongly Disagree	N
Personally Believe Worthwhile Profession	40.91% N=18	52.27% N=23	4.55% N=2	2.27% N=1		44
French Society Considers Worthwhile Profession	6.82% N=3	52.27% N=23	13.64% N=6	25% N=11	2.27% N=1	44
French Culture Encourages Entrepreneur	0	18.18% N=8	31.82% N=14	36.36% N=16	13.64% N=6	44
Media Glorifies Entrepreneurship	4.55% N=2	27.27% N=12	29.55% N=13	27.27% N=12	11.36% N=5	44

As shown in Table 3, only 52% of students believe that French parents and elder encourage entrepreneurship in the nation. In addition, nearly three quarters or 68% of students believe that entrepreneurs struggle to obtain funding when starting their ventures in France. Seventy percent of respondents also reported their belief that France is not tolerant of failure, compared to 9% who believe it is tolerant, while 20% abstained from answering. Lastly, almost half or 48% of students stated that French culture does not encourages innovative thinking at an early age, compared to 25% who stated it did, while 27% neither agreed nor disagreed. For more information, please see Table 3 below.

Table 3: Elder Support, Funding, Tolerant of Failure and Innovative Thinking

Answer Choices	Strongly Agree/N	Agree	Neither	Disagree	Strongly Disagree	N
Parent/elder Encourage Entrepreneurship	2.27% N=1	20.45% N=9	25% N=11	38.64% N=17	13.64% N=6	44
Easy to Obtain Funding to Start Business	2.27% N=1	11.36% N=5	18.18% N=8	34.09% N=15	34.09% N=15	44
French Country is Tolerant of Failure	0	9.09% N=4	20.45% N=9	36.36% N=16	34.09% N=15	44
French Culture Encourages Innovative Thinking	9.09% N=4	15.91% N=7	27.27% N=12	31.82% N=14	15.91% N=7	44

According to Table 4, fifty five percent of respondents reported that they do not know anyone who has started a business in France in the past two years, compared to 45% who do. Most of the students surveyed stated they desire to become entrepreneurs at some point in their lives, at 73%, compared to 27% who do not. Greater than half of the respondents cannot see themselves becoming an entrepreneur in the next five years, and 54% do not believe they have the skills to start a venture at this point in their lives. In other words, greater than half of the students surveyed perceive they do not have the capabilities to start a venture at present. For more information, please refer to Table 4.

Table 4: Know Current Entrepreneur, Intend to Start, Desire to Be and Perceived Capability

Answer Choices	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	N
Know One Founder	20.45% N=9	25% N=11	0	34.09% N=15	20.45% N=9	44
Desire to Start Venture	54.55% N=24	18.18% N=8	0	13.64% N=6	13.64% N=6	44
Intend to start in 5 Years	36.36% N=16	4.55% N=2	2.27% N=1	34.09% N=15	22.73% N=10	44
Have Skills to Start	38.64% N=17	4.55% N=2	2.27% N=1	34.09% N=15	20.45% N=9	44

One third of French students believe that the two greatest challenges that entrepreneurs face in France are 1) a societally high fear of failure rate and 2) a high corporate and personal tax rate to deal with. Several students, or 17% believe that funding is the largest obstacle, while 15% believed an entrepreneur's greatest challenge in France is the unsupportive and stuck in traditions society who place high value on large companies compared to nascent ones. Lastly, nearly ten percent of respondents thought that an overarching lack of knowledge was a great challenge for nascent founders. For more information, please refer to Table 5.

Table 5: Obstacles and Challenges for Entrepreneurs in France

Question: Greatest Challenge Entrepreneur Faces with French Culture?	Percentage	N
High Taxes	29%	13
Fear of Failure	31%	12
Lack of Funding	17%	7
Stuck in traditions/No support	15%	6
Lack of Knowledge	8%	2
Refrained	8%	2

DISCUSSION OF RESULTS

After close analysis of the results, a few interesting things emerged. First, most students surveyed believe that entrepreneurship is a worthwhile profession and endeavor. In fact, nearly two-thirds reported that their intention was to start a business in their lifetime. This is interesting given the fact that students believe that French culture is overwhelmingly unsupportive of entrepreneurship, and more specifically, that the elder and parents do not encourage entrepreneurship. It was also noted that students believe that French youth are not taught to think creatively or innovatively at an early age, thus promoting the notion that there is a fear to fail among French society. Lastly, very few students know a person who started a business in the last few years.

