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# **PAYING TUITION: STUDENT LOAN OR STUDENT EMPLOYMENT?**

**Suzanne K. Hayes, University of Nebraska-Kearney**

## **ABSTRACT**

*This paper describes a model that quantifies a college financing decision. A dilemma faced by millions of students centers around the choice between incurring debt that allows the student to be employed fewer hours and graduate in four years versus working a higher number of hours each week that results in delayed graduation, but lower student debt. The model provides estimates for the financial benefit to the student that selects higher debt levels to support a faster graduation timeframe. The results indicate significant financial benefits accrue to students choosing to finance college with a combination of relatively high debt and low work hours. Financial benefit estimates range from \$47,358 to \$(918). This paper presents a valuable estimation tool to assist with college financial planning.*

## **INTRODUCTION**

Are students acting in their best interest when deciding to borrow less and work more, risking delayed graduation? Borrowing is a viable strategy to increase the long-term financial position of the student. Many students do not possess the information to make informed decisions about borrowing (Dowd, 2006). This paper describes a quantitative model to determine the lowest cost method of financing a college education, given a set of individual circumstances including college expenses, financial aid, student and parent income, expected salary at graduation, and interest rates.

College financing decisions affect the financial well-being of students and their families. Reports on the negative aspects of student loans are plentiful, yet discussions regarding the potential benefits of debt are scant. Student debt is undertaken as a means for an investment in human capital. Scholars from the Economic Studies at Brookings and the Urban-Brookings Tax Policy Center state, "Simply comparing the financial and economic circumstances of households with and without student debt can be misleading if it does not also account for the additional earning capacity produced by the education that was financed by that debt" (Dews & Saxena, 2014).

## **MODEL**

The model provides an estimate of the expected financial benefit accruing to a student financing college expenses through a combination of student loans and relatively low work hours. The moderate amount of employment allows the student to complete 15 credit hours each semester and graduate in four years. The financial position of the student is compared to the different set of resulting financial circumstances if the student chooses to finance college expenses through a high number of work hours during college and a lower level of debt. The high weekly work commitment reduces the number of credit hours each semester to 12 and extends degree completion to five years. The next section describes the simulation model.

## Description

The loan amount (L) is given by:

$$L = W + \text{FFC} + \text{GS} - (\text{TUI} + \text{RB} + \text{B} + \text{P} + \text{T}) \quad (1)$$

Where if  $L < 0$ ,  $L$ =Loan amount, else  $L$ =IA representing income available to the student. The variables are defined as follows:

$W$  = annual wages for working student  
 $\text{FFC}$  = family financial contributions  
 $\text{GS}$  = grants and scholarships awarded to student  
 $\text{TUI}$  = tuition  
 $\text{RB}$  = room and board charges  
 $\text{B}$  = textbook expense  
 $\text{P}$  = personal and transportation expenses  
 $\text{T}$  = income tax

If no additional funding is required and Loan = zero,  $L$  becomes income available to the student (IA). A positive IA occurs when a student's after-tax wages, family financial contributions, and grants/scholarships exceed the costs of college.

The financial position, at the end year five, of the student taking on a relatively large amount of student debt with less employment and graduating in four years is given by:

$$\text{FPL4}_5 = (\text{SAL} - \text{T}) - \text{ALW} - \text{LPMT4} + \sum_{n=1}^4 \text{IA} (1 + \text{STi})^n \quad (2)$$

Where

$\text{SAL}$  = annual salary for graduated student  
 $\text{ALW}$  = average living wage  
 $\text{LPMT4}$  = loan payment four-year student  
 $\text{STi}$  = short-term interest rate

The financial position, at the end of year five, of the student working a high number of hours with a smaller loan amount and graduating in five years is:

$$\text{FPL5}_5 = \sum_{n=0}^4 \text{IA} (1 + \text{STi})^n \quad (3)$$

In order to quantify the overall benefit or cost from increased student debt it is important to consider the complete financial position at the end of the loan repayment period. Equations 4-8 outline financial considerations during the 10 year repayment period following graduation.

The relative debt burden is given by the difference in the present value of the loan payments for both college financing plans:

$$PVLPM T = ( \sum_{n=1}^9 LPMT4 / (1 + LTi)^n ) - ( \sum_{n=1}^{10} LPMT5 / (1 + LTi)^n ) \quad (4)$$

Where

LPMT5 = loan payment for the five-year student

LTi = long-term interest rate

A benefit of increased student loan financing, all else equal, is the reduction of income taxes due to the deductibility of interest expense. The present value of the interest tax shield is given by:

$$PVITS = [ ( \sum_{n=1}^9 ITS4 / (1 + LTi)^n ) + ITS4 ] - ( \sum_{n=1}^{10} ITS5 / (1 + LTi)^n ) \quad (5)$$

Where

ITS4 and ITS5 = interest tax shield for the student graduating in four years and five years, respectively.

The interest tax shield is given by:

$$ITS = (TR)(iEXP) \quad (6)$$

The tax rate is designated as TR. The interest expense (iEXP) is computed as the sum of the interest payments from subsidized Stafford loans, unsubsidized Stafford loans, and private loans, if applicable.

Professional advancement is an opportunity cost for the student choosing more work hours, less debt, and longer time to graduation. The delayed graduate will presumably experience a one-year lag in professional salary advancement due to entering the workforce one year later. The professional advancement opportunity cost is given by:

$$PAOC = \sum_{n=2}^{10} (SAL_n - SAL_{n-1}) / (1 + LTi)^{n-1} \quad (7)$$

Delayed graduation carries an opportunity cost of lost retirement savings due to entering the workforce one year later. The five-year graduate loses the first year of retirement savings and experiences a lag in retirement contributions throughout their working years. The present value of the retirement opportunity cost for the delayed graduate, for the 10-year loan repayment period is given by:

$$ROC = X(SAL_1) + ( \sum_{n=2}^{10} (X(SAL_n) - X(SAL_{n-1})) / (1 + LTi)^{n-1} ) \quad (8)$$

Where

X = annual percentage of salary retirement contributions



Equation 9 shows the quantitative benefit gained from selecting debt financing and faster graduation (QBL4). The model first calculates the difference between the two students at the end of year five. Next, the net effect of the debt burden is considered on a time value basis. Lastly, the opportunity costs of delayed professional advancement and decreased retirement contributions are calculated and discounted back to the end of year 5.

$$QBL4_5 = (FPL4_5 - FPL5_5) + PVLPM T + PVITS + PAOC + ROC \quad (9)$$

Reported model simulation results are based on Equation 9, the quantitative benefit to the student choosing more debt and fewer work hours to graduate in four years.

### Variable Specifications

The model simulations are segmented by household income and type of institution. This section describes the variable values.

Tuition, fees, and room and board charges for the academic year 2011/12 are listed in the most current Digest of Education Statistics. Total cost of attendance for a 4-year public institution is \$18,730 and the 4-year private institution total cost is \$33,673 (National Center for Education Statistics, 2013).

