# The Journal of Business Leadership

## Fall of 2015

American Business Hall of Fame
Volume 23, Number 1

# The Journal of Business Leadership

Published by the

American National Business Hall of Fame

Austin Peay State University

Clarksville, TN 37044



Journal of Business Leadership

ISSN 2164-4454 (online) ISSN 2164-4462 (print)

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## Editorial Staff

# Editor's Preface

*The Journal of Business Leadership [JBL]* is the official journal of the American National Business Hall of Fame [ANBHF]. The ANBHF conducts an active research program with three primary objectives. The first objective is to collect and analyze information regarding the leadership skills of Hall of Fame members. The Hall believes that business success stories are an important part of American history and strives to document and preserve these stories.

The second objective of the research program is to support the research objectives of the associated academic journal, *JBL*, through support of certain areas of business leadership, ethical practices and management academic research.

The third objective is to evaluate the effectiveness of Hall of Fame classroom presentations. Evaluation instruments are developed and administered in classes following Hall of Fame presentations.

In support of the ANBHF mission, *The Journal of Business Leadership* is a multidisciplinary journal of interest to scholars, professionals, students, and practitioners in a broad range of management thinking. The purpose of the journal is to encourage the publication of case studies of business leadership. In keeping with the Hall's longitudinal study, The Ethical Views of Business Leaders, University Faculty and Students in the United States, submissions highlighting ethical leadership practices are encouraged.

*JBL* offers both peer-reviewed and non-peer-reviewed articles. All peer-reviewed articles must meet the highest and most rigorous standards and are anonymously reviewed by at least two scholars in the field. Non-peer-reviewed materials can be essay, research-in-progress, pilot studies, or commentary on some topic relevant to the field of business leadership. All non-peer-reviewed materials will be reviewed by the Editorial Board for quality and appropriateness, but are not guaranteed publication.

Welcome to this issue of *The Journal of Business Leadership.*

Robyn Hulsart, Ed.D.
Contributing Editor

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# ENHANCING LEADER AWARENESS OF THE RELATIVE EFFECTIVENESS OF FORMAL AUTHORITY VERSUS PERSONAL INFLUENCE IN DETERMINING DECISION OUTCOMES

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## Abstract

This paper reviews the impact of different aspects of power and politics in influencing organizational decision outcomes. It describes formal and informal sources of power, types of political behavior, methods of acquiring political power, and personal influence strategies. An experiential exercise is described as a vehicle for facilitating participant learning about the dynamics of formal versus informal power bases in influencing political team decisions. Learning outcomes and application implications are discussed.

Power and influence are ubiquitous within most organizations. Although leadership is usually thought of as a positive force, guided by a purpose, values, morals, and vision, many people are quite suspicious of power. Yet leaders' ability to influence the thinking and behavior of people and advancing an organization's goals is based on their power bases and influence tactics. The goals of this paper are to increase the reader's awareness of power and influence tactics in organizational politics, recognize when others are using power and politics to his or her disadvantage, and to provide an opportunity to experiment with power and influence tactics to help your and the organization's objectives.

**Power** is the capacity to influence others to behave in ways they otherwise would not have (Pfeffer, 1981; Pfeffer 1992). It is the means of obtaining organizational goals, changing in strategies, resolving conflicts, redistributing budgets, reorganizing structure, and determining promotions. Properly applied, the outcomes can be beneficial for both the person exerting it and the people upon who it is exerted. Groups can also exert power over individuals or other groups. A marketing department that is powerful might be able to sway its firm's top management team to produce one product instead of another. Likewise, some organizations are more powerful than others, which is a natural consequence of competition.

**Influence** refers to how people alter the attitudes, beliefs, and thinking of other people (Guadango & Cialdini, 2005). Whereas power is the capacity to alter another person's reality, influence works more to change others' perceptions, with the intent of obtaining voluntary changes in people's behaviors. Leaders often use subtle influence tactics that produce results without resorting to overt power. Casting a knowing look at an employee during a meeting is an example. Non-leaders use influence to increase their success and standing in the organization. Sending emails that provide evidence of one's hard work on a project is a form of influence non-leaders often use.

**Politics** refers to the activities a person engages in to further his or her own interests when a consensus is lacking (Allen, Madison, Porter, Renwick & Mayes, 1979). Politics do not occur if everyone is in agreement--only when there is opposition, conflict, or resistance to a pending decision.

**Co-Dependency & Countervailing Power**

In most organizations managers usually have more power than employees. However, formal authority is only one of several sources of power within an organization. Followers are not always the ones depending on the leader. Co-dependency exists when leaders are also dependent on followers for success. When a follower has expertise or experience that a leader lacks and needs, the follower can exert countervailing influence over the boss as to what, when, and how work is actually performed (Patterson, 2007).

**Sources of Power**

Interdependent relationships within organizations give rise to power from two broad types of sources. The most common source of power arises from the authority and titles people possess. This is referred to as **position power**. A second source of power is **person power**. It is the type of power people who have specific kinds of expertise and respected personal qualities possess. Leaders often possess both position power and person power, and, non-managers can draw on both also (Raven, 1993).

**Position Power**

Position power traditionally relates to a person's hierarchy and status. You might think that a CEO has the most power in his or her firm as a result of being at the top of the firm's organizational chart. This is not actually the case, however. A firm's board of directors is responsible for hiring and firing the company's CEO. So, in a dispute with the board, the CEO usually will lose. This happened to the first three outsiders hired by the Hewlett Packer's board (Savitz, 2011). The founders of Dell and Nike also removed their handpicked successor CEOs (Darlin, 2007; Carpenter, 2006). You would be correct, however, in predicting that a CEO has more power than a firm's vice presidents. But do the vice presidents hold equal power? Rarely is this the case. Almost always, some are more powerful than others. Although the position a person holds sets the stage for being more or less powerful, several other factors shape the power he or she actually exercises (Seo & Desouza, 2006).

**Legitimate power** is one type of position power. It is linked to a person's formal position and the authority granted to that role. Most employees believe their bosses have the right to exercise a reasonable amount of power based on their job descriptions. Non-managers can also have legitimate power. For example, legitimate power is exercised when a sales representative asks manufacturing and engineering for specific types of cost and product performance data necessary for negotiating a client's contract.

As long as a person's influence falls within a legitimate zone of acceptance, that is, what his or her legitimate power allows for based on the firm's policies or culture---other people will likely will behave in ways supportive of the individual's goals (Bacharach & Lawler, 1980). So, for example, a leader who asks a follower to undertake an unsafe or unethical task should expect to receive pushback from the follower because it falls outside the leader's legitimate zone of acceptance. Even in the military, the lowest ranking enlisted soldier in a platoon can refuse to obey an officer's unlawful order, such as firing on civilian noncombatants (Saur & Rogers, 2006). All organizations have their taboos, or established limits to acceptable power.

**Reward power** occurs when one person actually or implicitly controls the allocation of rewards valued by others. Just knowing that a leader can offer a promotion, a special work assignment, or a raise, for example, provides the person with power over his or her followers. In organizations that allow their employees to offer performance feedback to the supervisors, followers hold some degree of reward power. A department manager who receives a "vote of no confidence" from her team members may be removed by her boss.

**Coercive power** is the capacity to limit another person's options, withhold resources, or to administer punishment. People who have coercive power are able to make life unpleasant for those who do not comply with their requests. The authority of a school's departmental chairperson to deny travel requests or assign undesirable teaching schedules to faculty could coerce underperforming professors within the department to "shape up."

To control an organization and effect change within it, all leaders must use some sort of power, which can be coercive or non-coercive (Arslan, 2001). However, leaders are more likely to be followed when they balance coercion with the ample use of rewards and encouragement. Jack Welch did this with the general manager of the GE's plastics division by combining a warning with praise for the manager's abilities: "I'm your biggest fan, but you just had the worst year in the company," Welch told the person. "I love you, and I know you can do better. But I'm going to take you out if you can't get it fixed." (Byrne, 2005) Because coercive power is based on fear, it can trigger resentment, anger, and even retaliation. Coercion is best used after other power attempts fail (Cartwright, 1965; Kipnis, 1976).

**Personal Power**

An individual's personal characteristics, skills and knowledge also have power implications. The two most common types of person power are *expert power* and *referent power*. However, there are a number of other ways to exert influence without having formal authority.

**Expert power** is based on the capacity to provide specialized skills and knowledge beneficial to the organization. As a person's ability to solve problems or offer advice to others increases, so does his or her expert power. However, if someone exercises poor judgment, offers faulty advice, or if other people find other ways of obtaining the expertise they need, expert power diminishes (Hollander, 1979).

**Referent Power.** A person who others admire and find worthy of emulating enjoys **referent power**. Leaders who are perceived by their followers as charismatic and successful have referent power. However, any employee can develop referent power by demonstrating qualities other people respect, such as trustworthiness or a willingness to help other people develop their skills and talents. Mentors typically have referent power over their protégés (White, 2007).

**Reciprocal Alliances.** Most power bases, especially those of personal origin, work best if they are part of an ongoing, reciprocal exchange. People who engage in mutually beneficial exchanges and build alliances or networks usually, over time, increase their power. Reciprocity is the trading of power or favors for mutual gain. Repayment need not occur at the time of a transaction, since payments can be banked for later exchange.

Once people work together on successful projects, they have colleagues on whom they can call for future help. The scientist, accountant, or marketer who heads a group for one project may the next time be in a supportive role. Reciprocal alliances build on expanded social networks of give-and-take influence within the organization.

**Information Power.** Information becomes power when someone possesses information others need but do not have. Information power stems from the ability to control access to critical information and its distribution. You do not need be an expert to assimilate, overhear, or read important information. People in accounting, information systems, or purchasing often have access to information others seek. They can develop power through selective distribution of information and guarded communication. For example, a computer facilities manager could influence his firm's computer selection decision by providing information favoring one option and discrediting others. Risks of using information in this manner, however, include the decreased trust and loss of respect of those who find out they have been unfairly influenced. They may develop alternative sources of information.

**Association Power.** Some people develop considerable power by being associated with a powerful person, even though they may have no personal or positional power of their own. Association power arises when one person has influence with another who possesses power. Family members, confidantes, and close aides of public officials have association power. In some organizations, so do staff members who have developed close advisory relationships with the manager. For example, an executive's assistant handles phone calls, correspondence, and appointments. The loyal assistant also serves as a sounding board for the executive's ideas and frustrations and knows who currently is in and out of favor with the boss. Association power has its place in organizations because it can help cut through the bureaucracy, as if an informal power structure exists in the shadow of the formal organization.

## POLITICS

**Organizational politics** has been defined as the deliberate "management of influence to obtain ends not sanctioned by the organization or to obtain sanctioned ends through non-sanctioned influence means." (Mayes & Allen, 1977) Whereas power can be a latent force (a capability), politics involves deliberate actions to develop and use power to counter the goals, ideas, or plans advanced by competing interests (Allen, Panian & Lotz, 1979). Because it functions outside the official system, the purpose of politics is to shift otherwise ambiguous outcomes to one's personal advantage (Pfeffer, 1992). Politics has been found to be an integral part of organizational life and critical to the management of change and innovation (Thomas, 1994). "Accomplishing innovation and change in organizations requires more than the ability to solve technical to analytic problems. Innovation almost invariably threatens the status quo, and consequently, innovation is an inherently political activity." (Pfeffer, 1992)

While politics at times may be deceitful, most politically motivated employees often have the best interests of the organization at heart. Politics invokes strategies intended to tip the balance of power and influence the outcome in one's favor. For example, imagine that a compensation manager believes he has a design for a better performance evaluation system. Knowing his ideas will appear radical, he meets several times with each individual who serves on the compensation policy committee to influence each to buy into the new scheme. His political actions are outside the required system, but his vision aims to benefit the organization.

**Types of Political Behavior**

***Political capacity*** is the ability and inclination to behave politically, to exercise power and influence. "The sum of someone's power and influence represents that person's capacity for political action." (Beeman & Sharkey) Although techniques for gaining power and influence vary, manipulating the behavior of others is at the heart of political behavior. Political manipulation can be positive or negative and based on power or influence. Four common forms of political manipulation are inducement, persuasion, obligation, and coercion. Of the four, persuasion is the most gentle and coercion is the most forceful.

When using ***persuasion,*** the manipulator tries emotion and logic to influence the way others perceive the situation. Successful persuasion leaves the other person feeling better off, but not necessarily better off. For example: "If you'll write this proposal today, we'll probably be able to secure the contract."

***Inducement*** is a stronger positive force that relies on the use of power. The manipulator offers some form of reward in exchange for compliance—perhaps more desirable assignments, greater autonomy, a larger budget, or the promise of a more favorable performance review. To illustrate: "If you back my plan with the general manager, I'll push for the capital investment you want for your lab." But since providing rewards may cost the manipulator, persuasion alone is often attempted first.

***Obligation*** is a negative form of political manipulation that draws on feelings of owing the manipulator something. For example, Alex will remind Bess of the personal investment he has made in her welfare over the years. Alex may attempt to convince Bess that unless she does as he wants, she will be worse off. He might say, "Remember how I saved your Taiwan joint venture? You've got to help me with this Singapore alliance or our entire Far East business goes down the drain."

By contrast, in applying outright ***coercion,*** Alex will alter the situation so that Bess actually is worse off unless she complies. Alex might say, "If you don't issue a purchase order for this industrial robot, I'll let management know you are contracting with a vendor who illegally disposes of toxic wastes." Coercion can backfire, so it must be used infrequently and exercised with caution. Experienced politicians often delegate coercive tactics to a committee or subordinate so they don't appear to be the "heavy."

Successful leaders use a variety of other political tactics. One study asked people without formal authority to describe incidents in which they succeeded in getting a superior, subordinate, or co-worker to do what they wanted. It found that the variety of tactics used to influence another is fairly extensive.

A summary of the most common tactics appear in Figure 1.

**Figure 1: Common Tactics for Exerting Influence without Authority**

**Negotiated Exchange**
- Remind of past favors
- Propose an exchange of favors

**Impression Management**
- Speak about past good deeds, successes, etc.
- Adapt behavior to create a positive image

**Ingratiation**
- Act polite and humble in making requests
- Offer compliments, praise, and admiration
- Sympathize about the hardships the request causes.

**Rational Persuasion**
- Write a detailed plan justifying a request.
- Offer facts, logic, and an emotional appeal
- Explain the reasons for your request.

**Coalition**
- Join a coalition/network for a stronger impact
- Line up votes before a meeting

**Consultation**
- Ask for advice and share expertise
- Seek participation to shape the outcome

**Assertiveness**
- Point out that the rules require the person to do it
- Be persistent and don't back down
- Repeatedly remind the person what is wanted
- Demand compliance or make a threat

**Sanctions**
- Threaten to expel the person from the group.
- Threaten to complain to a higher authority.

**Blocking**
- Threaten to stop working with the person.
- Ignore the person and stop being friendly

***Source:*** Tactics adapted from David Kipnis, Stuart M. Schmidt, and Ian Wilkson, "Intraorganizational Influence Tactics: Explorations in Getting One's Way," *Journal of Applied Psychology* 65 (1980), pp. 440-452; Lauren K. Johnson, "Debriefing Jay Conger: Exerting Influence without Authority," 8 *Harvard Management Update* (December 2003), pp. 3-4; and Ping Fu and Gary Yukl, "Perceived Effectiveness of Influence Tactics in the United States and China," *Leadership Quarterly* 11 (Summer 2000), pp. 251-266.

Which specific influence tactic to use depends on the objective of the political attempt and the nature of the situation. Exchange and ingratiation tactics, for example, are likely to be used to obtain personal favors. Rational appeals and coalition tactics are likely to be used to gain acceptance of work-related changes. Assertiveness and sanctions are used to influence subordinates, while rational appeals are used to influence superiors.

**Methods of Acquiring Political Power**

One of the more interesting realities of organizational politics is its reciprocal nature. "I'll help you if you help me" provides the foundation for a political power base, so long as both are not direct adversaries. There probably will come a time in your career when achieving your goal hinges more on political activity than on your technical expertise. At the very least, you must be aware of how those around you use power so you avoid being negatively manipulated (Kipnis, 1983). The tactics that follow are common in many settings and can be learned (Grenier & Schein, 1978; Mintzberg, 1983). They may initially seem contrary to your behavioral preferences, but be forewarned—others will use them. The most common tactics for building a political power base include:

***Maintain alliances with powerful people.*** Forming coalitions and networking is basic to gaining power in any organization. Coalitions are important not only in making committee decisions but also in day-to-day encounters. Maintain close alliances with those on whom you depend to accomplish your tasks. In addition to your boss and peers, establish working relationships with staff people who have expert or information power and with people in other departments whose work affects your own. An accommodating purchasing agent, shipper, or accountant can make a big difference in how readily you get things done.