With all this in mind, it is apparent that although student's value entrepreneurship and wish to engage in it, they believe they do not have the skills and support of the local community. There was an overwhelming belief that funding is hard to obtain and that society, although they like the idea and value entrepreneurship, do not teach their youth or encourage youth to do it.

Hofstede Discussion

Hofstede defines power distance as, "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede, 1987, p. 28). In France, with a Power Distance Indicator (PDI) of 68, there is an acceptance of authority and hierarchy. Therefore, if the parents and elders in France are non-supportive of entrepreneurship, young innovators will be less likely to start a business because of their respect for and acceptance of the views of the elders. Since independent behaviors are not encouraged during their formative years (Hofstede, 1987), power distance is an ingrained fundamental by the time young French citizens enter the workforce.

Hofstede further defines uncertainty avoidance as, "the extent to which members of a culture feel threatened by uncertain or unknown situations (Hofstede, 1987, p. 113). Thus, with an Uncertainty Avoidance Indicator (UAI) of 86, uncertainty avoidance in France is rather strong. This does not mean that France is void of taking risk, but that France will first strive to reduce the level of ambiguity before pursuing a new venture. In addition, the cultural dimensions (Hofstede) shows support that fear of failure is discouraging people (explained by high uncertainty avoidance), thus youth isn't taught to be innovative (high power distance). Instead, the youth is taught to follow their elder and those individuals in hierarchical power roles, and to fear failure and uncertainty. These all work against entrepreneurship because innovation often requires individuals to challenge traditional hierarchy and authority to ignite the flame of change and to risk failing along the way.

Long-term orientation is steeped in tradition and having a high respect for tradition can hinder entrepreneurship and innovation (Hofstede, 1987). With a high Long-Term Orientation (LTO) of 63, the French have more of a concern for moving toward slow results than keeping up with the Joneses'.

France has a Masculinity Index (MAS) of 43, which is slightly lower than the middle. Masculinity in this context refers to "...societies in which social gender roles are clearly distinct..." and femininity refers to "...societies in which social gender roles overlap..." (Hofstede, 1987, p. 82). Therefore, the French value relationships with others, work to live rather than living to work, and share the decision-making process between managers and subordinates. Since the French place a high value on their personal time, entrepreneurship is a rare commodity because of the expected long hours of starting one's own business venture.

One must consider though the possibility that at some point, cultures will change. After all, Hofstede conducted his studies nearly seventy years ago. “As countries develop economically, modernization theory predicts shifts in cultural values, which likely affect countries’ scores on Hofstede’s work-related values dimensions, in turn raising doubt about the continued relevance of this framework for global strategy researchers and practitioners” (Beugelsdijk, 2015, p. 223). However, culture change can be a slow process taking hundreds of years.

According to Schein (1999), “culture is the sum total of all the shared, taken-for-granted assumptions that a group has learned throughout its history” (p. 29). Although Schein is referencing corporate culture, the same holds true for the cultures of countries. As time passes, culture will evolve as well. They may not change in terms of the Hofstede dimensions in our lifetime, they may change significantly at some point. An example of culture change is evident in the switching of political platforms between the democrats and the republicans in US politics (Wolchover, 2012). Values can change over time, so it is realistic to expect that culture will also change. Just look at the social issues where views have changed regarding same sex relationships, interracial relationships, voting rights for women and many other changes.

The question to ask now is have the cultural dimensions Hofstede analyzed already changed. The answer to that question lies in the collection of new data and an extensive analysis of that data, which has yet to occur. With regard to France, the authors expect French culture to change as the youth pursue for entrepreneurship endeavors over time. It is not absurd to think that fear of failure rates will reduce and that more innovation will be encouraged at younger ages in France as time progresses.