Family financial contributions and grant/scholarship awards display a wide variance by household income level. To address the disparity, separate analyses are conducted by income level. The percentage of college expenses paid by family members are: 55% for high income households, 40% for middle income, and 29% for low income households. The average amount of grants and scholarships are: 21% for high income households, 29% for middle income, and 36% for low income households (Sallie Mae, 2012).

Student 2011/12 Stafford loan rates are 3.4% and 6.8% for subsidized and unsubsidized loans, respectively. (Staffordloan.com, 2014). Private loan interest rates are estimated at 9% (Finaid, 2014).

Starting salaries for undergraduates are based on the National Association of Colleges and Employers (NACE) 2014 Salary Survey (NACE, 2014). The average 2013 salary is reported at \$45,327 with a range of \$38,000 to \$63,000. The average employee's retirement contribution is 7.5% of the annual salary (Society for Human Resource Management, 2012).

A salary progression rate of 4% and a long-term interest rate of 7.5% are applied in this study. These rates are based on a PricewaterhouseCoopers (PWC) Pension Assumption and Disclosure survey (PWC, 2014). The Massachusetts Institute of Technology's living wage calculator estimates the annual cost of living. The US average living wage for one adult is reported to be \$17,383 (MIT, 2012).

## RESULTS

The results of this study indicate that a student choosing to finance college with a combination of debt and low work hours is significantly increasing their financial position. A

total of 108 simulations are presented in Tables 1-6, with an additional 108 simulations discussed herein. The estimates of financial gain to the student with more debt, lower work hours, and a four-year graduation timeframe (QBL4) are presented in Tables 1-6. The results of 72 debt burdened simulations are outlined in Tables 7 and 8. The choice of higher student loans with lower work hours is the preferred choice in approximately 98% of the situations analyzed

The tables illustrate the dollar benefit to the higher debt student at the end of year 5 by expected salary and number of work hours for the higher work hour, five-year student. The simulations assume the four-year student is working 15 hours per week. Tables 1-3 show the public institution results.

The financial benefit is increasing in expected salary across all income levels and both types of institutions. As salary increases it becomes relatively more important to begin earning the graduate's salary. The dollar benefit to the four-year student decreases as the five-year student adds work hours.

As household income rises, the QBL4 decreases. Although grants and scholarships decline as household income increases, family financial contributions increase as household income rises. The increase in FFC is larger than the decline in grants and scholarships for a net increase in support as household income rises. This increase in annual support during college benefits the five-year student relatively more and therefore is responsible for the decline in the financial benefit to the four-year student as household income rises.

Salary Hours	38,000	43,000	48,000	53,000	58,000	63,000
25	14,753	20,903	26,759	32,615	38,471	44,327
30	8,657	14,807	20,663	26,519	32,375	38,231
35	2,561	8,710	14,566	20,422	26,278	32,135

Salary Hours	38,000	43,000	48,000	53,000	58,000	63,000
25	13,489	19,620	25,476	31,332	37,188	43,044
30	7,392	13,524	19,380	25,236	31,092	36,948
35	1,296	7,428	13,284	19,140	24,996	30,852

The results indicate one situation when it is optimal to select the higher work hours/delayed graduation option. This occurs when salary is relatively low, \$38,000, the student attends a public institution with moderate costs, and the student is employed 35 hours per week. In this case, the student is receiving enough work income, financial support from grants/scholarships, and family contributions to offset the lost income from the full-time salary, the lost retirement income, and the financial loss from a lower professional advancement. Note that the determining factor is work hours, where 35 weekly work hours are required. At this level

of employment it is likely difficult to graduate in five years. Should the work load cause graduation to be delayed to six years, the benefit from additional work disappears.

Table 3						
QBL4: Public Institution/High Income Household						
Salary	38,000	43,000	48,000	53,000	58,000	63,000
Hours						
25	11,275	17,375	23,231	29,087	34,943	40,799
30	5,179	11,278	17,135	22,991	28,847	34,703
35	(918)	5,182	11,038	16,894	22,750	28,606

Tables 4-6 show the outcome of the financing decision for a student attending a 4-year private institution. The importance of the financing decision for private school attendance is evident. The range of financial benefit is from \$14,865 to \$56,527.

Table 4						
QBL4: Private Institution/Low Income Household						
Salary	38,000	43,000	48,000	53,000	58,000	63,000
Hours						
25	27,040	33,103	38,959	44,815	50,671	56,527
30	22,369	28,618	34,474	40,330	46,186	52,043
35	17,651	23,933	29,789	35,645	41,501	47,358

Table 5						
QBL4: Private Institution/Middle Income Household						
Salary	38,000	43,000	48,000	53,000	58,000	63,000
Hours						
25	26,396	32,523	38,379	44,235	50,091	55,947
30	21,677	27,838	33,694	39,550	45,406	51,263
35	16,959	23,153	29,010	34,866	40,722	46,578

Table 6						
QBL4: Private Institution/High Income Household						
Salary	38,000	43,000	48,000	53,000	58,000	63,000
Hours						
25	25,060	31,197	37,053	42,909	48,765	54,622
30	20,341	26,512	32,369	38,225	44,081	49,937
35	14,865	21,051	26,908	32,764	38,620	44,476

An additional 106 simulations, based on a 20 hour work week for the four-year student, are also conducted. As expected, the financial benefit is increasing in number of work hours for the four-year student; however, it is worthwhile to mention the magnitude of the increase. Across all institution types, salary levels, and work hours, the QBL4 increases to a high of \$60,516 and the lowest benefit is estimated to be \$3,574.

Overall results confirm that across a wide range of variables (expected salary, work hours, tuition and room and board levels, and family financial contributions) the student choosing relatively higher amounts of debt and low work hours has a significantly higher financial benefit. The results extend to comparisons between students contemplating the student loan versus work decision with resultant graduation lags of 2 or 3 years. The financial benefit is increasing in the number of years graduation is delayed for the high work hour student.

An equally important factor to consider is the ability to repay student debt. Loan repayment capacity primarily depends on expected salary and the amount of the student loan. Total loans as a percent of income are considered for each salary amount, by institution type, and four-year student work hours. Simulations consider both a 15 hour work week and a 20 hour work week. The delayed graduation student's work hours are a constant 25 hours per week. Average debt burdens, as a percent of salary, are presented in Table 7. Following the research on manageable student debt burden (Choy et al., 2000; Baum et al., 1998; Baum et al., 2005), a conservative 8% debt burden is tested for each of the simulations.

Public Institution			Private Institution		
Low Inc	Mid Inc	High Inc	Low Inc	Mid Inc	High Inc
1.96%	1.24%	0.28%	7.25%	5.77%	3.43%

The debt percentages averaged across salary levels satisfy the 8% guideline. However, five specific circumstances failed to meet the “manageable debt” criteria of 8%. Table 8 outlines those results.