***Avoid alienation.*** In keeping with the tactic of maintaining alliances, don't injure someone who is or might soon be in a position to take revenge. The same principle applies to burning bridges that may be needed to cross future raging currents.

***Use information as currency.*** Politically astute organizational members understand the power implications of obtaining and carefully disseminating information. Sharing information with someone who needs it and has no other means of acquiring it enhances your power base. That person now owes you a favor and may perceive you as someone on whom he or she is dependent for future information.

***Withdraw from petty disputes.*** Some issues are so critical they are worth fighting for. But some conflicts are so petty that it makes more sense to concede and walk away. Be gracious in yielding on an issue that is important to another person but not to you. Doing so builds credibility and an indebtedness that might be reciprocated at a later date.

***Avoid decisive engagement before you are prepared.*** By advancing slowly toward a political end, it may be possible to progress undetected or at least remain sufficiently inconspicuous to avoid alarming and arming others. If an adversary's proposal appears to be gaining momentum and cannot be thwarted immediately, for example, it may be possible to refer it to a committee for further discussion. This gains a delay and a wider bargaining arena.

***Avoid preliminary disclosure of preferences.*** Appearing overly eager for a certain outcome may leave you in a vulnerable position. If the outcome of a situation is uncertain, it may be advisable to support the aggressive efforts of someone else rather than take the lead yourself. This way you can get off the ship if it begins to sink. And if an impasse does occur, your timely "fresh perspective" may be the approach that allows others to compromise.

***Make a quick and successful showing.*** Make a big, successful splash early in the game to get the right people's attention, especially if you're a newly appointed manager. Being visible, available and an apparent expert means you're likely to receive assignments and positions with more power and potential. Even once you are established in the organization, sometimes it pays to "shoot for the moon" on a project, so that you can later settle for less but in the process move people and programs closer to your way of thinking.

***Collect IOUs.*** The "Godfather" of book and film fame used IOUs to extend his realm of influence. He would do favors for "family" members, but he made it clear that they owed him something in return. When these IOUs were called in, the debtor was expected to pay up—usually with interest. Extending favors or support to another is like depositing in a savings account, as long as you trust the person to reciprocate later.

***Exploit possible negative outcomes.*** Sometimes things must get worse before they get better. Bad news demands attention and may be the catalyst for desired change. A CEO could not convince the board to fund the acquisition of a supplier until the firm's sole source of supply was threatened by a vendor's cash-flow problems. By focusing on likely negative outcomes, those who would otherwise resist may switch to your side.

***Divide and rule.*** The assumption behind this principle is that those who are divided will not form coalitions themselves. One way to divide and rule is to approach individual members of your opponent's coalition and point out your common interests. Sociologists call this "cooptation." Another tactic is to identify your adversaries' weaknesses and publicize them or reveal their behaviors that run contrary to organizational norms.

These ten tactics can be learned, and there are sound reasons for using them. As a rule, political tactics are more successful if they are subtle and nonthreatening—blatant power plays often lead to resistance, defensive reactions, and retaliation. Because unobtrusive political tactics do not threaten other people's self-esteem or resource base, they are less likely to cause negative reactions (McCall, 1978).

## Experiential Exercise: The Dynamics of Formal versus Informal Power Bases in Influencing Political Team Decisions

This is a two-part experiential exercise designed to enhance participants' awareness of the impacts of formal versus informal power bases in influencing political team decisions. It also allows participants to try out various influence strategies and learn from the outcomes. Participants can be graduate and undergraduate students in organizational behavior and management classes, or organization members in training and development programs.

### Objectives

The overarching objectives of this exercise are to increase participants' awareness of a wide variety of power bases and influence strategies, and to receive feedback on the effectiveness of their own political behavior, including how it might be enhanced. Other objectives are for participants to receive feedback from their peers about the degree of influence they have relative to others in their group, to become more aware of what influence strategies they prefer to use, find out what strategies they utilize well and which they should try to improve, and to increase their awareness of how they react to political situations requiring that they use power for personal gain.

**Overview**

Part A of this exercise provides insights into participant's degree of interpersonal influence and the effectiveness of their influence strategies and behaviors. Part B provides insights into positional versus personal power bases as well as individual influence tactics. Each part of the exercise takes approximately one hour to complete, depending on the number of participants involved. The debriefing of each part takes approximately one half hour to complete, depending on the depth of the debriefing.

**Preparation**

Review the bases of power, political strategies and influence tactics described earlier in this article. Have index cards or "Hello" stickers available for each participant. Participants completing part two need to bring $1.00 to class and be prepared to risk it: they may get their money back, lose it, or make a profit. People who don't want to "buy into" part B, can opt to be observers.

**Instructions**

If participants have previously been working in teams, they should remain together for both parts of the exercise. If participants have not previously been working in teams, they should be divided into groups of seven to ten participants who remain together for both parts of the exercise. Within each group, complete the following tasks:

***Part A.*** *(50-60 minutes)*

Task 1A. Discuss the seven bases of power: legitimate, reward, coercive, referent, expert, information, and association. Through consensus, rank order these bases from most important to least important in terms of their effectiveness in influencing classroom behavior. (15-20 minutes) On-going groups, who have already completed a number of tasks together, can skip this part of the exercise.

Task 2A. Group members all stand up and physically line up according to the degree of influence each person had in establishing the power base ranking in Task 1. Or in ongoing teams, according to the influence each person had in accomplishing previous tasks. Do this non-verbally: members place themselves in the line, and then change others' places, until all agree with the influence ranking: from number 1, most influential, to number the last, least influential. Don't rush the process. Let participants physically reposition and discuss the lineup until all indicate that they are satisfied that it is the best possible representative ranking.

Each person is assigned the number corresponding to his or her place in the lineup. The most influential person becomes number one, and so on. Each person writes his or her number on a card or sticker and displays it throughout the remainder of the task activity. (5-10 minutes)

Task 3A. Group members sit down and discuss why the rankings came out the way they did. Each person should receive feedback from the other participants about their behaviors that gain influence and the behaviors that lose influence. (30 minutes)

Task 4A. The total class debriefs key learnings from the exercise. (15 minutes)

***Part B.*** *(60-90 minutes)*

Part A must be completed before part B can be experienced. There are four tasks for part B.

Task 1B. Assign each person the number of votes that they now display (i.e., their place in the previous influence ranking). Collect $1.00 from each participant and place the bills in a pile in the center of the group. The task for participants is to decide how to divide up the total pot according to the following instructions. (30 minutes)

• Your objective is to influence the group decision so you win as much money for yourself as possible. You may use any personal influence strategies (e.g., coalition formation, holding out, charisma, rationale development, etc.) not outlawed in these instructions.

• At least one-third of the group cannot receive any money back at all. The pot can be divided among the remaining group members in any proportion decided upon, e.g., one member can receive it all, it can be evenly divided among the remaining two-thirds, or it can be distributed in unequal proportions.

• The money allocation decision is to be determined by the casting of votes. Each group member casts the number of votes on his or her place card or sticker (i.e., formal organizational power).

• The voting procedure, however, needs to be determined by the group before voting takes place. Voting procedure examples might be: a) only one voting round - placing your votes for the person(s) you want to receive money; b) several rounds of voting for the people you want to receive the money until only two people are left; c) etc.

• Do not attempt a hasty vote. Wait until all group members have had their say and indicate a readiness to vote.

• It is not legitimate to: (1) use any chance procedures such as matching coins or drawing straws; (2) give your votes to someone else and not participate in the decision; (3) agree to return the original $1.00 contributions after the exercise; (4) agree to buy everyone drinks after class, etc. In other words, at least one-third of the group cannot receive any money back at all, and it is not possible to opt out of the political process.

• Task 2B: Debriefing

Individually write down the answers to the following questions: (10 minutes)

1. What were your feelings as you participated in this exercise?
2. From what power bases did you draw?
3. What influence strategies did you utilize?
4. How successful where you? Why?

Task 3B: Discuss your answers with others in your group. (30 minutes)

• Give each another feedback regarding the effectiveness of their influence behavior.
• Discuss why those winning were more successful.
• How might the outcome have been different in different circumstances?
• Share what you learned about yourself regarding your feelings and your style of using power in conflict situations.

Task 4B: All participating groups debrief the exercise by sharing key learnings from the exercise. (15 minutes)

**Exercise Notes**

**Variations.** Since the total exercise can take from two to three hours, it may be desirable to leave out, or shorten certain segments of the exercise so that key aspects can be concentrated on. The following combinations have proven to be very effective learning modules:

1. Complete Tasks A1 and A2. Then go to Task A4, followed by a class debriefing. Time: one hour.

2. In on-going task groups, skip Task A1. Begin Task A2, by having the influence ranking line determined by members influence in previous decisions made in the task group.

3. Limit the time in any task phase, or the debriefing to the minimum recommended.

**Debriefing.** This is a particularly sensitive exercise to debrief because some people have lost money, others have won it, but feel guilty, and several people will probably feel awkward just because they had to openly use power. It is important to share that these feelings are not unusual, and that it can be a positive learning experience for the entire group to share feelings openly and work them through during the following discussion. Some suggested questions are:

1. What were your feelings at the beginning of this exercise? During it? After it was over?

2. What are some parallels in work or other situations to the exercise you just completed? Do you have the same feelings in those situations? How do you deal with them?

3. What did you learn about yourself and the use of power from this exercise?

**Learning outcomes and application implications**

The authors have utilized this exercise in dozens of class and consulting situations. The most likely outcome is that those with the most personal influence, based on task one rankings, are also the most influential in determining the money distribution in ask two, in spite of their relative low number of votes (formal authority). In other words, informal (personal) power and influence tactics trump formal authority in making in influencing political team decisions.

Another common outcome is that most participants feel awkward even acknowledging differences in power and influence exist. This is especially true in egalitarian cultures such as New Zealand. Participants often try to insist that everyone has equal influence, or that there are several ties. The facilitator should insist that this is a forced choice ranking and encourage that a rank order be established.

Lower ranked participants usually are embarrassed that their lack of influence has been exhibited publically. Some will share that they are surprised that they were ranked so low and will insist that they have more influence than indicated. Others will acknowledge the legitimacy of their ranking and seek suggestions for increasing their influence. In either case, the feedback to the lower ranked participants should be given in a sensitive and caring manner.

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# GROWTH MINDSET AS AN ANTECEDENT FOR SELF-CONFIDENCE AND EFFECTIVE LEADERSHIP

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**Abstract**

The purpose of this paper is to explore the relationships between growth mindset and self-confidence for developing effective leadership skills. The research methodology for this paper was a review of the literature related to leadership effectiveness, self-confidence and growth-mindset. Currently there is a dearth of research related to the relationships between these three variables. However, the research indicates that there is a relationship between leadership development, self-confidence and a growth mindset. The theoretical significance of this paper is the identification of gaps in the literature and the creation a leadership growth mindset model that can be used for future research and tested empirically

Over a decade ago, Wangari Maathai, stated in his acceptance speech for the Nobel Peace Prize, "recognizing that sustainable development, democracy and peace are indivisible is an idea whose time has come." Business organizations of all types play a key role in sustainable development around the world. Whether a small business, multinational organization or global corporation should be an essential element in your strategic plan. Sustainable development depends on sustainable leadership.

The profound effect of private enterprises on their communities ranges from the local economy to the environment. Depending on the behaviors chosen by the companies' leadership, they may either improve or destroy these local attributes. Currently, citizenry and leaders alike are calling on businesses world-wide to behave in responsible and sustainable ways in order to improve local, regional, and global economic and natural environments. Business leaders with long range vision and a mind-set of combining profitability with environmental sustainability are paramount to successful interaction with local communities. However, this growth mind-set is a deviation from the current climate of short-term profitability used to gauge success in order to facilitate both vertical and lateral movement of executives. Therefore, in order to bring these different models closer together we must begin to develop ethical business leaders focused on social responsibility and sustainability. Because of the dramatic shift from the current paradigm for success in business, this development must begin early on in the business students' education. Perhaps, eventually, as role models emerge this new paradigm will begin to be imparted prior to beginning business school.

Sustainable leadership requires authentic leaders. Authentic leaders are those that learn and develop "self-awareness, internalized moral perspective, balanced processing and relational transparency," (Northouse, 2016). Adaptive leadership is follower centered and focuses on how a leader helps followers adapt to change (Heifetz, 1998). A discussion of growth mindset will demonstrate that it along with self-confidence are essential for both authentic and adaptive leadership.

It is a study of developing leadership traits in individuals by developing strategies to teach them a growth mindset. The types of mindsets and psyche needed to change the ways people teach individuals leadership traits. The paper is to argue that not all leaders are born and they are taught. How do we teach leadership traits in individuals? Many individuals have a mindset that keeps them from accomplishing their own leadership goals as adults, but this research shows ways that people in the lives of these individuals can change those mindsets to create leaders for future organizations.

The study of leadership effectiveness and variables that impact it are important for organizations leadership development plans. Developing effective leadership skills is a complex process. This paper will discuss foundational variables such as self-confidence and growth mindset for effective leadership. It is posited that these variables are not inherent traits. Rather they are characteristics that individuals can develop with effort similar to communication skills. Leadership development within organizations is important for planning and smooth transitions in leadership (Avolio, 2011). Organizations not only need to implement development plans to fill leadership gaps but also must embrace a systematic approach to leadership development (Amagoh, 2009). The importance this topic is readily recognized. However, organizations and researchers cannot definitively connect leadership development with leadership effectiveness.

Leadership effectiveness is defined as the process of positively influencing people to perform and successfully accomplish goals and tasks (Nahavandi, p.5). He continues by giving three elements that define effective leadership. Nahavandi (2012), states that effective leadership includes the following:

1) Goal achievement: includes meeting financial goals, producing quality products or services, addressing the needs of customers
2) Smooth internal processes: group cohesion, follower satisfaction, and efficient operations
3) External adaptability: a group's ability to change and evolve successfully

The three combined elements are critical to organizational success. Effective leadership is the primary goal of any organization therefore; it is assumed that organizations without effective leaders will be less effective at reaching goals. Jack Welch, the youngest chief executive office for General Electric, adds, "Real leaders don't need clutter. People must have the self-confidence to be clear, precise, to be sure that every person in their organization—highest to lowest—understands what the business is trying to achieve" (Tichy and Charan, 1989). It is important for business to build their vision and mission on input from self-confident leaders.

The purpose of this study is to explore the relationship between self-confidence, growth mindset and leadership development. The scope of this study is literature related to organizational leadership development programs, growth mindset and self-confidence and their inter-relationships. This research led to the following research question. Why should leadership development programs focus on developing self-confidence and growth mindset in participants?

**Growth Mindset and Effective Leadership**

Individuals tend to hole one of two types of Mindsets. One is a fixed mindset and the other is a growth mindset. A mindset is how a person perceives intelligence and how they perceive failure. Individuals with a growth mindset do not fear challenges, are motivated, and do not base intelligence on grades. They think that they are able to learn with hard work and studying. In the article *Motivate* it says that "students with a growth mindset believe that their abilities can be developed, and so their major goal is to learn" (Dweck C. S., Motivate). The opposite of a growth mindset is the fixed mindset. Individuals with a fixed mindset fear failure, and would rather not work hard to achieve a grade because they feel that they will appear to be unintelligent. The article *Even Geniuses Work Hard* says that "students with a fixed mindset tend not to handle setbacks well. Because they believe that setbacks call their intelligence into question, they become discouraged or defensive when they don't succeed right away" (Dweck C. S., Even Gueniuses Work Hard, 2015). Therefore it is significant to retrain the way Individuals think if they have a fixed mindset.

Individuals can naturally have a growth mindset, and they are what Dweck calls the motivated individuals. The article *Motivate* explains more on the subject that "The most motivated and resilient students are the ones who believe that their abilities can be developed through their effort and learning" (Dweck, Motivate). Not all individuals naturally think in this productive manner, so in order to learn how to become a great leader as adults, it is important that it is taught to them how to think in a growth mindset. But how do you teach a growth mindset? Praise is one important way we communicate to others that they are intelligent. It is a way to encourage them that they are learning and progressing in whatever task they accomplish, but it can drastically affect the way people think. How we praise individuals is the key to whether it motivates them to think in a growth mindset or a fixed mindset. Studies have shown that if an individual's intelligence is praised they develop a fixed mindset.