Limitation of the Study

This study had a few limitations, which must be addressed. The study itself had a small sample size (N=44), which indicates that the outcomes of the research are not generalizable to the larger population. A minimum of 100 responses might generate different results in the future. In addition, some students opted not to answer some of the questions, which might indicate a different issue altogether. Perhaps rephrasing the unanswered questions will help, but we need to determine the reasoning behind leaving the answers blank. It may be worthwhile to eliminate the response “neither agree nor disagree” to force students to either agree or disagree, for some of the questions at least.

In addition to the above, this study focused on French students, but we could also look at foreign students studying in France for comparison. Since so few students stated that they would like to start a business venture in the next five years, we need to add an open-ended question (qualitative) where students can explain why they have a lack of interest in starting a new venture in the near future.

Future Research Suggestions

Future research needs to include a larger sample size to generate more data for evaluation. There is also a need to gather data from other European students and compare their responses to those of the French students to look for trends and contrasts. Then, there can be a comparison of Hofstede's dimensions for the French students and students from other nations. We will also delve deeper into the GEM data.

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THE BUSINESS OF COFFEE

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INTRODUCTION

The following is the synopsis of a panel discussion held to introduce the intricacies of the coffee industry to the diverse group of conference attendees at the 2017 Applied Business and Entrepreneurial Association International Conference. Because the conference was held in Maui, Hawaii, the focus of the presentation was on the local Maui coffee industry. A comparison of coffee business practices in other countries, specifically Mexico and the Dominican Republic, were given as examples of the unique challenges entrepreneurs of the coffee industry face as they compete in the global market.

The panel facilitator and note taker was Nicole Buse, Instructor, Indiana University of Pennsylvania. The panelists were Dr. Lisa Andrus, Dean of the School of Business and Hospitality. Dr. Andrus was the chair and moderator of the panel discussion. David Gridley, owner of Mauioma Coffee Roaster, a founder of both the Hawaii Coffee Association and the Maui Coffee Association. Gerri Ross, geologist and owner of Kupa'a Farms, an organic coffee farm on Maui. Robert Coffey, previous coffee farm worker and current commodities specialist for the Hawaii Department of Agriculture. The panelists also provided a coffee tasting for the attendees at the session. The four different types of coffee, all grown and roasted in Maui, were to highlight the different varieties of coffee discussed during the panel discussion. After the panel discussion, attendees were encouraged to ask questions about what the presented material, and about tasting of the coffee.

OPENING INFORMATION BY THE CHAIR

Dr. Andrus opened the presentation with general coffee facts to give the audience a brief background of coffee, and its history. Coffee originated in Yemen and Ethiopia around 850-1100 ad, then spread throughout the globe by different means of people and transportation. Coffee is also the second largest traded commodity in the world after oil. Globally, 5,000,000 tons of coffee are grown a year. In the United States, Hawaii is the only state that is capable of growing

coffee naturally. The countries capable of producing coffee are located between the tropic of cancer and the Tropic of Capricorn.

Source, the national coffee association (www. Ncausa.org).

CONTRIBUTIONS FROM THE PANELISTS

Gerry Ross discussed the different coffee types beginning with the original plant, rubiaceae, that has resulted in 84 different species, however only four species are commercially used. Two of most common species commercially used are Robusta and Arabica. Robusta is disease resistant, produces a higher yield, and it generally less expensive to produce. Arabica has a better cup flavor, is prone to disease such as leaf rust, and pests like the coffee beetle borer (CBB), and is generally more expensive to grow. Gerry went on to describe the 90-100 different cultivars that originated from Robusta and Arabica, and how they all have different flavor profiles Gerry used the coffee family tree diagram from café imports to display the different varieties.

Gerry then discussed coffee growing, and highlighted photos from his farm of the coffee trees growing successfully under the shade of other trees. The coffee tree will produce a white flower that will then turn into the coffee cherry. The flower blooms quickly, but then it takes 9 months for a cherry to be produced.

The altitude at which coffee is grown is also a consideration of the farmers. The best tasting coffees, Arabica species are generally grown at 3,000 to 4,500 feet, with shade. However, Robusta species can grow at lower altitudes.