Private Institution/Low Income Household						
Salary	38,000	43,000	48,000	53,000	58,000	63,000
Hours						
15	10.25%	9.05%	8.11%	7.35%	6.71%	6.18%
20	8.47%	7.49%	6.71%	6.08%	5.55%	5.11%
Private Institution/Middle Income Household						
15	8.27%	7.31%	6.55%	5.93%	5.42%	4.99%
20	6.61%	5.84%	5.23%	4.74%	4.33%	3.99%

Students from low income households attending private school that are considering occupations with a relatively low salary outlook are urged to carefully consider their college financing decisions. Although the overall financial position (QBL4) is higher with the larger debt option, these students may experience difficulty with loan repayment after graduation. Additionally, one case from a middle income household is over the guideline of an 8% debt burden.

## CONCLUSIONS

This model is a tool for financial decision making. The paper provides specific information regarding the costs and benefits of various college financing options.

The estimates presented herein clearly indicate the importance of this financing decision; students have an opportunity to make a sizable impact on their future financial position. The magnitude of the reported differential benefit to the student selecting debt financing is an indicator of the importance of the model. This research identifies six situations where the preferable student outcome is to select a lower amount of debt and fund the shortfall with increased employment.

Prior research shows that debt aversion disproportionately affects certain groups of the population. The results described herein may be utilized to address debt aversion; the paper provides concrete quantitative examples of potential benefits to student loans.

## **REFERENCES**

The reference section is available from author upon request.

# **EFFICIENCY AND CORPORATE BANKRUPTCY PREDICTION**

**Domenico Piatti, University of Bergamo Italy**  
**Peter Cincinelli, University of Bergamo Italy**  
**Davide Castellani, University of Bergamo Italy**

## **ABSTRACT**

*This study investigates the role of technical efficiency in predicting the probability of default of a sample of Italian SMEs in the period 2007-2009. The period is centered on the year 2008 when the Global Financial Crisis began. We argue that technical efficiency allows for a forward-looking perspective in default prediction analysis. This consideration can be even more important in the particular period considered. We estimate the technical efficiency ratios with a stochastic frontier approach controlling for several explanatory factors. Consistently with the literature, the results suggest that efficiency is a good predictor when the financial ratios are also considered. Several robustness checks support the preliminary findings.*

# RETENTION AND EARLY EXPOSURE TO ECONOMIC CONCEPTS

**Tesa Stegner, Idaho State University**

**Charles Scott Benson Jr., Idaho State University**

## ABSTRACT

*There is a plethora of material available to assist teachers with infusing economics into the elementary and secondary education classroom. There are also numerous websites critiquing these activities. However, the number of articles examining the impact these activities have on elementary and middle school students' understanding of economics is considerably smaller. There is, however, a paucity of research examining whether these younger students retain the concepts included in these lectures for more than a few months. This study fills that void by examining the extent to which these students are able to retain this knowledge for eighteen months.*

*A pre and posttest was administered to assess how much economics students learned from lessons presented in their sixth grade social studies class. These students and others attending the same middle school were then given the same posttest to assess how much of this information was retained. The scores of the students that participated in the lessons were compared to their original posttest scores and the scores of the other students in the middle school. In addition, their scores were compared to their peers by segmenting the students based on their curriculum.*

*There are several key findings from this study. Students are able to retain concepts more than 18 months. In addition, we find that academically stronger students are better able to retain the information than others. Therefore, although there is limited time available in the elementary school day, infusing economic lectures into related material can have long lasting effects.*

## INTRODUCTION

Two years ago, as part of a research project, economic lessons were infused into the social studies classes for sixth grade students at an elementary school. In addition to collecting demographic data on these students, a pre and posttest was administered to assess how much economics they learned from the lessons. Benson and Stegner (2013) found that students described as higher achievers scored higher, and generally had the larger increases between the pretest and posttest. This study also took a first look at retention by asking these students twenty-one questions regarding all three lectures at the end of the school year – approximately two and a half months after the last lesson. The findings regarding retention mirrored those found with respect to learning. However, as educators, it is of more interest to determine how much is retained over a longer period of time. This study picks up where the last study left off, by examining the level of retention two years later.

## STUDIES ON RETENTION

The extensive psychology literature on intelligence discusses how a knowledgeable person develops a network between information received and his/her experiences and existing knowledge base. Retaining information so it can then be recalled and applied to new situations is critical for exhibiting intelligence in a given area. The education literature has documented how “active learning” methods have increased a student’s ability to retain concepts. A study by Sosin et al. (1997) looked at factors influencing elementary school students’ ability to learn economic concepts, but the posttest was administered in approximately the same time period as used in our original study.

## SETTING AND METHOD

During the Spring 2012 trimester, lectures and activities were completed with students at an elementary school. These students were given a pretest the day before each lecture, and a posttest immediately following the lecture. In addition, another posttest covering all three lectures was given at the end of the trimester – approximately two and a half months later.

In November 2013, all eighth grade students at a middle school were given the same posttest distributed to the sixth graders at the elementary school during the Spring 2012 trimester. These middle school students include the sixth graders from the original study and students from other schools in the district that did not receive the original economic lessons. None of these students had any economics lessons during that 18 month period. To insure more complete coverage, the test, consisting of 21 multiple choice questions, was administered during a required 8<sup>th</sup> grade science class at the beginning of the second trimester.

In addition to their test answers, data was collected regarding which elementary school was attended, and whether they were currently enrolled in an advanced or remedial math or English class. Fifty-eight students who took the end of the trimester posttest at Gate City Elementary, also took the posttest in eighth grade. These students’ scores are listed in Table 1.

	Mean	Median	Number of Students
Gate City 6 <sup>th</sup> Grade	13.69	14	58
Gate City 8 <sup>th</sup> Grade	14.69	15	58

As Table 1 shows, these students’ scores improved. Part of this increase could be the result of additional experiences and non-economic classes these students completed in the interim. The lectures covered the relatively basic concepts of public goods, monopolies and inflation. We know that as students increase their level of critical thinking and have more life experiences upon which to apply their learning to, they are better able to understand information.

It is important to assess whether the higher scores simply reflect the additional knowledge gained during the time that passed. In order to test whether the previous Gate City students performed better than the other students, their scores are compared to the 8<sup>th</sup> grade students that did not attend Gate City. Two hundred forty students completed the test. Of these students, approximately 30% attended Gate City and took part in the initial study. Table 2 below



shows that the Gate City students performed better on the exam than the non-Gate City students.

	Mean	Median	Number of Students
Gate City 8 <sup>th</sup> Grade	14.493	15	67
Non Gate City 8 <sup>th</sup> Grade	11.295	11	173

At Gate City, students were segregated into three groups based on their performance on a standardized test. The study conducted during the Spring 2012 trimester found that students in the higher groups tended to retain the information (albeit over that short period of time) better than students in the other two groups. In order to determine whether this difference holds up over a longer period of time, the students' results were separated based on the sixth grade grouping.

Table 3 provides the mean and median scores for the Gate City students based on their sixth grade groupings. Group 1 consists of the students with the highest standardized test scores, Group 3 had the lowest scores. All three groups showed an improvement in the median score, with Group 3 showing the largest percentage increase. The smaller percentage increase for the higher ranked groups could be attributable to the relative position of the first posttest score. The same approximate percentage increase for Group 1 would basically require these students to score 100%.