In an article from psychology today the author, Ronald Riggio states that "one third consists of inborn qualities, and two-thirds being made or developed over time." (Riggio, 2010). A growth mindset is one quality that can be developed overtime.

Many times an inner voice that is observing every thought and action and over analyzing and judging everything is what keeps people from trying. This same inner voice may prevent individuals from taking a risk to try something new or that is emotionally or intellectually challenging. It prevents them from proving to their selves that they can learn what they fear, and they can change from a fixed mindset to a growth mindset. Individuals must be shown that their minds can be changed. The book Mindset: The New Psychology of Success argues, "Whether they're aware of it or not, all people keep a running account of what's happening to them, what it means, and what they should do. In other words, our minds are constantly monitoring and interpreting." (Dweck, 2006). Becoming aware of how their brains work will open up thought processes and help them to take risks. Teachers need to give individuals time to correct their mistakes and encourage them to keep trying because they can learn a task that does not come naturally to them.

All the influential people in the lives of individuals can help teach risk taking through encouraging them to correct their mistakes and try again. They must challenge individuals to want to learn. It is explained in the article Even Geniuses Work Hard, "When presenting learning tasks to students, the teacher should portray challenges as fun and exciting, while portraying easy tasks as boring and less useful for the brain" (Dweck, 2015). Many individuals with a fixed mindset will quit because they failed at a task. These individuals need to face their failures and try again. Individuals should have the ability to try again to correct wrongs made on assignments. Teachers should encourage fixing errors to develop their skills while praising their effort and not their talent. Individuals can prove to themselves that just because they were not able to get all correct answers the first time on assignment, does not mean that after more studying and effort that they will not do better the second time. Instead of being afraid to try again, they take a risk to learn.

In order to teach individuals which way their mindset functions is by cognitive therapy. It can teach individuals why their brains work the way that they do. A consciousness about their thought processes will help them to change the way they think. Pediatric counselors that specialize in the growth mindset theory could help to explain the way the brain operates and how to overcome their inner voice that prevents them from trying difficult tasks. "Just learning about the growth mindset can cause a big shift in the way people think about themselves and their lives" (Dweck C.., 2006). This would also benefit those that influence the way individuals learn because they may think in a fixed mindset themselves. Cognitive therapy could be beneficial for the adults in charge of teaching small individuals. Individuals learn from observing those that are in charge of them and therefore those that teach must also be taught the growth mindset theory. In the book *Mindset: The New Psychology of Success*, argues that "New research shows that the brain is more like a muscle-it changes and gets stronger when you use it. And scientists have been able to show just how the brain grows and gets stronger when you learn" (Dweck, 2006).

**Self-Confidence and Effective Leadership**

Research shows that self-confidence (SC) is important to accomplishing tasks. It is significant in "influencing employee's willingness to exert them on the job and to cooperate towards collective goals" (De Creamer and van Knippenberg, 2003, p. 140). These concepts infiltrate leadership research, permeate self- improvement books, influences sports team's successes, and floods many leadership development programs. Coaches strive to establish high levels of SC in players and parents encourage SC in their Individuals. In the same way that SC is important to coaches and parents, SC is just as important to leaders on their quest to become effective leaders. Leaders in all areas of life require self-confidence in order to become successful and effective leaders.


**Figure 1: Self-Confidence, Performance, and Effective Leadership**

SC or the behavior of self-confidence plays a large role in everyday life. It plays such a large role that the lack of SC has been shown to result in failure (Hollenbeck and Hall, 2004). The effects of self-confidence are evident by examining decisions made when attempting to find exceptional people for a particular task. For example, travelers prefer to fly with an airline company that employs capable and confident pilots, a patient strives to obtain confident medical doctors who are able to successfully diagnose health issues, and an inexperienced driver desires to learn driving basics from a self-confident instructor. It is with this same intensity of reasoning that industry leaders aspire to employee self-confident leaders who are capable of providing a positive influence on task completion as well as on followers. To become an effective leader one should exhibit confidence in abilities of self and others. SC contributes to higher levels of performance for them and groups (Hannah, et al., 2008). It is even been suggested that leaders *have* to exhibit self-confidence to be viewed as an effective leader (Sauer, 2011, p. 576). This present review will focus on the nucleus of effective leadership by reviewing the effects of self-confidence. It will offer practical methods that a leader may engage to achieve or improve one's level of confidence.

There are numerous theories suggesting that self-confidence is an element of leadership (De Cremer, & Van Knippenberg, 2004; Hollenbeck, & Hall, 2004). However, most theories do not refer to self-confidence as the nucleus to effective leadership. For example, Vroom's Expectancy Theory of Motivation highlights the benefits of the self-confident leader in combination with other elements. The expectancy theory's primary idea is that employees are motivated to put effort into a task because they believe that their hard work will pay off with a resulting outcome. Trait theory is one that includes self-confidence and lists numerous other traits that belong to leaders. Self-confidence is associated with positive organizational behavior (POB) and is a component of positive psychological capital (PsyCap) and wellbeing (Culbertson, Fullargar, and Mills, 2010, p. 421). Self-confidence is one defining characteristic of the charismatic leader (Bass, 1985, House, 1977). Leader SC or the expression of confidence will "inspire self-confidence in the followers (House, 1977, p. 3). It is also shown to add to the leader's influence over followers and is assumed to contribute positively to the leader's expertise. This eventually becomes a source of individual power (Nahavandi, 2012, p.150). Expert power can only become effective if leaders share this knowledge with others and express self-confidence. It is clear to understand that literature on self-confident leadership has come a long way from the primitive view point which presumed that SC is derived from ones doting mother (Hollenbeck and Hall, 2004, p. 255). In more recent literature, De Cremer and van Knippenberg (2004), state that self-confidence was positively related to leadership effectiveness.

**Growth Mindset, Self-Confidence and Effective Leadership**

Thus, with these important statements exposed, this paper presents a new theory of leadership. With this theoretical framework established, it is posited that self-confidence is more than just an element of effective leadership. Self-confidence is a process that contains thoughts, perceptions, judgments, and belief combined with actions or behaviors. These actions combine to show a confirming oath of effort to accomplish the given task (Figure 2). The argument is SC is a primary and necessary construct of effective leadership and generates enhanced performance (Figure 2). Effectiveness generates self-confidence and the cycle continues to provide organizational success. SC is the “belief in one's capability to be successful and self-perceptions of competence in knowledge, skills, and abilities” (Shipman and Mumford, 2011, p.650).

According to Robbins and DeCenzo (2008), leader’s SC affects the confidence of the follower (p. 305). Pierce and Newstrom (2011) concur with this finding and state, “if the leader communicates high performance expectations and shows confidence in subordinates, they will in turn set or accept a higher goal for themselves and have greater confidence in themselves” (p. 332). In another example of supporting literature, Fred Kramer (1992), uses Homer’s Odyssey to illustrate the effect that self-confidence has on effective leadership by suggesting that self-confidence is a “precursor to strong and effective leadership as he tells about Mentor’s sense of contagious confidence” (p. 171). This relationship shows that when leaders project confidence they pass this confidence on to the follower. Once this reciprocity between self-confidence and performance develops, the leaders will enjoy collective success and be viewed as effective (Chart 1).

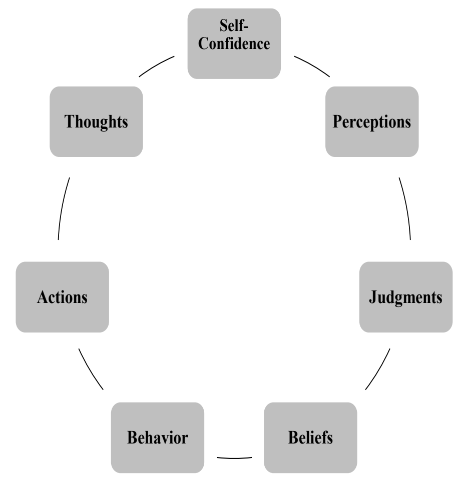


**Figure 2: Self-Confidence**

The constructs of this theory are the characteristics of self-confidence and leadership effectiveness within an industry and more specifically an organization. The self-confidence nucleus theory presents a logical relationship between effective leadership and self-confidence that applies to world situations. The presented theory fits in with other leadership theories but is more simplistic in many ways because it is focused on one particular construct. Any person, without regard for status or position, may benefit from the positive effects of self-confidence. Because self-confidence is beneficial to all it is imperative to present a method to boost ones self-confidence. In order to boost ones self-confidence Hollenbeck and Hall (2004) suggest the following:

1) Take risks
2) Break down a situation into tasks that you have done before. Analyze your capabilities versus those tasks and get a better sense of what experiences you may apply. Find where you need new

knowledge or skills and look for ways to get them.

3) Watch and learn from other "confident" individuals.
4) Talk to others about how they developed confidence
5) Do your own self-confidence inventory (example: Self-confidence scale: Construction and Validation)
6) Review your self-confidence experiences

It is important for leaders to have self-confidence to become more effective leaders. Critical knowledge is presented for present and future leaders. The reciprocating roles of self-confidence, performance, and effective leadership illustrate their effect on organizational success and methods of improving self-confidence are provided. This paper calls for further empirical research and offers supporting evidence and practical application for improving ones self-confidence.

Organizations must create a cultures that encourage a growth mindset. These are risk free environments that do not severely punish failure. Organizations can foster these types of environments by creating opportunities to reflect on failures. An example of directly teaching a growth mindset is by having individuals discuss and write out scenarios they have experienced in which they failed at a task (Dweck C., 2015). Individuals should know that if they cannot accomplish a task the first time, then they need to believe in their abilities to learn. This open minded view on failure is changing the way these individuals label themselves. Failures should encourage people to try to learn more instead of not try at all.

**A New Model of Leadership Development**

Figure three below illustrates a new model of leadership development. From a review of the literature related to Self-confidence, Growth Mindset and Leadership Development a theoretical model of leadership development was derived. This model demonstrates the reciprocal relationship between growth mindset, Self-confidence and leadership. While each individual factor is malleable, the expansion of one variable will stimulate the growth of the other two variables in turn. For instance, an individual with a fixed mindset and low Self-confidence could be exposed to a leadership task and successfully complete the task. This accomplishment would spark an increase in Self-confidence and consequently, contribute to a shift from a fixed mindset to a growth mindset. The increase in Self-confidence and growth mindset would further facilitate leadership development, thus creating a continuous, positive correlational relationship between the three variables. Overall, the model suggests that the development of one of the three variables will stimulate the expansion of all three variables as they positively correlate with one another.


**Figure 3: A New Model of Leadership Development**

**Summary & Conclusions**

Self-confidence, a growth mindset, and leadership development are all malleable variables that appear to have a reciprocal relationship with one another. Future research should empirically examine the extent to which each of these factors triggers the development of the other two factors. For instance, a study could employ self-report measures of Self-confidence, growth mindset, and leadership skills over at least two time periods before and after subjecting participants to a workshop designed to develop one of the three variables. The difference between pre-workshop and post-workshop self-evaluations of each variable could indicate the strength of the relationship between each of the three variables as one variable develops. Empirical studies will expand the understanding of the relationship between Self-confidence, growth mindset, and leadership development.

Leadership traits in individuals can be developed through fostering a growth mindset. A high self-efficacy along with a growth mindset results in hard working and confident individuals that will growth up to become leaders for future organizations. These individuals will perceive challenges as learning opportunities. Carol Dweck (2008) conducted many research studies with individuals over the past few decades with outcomes of higher achievement scores from those individuals that were taught a growth mindset. Our culture in the United States of America is one that worships talented people, and we must change that culture to worship hard work. For instance, States must understand that their curriculums are encouraging high tests scores, but not high performance scores. Future organizations will benefit from the individuals taught a growth mindset because those individuals are learning that failure is not negative. Failure can be a motivation to try harder, so that they can prove to themselves that they are intelligent and working hard pays off with positive results. In the article The Secret to Raising Smart Kids, the author explains:

People do differ in intelligence, talent, and ability. And yet research is converging on the conclusion that great accomplishment, and even what we call genius, is typically the result of years of passion and dedication and not something that flows naturally from a gift" (Dweck, Dec2007/Jan2008).

Hard work and an appreciation for knowledge will result in a person that has learned how to be a leader. Some of the leadership skills that are enhanced with a growth mindset are communication skills, working with others, emotional control, and stress management. In conjunction with a positive outlook on learning with no fear of failure will open up many possibilities for the future of individuals with a growth mindset.

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# EQUITY BASED CROWDFUNDING AN ENTREPRENEUR'S FRIEND OR ENEMY? AN EXAMINATION OF THE LAWS, RULES, CHANGES AND IMPLICATIONS FOR START-UPS.

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**Abstract**

Most entrepreneurs struggle to fund new ventures during the start-up stages through various growth stages. For many entrepreneurs, crowdfunding becomes a quick and feasible option for obtaining pertinent capital when launching a business. Historically, crowdfunding was known for on-line "gifts" or "donations" of money given through a campaign to an entrepreneur by a crowd who received no equity or exchange of company shares. The 2011 JOBS Act or Jumpstart Our Business Startups Act was created to permit more innovation regarding funding options for entrepreneurs, such as with crowdfunding. Specifically, the law intended to ignite the USA economy by softening rules pertaining to fundraising and investing for new ventures. As part of the JOBS Act, Title III addresses the use of equity-based crowdfunding which allows investors to receive actual shares or equity in a venture. The purpose of this paper is to investigate the new JOBS Act-Title III and equity based crowdfunding from an entrepreneur's perspective. An examination of applicable laws, rules, changes, risks and implications associated with equity based crowdfunding are addressed. Suggestions are provided to small business owners and entrepreneurs regarding crowdfunding and equity based crowdfunding.

Since 2009, entrepreneurs, lured by the promise of raising millions for a business idea, flock to crowdfunding sites such as Kickstarter or Indiegogo to raise capital to start, grow or fund a business. These sites offer entrepreneurs a way to reach millions of potential investors eager to contribute to a unique idea or project. Although these sites help entrepreneurs raise pertinent capital for growth, they fail to raise equity capital due to legal restrictions. Historically, crowdfunding was defined as an on-line "donation" of money gifted through a campaign to an entrepreneur by a crowd of investors who receive no equity or company shares (Blasingame, 2014). To clarify, investors or "campaign donors" do not receive stock, shares, ownership percentage or any other ownership of a business entity in exchange for their monetary contribution. Instead, donors receive contributor gifts, such as t-shirts, hats, pens, special edition or limited premium versions of products or services. In other words, business owners receive capital in exchange for giving away gifts or freebies. Furthermore, shareholders or members of the campaigning company retain all ownership and equity rights in the business entity. Up to this point, crowdfunding sites only allowed for financial "gift" contributions because equity crowdfunding was illegal.

In 2012, Congress noticed the potential draw of crowdfunding sites for entrepreneurs and investors, thus taking action. In passing the "Jumpstart Our Business Startups Act" or JOBS Act for short, Congress attempted to expand the already-emerging concept of using crowdfunding to allow small businesses to raise true investment capital. In Title III of the JOBS Act, called "Capital Raising Online While Deterring Fraud and Unethical Non-Disclosure Act of 2012" the law amends Section 4 of the Securities Act of 1933 to create a new exemption from the onerous regulations found in Section 5 of the law (JOBS Act, 2012).. In theory, the exemption allows businesses to sell equity online in the form of stock or ownership percentage of a business entity without breaking the law. Thus, instead of freebies, investors could actually purchase shares of stock or a one percent ownership interest in a campaigning company.

Despite the legal change in 2012, many entrepreneurial plans to equity crowdfunding are still on hold. The implementation of the crowdfunding provisions of the JOBS Act are currently awaiting action from the Securities and Exchange Commission (SEC) to pass regulations concerning the implementation of the JOBS Act provisions. (Almerico, 2014). While the SEC continues to push toward final resolution of these regulations, entrepreneurs are left struggling with the unknown, as far as equity crowdfunding rules. Entrepreneurs are left postulating if the SEC rules will be so cumbersome as to thwart the overall purpose of the law exemptions designed to help small companies raise equity capital quickly and easily through online sales of stock and other securities.

In this paper, the authors explore the changes Congress enacted to the Securities Act making equity based crowdfunding possible. A thorough discussion of whether entrepreneurs should accept the new approach as a modern improvement for raising capital or whether entrepreneurs should shun Congress' attempt to bring a law from the 1930's into the Internet age. A thorough analysis of the JOBS Act and risks associated with using equity based crowdfunding are addressed, as are the pros and cons. Suggestions are made for small business owners and entrepreneurs as far as crowdfunding and equity based crowdfunding are concerned.