Gerry continued his part of the discussion by describing the different parts of the coffee bean: the pulp, mucilage, parchment, silver skin, and the two beans. The beans, when ready to be harvested, can be handpicked or machine harvested depending on the size of the farms. A photo was provided during the presentation to show a modified blueberry picker that is used on Ka'anapale coffee farm on Maui. Coffee does not ripen evenly therefore, handpicking can take up to two months due to repeated visits to each tree to pick only the ripe cherries. Most of the specialty coffees are hand-picked which is labor intensive, creating a greater cost for specialty coffees.

An attendee asked the panel how much coffee one tree could produce. Gerry responded 2 to 5 pounds. The panelists again stressed the issue of high labor costs to achieve the highest quality product. Dr. Andrus pointed out that it is the reason consumers find 12 oz bags of coffee for \$15 plus dollars in the United States.

Gerry continued to describe the processing process of coffee. Once the beans are harvested, the process of extracting the beans from the pulp is called pulping, and can occur in a wet mill. However, some locations are leaving the pulp on the beans and using a natural process to retain some of the sugars from the layers of the coffee cherry itself. The next step is fermentation that can take 12-36 hours depending on the environment in which fermentation will occur. Fermentation involves microbes that eat and digest the mucilage layer of the bean. During the wet mill process the beans will ferment in a water bath for 12-36 hours with continuous water flow. Some processors are experimenting with different kinds of yeasts to speed up the fermentation process, which can also change the bean's flavor profile. There also other processors who keep the mucilage on the bean and just go directly to the drying stage. This type of process is known as the honey process because the mucilage becomes sticky when drying, like honey.

Gerry describes the next stage, drying which can take a few weeks on patios, or other types of drying beds. The bean is left with a parchment layer that is then removed when put through a dry mill. The green bean then must be sorted for defects, and graded, which is performed by hand, again adding another layer of labor costs.

David Gridley gave a brief history of coffee in Hawaii. He provided an overview of 200 years of coffee in Hawaii, starting with its arrival in Oahu in 1813 by physician, Don Marin, who planted the first coffee plants in Oahu. The panelists provided free handouts and literature that gave a detailed description of the history. By 1825 there was extensive processing, and a few years later coffee was brought to Kona, on the big island of Hawaii. Kona is just a growing district in Hawaii. Late 1980's different islands started growing coffee. Now there are new varieties of coffee, different growing and processing techniques.

David then described coffee's success on the island of Maui. During the annual Hawaii coffee association conference, in 2017, 170 different coffees were entered in the competition. A Maui grown coffee won for the first time during the competition. Winning in the competition means the coffee has the highest average score (a score of 80 is the highest that can be achieved) in body, fullness of flavor, acidity, aroma and overall flavor and attributes. The Specialty Coffee Association of America sets the standards for the specialty coffee industry.

David explained that coffee grown in Kona had a law established to protect the integrity of their coffee. The state of Hawaii revised and expanded the law, act 258, slh 2002, amended §486-120.6, hrs, to include all Hawaii-grown coffees and by clarifying labeling requirements, definitions, and violations (<http://hdoa.hawaii.gov/qad/files/2013/01/qad-hi-grown-coffee->

law.pdf). The law requires the geographical names be used on coffee packaging, it must state the percentage of coffee from that region.

A participant raised the question, if consumers are able to purchase these high score coffees in their local coffee shops. David responded by explaining that it is possible to purchase them from the producers, however every harvest will be different, how the coffee is roasted will influence the flavor, and how the coffee is brewed in the coffee shop. It is difficult for growers and processors to scale up a specific high quality coffee. However, coffee is a personal decision, therefore education is key for the growers, processors, roasters, and consumers to understand how to produce the highest quality coffees.

Dr. Andrus provided photos to describe the differences in the land and terrain of difference coffee growing regions, specifically Maui and the Dominican Republic. The photos showed the flat cultivated terrain of Maui, with cleared roadways to the coffee trees. The photo of the Dominican Republic showed the very steep mountainous terrain, with primitive roads and unclear brush around the coffee trees.