	Mean	Median	Number of Students
<b>Group 1</b>			
6 <sup>th</sup> Grade	17.316	17	19
8 <sup>th</sup> Grade	17.105	18	19
<b>Group 2</b>			
6 <sup>th</sup> Grade	13	14	24
8 <sup>th</sup> Grade	14.958	15	24
<b>Group 3</b>			
6 <sup>th</sup> Grade	10.2	9	15
8 <sup>th</sup> Grade	11.2	11	15

The next step in this study is to compare how well students in each of the Gate City groups did relative to their peers. One way to find their cohorts is to look at the type of classes the 8<sup>th</sup> graders were taking. There are several tracks available for English and math at this middle school. Both of these subjects offer an honors course and a remedial class in addition to the regular track. In elementary school, students were placed in the three groups. In middle school, students are allowed to opt out of the honors track even if they are qualified to take those

courses. Some teachers commented that at least a handful should be in the honors class but chose not to follow that track. Table 4 shows which track the Gate City students followed.

	Only Honors Math	Only Honors English	Both Honors Classes	Number of Students
Group 1	6	0	16	23
Group 2	10	1	3	23
Group 3	0	0	0	19

It appears that peer groups can be approximated by comparing Group 1 with students taking both honors courses, Group 2 with those taking only one honors class, and Group 3 with students not taking any honors classes. Of the students in Group 3, five were taking remedial classes and the other fourteen were in the regular track English and math classes. There are a total of thirteen students in the eighth grade sample in the remedial courses. Students that were in Group 3 that are currently enrolled in a remedial class have been taken out of this sample. Similarly, the “no honors class” group does not include the students in remedial classes either. The means and medians of these peer groups are listed in Table 5. As this table shows, the most significant difference in median scores is found when comparing Group 1 to the other middle school students taking both honors classes. This reinforces the finding from the original study, that academically stronger students are best able to retain the information.

	Mean	Median	Number of Students
Gate City Group 1	17.105	18	19
Non Gate City Both Honors Classes	13.68	14	25
Gate City Group 2	14.958	15	24
Non Gate City One Honors Class	12.529	13	34
Gate City Group 3	11.429	11.5	14
Non Gate City No Honors Classes	10.571	11	105

## CONCLUSION

There are several key findings from this study. Students are able to retain concepts more

than 18 months. Whether these students were better able to retain the information because of the active learning approach initially taken is beyond the scope of this study. Another result, which reinforces a finding from the initial study, is that academically stronger students are better able to retain the information than others. Therefore, although there is limited time available in the elementary school day, infusing economic lectures into related material can have long lasting effects. Given the difficulty many have understanding economic concepts, this seems like a valuable use of time.

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# **SMALL BUSINESS AND OBAMACARE: THE BURDEN OF COMPLIANCE**

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## **ABSTRACT**

*The ACA was already a lengthy and complex piece of legislation when it was enacted, yet it was subsequently amended<sup>1</sup> and afterwards, thousands upon thousands of pages of rules and regulations as well as opinions and interpretations on the part of various governmental agencies in connection with the implementation of the law have since been added. It has not helped that much of this content has been generated in iterations, because the ACA's implementation has been a process plagued with numerous delays and modifications. This paper explores an aspect of the Affordable Care Act (ACA, a.k.a., Obamacare) that has received little attention: the burden of compliance that the law imposes on small businesses and entrepreneurs. While the popular and business press has regularly covered the costs of health insurance and many surface features of the law, its complexity will cause small business owners to suffer a steep learning curve in order to understand and comply with its provisions. As these are exasperatingly complex, most entrepreneurs will likely be forced to respond—perhaps in ways that are unaffordable—such as calling upon professionals for help.*

*Key Words: Obamacare, Affordable Care Act (ACA), small business, economy, government regulation*

## **INTRODUCTION**

The Patient Protection and Affordable Care Act<sup>2</sup> (ACA, a.k.a., Obamacare), by virtue of its name, was promoted as the means by which the federal government would step in and tame a U.S. health care system that was afflicted by ever-increasing costs and unattainable benefits for many who were uninsured (and uninsurable). While much attention has been paid to the various delays (starting with design flaws with the HealthCare.gov site that was supposed to serve as a portal for individual and small business enrollees), as well as the cost of premiums, the size of deductibles, and other policy features, the concerns of small businesses in connection with administrative overhead have largely gone unnoticed. This paper explores the burden that has already been placed upon small businesses and entrepreneurs, who will suffer a steep learning curve in understanding their obligations under the law, especially given that thus far rules for compliance have been a moving target.

Numerous instances involving “passing the buck” have been observed, wherein one government agency specifically disclaims responsibility for providing specific advice or instructions, directing affected small businesses to yet another and another supposed resource.

<sup>1</sup> Health Care and Education Reconciliation Act, Public Law 111 - 152 (H.R. 4872) C.F.R. (2010).

<sup>2</sup> Patient Protection and Affordable Care Act, Public Law 111 - 148 (H.R. 3590) C.F.R. (2010).

Small businesses that are attempting in good faith to comply with the provisions and regulations of the Affordable Care Act have to expend either time or considerable financial resources to pay for professional assistance to comply. The actual price of compliance must also be measured by the distraction from running their businesses. Altogether, understanding and trying to abide by Obamacare, when one should be attending to growing businesses (and creating jobs) in an already challenging economic environment, is “way too complicated.”

## **CHANGES OR POSTPONEMENTS OF PROVISIONS**

The Affordable Care Act was so large and so invasive of existing laws, rules and regulations that there was no way the ACA could avoid a plethora of changes or postponements while those affected by the new way of providing health care to the American people argued over the details. And we would add, upon “finding out what is in it” (Pelosi, 2010). According to the Galen Institute, “42 significant changes already have been made to Obama Care: at least 24 that President Obama has made unilaterally, 16 that Congress has passed and the president has signed, and 2 by the Supreme Court” (Hartsfield & Turner, 2014). Many of the provisions of the ACA were or are being postponed or delayed mainly by the Executive Branch as described in the Galen Institute report and in a report from the CATO Institute. According to Michael D. Tanner, a senior fellow, some of the significant postponements include:

Among provisions that have been postponed are: the employer mandate; reporting requirements related to the employer mandate and subsidy determinations; small business exchange (SHOP) enrollment; out-of-pocket caps (in some instances); cuts to disproportionate share hospitals; and the Basic Health Plan option. The administration has also extended the deadline for the closure of state high-risk pools and the dead-line for health plans to comply with the essential health benefits in the law. Most recently, the administration exempted individuals whose policies have been cancelled from the individual mandate. (Tanner, 2014, see Note 8, pg. 40)

Further, according to a report by the Congressional Research Service entitled, “The Affordable Care Act and Small Business: Economic Issues,” (Lowry & Gravelle, 2014) postponing the employer shared responsibility or employer mandate provisions of the ACA has created enormous uncertainties in operating a business. The purpose of this provision of Obamacare is to encourage employers to provide affordable coverage to their employees. The ACA law requires employers that offer health insurance coverage to full-time (FTE) employees, who receive a tax credit for the premiums they individually pay for, to pay a monthly imposed penalty for not providing health insurance that meets the standards in the ACA (affordable and adequacy). The first postponement of employer mandate provision of the ACA by President Obama was in July 2013 changing the date the mandate would be enforced by one year from January 1, 2014 to January 1, 2015 for businesses employing more than 100 full-time equivalent employees. In February of 2014 the President extended to enforcement date for the second time (“Treasury and IRS Issue Final Regulations Implementing Employer Shared Responsibility Under the Affordable Care Act for 2015”, 2014), and this applied to small businesses with fewer than 50 full-time equivalent employees making averages wages that are less than \$50,000.