## Crowdfunding & Crowdfunding Activity

Over the last half decade, crowdfunding exploded as an alternative method for funding start-ups with billions of dollars of capital given to entrepreneurs in the form of capital donations (Barnett, 2014; Belleflamme et al., 2014). As a result of increased interest from investors and entrepreneurs, crowdfunding sites appeared worldwide fulfilling funding gaps. Crowdfunding became popular enabling individuals and businesses to fund unique experiences, social causes, consumer products, real estate, vacations, new ventures, outright charity, etc. (Barnett, 2014). As of today, there are two types of crowdfunding: 1) entrepreneurs soliciting donation from investors through campaigns involving freebies and special editions of products and 2) soliciting funding from investors for a fixed amount of money in exchange for shares or equity of the business (Belleflamme et al., 2014)

## Examples of Crowdfunding Campaigns

To examine how crowdfunding works, let us examine the largest crowdfunding endeavor to date known as the "Coolest Cooler." The cooler business concept is touted as a "portable party disguised as a cooler." and one-stop shop for tailgaters and partiers. The cooler houses a cooling compartment for beverages, a rechargeable blender for blending, incorporates a waterproof Bluetooth speaker, a cutting board, a compartment for storage, an LED light, a bottle opener and a USB charger (www.coolestkickstarter.com). . To date, the Coolest Cooler raised over $13 million on kickstarter.com by offering contributors gifts such as a T-shirt for small donations to a personal visit from the inventor acting as a bartender at a private party for donations of $2,000 or more. Interesting enough, not one of the $13 million worth of investors received company stock or equity in the venture, regardless of their contribution level. Thus, all future corporate profits belong to current equity shareholders in the Coolest Cooler company, not the individuals who provided $ 13 million in funding through the Kickstarter campaign (www.coolestkickstarter.com).

## Growth of Crowdfunding

Currently, there are close to 600 various crowdfunding platforms worldwide from which an entrepreneur can select from (Clifford, 2013). As 2013 came to end, crowdfunding saw approximately $ 5 billion dollars' worth of funds raised globally, compared to $ 2.7 billion in 2012 (Clifford, 2013). A closer examination shows that nearly half of the $ 2.7 billion raised came from North America, with Europe trailing behind with approximately $ 900 mill (Massolutions, 2013; Clifford, 2013). Furthermore, in the USA slightly greater than 5,500 crowdfunding campaigns were funded between July –September 2014 or approximately $ 135 million (Clifford, 2013), compared to the United Kingdom's approximately $ 35 million and 810 projects (Zorn, 2014). North America and Europe are projected to continue dominating crowdfunding, with more and more crowdfunding portals coming available for equity-crowdfunding possibilities (Massolutions, 2013; Clifford, 2013). According to the latest data on crowdfunding, nearly 500 new campaigns are placed daily on crowdfunding sites, with a new project being added almost every 3 minutes (Alois, 2014). It is important to note that the most common crowdfunding platforms to date are the Kickstarter types with in-kind donations/gifts.

## The Law

The law restricts entrepreneurs who form a corporation or limited liability company from publically offering stock for sale with the Securities Act of 1933. Section 5 of the Securities Act of 1933 prohibits the public sale of securities without strict adherence to complex registration, disclosure and reporting requirements (15 U.S.C. §77e). The restrictions contained in the Section 5 limit an entrepreneur's ability to create a website announcing the formation of a business and offering investors the chance to buy into the business' future potential by becoming an equity partner by imposing civil penalties for violating the Securities Act, thus stifling a huge stream of potential investment capital (15 U.S.C. §77l). Prior to the passage of the JOBS Act in 2012, the Securities Act thus also prohibited the entrepreneur's use of crowdfunding sites such as Kickstarter to sell stock because this method was not distinguished from other public sales of stock.

Entrepreneurs who wish to sell securities to the public have two choices. They can comply with the Securities Act's onerous rules or take advantage of an exception to the rules. These securities law exceptions are found in various places in the Securities Act such as Section (4)(a)(2), known as the "private placement exemption" (15 U.S.C. 77d(a)(2)). This section offers entrepreneurs the ability to publically sell stock without having to follow most of the rules of Section 5. Under this section of the statute, Section 4(a) dictates the specific circumstances when Section 5 does not apply to the public sale of securities (15 U.S.C. 77d(a)).

In Section 4(a), the law provides Section 5 does not apply to certain enumerated types of securities sales including transactions by anyone other than an issuer, underwriter or dealer, transactions by an issuer not involving any public offering, transactions by a dealer, certain brokers' transactions and some transactions to "accredited investors" (15 U.S.C. 77d(a)). While Section 4(a) provides some exemptions to Section 5 allowing the public sale of securities outside the parameters of Section 5, entrepreneurs wishing to publically sell stock may find statutory language confusing and unclear. Thus, the SEC, the administrative agency charged with the enforcement of the Securities Act, offers guidance on how to meet the exemptions through administrative regulations known as Regulation A and Regulation D. These regulations contain the administrative rules through which the SEC has carved out the details for the limited circumstances when a public sale of stock will not result in running afoul of Section 5 via the use of Section 4(a). Companies meeting the requirements of Regulation A can sell up to $5 million worth of securities in any 12-month period, however, they are still subject to similar requirements imposed in Section 5 (SEC website). Another avenue is compliance with Regulation D which provides "safe harbors" for entrepreneurs by not requiring them to register their public sale of securities with the SEC, but instead requiring them to complete a limited electronic disclosure form (17 CFR § 230.501).

## Rule 504, 505 And 506

While these exemptions sound like an easy path to capital for entrepreneurs, in actuality the requirements of the rules still make the public sale of securities complicated and expensive even without the application of Section 5. The first of the SEC's administrative rules implementing Regulation D, Rule 504, generally allows the sale of up to $1 million of securities in any 12-month period (17 C.F.R. §230.504). Yet, entrepreneurs interested in selling stock or ownership percentage in a limited liability company online are still limited in their advertising methods as Rule 504 restricts a company's ability to solicit or advertise securities to the public (17 C.F.R. §230.504). In order to do so, the company must meet one of three exceptions to the blanket prohibitions. First, a company can advertise the sale to the public if it registers the offering of the securities sale only in states whose state securities laws require a publically-filed registration statement and also requires the company to deliver a disclosure statement to the investors (17 C.F.R. §230.504). A second method which allows for advertisement or solicitation under Rule 504 is for the company to register under a state's securities laws and also sell in other states so long as the company also sends a disclosure statement to investors in these states (17 C.F.R. §230.504). Finally, another option under Rule 504 is for the company to sell exclusively under a state's securities law exemption that allows general solicitation and advertisement but only if the sales are to "accredited investors" (17 C.F.R. §230.504). The difficulty for entrepreneurs following Rule 504 is they must still meet the requirements of state's securities law which will likely have similar, onerous provisions as contained in Section 5 of the federal law (17 C.F.R. §230.504).

The second SEC rule implementing Regulation D is Rule 505 (17 C.F.R. §230.505). This rule provides an exemption to Section 5 for offers of securities up to $5 million in any 12-month period (17 C.F.R. §230.505). Companies can sell to an unlimited number of accredited investors plus up to 35 other persons or "unaccredited" investors (17 C.F.R. §230.505). There are two major problems with this rule for entrepreneurs. Companies cannot engage in solicitation or public advertising at all, and, in order to sell to only a limited number of unaccredited investors, a company must provide them with information (17 C.F.R. §230.505). This informational or disclosure requirement includes anything provided to accredited investors plus costly audited financial statements certified by an independent public accountant or at least an audited balance sheet.

Under both Rule 504 and Rule 505, there is another problem for entrepreneurs. Each rule limits the amount of capital a company can raise. Rule 504's limit is $1 million, and Rule 505 places a $5 million cap. Rule 506 offers the enticing benefit of being able to raise unlimited funds (17 C.F.R. §230.506). Companies relying upon Rule 506's "safe harbor" have two choices, either follow Rule 506(b) which does not allow for general advertising and solicitation or Rule 506(c) which permits it, thanks to another change found in the JOBS Act.

Section 201(a) of the JOBS Act requires the SEC to eliminate the prohibition on using general solicitation under Rule 506 where all purchasers of the securities are accredited investors and the issuer takes reasonable steps to verify that the purchasers are accredited investors. To implement Section 201(a), the SEC adopted paragraph (c) of Rule 506. Under Rule 506(c), issuers can offer securities through means of general solicitation, provided that all purchasers in the offering are accredited investors, the issuer takes reasonable steps to verify their accredited investor status, and certain other conditions in Regulation D are satisfied (17 C.F.R. §230.506(c)).

As with Rule 505, companies following Rule 506(b) can sell to an unlimited number of accredited investors plus up to 35 unaccredited investors, but there is a big difference in Rule 506(b). All of the unaccredited investors must be "sophisticated" (17 C.F.R. §230.506(b)). The SEC says this means they must, "have sufficient knowledge and experience in financial and business matters to make them capable of evaluating the merits and risks of the prospective investment" (17 C.F.R. §230.506(b)). Under Rule 506(b), companies must also disclose information including the same audited financials as in Rule 505 plus must also provide non-accredited investors with disclosure documents that are similar to those required in Section 5 (17 C.F.R. §230.506(b)). The exemption in Rule 506(c) permits companies to generally solicit and advertise under Rule 506(c) but does not allow for sales to any unaccredited investors (17 C.F.R. §230.506(c)). In addition, Rule 506(c) has the onerous restriction of requiring companies to verify, through the review of tax returns or other financial documents, to ensure accredited investors actually meet the SEC's requirements to be an accredited investor (17 C.F.R. §230.506(c)).

**The Accredited Investor and Jobs Act Amendment to Section (4)(A)**

The accredited investor requirement found in all three rules and in the Section 4(a)(5) exemption has a specific meaning in securities law. The definition under 17 CFR § 230.501 includes provisions for institutional investors as well as individuals (17 CFR § 230.501(a)). To qualify as an accredited investor, an individual must have a net worth, either individually or in combination with a spouse, that exceeds $1 million (17 CFR § 230.501(a)(5)). However, the law specifically exempts a person's primary residence from this calculation (17 CFR § 230.501(a)(5)(i)(A)). Alternatively, an individual qualifies if he or she has an income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year (17 CFR § 230.501(a)(6)). Under either scenario, the accredited investor definition restricts an entrepreneur seeking to raise capital to only investors with enough financial wherewithal to meet the definition and only 35 investors who do not, depending upon the rule the entrepreneur follows to make the public offering under Section 4(a).

The JOBS Act's amendment to Section (4)(a) changed the law in order to allow entrepreneurs more freedom to use the Internet by amending the law to allow for the general solicitation of investors: "[o]ffers and sales exempt under section 230.506 of title 17, Code of Federal Regulations (as revised pursuant to section 201 of the Jumpstart Our Business Startups Act) shall not be deemed public offerings under the Federal securities laws as a result of general advertising or general solicitation" (15 U.S.C.A. § 77d ).

The amendment modified the traditional exemptions with the addition of a new one in Section 4(a)(6) which allows for crowdfunding sales of securities. It also removed the accredited investor requirement and replaced it with less onerous restrictions on the financial status of investors. The law now provides entrepreneurs can raise $1,000,000 during a 12-month period through the use of Internet crowdfunding (15 U.S.C. § 77(d)(a)(6)(A)). In addition, the law limits the amount of money investors can invest and dictates an entrepreneur must sell the securities through a broker or "funding portal" that complies with the SEC's rules (15 U.S.C. § 77(d)(a)(6)(C)). Despite these changes that purport to allow entrepreneurs to use crowdfunding to sell securities for the first time, the SEC admonishes that it is still presently illegal to use Kickstarter or similar sites for the sale of stock because the SEC has yet to implement the administrative rules that entrepreneurs must follow to adhere to the law: "[o]n April 5, 2012, the Jumpstart Our Business Startups (JOBS) Act was signed into law. The Act requires the Commission to adopt rules to implement a new exemption that will allow crowdfunding. Until then, we are reminding issuers that any offers or sales of securities purporting to rely on the crowdfunding exemption would be unlawful under the federal securities laws" (SEC website). The SEC has proposed some rules, but the agency has yet to adopt them while it gathers public comment.

## Proposed Rules & Requirements

What the SEC has proposed are rules to allow entrepreneurs to raise up to $1 million in an equity crowdfunding campaign over a 12-month period, with severe limitations on the amount any single investor could contribute. Under its proposed rules, the SEC would allow small investors, those with annual income and net worth below $100,000, to invest up to $2,000 or up to five percent of their net worth, whichever is greater. Investors with an annual income or net worth above $100,000 could invest up to 10 percent of either their annual income or net worth, whichever is greater. However, these investors would be limited to purchasing no more than $100,000 (SEC website, press release, 2013). For the first time, these changes greatly temper the restriction on selling only or primarily to accredited investors and open up the investing world to those of a more modest financial status.

While the proposed rules seem simple in limiting the financial status and contributions levels of investors, the SEC would still require entrepreneurs using crowdfunding for the sale of securities to disclose certain information through the creation of "offering documents" (SEC website, press release). In the documents, the SEC proposes to require companies to disclose:

- Information about officers and directors as well as owners of 20 percent or more of the company;
- A description of the company's business and the use of proceeds from the offering;
- The price to the public of the securities being offered, the target offering amount, the deadline to reach the target offering amount, and whether the company will accept investments in excess of the target offering amount;
- Certain related-party transactions;
- A description of the financial condition of the company; and
- Financial statements of the company that, depending on the amount offered and sold during a 12-month period, would have to be accompanied by a copy of the company's tax returns or reviewed or audited by an independent public accountant or auditor (SEC website, press release, 2013).

In addition to these disclosure requirements, entrepreneurs would have to amend the disclosures to provide updates on how the company is progressing toward reaching the funding goals (SEC website, press release). This would include filing an annual report with the SEC as well as providing it to investors (SEC website, press release, 2013).

## Funding Portals

Another proposed requirement, which the SEC calls a "key provision," is forcing entrepreneurs to equity crowdfunding through a registered broker or through a new entity to be called a "funding portal" which would need to be registered as such with the SEC (SEC website, press release). Funding portals must meet the SEC's registration rules as well as provide information for investors and provide an online mechanism through which crowdfunding could occur under the Securities Act. The SEC's proposed rules would require funding portals to provide investors with educational materials, take measures to reduce the risk of fraud, make available information about the issuer and the offering, provide communication channels to permit discussions about offerings on the platform and facilitate the offer and sale of crowdfunded securities. The rules would also prohibit funding portals from offering investment advice or making recommendations, soliciting purchases, sales or offers to buy securities offered or displayed on its website, imposing certain restrictions on compensating people for solicitations, and holding, possessing, or handling investor funds or securities (SEC website, press release, 2013). As entrepreneurs follow these proposed rules and sell securities exclusively online through a funding portal, the SEC would consider the offering to be a "safe harbor" (SEC website, press release, 2013).

In keeping with the requirements of the Administrative Procedures Act, the SEC published its proposed equity crowdfunding rules in the Federal Register on November 5, 2013, and opened them up for public comment for 90 days (SEC website, press release, 2013). Since then, debate has raged concerning whether the SEC's proposed rules accomplish the goal of allowing an easier route to equity funding through crowdfunding. Objections concerning the use of funding portals and the complexity of disclosure requirements have flooded the SEC with much to consider. The SEC has not yet released any final rules, leaving entrepreneurs unable to take advantage of the JOBS Act's crowdfunding initiative.

While many entrepreneurs' objections may be alleviated in the final SEC rules, some states have taken action offering intra-state crowdfunding under the state exemption of Section 3(a)(11) (Sarbaugh, 2014). Entrepreneurs who eventually seek to use equity crowdfunding as a legal and easy way to sell securities to the general public may find some unexpected disadvantages even when, or if, doing so finally becomes legal.

**Considerations for Entrepreneurs**

According to research, many entrepreneurs believe that crowdfunding and equity crowdfunding are great solutions to seed capital and growth problems in today's economy (Marich, 2014). However, while equity crowdfunding appears attractive on the surface, it poses many obstacles and challenges for entrepreneurs to consider. As discussed above, there are many legal and practical hurdles with the crowdfunding equity model that must be resolved (Blasingame, 2014).