The next photos showed the different processing practices in Maui and Mexico. In regions where water, electricity, and transportation are able to be accessed, more machinery is used to transport the picked cherries to the wet mill. One photo showed the large blueberry augmented picker unloading a large amount of cherries to the wet mill in Maui. The other photo showed men unloading sacks of cherries off a truck at a wet mill.

Dr. Andrus continued with the comparisons by showing photos of a large wet mill in Maui, in comparison to a single man on his farm hand operating a coffee pulping machine with a garden hose. The comparison was to show the accessibility of resources to coffee producers, even though the quantities of coffee being processed are of different scales.

Robert Cofey, wrapped up the presentation by providing information about the current coffee market specifically found in Hawaii. A photo of a dry mill was provided to show the large scale of coffee being produced on Maui. Robert also discussed the concerns of the coffee beetle borer (CBB) and the coffee leaf rust and how invasive it is in Hawaii, and on Maui. Currently, the leaf rust is not on the islands in Hawaii, however the panelists agreed that it is only a matter of time before it makes its way to the islands. The CBB on each island, however in different capacities. For example, the beetle borer has not arrived on Gerri Ross' organic farm on Maui.

The panelists agreed that once these invasive pests and diseases are on a farm, it is just a matter of controlling it. It is not reasonable to think the pests and diseases will ever be totally

eradicated. Disease and pests CBB could affect 80% of crop however, it is possible to cut the damage down to 5-10% with the use of sanitation procedures such as totally stripping the coffee trees of berries every season. Removing all the berries at the end of the season reduces the chances of the CBB returning.

One alternative is to destroy the infected coffee trees, however it takes 3-5 years for the plants to produce a crop. The other is to make sure farmers have crop insurance to protect them from financial loss.

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The ANBHF is a nonprofit education and research organization dedicated to creating an awareness, understanding and appreciation of exemplary business leadership. We research and promote outstanding examples of business leadership, exposing students and the public to their stories. The ANBHF also supports specific areas of academic research in management and business leadership.

One of the great strengths of the free enterprise system is its ability to create the conditions under which entrepreneurship and managerial leadership thrive. Our laureates demonstrate that lasting business success is usually based, not only upon hard work and a concern for the bottom line, but also upon a willingness to make unpopular decisions when necessary, a concern for the customer and a concern for employees. Moreover, they demonstrate that capitalism is consistent with a high standard of ethics.

Established in 1972, The American National Business Hall of Fame is dedicated to creating an awareness and appreciation of America's rich heritage of exemplary business leadership. Our organization revolves around several key programs. The foundation is our ANBHF Laureate program. We identify and induct outstanding American business leaders into the ANBHF. These exceptional business leaders' case histories offer the practical management techniques to which the laureates and historians attribute their success. In addition, the laureates' lives provide inspiration -- to take risks, to strive for excellence and to set high ethical standards.

The organization also recognizes living laureates as ANBHF Fellows. These leaders represent a career story which will be reclassified as laureates after their death. Finally, the organization recognizes Situational Role Models. These individuals represent business leaders whose careers have episodes worth remembering and celebrating but whom, for various reasons, the selection committee of the ANBHF did not feel comfortable naming the individual fellows or laureates. In this case the selection panel decided that specific ethical lapses in an otherwise memorable career were too serious to justify elevating the individual to the status of laureate. In other cases, the individual committed a management error so serious as to be of major concern to the panel of judges. Henry Ford is an example of a business leader whose extraordinary positive contributions to American economic development were seriously tarnished by several noteworthy ethical lapses and management errors. The ANBHF board recognizes the possibility that judges erred in placing persons in this category and welcomes public requests for reconsideration.

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Our laureates and fellows exemplify the American tradition of business leadership. The ANBHF has published the biographies of more than 40 of our laureates and fellows. Some are currently available online and more are added each month.