As a result of this postponement these businesses were no longer required to provide coverage or to complete any reporting forms “in 2015, or in any year, under the Affordable Care Act” (*Ibid.*). Firms with 50 to 99 full-time employees that did not provide coverage must report on their employee coverage in 2015 but have until 2016 to make penalty payments under the employer shared responsibility provision of ACA. Larger employers will now phase in the

percentage of full-time employees they must provide coverage for from 70 percent in 2015 to 95 percent in 2016, but they will nevertheless pay penalties starting in 2015. Finalizing interim rules and regulations is an iterative process. The Executive Branch is tasked with developing the rules and regulations that implement the legislation that has created and amended the Affordable Care Act. The usual process includes the promulgation of the enacting rule or regulation language, posting the language of the proposed interim rule or regulation for the purpose of attracting comments from the public (individuals, organizations that will be affected by the rule or regulation, states, etc.), publishing the interim final rule, more comments, and finally presenting the final rule or regulation. In the case of Obamacare, besides court challenges, postponements and other issues, the Congress has exacerbated the difficulties that are inherent in the process of developing implementation rules and procedures by passing legislation which contained provisions that amended the original law.

Some of the provisions of enacted public law that amend the ACA by making specific changes to the rules and regulations have been put into effect by the Executive Branch. For example the 112<sup>th</sup> Congress passed P.L. 112-9, instructing the Internal Revenue Service to make changes to the federal tax code (Redhead, Tollestrup, Liu, & Brass, 2013). The typical small business owner located far away from Washington would be very puzzled at the complexity and confusion of legislative process, and certainly the subsequent implementation process. Notwithstanding the “normalness” of such an iterative process as that which takes place when laws are implemented, we expect that the majority of the public at large would be left to wonder, when “Final, Final, Rules” might be implemented. Further, for a small business owner, we submit that following all of these convoluted changes and trying to oblige the law would present an enormous distraction, thereby adding significantly to the burden of compliance.

### **DOWN A RABBIT HOLE: FOLLOWING IRS TAX PROVISIONS**

The authors of this present paper subjected themselves to trying to follow one of the 33 (thirty-three) tax provisions under the ACA as indicated on an IRS web page ("Affordable Care Act Tax Provisions," 2014). The first of these provisions was entitled, “Effect of Sequestration on Small Business Health Care Tax Credit” (*Ibid.*). In the spirit of immersion in our research efforts, we decided to try to follow the indicated steps under this one provision as though we were the owner of a small business that offered its employees the opportunity to participate in an employer-sponsored fully-insured small group health plan. We were hoping to get answers to the following questions: How much of the rebate goes to the company since it helped pay for the health care policy? When can the check be cashed and when must the rebate be paid to the participating employees? What can the rebate funds be used for? Since the employees will be getting a check does that money count as income?

Before incurring the billable hours with the company’s tax attorney or CPA (Neiburger, 2011) many owners might try to find out more about Medical Loss Ratio Requirements of the Patient Protection and Affordable Care Act (just as we did). The authors conducted a *Google* search as though we were the owner of a small business who had received such a rebate check. We entered the topic “medical loss ratio rebate” and as reported in the search summary, the term garnered 71,800 results. In perusing the first several pages, we found links to payroll processors, the IRS, numerous other federal agencies, insurance companies, consultancies, the business press, and others.

We clicked to a document entitled, “Guidance on rebates for group health plans paid pursuant to the Medical Loss Ratio Requirements of the Public Health Service Act” (“Guidance on rebates for group health plans paid pursuant to the Medical Loss Ratio Requirements of the Public Health Service Act [Technical Release No. 2011-04],” 2011), to see if the U.S. Department of Labor (DOL) website could shed any light on the subject. Our initial concerns upon noting that this document was a “Technical Release” (again, as we imagined being in the shoes of a typical small business owner) were affirmed.

We also noted the following comment: “when rebates are issued to such policyholders, issues concerning the status of such funds under ERISA and how such funds must be handled necessarily arise” (*Ibid.*). Our search for information concerning the disposition of a rebate check still had not told us anything other than the receiving plan sponsor must comply with ERISA and the funds go to the plan participants. The final piece of information we gleaned from the DOL document inspired the heading (“Rabbit Hole”) for this part of our present paper. It was a disclaimer which stated: “The Department expresses no view concerning the tax consequences of any action taken by a policyholder with regard to the receipt, holding, or distribution of the rebate. Such issues are exclusively within the jurisdiction of the Internal Revenue Service.”

In our process we tried several other websites where we either gleaned no helpful information, referrals elsewhere, and in some cases nothing more than dead links. Given all of the issues with HealthCare.gov site to date, we were not surprised that one of the dead links that we clicked during our search for a better understanding of MLR rebate checks was found there (via a page not found, 404 error). We did further search the site using its internal search box on the term “MLR rebate” and found information directed to employees which indicated that they might receive a rebate “in a number of ways” (“Rate Review & the 80/20 Rule,”) including:

A rebate check in the mail; A lump-sum deposit into the same account that was used to pay the premium, if you paid by credit card or debit card; A direct reduction in your future premium; Your employer may also use one of the above rebate methods, or apply the rebate in a way that benefits employees [*original list bulleted*]. (*Ibid.*)

The Internal Revenue Service did provide an FAQ section under the Medical Loss Ratio (MLR) section of the “Affordable Care Act Tax Provisions” (2014) web page. These FAQs provided a series of scenarios all prefaced with a reference to ERISA fiduciary rules. We found nine different scenarios for group insurance plans that were divided among employees with pre-tax and after-tax premium payments. The small business owner must decide who gets the rebate: only current year participants; current employees who are current year participants and were prior-year participants; or current employees who are current-year participants; and to all individuals who were prior-year employee participants (even if they are now former employees). And the rebate may be divided in one of three ways (making sure to meet the ERISA fiduciary rules): dividing the rebate evenly amongst all participants; pro rata based on the amount of premium each participant paid; or in some other manner that emulates the amount paid by each participant.