One of the greatest trepidations facing entrepreneurs interested in equity crowdfunding is with vetting potential equity investors. Entrepreneurs may struggle with conducting due diligence on future shareholders coming through crowdfunding portals. How might an entrepreneur find assurance that equity investors understand the risks associated with investing in start-up organizations? Most equity crowdfunding sites limit the amount of money an individual investor can invest per year depending on their personal net worth and income (Marich, 2014). Thus, how can entrepreneurs be sure that high level and low level investors are cognizant of the high failure rates associated with new ventures?

In addition to the above, entrepreneurs should consider if it is worth "giving away" equity to unknown investors about whom little is known. Publicly traded companies do this all the time, by selling stocks to the public on the stock exchanges. However, publicly traded companies are "selling" common shares which are weighted differently compared to preferred stakeholders. In addition, publicly traded companies have strong performance track records and a proven business model, which most start-ups lack.

Moreover, entrepreneurs utilizing equity crowdfunding should consider that the number of investors they might end up with. Entrepreneurs could end up with 49 different equity owners, each owning 1% stake in the business. This will pose challenges for board meetings and shareholder meetings as far as controlling meetings, logistics and long-term company control issues regarding minority shareholders rights concerns.

A fourth obstacle with equity crowdfunding is that entrepreneur may become "joined" to stakeholders who may or may not fit well with the organization. In other words, once an equity crowdfunding investor becomes a stakeholder, the organization, board of directors and entrepreneurs are "stuck" with their new shareholder. It is difficult for minority stakeholders to sell their equity position in corporations because valuating stock on private companies is complex, time consuming, expensive and burdensome. In addition, at the end of the day a minority must be interested in selling their minority stake in the venture if a company wants less minority shareholders.

A fifth challenge posed to entrepreneurs regarding equity crowdfunding is with legal organizational status impacted by equity crowdfunding. If an entrepreneur established their organizations under the Subchapter S-Corp status, the corporation is limited by law to a maximum of 100 shareholder within the legal organizational structure. If the entrepreneur campaigns for equity ownership and ends up with 110 equity investors, the implications on the Subchapter S Corporation status are jeopardized.

The final obstacles for entrepreneurs to consider are with SEC disclosure requirements. SEC disclosure requirements oblige entrepreneurs to provide updated financial conditions of the company, provide tax returns, and detail information about officers and shareholders to the public. This has implications for start-ups because private company information would be broadcast across funding portals and equity crowdfunding sites that otherwise would otherwise remain private intellectual property.

## Conclusions/Future Research

After reviewing the crowd funding literature and crowdfunding sites/portals, the authors recommend that more research be conducted pertaining to equity crowdfunding. Specifically, it is recommended that empirical research be directed towards states with active crowdfunding portals currently in place and being utilized by entrepreneurs. It would also be valuable to conduct a quantitative investigation on crowdfunding from an entrepreneur's perspective after they receive funding from various portals or on crowdfunding sites. Lastly, it would be worth examining equity crowdfunding entrepreneurs to see what challenges and obstacles are posed to them after receiving funding from new equity investors. When further research is conducted, a funding model for crowdfunding and equity crowdfunding should be developed, tested and validated for future benefit.

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# RETAILERS' BUYING BEHAVIORS AND STRATEGIES: A QUALITATIVE STUDY OF APPAREL RETAILING IN HAWAII

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**Abstract**

Although a number of researchers have examined consumer buying and industrial buying behaviors, only a few research studies have investigated retail buying. The purpose of this study is to understand current Hawai`i retail buyers' buying behaviors and strategies. The researchers used qualitative research design with interview method to develop a deeper understanding of a phenomenon. For owners of four apparel retail buyers and retail store owners who are involved in buying planning and actual buying process were selected from Honolulu, Hawai`i and were interviewed regarding their overall merchandise, assortment, and retail buying planning, and actual buying process and strategy. Finally, 10 themes (i.e., regional/district management, store space/size, selection of and relationships with vendors, sales history/saleability of products, sales analysis, seasonality and weather, budget, legal issues, customer characteristics, and brand image) regarding retail buying behaviors and strategies were emerged and interpreted in results section. The findings of this study also indicated that overall retail buying behaviors and strategies were certainly different by the type and size of retailers (i.e., national department store vs. local independent store, large retailer vs. small retailer). Overall, the findings of the interviews provided valuable insight as to how Hawai`i retailers buy apparel products. This study has contributed to the body of literature on retail buying behaviors and strategies in relation to the Hawai`i retail industry and has delivered useful information regarding current retail buying trends and strategies to satisfy global customers. Although this study was conducted in Hawai`i, the results have potential contributions to retail buying in other countries (e.g., Guam, Hong Kong) especially where there is similar climate and customer base to Hawai`i.

## Introduction

As new retail distribution channels have been created (e.g. internet, mobile, social media) end-consumers shopping behaviors are getting smarter and complicated: they actually buy products when they can gain a full package of value: quality, price, and service. While a myriad number of academic research studies have examined consumers' buying behaviors in the marketing area, a small number of researchers have conducted research about organizational buying behaviors (e.g., Sheth, 1973; Anderson & Chambers, 1985; Hunter, Kasouf, Celuch, & Curry, 2004). Several differences exist between these two buying behaviors. Consumers' buying is performed based on individual's decisions that may or may not be made through a budget and extensive planning process while organizational buying is conducted in a formal organization with many people after consideration of budget, cost, and profit, to reach organizational goals (Webster & Wind, 1972). Organizational buying behavior then can be sub-categorized to industrial buying and retail buying. Industrial buyers mostly control costs while retail buyers both control costs for purchasing finished goods efficiently and generate sales by reselling the products (Wagner, Etteson, & Parrish, 1989). Therefore, retail buying is often separated from industrial buying, and findings from industrial buying or consumer buying behavior related research studies may not be able to explain retail buying behaviors.

A few research studies have examined retail buying behaviors. Previous research studies with retail buying topics examined merchandise requirements and retail buyers' decision-making process (e.g., fiorito & Fairhurst, 1989; Kang & Kincade, 2004b; Nilsson and Host, 1987) or tested parts of Sheth's (1981) theory of merchandise buying behavior (e.g., Fiorito, 1990). Other researchers investigated the differences in retail buyers' buying behaviors by the types of products they carry, different information sources they use or demographic information of the retail buyers (e.g., Da Silva et al., 2002; Kline & Wagner, 1994; Wagner, et al., 1989).

Todays, due to the multiple changes in the global markets (e.g., an increase of global trades and emerging markets) and economic conditions (e.g., prolonged recession), both national and international retailers can find themselves in a fierce competition. In addition, the role of the retailer has changed considerably. The retailers' traditional role was to provide appropriate collections of products in small quantities to consumers through local stores. While the retailers' role was being a passive distributor, now it is an active intermediary who manages a range of goods by systematically selecting and purchasing products from suppliers (Varley, 2007). Now the role of retail buyers includes both an operational element (e.g., buying and distributing products) and a strategic component (e.g., marketing products and lowering costs). In Bahng and Kincade's (2011) qualitative research study that examined retail buying and merchandising strategies of apparel retail buyers in Seoul, all of their interviewees agreed that they were not very confident in their merchandise-retail buying decisions although each interviewee had between 12-25 years of experience in retailing industry. Thus, this study can serve to provide retail practitioners (e.g., retail buyers, merchandisers, store owners) with helpful information regarding current retail buying strategies in different regions.

In the last decades, the U.S. retailing industry has faced a great number of bankruptcies and acquisitions, especially among small and mid-sized retail stores (Sen, 2008). For this reason, the total U.S. retail sales are concentrated to a few large retail corporations (e.g., Wal-Mart, Macy's). The fashion (i.e., apparel) retailing sector also shows the similar scene. The largest 12 major apparel retail companies (e.g., Gap) leads the U.S. apparel market, accounting for about 65% of total apparel sales (U.S. Department of Commerce, 1999). In the Hawai`i State, a large portion of retail sales is generated by tourists that may determine success or failure of many retailers' financial performance because Hawai`i is one the most popular tourist destinations in the world. In addition, the Hawai'i retail industry hires about 20% of the workforce in the State, and pays the largest portion of general excise tax revenue (RMH, 2015). Therefore, retail buying related research studies are needed for the state of Hawai`i in order to help retail practitioners (e.g., buyers, merchandisers, store owners), especially retail buyers with less experience, to gain useful information regarding current retail buying trends and strategies to satisfy global customers.

The purpose of this study is to understand current Hawai`i retail buyers' buying behaviors and strategies. To develop a more profound understanding of a phenomenon, researchers used qualitative research design with interview method. The results of this study can help re-confirm the findings of previous research and extract new components discovered from current retail practitioners. The findings of this study may also contribute to the Hawai`i retail industry by sharing trends and strategies in buying, particularly for small or mid-sized Hawai`i apparel retail owners or younger buyers with less experience.

In the next section, literature regarding retail buying and buying planning process, retail buying factors to consider, and apparel products are reviewed, followed by methods, results, and conclusions including implications, limitations, and suggestions for future research.

## Literature Review

### *Retail buying and buying planning process*

As discussed, under the category of organizational buying, two types of buying exist: industrial buying and retail buying. "Fast-fashion" can be defined as providing new products more often and rapidly by reducing their lead-times, striving to carry the right product at the right time in their stores (The Economics, 2005). The current role of retail buyers is switching from a completely operational component (e.g., simply buying products to resell) to a more strategic process (e.g., speeding to market and lowering costs; Bruce & Daly, 2006). In the fast-fashion market, apparel retail buying plays a crucial role, from vendor selection to the product selection, and this decision must be made quickly in a fast-paced apparel market (Bruce & Daly, 2006). Fast-fashion following retailers provide refreshed stocks with reduced inventory costs, which can improve the financial output of a retail company. Examples of these stores are Zara, H & M, and Forever21.

In academic research studies, retail buying includes (a) vendor selection, and (b) product selection and buying. For example, Johansson (2002) found five steps of the retail buying process by using case studies of food products: (a) problem recognition, (b) product specification, (c) supplier search, (d) supplier choice, and (e) evaluation.

The steps of the retail buying planning process are itemized in retail buying textbooks. Frings (2005) contended that careful planning for buying helps retailers purchase apparel products efficiently and successfully. For successful retail buying, Frings (2005) suggested largely two steps of retail buying preparation: (a) the merchandise plan, which includes sales plans, markup and markdown plans, and inventory plans; and (b) the buying plan, which involves assortment plans and open-to-buy (OTB). OTB is the available budget to buy additional products (Frings, 2005). In general, a number of apparel retailers "leave budget" to buy new products quickly following new trends, which come out unpredictably. Clodfelter (2008) identified three stages in retail buying planning: (a) merchandise planning, (b) inventory planning, and (c) assortment planning. Merchandise planning includes analyzing the target market and forecasting their demands. Inventory planning entails the maintenance of inventory levels that will meet consumer demand and ensure a sensible return on investment. Assortment planning involves many specific quantitative decisions for retail buying in order to satisfy customers' needs. Goworek (2007) defined the retail buying cycle as the most important process of retail buyers' purchase of products for a retail company. The author claimed that there are five steps of buying planning: (a) review of current season's sales, (b) budget planning, (c) comparative shopping and directional shopping, (d) range planning, and (e) price negotiation with vendors (Goworek, 2007). Rabolt and Miler (2009) listed three overall stages of the merchandise buying planning process: (a) merchandise planning and forecasting, (b) inventory planning, and (c) assortment planning. As suggested above, in the apparel retailing industry, the processes of retail buying planning are generally composed of merchandise planning, assortment planning, and inventory management.

***Retail buying factors to consider***

For successful retail buying, which plays a key role in reaching the retailer's financial goals, careful and realistic buying planning with the consideration of important factors is necessary before actual buying. Several retail buying related theories or models have been developed by researchers (e.g., Cravens & Finn, 1983; McGoldrick & Douglas, 1983; Sheth, 1981). In the models and theories, the researchers also suggested retail buying decision factors to consider. Bahng and Kincade (2014) extracted 40 assortment decision factors from previous academic literature and examined 13 factors that were highly rated in their interviews with five apparel retail practitioners in Seoul, South Korea. The present research study used a total of 22 decision factors that include 13 most highly rated factors in Bahng and Kincade's (2014) study with adding 9 more factors that Hawai`i apparel retailers may consider.

The 22 decision factors that can be delineated under three large categories as follows: (1) consumer perceptions and preferences, which include variety of products (Mantrala et al., 2009), and style selection and color variations (Kang & Kincade, 2004a), (2) retailer constraint factors, which include company size or store size (Kang & Kincade, 2004a; Sheth, 1981), sales potential, product costs and markups (Nilsoon & Host, 1987), inventory level (Kang & Kincade, 2004a; Silver et al., 1998), evaluation of suppliers (Da Silva et al., 2002; Duncan, 1972; Kang & Kincade, 2004a; Kannan & Tan, 2006; Nilsson & Host, 1987; Wagner et al., 1989), pre-test run results, evaluation of products, sales history, buyer's own experience, minimum order of quantity, buyers' personal taste, fashion-ability of the products (Kang & Kincade, 2004a), budget, and brand image (Mantrala et al., 2009), (3) external environment related factors, which includes competition related assortment trends, economic and environmental conditions, consumer profiles and lifestyle change (Mantrala et al., 2009), weather change and information, fashion trend, target market characteristics and demand (Kang & Kincade, 2004a).

***Apparel products***

Apparel products (e.g., clothing) can be defined as an actual garment made of fabrics to cover bodies (Sproles, 1979). Sproles (1979) also addressed that garments can not only protect wearers' bodies but also express their thoughts and mind. As multiple distribution channels (e.g., internet access and online networks) have enabled consumers to compare the prices and qualities of the products they are interested in at any time, selling apparel products is getting more complicated. In addition, apparel products have become a means by which people can indicate their personalities or thought values by purchasing goods in a specific store or brand, or selecting garments constructed from a specific material. For example, Lin (2009) predicted that organic cotton fabrics may be selected by more consumers as a result of environmental concerns.

Generally, apparel retailers consider two types of changes regarding time: seasonal changes and fashion trend changes to sell apparel products (Glock & Kunz, 1995). The sale of seasonal products is an important activity for the retailers. A seasonal good is defined as a product that experiences drastic change in sales based on the season changes of the year (Kincade & Gibson, 2010). The seasonality, which is usually correspondence to the calendar seasons (e.g., Spring, Summer, Fall, Winter) is compounded by the demand in the fashion industry for frequent and continuous changes (Bhardwaj & Fairhurst, 2010). In contrast to seasonal goods, staple goods are products that are in steady demands throughout the year regardless of season changes (Kunz, 2005).

Regarding fashion trend changes, apparel products that sell for a long time without influence from changes in fashion trends are called basic goods (e.g., men's white dress shirt), while the goods that demand rapid design changes are called fashion goods (e.g., skinny jeans). Because the selling periods of fashion-sensitive seasonal products are likely to be very short, careful timing of merchandise placement based on accurate forecasting target market's demand is of concern for apparel retailers.

**Methods**

The purpose of this study is to understand how Hawai`i apparel retailers (HAR) buy products in terms of the factors they consider and what process they follow. Understanding HAR's buying behaviors and processes can make important contributions to the academic literature and the apparel retailing industry in Hawai`i in that decreasing number of researchers have conducted research studies regarding industrial and/or retail buying behaviors since the late 1990's. For this research, a qualitative research design with interview method was employed because qualitative research helps develop a deeper understanding of a phenomenon (Hodges, 2011).

Four owners of four apparel retail buyers and retail store owners who are involved in buying planning and actual buying process were selected from Honolulu, Hawai`i, and were interviewed regarding their overall merchandise, assortment, and retail buying planning , and actual buying process and strategies. The researchers used a convenience sampling method by initiating contact with apparel retail buyers and owners through emails.

After the researchers received Institutional Review Board approval, a 60 to 90 minute in-depth interview was conducted with each interviewee in her office or retail store. With interviewees' consent, each interview was recorded and during the interviews, the researchers took field notes. Most questions for the interview protocol were developed by using the academic literature about retail buying factors to consider, selecting products, buying planning and process. Overall, a semi-structured format was used for the interviews by asking questions, such as which criteria you use when developing buying plans? How seriously you consider the factors you mentioned in buying? What is the process of retail buying? Do you consider weather information when developing buying plans?

Verbatim transcribing was conducted after each interview and then thematic content analysis was conducted. Finally, 10 themes (i.e., regional/district management, store space/size, selection of and relationships with vendors, sales history/saleability of products, sales analysis, seasonality and weather, budget, legal issues, customer characteristics, and brand image) regarding retail buying behaviors and strategies were emerged and interpreted in results section.