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H. H. Barber
William M. Batten
Stephen Bechtel Sr.
Charles Becker
Olive Ann Beech
William Blackie
Jacob Bunn
Alfred Burdick
Leo Burnett
Andrew Carnegie
William Casey
S. Truett Cathy
J. Harwood Cochrane
Gary Comer
Fairfax Cone
John Cotter
G.D. Crain
Frederick C. Crawford
Henry Crowell
Harry B. Cunningham
Arthur V. Davis
Charles Deere
John Deere
D. J. DePree
Hugh DePree
Walt Disney
Donald W. Douglas
George Eastman
Thomas A. Edison
Harvey Firestone
Benjamin Franklin
R.J. Frisby
Bob Galvin
Paul Galvin
Roswell Garst
Parker Gates
William Gore
Andy Granatelli
W. B. Greene
Walter A. Haas

Joyce C. Hall
Ken Hansen
Sidney Harmon
Martha Matilda Harper
Henry J. Heinz
William Hewitt
James G. Hill
Conrad N. Hilton
Wayne Hummer
R. B. Hulsen
Roy Ingersoll
Richard D. Irwin
Kenneth Iverson
Eric Jonsson
James Johnson
John Johnson
Robert Wood Johnson
Robert Wood Johnson II
Henry J. Kaiser
William Karnes
Herb Kelleher
Bernard Kilgore
Dale Kirlin
Robert J. Kleberg
Ray Kroc
Edwin Land
Albert Lasker
Leonard Lavin
James Lincoln
Wesley H. Loomis III
Frances Cabot Lowell
Gust E. Lundberg
Franklin Lunding
Ian MacGregor
Irl Martin
Konosuke Matsushita
Cyrus McCormick
Col. Robert McCormick
General Robert McDermott
Eugene McDonald
William Marsteller
George Mecherle

Charles E. Merrill
Joseph L. Miller
George S. Moore
J. Pierpont Morgan
Louis Neumiller
William Norris
David N. Ogilvy
Ken Olsen
John H. Patterson
W. A. Patterson
James Cash Penney
William Cooper Proctor
Harry V. Quadracci
Tom Roberts Sr.
John D. Rockefeller
Julius Rosenwald
David Sarnoff
John G. (Jack) Searle
Richard Sears
Alfred P. Sloan
Cyrus R. Smith
Charles C. Spaulding
E. Staley
W. Clement Stone
John Swearingen
Gustavus F. Swift
Herbert Taylor
David Thomas
Fred Turner
Cornelius Vanderbilt
Marion Wade
Charles Walgreen
Charles R. Walgreen III
DeWitt Wallace
Lila A. Wallace
Sam Moore Walton
Aaron Montgomery Ward
Thomas J. Watson, Jr.
Thomas J. Watson, Sr.
Ken Wessner
George Westinghouse
Frederick Weyerhaeuser

Joseph C. Wilson
Robert Wood
Robert W. Woodruff

FELLOWS

In the mid-1990s the board of directors created a new classification system to distinguish between living laureates and those who had passed away. For future selections living laureates were to be named “fellows”. Thus, fellows are business leaders whose career story meets the criteria for a laureate but who are still alive. They become reclassified as laureates after their death.

Following is a list of ANBHF Fellows:

Earl Bakken
Arthur Blank
John Bogle
Donald Brinckman (F)
Tom Chappell
Yvon Chouinard
Max DePree
William Hewitt
Charles Knight
Bernard Marcus
Ken Melrose
Jack Miller
Ross Perot
J. Harwood Cochrane
Jack Stack

SITUATIONAL ROLE MODELS

In addition to recognizing Laureates and Fellows, the ANBHF board of directors also recognizes individuals as “Situational Role Models.” Candidates selected for this category represent business leaders whose careers have episodes worth remembering and celebrating but whom, for various reasons, the selection committee did not feel comfortable naming the individuals fellows or laureates. In some cases a situational role model is a person for whom the selection panel wanted more information. In others the selection panel decided that specific ethical lapses in an otherwise memorable career were too serious to justify elevating the individual to the status of laureate. In some instances the individual committed a management error so serious as to be of major concern to the panel of judges. Henry Ford is an example of a business leader whose extraordinary positive contributions to American economic development were seriously tarnished by several noteworthy ethical lapses and management errors. The ANBHF board recognizes the possibility that the judges erred in placing persons in this category and welcomes public requests for reconsideration.

Following are the ANBHF situational role models.

Andrew Carnegie
Henry Ford
Samuel Insull
John D. Rockefeller
Herbert & Marion Sandler

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