Altogether, the small business owner is confronted by 27 different ways to disburse a rebate check. Finally, the sponsor must determine which action to take within three months of receiving the rebate check. Due to severe penalties for errors, the authors agreed the safest (and most expensive) course of action would be to call either a tax lawyer or an accountant and start incurring billable hours.

## CONCLUSION

The impact of the burdensome regulations and time and expense for a small business to comply is detrimental to the health and well-being of small businesses. It is small business that creates tomorrow's big businesses, or at least where there is entrepreneurial intent (as compared to seeking to be employed), the chance is greater that they will do so. Having been entrepreneurs before becoming scholars, we know first-hand that the priority of a typical small business should be responding to the marketplace, adjusting product design and production, responding to customer needs, and controlling costs while improving value. This we must do as entrepreneurs in order to survive in an increasingly competitive global economy. Successfully running a small business entails focusing on selling to and servicing customers profitably. We're still reading and "finding out what's in the law" (and the myriad rules and regulations both already published and still to come), but we know already that navigating Obamacare, is just "way too complicated."

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# **TEMPLATES AND ASSESSMENT RUBRICS ENHANCE STUDENT ENGAGEMENT IN ONLINE GRADUATE COURSES**

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**Joseph Long, University of Mount Olive**

## **ABSTRACT**

*Online education has become increasingly important over time and now many educational institutions have online courses and degree programs. Student engagement and enhancement of learning is a bigger challenge in online courses than in the traditional face-to-face classes. This study presents numerous models and frameworks to enhance online teaching and learning. In addition, the authors discuss the use of templates and assessment rubrics to enhance student engagement in online graduate courses at a private university in USA. Use of templates for assignments and projects, sample assignments and projects, and assessment rubrics can improve student participation and performance in online courses. While projects and assignments are often course specific, general guideline can be provided about assessment rubrics. Several assessment rubrics are provided here to help instructors to establish high quality online class discussion forums to improve course outcomes.*

# **TEACHER QUALITIES VALUED BY STUDENTS: A PILOT VALIDATION OF THE TEACHER QUALITIES (T-Q) INSTRUMENT**

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## **ABSTRACT**

*This study characterizes the psychometric properties of an instrument, named T-Q, developed to measure perceptions of teacher qualities most valued by students in the university setting. The T-Q instrument was administered to 458 economics students at two universities. The study demonstrated the reliability and construct validity of T-Q. The validated instrument will be of interest to faculty who wish to better understand students' perspectives regarding ideal qualities of faculty. Use of the instrument may help to more broadly inform faculty and educational researchers regarding approaches to instruction and pedagogy. Use of the instrument may also provide a means for improving student evaluation of teaching instruments (SETS) and establishing a context for the interpretation of SETS data.*

# **ONLINE LEARNING AND STUDENT ENGAGEMENT: ASSESSING THE IMPACT OF A COLLABORATIVE WRITING REQUIREMENT**

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## **ABSTRACT**

*Considerable research has gone into answering the question of how college affects students (Astin, 1993; Pascarella & Terenzini, 2005). Student engagement has been linked to measures of student success including student learning and student satisfaction (Kuh et al., 2006) and, thus, is often examined by universities when seeking to improve student outcomes. Based on a growing body of evidence, colleges and universities are being encouraged to incorporate “high impact educational practices” (Kuh, 2008) which have been positively associated with student retention and student engagement. One such high-impact educational practice is the use of collaborative assignments and projects, and is the educational practice at the focus of this study.*

*Concurrent with the growing focus on student outcomes has been considerable growth in online learning. Investigating the impact of the online environment on student engagement, a recent evaluation of National Survey of Student Engagement results suggests online learning presents some challenges (Chen, Kuh, & Gonyea, 2008). The aim of this paper is to examine the impact on student outcomes of a required collaborative writing project in the online class setting. By comparing measures of student engagement, learning and satisfaction between two sections of an online course, this study seeks to isolate the impact of the collaborative writing requirement on those outcomes. The findings indicate the collaborative requirement had a positive impact on engagement. The findings also reveal an unexpected negative association between the collaborative requirement and student satisfaction with faculty-student interaction. Based on these results, the author explores ways to promote the positive outcomes associated with collaborative online work while seeking to minimize possible negative consequences on student-faculty interaction.*

# STUDENT ENGAGEMENT AND PERFORMANCE: IS TECHNOLOGY THE ANSWER?

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## ABSTRACT

*Do teaching methods that incorporate technology improve student performance and comprehension in the classroom? This paper focuses on the results of a two-year longitudinal study investigating student perceptions of how well technology applications improve outcomes in accounting courses at both the undergraduate and graduate level. Courses studied include managerial accounting, auditing and graduate level advanced and non-profit accounting. In addition, grade distributions for a hybrid and traditional accounting course were compared to determine if blended styles improve grade performance.*

*During 2012 and 2013, data primarily focused on student survey responses regarding the use of various computer-based application and tools. Comparative grades distributions were also used in the analysis. This research seeks to determine the feasibility of implementing blended or hybrid style courses within business school programs based on student satisfaction and performance. Results indicated that technology enhancements when applied in the appropriate course content positively impact student learning outcomes and objectives.*

## INTRODUCTION

According to International Federation of Accountants (IFAC) International Education Guideline No. 11, technology needs to be a key component in the accounting curriculum (International Federation of Accountants, 1996). Based on these guidelines the American Institute of Certified Public Accountants (AICPA) created a task force and established strategies for ways that accounting faculty can implement technology into the course work. As a result of this emphasis, the accounting field is experiencing a paradigm shift in the way accounting courses are taught, with an increasing emphasis on the use of technological tools.

The research discussed here incorporates the impact of technology used in a variety of accounting classes, including both undergraduate and graduate accounting classes. This study utilizes a mix-methodology approach to evaluate the student's perceptions and academic performance over a two-year period (August 2012 through May 2013) due to the incorporation of technology into selected accounting courses.

## LITERATURE

According to Liu and Fey (Fall 2013), student motivation is enhanced by the use of active learning techniques such as the incorporation of technology. Zeidan and Reed (Fall 2013) also concur that active learning techniques, particularly in accounting courses, provide students an enhanced opportunity for learning and enables the accounting student to have a better sense of the actual work of accountants. In the book entitled Generation IY, Dr. Elmore states that

lectures alone to not engage or motivate students; he emphasizes that classes must include the other senses. In order to fully engage the student, the professor should incorporate technology such as videos, cell phone technology, and the Internet. According to Dr. Elmore, today's student prefers the use of technology, and if today's professor is going to be relevant, utilizing technology in the classroom is a must (Elmore, 2010).

According to Bryant and Hunton (February 2000), there are six guidelines for accounting faculty to follow for implementing technology into accounting courses. These guidelines focus on the utilization of computer-based learning (CBL) to enhance student outcomes. In addition to these guidelines, the author states that accounting educators need to become competent themselves in the use of technology in the classroom, and need to determine which technology is appropriate for a given class or assignment. The AICPA created three strategies for educators that incorporate the use of technology: (1) the enhanced lecture, which incorporates active elements such as the inclusion of computer-based learning activities, (2) technology—Visual and Computer-Based instruction and technology and (3) course delivery, such as offering a portion of the course in an online or hybrid format (American Institute of Certified Public Accountants, n.d.).