**Interviewees' Profile**

The interviewees had between 8 and 30 years of industry experience (See Table 1). Three of the four interviewees were involved in buying women's and girls' wear and accessories, while the other interviewee was in charge of buying men's and boys' wear and accessories. Three of the four interviewees' worked for local independent brands/stores, and the other was a buyer of a well-known national department store. The department store where interviewee A worked had 7 locations in Hawai`i, and interviewee B's and C's local brands ran 11 and 8 stores respectively. Lastly, interviewee A worked with another buyer and two assistant buyers, so a total of 4 buyers worked for the retailer. Interviewee B's and C's companies had 4 and 3 buyers respectively. Interviewee D, the only owner of her store, conducted buying by herself.

| **Information** | **Interviewee A** | **B** | **C** | **D** |
|---|---|---|---|---|
| **Type of products the interviewee is involved** | Women's and girls' wear & Accessories | Men's and boys' wear & Accessories | Women's and girls' wear & Accessories | Women's wear & Accessories |
| **Type of distribution** | National Department store | Local independent brand (Surf & swim wear) | Local independent brand (Surf & swim wear) | Local independent brand |
| **# of buyers in the firm** | 4 | 4 | 3 | 1 (Owner) |
| **# of locations (stores)** | 7 | 11 | 8 | 1 |
| **Retail job Experience** | 26 years | 21 years | 8 years | 30 years |
| **Gender** | Female | Female | Female | Female |

**Results**

Overall retail buying behaviors and strategies were noticeably different by the type and size of retailers (i.e., national department store vs. local independent store). Their retail buying behaviors and strategies were also non-identical depending on the types of products they carry and company size. Among the three local independent brands/stores (interviewees B, C, and D), the two buyers from surf wear brands (B and C) showed similar buying behaviors and strategies to each other, but they were distinct from the other retail store owner's (interviewee D) buying.

A national department store buyer, interviewee A, indicated that the team work among their district person, buyer, and planner determines output of buying. The other three local independent store/brand buyers (interviewees B, C, and D) did not have this systematic buying process because they are based in Hawai`i without district offices or stores out of the state. Interviewee A explained:

> The district person of Hawai`i gives you goals, which come down from New York. How I'm going to split it up is departments, and then vendors. The planner will do by store by vendor, the district person will do by store by vendor, and I'll do it by top level by vendor. Then we put it all together and I'll do my plan, they'll do their plans, and we'll look where we are and where I feel we need to

> be. Basically me and the planner have the last say, but all three of us are responsible. Because Hawai'i has such specific needs and a lot of the time things don't work across the country, our district person gives it to us to do just for Hawai`i.

On the other hand, interviewee D, a local independent store owner, claimed that one of the strengths of a small-sized retail store can be flexible and dynamic environment where workers can work creatively and initiatively:

> I always like to tell employees who are interested in joining our team, what are they looking for in their next position, and someone who is looking for structure and they're probably not going to function successfully for me because we don't have structure. It's a very creative environment and if you have a lot of creative ideas and you want to be able to lead or maybe plan, come up with a concept and lead, then this is the environment for you. But if someone is looking for structure and regularity, they need to probably go to a company that provides that, most corporations do.

All four interviewees reported that sales history and salability of products (evaluation of products) is the most important factor to consider when they develop buying plans. Interviewee B explained:

> When we have our fiscal year end, at the end of April, so then you see for the whole past year what the sales were so we have year totals by store and you have margins and turns and everything. And so you use that for the plan for the next year as far as where we are, we have meetings for how we feel about each store, projections for each store, increases we see, if it's going to be flat. Then we get our budget. Then we break it down by season and store. I think you rate each style A, B, or C and find out how many stores you can sell it in, and then we work backwards where we do it more by "what store can sell it" then we break it down what size scale is in those store then if its these 4 stores then we have to figure out quantity. So then we order it by store and then it adds it up in the end by style so we don't just get one style, more what stores can I sell it in and plug in the quantities by store to get the grand total.

All four interviewees discussed that they analyze sales regularly, and the analysis influences their buying plans. Interviewee A explained:

> Everybody goes through selling of styles and plan our reorders every week. And if we don't reorder, we decide how we can take that style and make it bigger later. And it varies by category.

Interviewee B explained how they

conduct and use sales analysis in retail buying:

> We run reports and you can see the sales for each store by category, you can run the prices, like what we sold size wise and you can look at styles, colors sold, and we analyze all those reports to see what's working for each store. We do that on our own, probably once a month. Because we have so many, like, I'd do it by vendor and see if we need to transfer things around or reorder stuff or do markdowns or trade-outs.

All four interviewees reported that working with capable vendors and having good relationships with them may affect the financial performance of their company (i.e., sales and profits). Interviewee D explained:

> That's why I work with certain vendors who continually provide me with this, their prices won't go skyrocketing on me because I've had a history with them. We've spent a lot of money with them and so they can really give me good prices and the opportunity to do business with them. Because we've built this loyalty which is nice, I can almost guarantee that I'll get a good markup and margin with them. So that's where I'm going to do my business.

A buyer of a national department store, Interviewee A, stressed the importance of vender's agility and capability to deliver products in a right time:

> It all depends on how fast the vendor can do it. There's always money if the item sells good, so you want to bring it in as fast as you can. So it really depends on the vendor.

Three interviewees (A, C, and D) discussed that one of the important factors they consider is store space/size and floor plans when they develop buying plans. Interviewee C explained:

> To me floor space is one of my things because a lot of our stores are big and a lot are small so I have to make sure they all get enough quantity wise and not too much quantity wise.

In addition to store size, interviewee A discussed about floor plans:

> We also do floor plans. With the floor plans, it's more adjacency that we lay out how we want our floor to look and it's conveyed to the stores by the district merchants.

The local independent store owner, interviewee D, reported that she considers floor space associated with sales history as an important factor for retail buying planning:

> My floor space has a lot to do with sales history. With the dollars that I spend, I look at total units so I know how much my floor space can hold. I normally get the same amount of

> units because we go so regularly, which doesn't change.

All four interviewees discussed about seasonality and weather factors. Interviewees A, B, and C indicated that weather factor is hardly considered because there is no distinct seasonal variation in Hawai`i. Interviewee C explained:

> Weather doesn't affect buying because weather doesn't change. It's always hot in Hawai`i. You would only see it like, how we had a couple weeks of rain, that's when people start to pick up jackets, things they never usually pick up, but it won't be your whole year in sales type of deal.

However, interviewee D reported that weather is still an important factor to consider that affects her buying decision. Interviewee D explained:

> Definitely the weather is important in the fashion industry, regardless of where you are located geographically, they get produced seasonally. I consider it important in the fact that I can't purchase seasonally like most retailers in the mainland do though.

All four interviewees mentioned about budget and sales forecast. According to Bahng and Kincade's study (2014), budget, including markup and markdown plans, is one of the most important factors to consider when retail buyers develop buying plans. Interviewee B explained:

> Definitely we watch buying budget, not over buy, try to negotiate deals, discounts, with the vendors and try to keep your margin with a profit. Definitely a lot of negotiating, returning stuff is considered.

Inteviewee C explained about budget and retail buying plans:

> We have a budget we go on every season. And then usually 6 months in advance, we do have to plan every class, we split the Open-To-Buy (OTB) into every single class and every month, so granted you still look at what is going to sell, you're not going to just buy to get rid of your money, you want to buy a good style things that will go through your store, that will turn quicker. And you keep about 20% for off-price things, things that companies put off-price we will keep a separate smaller budget for that so that we can get into it, and make more margin off of our product as they go into the store.

However, interviewee D, a store owner, indicated that they do not set an exact budget because she believes that a small retail store should be flexible in buying. Interviewee D explained:

> We don't have a plan. We look at our year and plan our quarters based on the year before and marketing-wise we know. It's knowing how to be successful in the marketing event for that quarter, but for the product flow, it's usual because it's been so regular

Three interviewees (B, C, and D) mentioned about unique customer base compounded with tourists and local residents in Hawai`i. Interviewee B indicated that retail buying plans should be developed separately by the stores because each has different customer base:

> Because you have your tourists like in Waikiki, they're Japanese so they are mostly smaller sizes, or they're younger, so there's more fashion forward stuff. Lahaina is more mainland tourists, so bigger sizes and they're more price conscious, conservative.

Two interviewees (B and C) mentioned about legal issues, such as copyright in product design. When the buyers select products, copyright issues can be important especially in the case of their private-labeled products. Interviewee B explained:

> We had a guy claimed they copied. It becomes the vendors issue rather than our issue because we don't buy it knowing they copied. Or we have a law department where I send all that information. I think we had a jewelry one too, a vendor claimed it was copied. So same thing, I sent it to the law department. It's more a vendor issue vs. our issue. If it was our private label, it might be different.

Lastly, two interviewees (B and D) mentioned about brand image and position as an important factor to consider. Interviewee D explained:

> The image was developed before I even opened my doors, so brand image to me is very important. How the consumer sees you as a business and how you position yourself in the marketplace is super important. That's why before I opened my store I had a mission statement in place. I think a lot of times, now when people walk into our store, they ask if we're a mainland chain, and they asked if we have stores on the mainland. So to me, we're still doing our job at maintaining our image, so I think brand image is very important.

**Conclusions and Implications**

The researchers interviewed Hawai`i apparel retailers (HAR) to understand their retail buying behaviors and strategies. The results of the current study indicated that overall retail buying behaviors and strategies were certainly different by the type and size of retailers (i.e., national department store vs. local independent store, large retailer vs. small retailer). Large retailer's buying was structured and well-organized in association with other departments (i.e., district office). Thus, their teamwork among the people who are involved in buying planning and actual buying (i.e., the district person, buyer, and planner) often determines outcome of buying. However, this structure may be a drawback of large retailers because this buying system often generates bureaucratic procedures turning the company into a less agile and less receptive organization. Bahng and Kincade (2014) indicated that large retailers may less flexible and less volatile than mid-sized or small retailers. Their findings also illustrated that when making assortment decisions, large retailers considered fewer factors, mostly traditional factors, such as floor space and sales history, than small retailers. Small retailers were more flexible and creative than large retailers in buying. The results from the current study also support previous research findings that small retailers who were often owners of their stores consider more factors than large retailers do (Bahng & Kincade, 2014). In spite of the unique climate of Hawai`i - cold winter does not exist -, the small retail owner participant perceived that weather is an important factor to consider. Because retail buying directly affects store owners' income, which is different from retail buyers working in large or mid-sized retailers, who get paid regularly, store owners consider all the factors if the factors seem to influence sales of their store (Bahng & Kincade, 2014). In addition, store owners can be more receptive to new ideas or new factors to consider in retail buying because revising and/or executing buying plans is much less complicated in small stores than large retailers.

The results of the current study also support the previous research findings that sales history and salability of products is the most important factor retail buyers consider when making buying plans (e.g., Bahng & Kincade, 2014). This study also uncovered a unique Hawai`i retailers buying behavior that they are heavily reliant on vendors' capability and performance, which could be attributed to this reason: Geographically, Hawai`i is a remote island far from the U.S. mainland. Most of retailers in Hawai`i source from vendors based in the U.S. mainland or newly developing countries (e.g., China, Indonesia). Even though shipping from the U.S. mainland to Hawai`i is technically "domestic," actually it costs a lot higher and takes a much longer time than to other states. Therefore, capable and agile vendors often help Hawai`i retailers reach their financial goals by offering right products in a right time while the other vendors may affect retailers' performance negatively. For instance, a vendor's delay of shipping or copyright infringement may have a strong negative impact on retailers' sales, brand image, and/or market share.

In addition, the findings of the study showed that monetary factors (e.g., markup and markdowns, profits, budget) are very important supporting previous research findings (e.g., Mantrala, et al., 2009). Although one of the participants of this current study, who was a store owner, claimed that she does not have a budget plan, it may be interpreted as that she does have a budget plan that could be revised flexibly at any time.

Last but not least, unique customer base - tourists and residents – leads HARs to consider global customers' characteristics and demands. Because each store in Hawai`i targets different customer base, retail buying plans need to be developed differently by the store. For example, stores in Waikiki often have more tourist customers than stores in Ala Moana shopping mall, so each store needs to carry different styles, colors, and/or sizes depending on who their main customers are and what they demand.

Very little empirical research has been conducted on HARs and their retail buying behaviors and strategies. Overall, the findings of the interviews provided valuable insight as to how Hawai`i retailers buy apparel products. This study has contributed to the body of literature on retail buying behaviors and strategies in relation to the Hawai`i retail industry and has delivered useful information regarding current retail buying trends and strategies to satisfy global customers. The information from the findings may help most Hawai`i retail buyers to select and trade off the decision factors. Because younger buyers with less experience need guidance in retail buying planning, and older buyers need to keep up with current trends in buying, this study is of necessity.

Although this study was conducted in Hawai`i, the results have potential contributions to retail buying in other countries (e.g., Guam, Hong Kong) especially where there is similar climate and customer base to Hawai`i. The findings of this study can be also useful for both retail buyers and suppliers (i.e., wholesalers, manufacturers). Because retailers are customers of suppliers, knowing about their customers' buying behaviors may help suppliers to provide retailers with more competent products.

The current study also has implications for college instructors and students. The findings from this study offer practical information about what kinds of factors practitioners consider when making retail buying decisions and how their retail buying behaviors differ by the type and size of retailers, which can be discussed in retailing or merchandising classes and seminars. Few retail buying related research studies published after 1990s exist. This study confirms the importance and need of retail buying research and may help researchers who wish to study retail buying behavior by suggesting the use of new factors (e.g., weather, target customer) with traditional factors (e.g., floor space).

**Limitations and future research**

Some limitations such as small size and isolated geographic location are noted for this current study. Because the researchers interviewed only four participants and their apparel stores were located only in Hawai`i, the findings of the study may be limited when generalizing the results to other products (e.g., grocery) and areas (e.g., various countries or cities). However, although the sample size was small, all participants provided important in-depth data from different apparel retailers with different sizes and different experiences. Although the apparel retailers were limited to Hawai`i, the findings can be applicable to the geographic regions that target similar customer base –tourists and residents– and environment to Hawai`i (e.g., Guam, Thailand). Future studies may need to extend the analysis to other types of products or services. Developing a survey questionnaire based on these interviews can be suggested to conduct quantitative research in the future examining the influence of the use of specific decision factors on outcome of buying or financial performance of retailers.

**Acknowledgement**

This work was supported by the USDA National Institute of Food and Agriculture, Hatch project HAW00380-H, managed by the College of Tropical Agriculture and Human Resources, University of Hawai`i.

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# What Is Your Organization Looking For In New Hires? Results Driven, Maximum Effort, or Desires of Work Life Balance

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**Abstract**

Research focused on organizational climate is increasingly focused on the gaps in generational cohorts that are starting to unfold in the American workplace. Three generations of employees are now working together in the American workplace. The unique characteristics of employees in these cohorts are the focus of this research. Several significant correlations were found however, the most important relationships suggest that employers need to first identify what type of employee characteristics are important to their organization, and hire according to those needs.

**Introduction**

The body of knowledge that focuses on the understanding of the new generation of employees entering the workforce has been growing as the Generation Y'ers (also known as the Millennials) enters the workplace. Researchers are finding that there is an increasing interest by employers to understand the perceptions of these college students as to how they will, and want, to balance work and life when trying to recruit this new talent. The Millennial generation has their own set of expectations which have been found to be high in regards to their development and careers (DeHaus and DeVos, 2010), compared to earlier generations. The Society of Human Resources (SHRM) (2009) found that in organizations with 500 and more employees, 58% reported conflict between younger and older workers largely due to differing perceptions of work ethic and work life balance.

In combination with these high career and personal development expectations are the Emotional Intelligence (EI) characteristics that are experienced by all workers. Benjamin, Gulliya, and Crispo (2012), define four EI capabilities such as self-awareness, self-management or self-control, self-confidence, social awareness and social skills that allow us to manage ourselves and relationships. Researching these EI characteristics with college students allows a greater understanding of who is entering the workforce, and gives employers a better grasp on how to keep a healthy and productive balance of several generations all working together (Piper, Buse, & Dupnock, 2014).

This study asks ninety-one college students how they feel about their own EI and how they would typically react to workplace traits. Findings show that some aspects of EI used in this study were not universally applicable to each of the work traits used. The researchers believe that some work traits that employers seek when recruiting and selecting perspective new hires, may result in attracting employees with EI traits that may not be the correct fit for the organization.

**Theoretical Framework**

Muchinsky (2000) and Fineman (1993) state that humans are emotional creatures and that the workplace nature is directly affected to the sensations of the individuals in the organization. Organizational climate can be defined as the resulting culture exhibited from the emotions and insights of the workforce (Momeni, 2009). According to Brief and Weiss (2002) not only can an organization affect the emotions of the employees, but the employees can affect the climate of the organization.

An example of employees affecting the organizational climate is found in the research focused on generational cohorts. Lancaster and Stillman (2002) found that an organization's culture that has been shaped around one generation may not be compatible with the next generation of employees, therefore creating a generation gap that influences the organizational climate. In determining what factors influence organizational climate in the workplace, Lyman (2003) found that when employees were able to trust their managers, had pride in their work, and felt comfortable with their co-workers a positive organizational culture was displayed.

Brackett, Rivers, and Salovey (2011), suggest that workplace performance can be positively related to high emotional intelligence. It was also found that employees in a health insurance company that demonstrated high levels of emotional intelligence received higher pay increases. Goleman (2000) (as cited by Benjamin, Gulliya, & Crispo, 2012) defines emotional intelligence as "the ability to manage ourselves and our relationships effectively and consists of four fundamental capabilities: self-awareness, self-management, social awareness, and social skills. Each capability, in turn, is composed of specific sets of competences" (p.78).

Benjamin, Gulliya, & Crispo (2012), describes the four capabilities that describe emotional intelligence. Self-awareness is the ability for one to recognize and manage their own and others emotions. Self-assessment and self-confidence are further traits that describe ones strengths, weaknesses, and self-worth. Self-management or self-control is the ability for one to control their emotions. This can be displayed by showing initiative, being able to adapt to change, being conscientiousness, and displaying the internal drive for achievement. Social awareness is the ability for one to sense emotions from those around them, and with those emotions to listen and show concern for their perspective. Within the firm, organizational awareness is another factor that involves building networks, navigating office politics, and understanding the workings of the organizational culture. The ability to meet customer needs through service is the final trait of social awareness. The final capability involved in emotional intelligence is social skill. When one possesses social skills they are able to lead and inspire others. This trait involves strong listening and feedback skills, conflict resolution, and the ability to build bonds and maintain healthy relationships

Characteristics of maximum effort include; displaying value in ones work, showing initiative, being dependable, and displaying social skills. Lyon, Legg, and Toulson (2005) states Baby Boomers are excellent communicators, driven to do their best in the workplace, excellent mentors, and able to appreciate teamwork to accomplish projects. Conversely, Filipczak (1994) has described Generation X as being uninterested and having a lack of commitment to the organization. This generation has a tendency to move job-to-job and does not conform to the traditional work ethics of the generations prior. Gen Xers have also been characterized to be ambitious, selfish, and independent in the workforce. This generation appreciates feedback and recognition for their hard work. Research shows Generation Y has abundant technological knowledge but lacks communication skills that can affect socialization in the workplace (Crumpacker & Crumpacker, 2007). Generation Y may also not place as much value on work as their older coworkers, but Myers and Sadaghiani (2010) found that Generation Y may find themselves accommodating the demands of the workplace and behaving more like Boomers once they become committed to particular projects and goals.

Results driven employees set goals and take measures to complete those goals with urgency. An employee that is able to demonstrate these characteristics is also able to lead and train others. Results driven organizations are different from process driven organizations, in that there is less structure. An employee will set an achievable challenging goal and do what it takes to obtain results for the organization ("core competencies"). Results driven employees can also be described as engaged employees. According to Schullery (2013), engagement is described as the motivation and work ethic employees' exhibit in their working environment. Blessing White, Inc., (2011) (as cited by Schullery, 2013) states that employees that exhibit a high level of engagement typically earn a higher rate, have greater seniority, and work in areas closer to their clients.

The desire of Generation Y to have a positive work-life balance has become one of the stereotypical characteristics of that generational cohort. Millennials' themselves have written freely in blogs and articles about prioritizing personal relationships over their careers (Raines, 2002). They see work in flexible terms; where and when work is done, and flexible work schedules to accommodate their desire for work-life balance (SHRM, 2009). At the same time, Millennials desire high levels of supportive supervision and structure at work (Ondeck, 2002), both of which may be difficult to obtain in geographically distributed and technologically mediated settings (Myers & Sadaghiani, 2010). A 2008 Gallup poll (Ott, Blacksmith, & Royal, 2008) even stated that job seekers of every age group are likely to regard work-life balance as very important to them. However, the differences lie in what individual employees mean by "balance", and depending on their age that balance will be different (Myers & Sadaghiani, 2010).

## Study Design

Participants: Ninety-one students of a public university in Western Pennsylvania were surveyed to discover their emotional intelligence (EI) tendencies along with desires to react to typical workplace traits found in most organizations. Students were given a two part, 6 - step Likert scale survey addressing 30 Emotional Intelligence items (Petrides & Furnham, 2006) along with 20 questions regarding their reaction to typical workplace traits (Burke, 2004).

Instrumentation: Each participant received a 2 part Likert style survey. The first 20 questions addressed traits of a typical workplace and requested each participant to rate their ability to do such things as navigate office politics, ask for help when needed, accept authority figures, work in teams, be results driven, embrace diversity and give maximum effort. The next 30 questions addressed emotional intelligence and sought each person's responses to questions addressing motivation, adaptability, well-being, self-control, emotionality and sociability (Piper, Buse, & Dupnock, 2014).

Data Analysis: The data received on the 30 question EI segment were reduced using factor analysis to generate 10 EI sub-themes that allows measurement of both high and low subsets of EI. For the purposes of this research, these subsets were renamed: High Motivation, High Well Being, High Self Control, High Emotionality, High Sociability, Low Motivation, Low Self Control, Low Emotionality, and Low Sociability. The 10 EI sub themes were then correlated to the 20 item perceived workplace traits assessments to determine if significant positive or negative correlations exist between the two variables. Significance levels of $p < .05$ were used for this analysis.

## Findings

When looking at those particular aspects of today's workplace traits, items such as one's ability to learn quickly and retain what is learned, give maximum effort, are process and results driven, navigate office politics and plan to stay with the organization for the long term are often thought of as positive employee characteristics. The current study asked participants 20 questions focused on workplace traits on a 6-step scale about their ability to handle typical workplace issues. Each of these variables was examined to determine which aspects of EI significantly correlated to those aspects. This study discovered that certain aspects of EI are not universally applicable to all work traits. In other words, some aspects of EI were not universally applicable to each work trait, and some work traits that are sought after by employers may attract EI traits that are not necessarily desirable.

The trait work-life balance had significant positive correlations with High Emotional Awareness, and negative correlations with Low Well-Being and Low Emotional Awareness. Results driven individuals showed significant positive correlations with those individuals that have high EI in Motivation and Sociability. Negative correlations were shown with individuals who had low EI in Well Being and Sociability. According to these results, Sociability is a definitive EI trait for results oriented people, and High Motivation individuals are more results oriented, while Low Well Being folks show negative trends towards being results driven. Emotionality and Self Control had no influence on results driven individuals

The variable maximum effort had significant positive correlations with High Motivation, High Well Being, and High Sociability. Negative correlations were noted with the variables Low Motivation, Low Well Being, Low Self Control and Low Emotionality. In addition, according to this data set, High Self Control and High Emotionality does not correlate to maximum effort, but Low Self Control and Low Emotionality will significantly influence effort, while aspects of Motivation, Well Being and Sociability will influence effort positively or negatively depending on whether they are high or low.

Survey participants scored high on issues such as, seeking work life balance ($M=5.15$, $SD=1.06$), give maximum effort ($M=5.14$, $SD=.85$), and results driven ($M=4.97$, $SD=.91$). Focusing on these three workplace traits' significant correlations were found amongst other workplace traits that might be important to hiring managers. Significant correlations can be found in Tables 1-3.

It was found that participants that exhibit a strong interest in work-life balance were found to be highly correlated with the workplace traits; ask for help ($r(91) = .35, p = .001$,) and like structure ($r(91) =.35, p =.001$,). An employee with work-life balance desires is going to be a more adjusted employee; asking for help, embracing diversity, they also enjoy structure in the workplace, are open to differing viewpoints, will find life enjoyable, want to learn from work, are attentive to workers' needs, is strongly committed to company, and seeks positive resolution of conflicts. Participants with a high work-life balance work trait were positively correlated with high emotional intelligence characteristics; highly emotional, high well-being. They were also positively correlated with the workplace traits of; will ask for help, like structure, and embrace diversity.

The work place trait of results driven was found to be positively correlated with multitasking ($r(91) = .35, p = .001$), process driven ($r(91)=.34, p = .001$), retain what they learn ($r(91) =.36, p= .001$), do not like supervision ($r(91)= -.38, p = .000$). Participants with results driven traits were also correlated with high emotional intelligence characteristics; high well-being, high motivation, social. Positive correlations were also found with the workplace traits; navigates office politics, does not like supervision, is tech savvy, and deals with people on an individual level. The current study also found the work place trait of maximum effort to be highly correlated with the trait of process driven ($p = .000$, $r = .41$). Maximum effort was also found to be correlated with all of the high emotional intelligence characteristics especially high well-being ($p =.001$, $r =.34$) and high sociability ($p = .000$, $r = .39$).

An organization will need to choose what type of person they want for the position they are hiring. If you had the choice to choose between a results driven, maximum effort individual and an employee whose primary focus in work life balance, who would you select? If a company wants a leader, they should look for a results driven individual, but they might not embrace diversity. If a company wants an employee that is going to be committed to the company, and will embrace diversity, then an individual that is looking for a work life balance, might be the best fit. In the current study, Millennials were found to have high emotional awareness, are not highly motivated, and they find it difficult to bond with other people.

**Limitations**

Limitations of the study could include the small sample size, and the use of students at one university; therefore the present investigation may not generalize to other students at different universities. Students at other universities and colleges may come from different educational settings, life experiences, and geographical locations.

**Conclusions**

If a company wants an employee that is going to give their maximum effort, they might not be the results driven individual, but they will embrace diversity. An organization will need to choose what type of person they want for the position they are hiring. If you had the choice between a results driven, maximum effort individual and an employee whose primary focus in work life balance, who would you select? If a company wants a leader, they should look for a results driven individual, but they may not embrace diversity. If a company wants an employee that is going to be committed to the company, and will embrace diversity, than an individual wanting a work-life balance might be the best fit. The current study brings into consideration that hiring managers should not fall into the trap of allowing generational stereotypes to guide them when hiring new employees. The stereotype of a Generation Y employee needing a high degree of work-life balance was found in this study to not to be true of the whole generation.

Future research considerations focused on work place traits and generations should consider looking at the life cycle of individuals in the organization and not necessarily a generational cohort. The researchers suggest workplace policies focused on the life cycles of employees may be more beneficial to all employees, and may help to elevate generational gaps in the workplace.

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## Appendices

Table 1 *Significant Correlations of Work-life Balance Participants*

| Variable | r | p |
|---|---|---|
| Positive E.I. Traits | | |
| High emotional awareness | .30* | 0.004 |
| Negative E.I. Traits | | |
| Low well-being | -0.23* | 0.028 |
| Low emotional awareness | -0.33* | 0.002 |
| Positive Workplace Traits | | |
| I ask for help when needed | 0.35* | 0.001 |
| I embrace diversity | 0.31* | 0.003 |
| I like structure | 0.35* | 0.001 |

*Note. *p<.05, n=91*

Table 2 *Significant Correlations of Results Driven Participants*

| Variable | r | p |
|---|---|---|
| Positive E.I. Traits | | |
| High motivational adaptability | 0.28* | 0.007 |
| High sociability | 0.24* | 0.021 |
| Negative E.I. Traits | | |
| Low well-being | -.26* | 0.013 |
| Low sociability | -.27* | 0.009 |
| Positive Workplace Traits | | |
| I am willing to navigate office politics | .29* | 0.006 |

| | | |
|---|---|---|
| I am good at multitasking | .35* | 0.001 |
| I learn quickly | .30* | 0.004 |
| I am process driven | .34* | 0.001 |
| I retain what I learn | .36* | 0.001 |
| I am technologically savvy | .22* | 0.035 |
| Negative Workplace Traits | | |
| I like supervision | -.38* | 0.000 |

*Note. *p<.05, n=91*

Table 3 *Significant Correlations of Maximum Effort Participants*

| Variable | r | p |
|---|---|---|
| Positive E.I. Traits | | |
| High motivation | .30* | 0.004 |
| High well-being | .34* | 0.001 |
| High sociability | .39* | 0.000 |
| Negative E.I. Traits | | |
| Low motivation and adaptability | -.24* | 0.028 |
| Low well-being | -.25* | 0.017 |
| Low self-control | -.27* | 0.012 |
| Low emotional awareness | -.21* | 0.043 |
| Positive Workplace Traits | | |
| I am willing to navigate office politics | .26* | 0.013 |
| I embrace diversity | .21* | 0.042 |
| I learn quickly | .32* | 0.002 |
| I like structure | .25* | 0.016 |
| I am process driven | .41* | 0.000 |
| I am respectful of organizational hierarchy | .23* | 0.026 |
| I retain what I learn | .30* | 0.004 |

*Note. *p<.05, n=91*

# The Role of Academic Economists and the Business Media Leading Up to the Great Recession: A Conflict of Interest and "Deep Capture" Perspective

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**Abstract**

This paper presents an analysis of the role conflict of interests and "deep capture" among academic economists and the business media leading up to the 2008 financial crisis. The analysis suggests that both academic economists and business media were key enablers of a dominant ideology of free market fundamentalism that was vigorously opposed to regulation of the derivatives market.

**Introduction**

It is five years since the Great Recession officially ended in the U.S., in June 2009 (NBER, 2014). No other economic event, in recent memory, has provoked such profound self-examination in the U.S. of the ethical behavior of some of our most revered financial institutions. From a business and society perspective, the behavior of firms in the financial services sector has damaged confidence in society about the ethical integrity of the financial system (CBS/NYT, 2013). The ethics literature has produced a considerable body of research, which addresses the role of particular classes of "players" in the Great Recession. These include commercial banks (Soltani, 2014), financial professionals (Graafland & van de Ven, 2011) stockbrokers (Angel & McCabe, 2013), credit rating agencies (Scalet & Kelly, 2012) , and Chief Executive Officers (Ferrell & Ferrell, 2010). Very little research however, has focused on the role of business school academics or the business media as key players who enabled the construction of an environment of free market fundamentalism that was a critical pre-condition for setting the stage for the Global Recession. Charles Ferguson, in his

Academy award-wining documentary the *Inside Job* has been a notable exception to this trend (The Inside Job, 2010).

This paper addresses the need to examine role of academic economists and the business media as critical information gatekeepers and agenda-setting authorities in the years immediately preceding the Global Financial Crisis of 2008. Much of the post-mortem analysis of the crisis in the popular press e.g., (Reckard & Hamilton, 2014) and even in academic journals e.g., (Boddy, 2011) offers up moral assessments of various parties to the crisis. Our focus, eschews such analysis, to concentrate on more managerially relevant factors, such as the role of "deep capture" and conflicts of interest among academics and the business media leading up to the financial crisis of 2008.

We organize the paper as follows: we begin by defining key terms in our analysis such as conflicts of interest and 'deep capture". Next, we examine the role of business academics and business media in setting the stage for a positive reception to a type of free market fundamentalism that was instrumental in fashioning an anti-regulation consensus. This anti-regulation ethos was critical to the growth of an unregulated derivative market of collateral deposit obligations (CDOs) and credit default swaps (CDSs) that ultimately undermined the global financial system. Finally, we offer recommendations to address defects in the current system and suggest additional opportunities for research.

**The Role of Conflicts of Interest, and "Deep Capture" among Business Academics and the Business Media**

Conflicts of interest have been identified as key variable leading to unethical behavior in a number of industries, including medicine (Sah, 2013). We adopt McDonald's definition of a conflict of interest as "a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties as, say, a public official, an employee, or a professional" (McDonald, et al., 2002. p. 68). Charles Ferguson, in his Academy award-winning documentry on the financial crisis, the *Inside Job*, cites serveral instances where conflicts of interest played a key role in the lead up to the collapse of the financial system (The Inside Job, 2010). We will review evidence of conflicts of interest among academic economists and the business media.