A study performed by Shamsi S. Bawaneh in June 2011, concluded that there was evidence that using computer technology in teaching management accounting course improves students' performance in the final examination relative to both the performance in the mid-semester examination and the grade in the introductory accounting course (Bawaneh, June 2011). According to another study that compared the effectiveness of computer-assisted learning to just the traditional face to face lecture, there are several advantages and disadvantages to utilizing computer assisted technology in accounting courses (Halabi, Essop,, Joosub, , Padia, , Vawda , & Yasseenand , 2010 ). Some of the advantages include better student absorption and retention, and a better level of learning (than that achieved through conventional methods alone). The study also mentioned a few disadvantages of utilizing computer-assisted learning in accounting courses such as cost and time constraints and a potential loss of direct contact between teachers and students.

## **METHODOLOGY AND RESULTS**

Student satisfaction was measured using a five-point Likert survey and a series of open-ended questions to establish core themes. Sample questions as well as student comments from the survey are included in the discussion of results below. In addition, the study includes comparative grades for multiple sections of a single course, each of which used differing technology teaching methods.

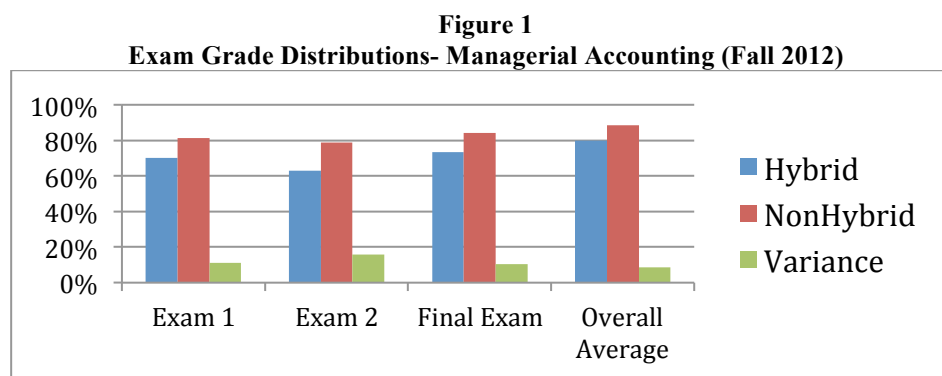
### **MyAccountingLab Results**

Initial efforts to increase technology in accounting courses primarily focused on Computer Based Learning (CBL) utilizing publisher provided e-texts and online homework labs. Pearson's MyAccountingLab specifically was used in both the undergraduate managerial accounting and auditing courses for this study. MyAccountingLab (MAL) offers homework modules allow participants to complete assignments at home with access to the e-book version of the text.

During the fall semester of 2012, there were two separate sections of managerial accounting; one section was set as a traditional face-to-face course, and the second section was labeled a "hybrid" course. There were approximately 100 students in the combined groups and

both sections of the course required the use of MAL for completing homework assignments. The traditional section met for live lecture twice a week and completed all homework assignments independently while the hybrid section only met for live lecture once a week. Hybrid students were expected to use the second assigned day of class each week for independent study with the MAL features and tools. Both sections of the course were team taught by the same two professors; all material and exams were identical for both groups.

Grades were compared after each exam between sections to identify any discrepancies that may have resulted from the instructional method. As illustrated in Figure 1, grades for the traditional section were 10-15% higher than the hybrid section for the first and second exam. In an effort to increase exam performance and content comprehension after the second exam, the hybrid section of the course was revised. The second day of class each week was re-designated as a “lab day”. Students had the option of attending lab sessions, where instructors were available to work examples and help students with completion of the MAL homework assignments. The grade variance between the traditional and hybrid sections dropped below 10% for the final exam and overall average once the optional lab days were implemented. (Figure 1)



Subsequent to the fall semester of 2012, all managerial courses were revised to a traditional format with online MAL homework assignments. A senior-level auditing course also started using MAL as part of the study in the spring semester of 2013.

Combined 2013 survey results included 46 auditing students and 51 managerial accounting students using MAL to complete homework assignments. The majority of students (75%) indicated that MAL was either “easy” or “very easy” to use while completing homework. A common theme of the open-ended questions was that the input format required by MAL made it difficult at times to get answers correct. In addition, students were asked how helpful MAL homework was in reinforcing knowledge of content taught in class. Approximately 53% of respondents indicated MAL was “very helpful” in reinforcing knowledge of material covered in class. Overall, 78% of students also stated they enjoyed using MAL on assignments.

### **Blackboard Collaborate Results**

Blackboard Collaborate is an online tool used to record and distribute lecture content to students in place or in conjunction with live lectures. Collaborate was first implemented as a computer-based learning tool for this study in a graduate level advanced accounting course during the fall of 2012. Students enrolled in the course typically attend weekly four-hour live classes over an eight-week period. The first lecture of the semester was recorded and posted

using Collaborate in place of a traditional live class. Based on positive student feedback after the first recorded session, it was decided to continue recording and posting each week's lecture on Blackboard. Although, the class continued to meet in a live format after week one, students were encouraged to use the Collaborate sessions to re-watch portions of the lecture and/or examples. Students that had to miss a week of class due to a work conflict reported watching the recordings to stay up-to-date with course content.

Based on a scale of 1-5, ranging from "Ineffective" to "Very Effective", 40% of students surveyed at the end of the 2012 fall semester indicated that the first Collaborate session was "Effective" in place of a live class. The remaining 60% found the recorded session "Very Effective". Cumulative results from the 2012 and 2013 surveys indicated that 80% of respondents used Collaborate sessions throughout the semester to reinforce concepts taught in class. One hundred percent said that the Excel examples recorded in Collaborate were "Effective" in explaining calculations.

### **Blackboard Assessment Tools Results**

In addition to the Collaborate function, online testing features through Blackboard were implemented in the advanced accounting graduate level course as part of this study. Blackboard testing features were utilized for both weekly quizzes as an embedded assessment tool and for the course midterm. After each week's lecture, students were given a three-day period to complete an online timed quiz through the Blackboard portal. The quiz format forced students to revisit new material within a short period after the initial introduction in an effort to increase retention. Quiz solutions were then posted online so that students could assess how well they understood material before they completed the required homework assignments for the next lecture.

Using the quizzes as embedded course assessment tools outside of the live class lectures enabled students to extend the learning process over several days as opposed to only visiting material once during a given week. Students were surveyed through open-ended questions to determine if this practice was effective in aiding comprehensive of advanced topics. Of students surveyed, 100% stated that online quizzes helped reinforce concepts from class. Several students commented that although it increased the overall amount of work in the course, the multiple points of contact with material over the course of the week increased their understanding of the material.