"Deep capture" may be viewed as a special case of regulatory capture, so first, we will review the role of regulatory capture for the financial services sector. Vested interests in the financial services industry have a stake in regulatory activity since the scope of its operations is subject to a wide array of regulatory institutions. When regulators form expert commissions to examine policy, they seek input from academic and industry experts. Although the academic literature focuses on how smaller government units are easier for concentrated industries to capture, Moore and his colleagues present the opposite scenario, where large, powerful industries, such as financial services, can capture national government and use that power to block policies at the state level that voters may want (Moore & Giovinazzo, 2012). In the decade leading up to the U.S. financial crisis, the financial services industry spent $5 billion in lobbying and campaign contributions, while employing more than 3,000 lobbyists – 5 for each member of Congress. The conflicts of interests in this scenario seem self-evident. Are politicians responsive to the electorate, or to a powerful financial oligarchy? Dominique Strauss-Kahn, former head of the International Monetary Fund, has gone so far as to speculate whether the strength of the global financial services industry is a threat to political democracy (Strauss-Kahn, 2010). Industry has every legal right to lobby Congress under first amendment rights, so the issue is not one of rights, but rather of the economic effects of such rights on society. Some economists, such as Jon Hanson, argue that the phenomenon of regulatory capture extends beyond just regulatory agencies. Business has an incentive to control anything that can exert control over them, including the business media and academia. We refer to this phenomenon as "deep capture" (Hanson & Yosifon, 2003).

**Academia**

Academia has long been viewed as a relatively independent source of critical analysis of the financial system. Charles Ferguson, in his Academy award-winning documentary, *Inside Job,* paints an alternative picture of academics, as cheerleaders and apologists for the financial services sector. Among Ferguson's assertions is that the financial services sector creates conflicts of interest in academia. This is achieved through a number of strategies including the funding of think tanks at academic institutions, the funding of opinion pieces at leading newspapers, the funding of appearances on 24-hour business cable channels, speakers bureaus used to disguise payments to academic economists for lobbying and policy advocacy, and lucrative board membership on investment banks (Ferguson, 2012, pp 240-274). In particular, Ferguson asserts that two thirds of leading economists in the fields of industrial organization and antitrust analysis have been adversely affected by academic conflicts of interests. Furthermore, because the scope of these conflicts of interest entails so many economists, the SEC is often stymied in its attempts to hire expert witnesses from academia. Driven partly by the criticism of academic economists' muted response to the financial crisis, the American Economic Association belatedly, in 2012, adopted a code of ethics requiring disclosure of conflicts of interest in its seven top academic journals.

Since the 1980s, academic economists have been major advocates of deregulation, and played influential roles in shaping U.S. government policy. In the lead up to the financial crisis, academic economists framed the discussion of how free markets should operate, championed the economic contributions of the financial services sector, and offered an intellectual bulwark against new financial regulations. Very few of these economic experts warned about the crisis, and even after the crisis, many opposed regulatory reform. It is unquestionably true that modern financial innovations are critical to the smooth working of a global economy. Yet, by early 2000, financial services firms were accounting for over 40% of all corporate profits - far out of proportion to their contribution to national Gross Domestic Product (GDP). Former Chairman of the U.K. Financial Services Authority, Lord Turner, asked if modern finance had become a rent-extracting industry, that is, earnings derived largely from leveraging one's position as a bottleneck, rather than from real economic contributions (Marr, 2009). In business schools across the country, from the mid-1990s onward, neo Keynesianism, and its more accommodating stance towards regulation of markets, was on the defensive. In its place was the widespread celebration of the victory of unregulated markets, the championing of new financial innovations, such as the securitization of subprime mortgages and growth of over the counter derivatives. The naturalization of the market, and the privileging of shareholder interests over stakeholder interests, became increasingly dominant in elite business schools (Huhn, 2013). McMurtry has described this cultural transformation as the growth of the life-blind structure of economic rationality (McMurtry, 2012). It is in this sense that business academics represent an example of deep capture by the financial services industry.

**Business Media**

The complicity of the business media in creating the financial crisis was perhaps best captured by the comedian Jon Stewart, whose interview with Jim Cramer from CNBC's *Mad Money*, became an online sensation after its airing in 2009 (Stewart, 2009). In essence, the interview revealed the enormous gap between what cable news advertises itself to its viewership - a vigorous watchdog of all things financial - versus the reality of its cheerleading of the performance of investment banks both prior to, and during the early stages of the crisis.

Chakravartty and his colleagues have asserted that economic journalism has been no mere reflection, but a constitutive element of the crisis (Chakravartty & Schiller, 2010). Economic pressures for ratings and advertising revenue distort coverage in favor of infotainment over in-depth scrutiny of social actors and the political-economic processes that helped propel the crisis. The current economic model that drives news media substitutes features, and editorial over the expensive process of investigative newsgathering. The conflicts of interest arise when the cheerleading activities of such shows such as *Mad Money* drive ratings, advertising revenue, and "softball" interviews. Indeed, the show's daily stock recommendations seemed like a metaphor for a recurring theme of short-term performance incentives, with little accountability for long-term performance. The sensationalism of the daily stock recommendations grabs ratings and advertising revenue while the value of the securities recommended tended to fall after just two days (Karniouchina, et al., 2009). Like the investment banks, the business news media feel the same pressure to "dance until the music stops". Miller has argued that the hyper-speculative news frame serves to depoliticize an underlying ideology of radical market fundamentalism (Miller, 2009). Lost in the clutter of the 24 hour business news cycle was any meaningful discussion of urgent policy choices. The vacuum instead, was filled with endless coverage aimed at the consumer of financial services, privileging minute-to-minute coverage of the gyrations of the stock market. In sum, both the business media and business academia represent examples of deep capture by the financial services industry.

## Conclusion

The financial crisis has shaken society's confidence in the integrity of the financial system. In a national survey by Better Markets, nearly two thirds of Americans think the stock market is rigged against them and a majority believes that Wall Street and financial institutions hurt average Americans (Puzzanghera, 2014). One might expect that with such concerns about the financial sector, the public would be strongly in favor of new regulations to impose market discipline, but the public seems deeply divided on this issue. When asked if they thought federal government regulates business too much/too little/right amount these days, 49% agreed with "too much" versus 22% with "too little" and 19% with "right amount" (CBS/NYT, 2012). It would seem that the public has little confidence in government, as they perceive members of Congress to be captive to special interest groups. A 2013 CBS/NYT poll asked people "Do you think most members of Congress are more interested in serving the people they represent, or more interested in serving special interest groups?" Eighty-five percent responded "special interests" versus 9% "people" (CBS/NYT, 2013) . The public's cynicism with the financial services sector is surpassed only with its cynicism of Congress, and points to a collective pessimism that any meaningful reform is possible.

In times of crisis, we might look to media journalism and academia to clarify essential truths. What are the true causes of the crisis? What are its social costs? What new political and economic reforms do we need to have in place to ensure no future re-run of this crisis? How do we ensure that principles of democratic accountability apply to those culpable of subverting existing laws? We have identified business media and business academia as key enablers of the crisis, yet each is subject to similar structural flaws and compromises as other players in the securitization food chain. Therefore, before either can assume positions of intellectual leadership, they too will require reputational makeovers.

We see a number of productive opportunities for reseach on the relationship between the financial services sector and society. First, we see the need for additional empirical and descriptive research into why stakeholder theory (Mitchell, et al., 1997) and CSR concepts seem to have gained so little traction in guiding the actions of executives in the investment banking and mortgage origination business. Even when the financial services sector does commit to a broader agenda of CSR, evidence indicates that such commitment is ambiguous and piecemeal (Furrer, et al., 2012). Second, is ethical training in our graduate and undergraduate business schools providing the necessary support for stakeholder theory? Empirical research provides support for the notion that well designed business school ethics courses cause students to be less supportive of "stockholder-only" view of business (Simmons, et al., 2009). Empirical reseach would be useful to ascertain whether ethics education "captured" by those who teach the primacy of stockholder perspectives in finance? Third, our study of the financial services industry points to the need for additional research into the relationship between the financial services sector and society and the threat of both regulatory capture and depp capture of academic institutions and business media. In particular additional research is necessary to integrate the the role of financial services lobbying within the broader context of financial services CSR. (Anastasiadis, 2013). Fourth, we believe there needs to be a renewed approach to conflicts of interest disclosure among business academics in their resumes, especially with regard to outside remuneration activities. Fifth, all academic business journal should require authors to reveal possible conflicts of interest in their published research.

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# DESIGNING, IMPLEMENTING AND ASSESSING A CURRICULUM TO REFLECT GLOBAL COMPETENCE AND ENTREPRENEURSHIP IN PUBLIC EDUCATION

**Anna Brichko & Vicky Kalivitis**
West Valley College

**Abstract**

West Valley Community College, Leigh High School and San Jose State University have developed a multi-faceted partnership among their respective institutions. The intricate structure of these connections is a model for all levels of public education to create cohesion and progression in students' educational experiences under the umbrella of global citizenship and entrepreneurship. Under this paradigm, students develop entrepreneurial leadership skills and gain global competence through research, interactive engagement, comprehension of local and global contemporary issues and developments, and increasing awareness of the implications of personal actions.

**Curriculum Design**

The initial seeds of this idea began when West Valley faculty, Dr. Anna Brichko and Vicky Kalivitis, attended the Salzburg Global Seminar in Austria. At the seminar, extensive discussions of the pivotal role that educational institutions have in preparing students as leaders in the twenty-first century advanced the idea. The concept was furtherelaborated by Dr. Jochen Fried, Director of Education at the Salzburg Global Seminar, Dr. William Reckmeyer, Professor of Leadership and Systems at SJSU, Dr. Cynthia Reiss and Dr. Dulce Maria Gray, West Valley College faculty members.

The project commenced with an analysis of ways to enhance high school curricula to infuse global competence in various disciplines. This directly correlates with California's Common Core Standards, which require that "all students graduating from our public school system be life long learners and have the skills and knowledge necessary to be ready to assume their position in the 21st century global economy."[1]

West Valley College's involvement originates from its mission, values and commitment to Global Awareness and Diversity, an essential core of its Institutional Learning Outcomes.[2]

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[1] "Common Core State Standards Systems Implementation Plan for California." *California Department of Education.* April 2014. http://www.cde.ca.gov/re/cc/documents/ccsssimplementationplan.doc.

[2] "ILO's (Core Competencies)." *West Valley College.* Last modified March 2014. http://www.westvalley.edu/committees/Accreditation/ilos.html.

One of the guiding principles of San Jose State University's Strategic Plan includes a commitment "to preparing students with adaptive skills and knowledge for a global 21st century."[3]

Our aim was to create a curriculum that would reflect the objectives of all three institutions and a coherent structure for its consequent implementation. Each semester, the realization of the curriculum culminated in a Global Citizenship and Entrepreneurship student conference, prepared by West Valley College students and San Jose State Salzburg scholars, under the guidance of West Valley faculty advisors and Salzburg fellows, and delivered at Leigh high school.

To complete this task, WVC faculty advisors, Dr. Anna Brichko and Vicky Kalivitis accomplished the following:

- met with high school program coordinators to discuss and select topics of focus in order to correspond to curricular needs;
- created an application process to recruit a group of dynamic West Valley College students;
- selected 8-11 West Valley College students;
- collaborated with Dr. William Reckmeyer, SJSU Director and Co-Founder of Salzburg Program, to select San Jose State Salzburg scholars;
- held multiple meetings with SJSU Salzburg scholars to conceptualize the conference;
- facilitated large group meetings with both West Valley College students and SJSU scholars;
- reviewed all research material;
- shared core readings with high school faculty for implementation into their respective subject curricula to prepare their students for a productive dialogue;
- functioned as liaisons for the exchange of ideas between SJSU scholars, West Valley students and high school instructors and administrators;
- facilitated the interaction between SJSU scholars and WV students;
- actively engaged in the preparation of all components of the conference (break-out sessions, ensuring a student-center delivery approach, etc.);
- prepared the logistics for the delivery of the conference;
- ensured smooth delivery of the conference;
- debriefed and compiled feedback from both students and teachers;
- proposed ways for moving forward.

We have successfully put into practice the aforementioned curriculum by delivering Global Citizenship and Entrepreneurship Student Conferences for four consecutive semesters. The respective themes were "Placed and Displaced: A Global Citizenship Approach" (Fall 2012), "Technology in a Global World" (Spring 2013), "Sustainability - Global Citizenship and Entrepreneurship" (Fall 2013), "Career Choices: Entrepreneur vs. Employer in the Global Working Community" (Spring 2014).

[3] "Strategic Plan: Vision 2017." *Office of the President San Jose State University*. Last modified April 2013. http://www.sjsu.edu/president/strategicplanning.

The following is a descriptive example of one such conference:

**Sustainability - Global Citizenship and Entrepreneurship**
**November 15, 2013**

| Environment | Social | Political |
|---|---|---|
| - Ethics | - Ethics | - Ethics |
| - Choices and Actions | - Choices and Actions | - Choices and Actions |
| - Individuals vs. Society | - Individuals vs. Society | - Individuals vs. Society |

Our umbrella topic for the particular semester was “sustainability.” A typical misconception of sustainability is its pertinence solely to environmental issues. The purpose of the conference sought to broaden that narrow scope. Therefore, the three breakout sessions focused on social, political and environmental issues as they apply to sustainability in the scope of entrepreneurship and global citizenship. The central question asks, “What shall a global entrepreneur and citizen consider in local and global social, political and environmental contexts?”
The sub-categories under our main categories were “Ethics,” “Choices and Actions” and “Individuals vs. Society.” Discussions around those key topics were the foci of each session.

High school instructors incorporated selected researched articles into the curriculum. They encouraged students to complete readings prior to attending the breakout sessions, so students were better prepared for the conversations. If students already held a particular interest, they were directed to the appropriate session and specific readings. Others were informed of the sessions and had access to all readings. We trust that this is a more effective way of utilizing a greater amount of conference time on discussion rather than session selection.

The feedback that we received from the high school students and teachers, as well as from the West Valley and San Jose State student leaders, was overwhelmingly positive. Many high school students stated that the discussions permitted them to truly value the importance of global citizenship. Students stated increased sensitivity to diverse ideas and cultures, agreed on the ethical responsibilities of the entrepreneurial path, and demonstrated connections they made about the topics discussed and the subject matters in their coursework. Students expressed their appreciation for the connection with college and university students and stated an active thinking process about their future goals. The following lists such feedback:

- “I learned how to be more of a global citizen.”
- “It encouraged me to go to a culturally diverse college.”
- “I learned about the importance of communication, responsibility and the impact of different cultures.”
- “They gave me motivation.”
- “Being a global participant is an important part of being a member of a community.”
- “I received a lot of important information about ways to approach life after high school.”

West Valley student participants stated that they felt stronger allegiance to their college community and fellow peers, as well as enrichment to their overall educational experience. Furthermore, students claimed to have gained or reinforced global awareness, as well leadership skills, which they can apply toward their success in the classroom or their work environments.

High school teacher Rebecca Soret acknowledged the value of the project for the high school community. Her students labeled the experience as "eye-opening with regards to their impact on the local and global community" and considered their participation an honor. Rebecca firmly believes that student participation in the conference serves as a bridge towards a successful college education. Overwhelmingly, teachers observed the positive impact of student involvement at all levels, from Special Needs students to Advanced Placement learners.

San Jose State University student leader Ken Hawthorn, who participated in the project from the beginning, spoke enthusiastically about its results. He spoke of its valuable influence to his own career path of becoming a teacher. He further emphasized the transformation of West Valley students from "passionate presenters to skilled moderators" and highlighted the influence of the project in shaping student minds as well as the benefit to students' educational paths.

As instructors, the project broadened our scope of successful teaching methodologies, enabled us to engage in the discussion of topics outside of our subject matter and established rapport with our students outside of the classroom.

**Areas of success include the following:**

- establishes a partnership in education between three institutions;
- promotes a global citizenship and entrepreneurship approach in education;
- enhances awareness of the college experience;
- recognizes the importance of the infusion of a global citizenship approach in the curriculum of various subjects;
- heightens the mindfulness of global and local citizenship responsibilities;
- develops a thematic approach to education.

Our experience convinced us that this curriculum can and must be replicated as it creates cross-institutional and interdisciplinary ties, as well as a community of learners and productive global citizens. It is an effective tool to successfully move students through their educational and personal experiences.

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Submissions must be written in American English and follow style as well as formatting guidelines set out within The Publication Manual of the American Psychological Association, 6th Edition. The reference style of all papers should follow APA style except that no line on the reference page should be indented – all lines should be left flushed.

### Peer Reviewed Articles

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The Journal of Business Leadership (Online) ISSN 2164-4462

Journal of Business Leadership (Print) ISSN 2164-4454

ISBN 978-1-300-20548-7 90000

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