The Blackboard assignment tool was also used to deliver a portion of the midterm exam to students each semester. Test parameters were set to force completion once started and a time limit of 75 minutes was imposed for the exam. By moving the midterm exam to an online format as opposed to an in-class exam, an entire week of lecture time could be dedicated to instruction as opposed to testing. This increased the amount of time students spent face to face with the instructor and ultimately allowed more material to be covered over the eight-week period. Surveys showed that 85% of students claimed to enjoy the online testing format; two of the students that did not prefer an online midterm format had experienced technical computer problems that disrupted the online test.

### **CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS FOR FURTHER RESEARCH**

The results support the literature review and indicate that a traditionally taught, live lecture format may increase comprehension and yield better academic performance than a hybrid

section of the same course. There is a potential indication that the level of the course may also affect the outcome. As indicated by survey response, the majority of students concur that computer-based learning tools can be an effective means of supplementing course content. However, it should be noted that some students complained that computer based tools took away from the personal side of class indicating that this approach might not meet the needs of all students. When the appropriate tools are used in a classroom with proper consideration given to the characteristics of students, technology can offer an enhanced opportunity for learning and help develop key core competencies.

Despite the positive comments and survey responses noted above, there were some limitations to the study that should be considered in future research. First, the survey questions did not cover all technology tools used in the courses. These additional tools may have impacted student performance and overall perception of the course. In addition, surveys did not include additional demographic information (gender, major, grade level classification, etc.) to determine if there were additional trends with responses. Finally, the functionality of the CBL tools themselves may have influenced student responses. Based on the results of the study, the researchers would like to conduct future research in three areas, (1) a quantitative analysis study to assess the impact of these technological tools on student academic performance (2) an expansion of the above study into future years and (3) an expanded use of blackboard tools into the undergraduate classes.

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# **FEASIBILITY ANALYSIS OF E-TEXTBOOK AND E-READER ADOPTION AT A BUSINESS SCHOOL: PERSPECTIVE FROM INFORMATION SYSTEMS STUDENTS**

**Chen Ye, Purdue University Calumet**

## **ABSTRACT**

*E-textbooks have gained growing popularity in higher education, as a means to rein in the skyrocketing costs of textbooks and enhance learning effectiveness. Some business schools have recently initiated e-textbook and e-reader adoption projects spanning the entire curriculum of an academic program or school. The impacts of such large-scale e-textbook and e-reader adoption are not well understood in the literature. This exploratory study aims to help decision makers to understand the benefits and challenges of a wholesale adoption of e-textbooks and e-readers. Specifically, students enrolled in a Systems Analysis and Design class performed feasibility analysis, a method used by professional system analysts for conducting a well-rounded assessment of a proposed information technology project, on a potential e-textbook and e-reader project for a business school. The top intangible benefits identified by student analysts include portability, enhanced learning, convenience in accessing, convenience in purchasing, increasing student engagement with technology, increasing student and faculty morale, and environmental gains. The student analysts also discovered a variety of risk factors affecting the operational feasibility, technical feasibility, political feasibility, and legal feasibility of an e-textbook and e-reader adoption project. Furthermore, threat of technical failure on device availability, lost or stolen device, technology obsolescence, and device durability present additional risks to a large-scale e-textbook and e-reader adoption.*

# **ADOPTION OF AN ADAPTIVE LEARNING SYSTEM IN AN INTRODUCTORY MANAGEMENT DISTANCE EDUCATION COURSE**

**Lin Zhao, Purdue University**

## **ABSTRACT**

*Pedagogical research indicated that students learn differently, and one-size-fits-all model cannot accommodate diverse learning styles among students in distance education. Based on a comprehensive review on learning style models and current available educational technologies, this study presented an ongoing adoption process of an adaptive learning system in an introductory management distance learning course. Preliminary results show that students learn new knowledge more effectively in distance education with assistance of the adaptive learning system which can identify each student's strengths and weaknesses and delivery customized contents in real time.*

# **THE DEVELOPMENT OF ENTREPRENEURIAL COMPETENCE TO PUSH THE SUCCESS OF SMALL MEDIUM ENTERPRISES**

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## **ABSTRACT**

*The purpose of this study is to investigate the development of entrepreneurial competence to push the success of small to medium scale enterprises or SME. This paper presents some studies' result about the relationship between entrepreneurial competence and business success in Indonesia. Previous papers are mostly performed in developed countries. Institutional and cultural factors, entrepreneurial adoption and competence in developing countries are frequently different from those in developed countries. Respondents in this study are the entrepreneurs in small and medium scale industry that specialize in food and beverage industry in Banten Province, Indonesia. Total distributed questionnaires are 200 questionnaires. Model in this study is analyzed by using structural equation modeling and AMOS program as aid tool. Entrepreneurial competence is unique characteristic owned by entrepreneur and considered as entrepreneurs' total ability to accomplish their duties and achieve success.*

# **ENTREPRENEURIAL TRAINERS – THE COMPETENCE MIX IN ACTION RESEARCH PROGRAMS**

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## **INTRODUCTION**

Despite the prioritization of entrepreneurship training and education in the last two decades and the explosion of entrepreneurship programs in business schools (Page West III, Gatewood & Shaver 2009), there is still little knowledge about the learning process that equips entrepreneurs with best possible mind-sets and skills (Gstraunthaler & Hendry 2011). Entrepreneurship is about heterogeneity which needs to be taken into account in entrepreneurial education and training. As Fayolle (2010) argues, we can learn more from the differences than the similarities and there is no single magic factor or simple recipe in entrepreneurship education, only factors that are more or less suitable in relation to contextual matters such as personal, interpersonal, networking, company, institutional and cultural factors. In addition, we should add contextual factors about the training and educational settings as well. Searching for simple solutions when designing entrepreneurship education is recognized to have a limited effect and will seldom develop the necessary competencies such as creativity, opportunity recognition and problem-solving ability (Lautenschläger & Haase 2011). This paper will concentrate on the relationship between entrepreneurship education and the role of the trainers and it will examine which competencies are preferable when working with entrepreneurship education and development in an action/activity oriented entrepreneurship development program, such as Action Research programs or Action Learning programs. The paper accepts a wide-ranging definition of the educator role, arguing that the whole learning community is included in the definition

The empirical background of the paper is a 2.5 year development program (*Kvinner & Vekst, Women & Growth*) that studied 24 growth-oriented women entrepreneurs in central regions of Sweden and Norway. It was funded by INTERREG which is an EU program. The development program ended in spring 2013 and was evaluated as a success by the participants, the research institutions involved and by the funder (Von Friedrichs & Rennemo 2013).

## **THEORETICAL FRAMEWORK**

A development trend in entrepreneurship education seems to be the move away from academic pedagogical methods towards activity and action learning oriented programs. Several contributors have argued that entrepreneurship is best learned by the actions of the entrepreneur himself/herself in an atmosphere of trust that allows experimentation and reflection both in and on action (Mc Mullan & Lung 1987, Hills 1988, Åsvoll & Jacobsen 2012). The paper is based on research in line with these recommendations since the knowledge generated comes from an Action Research (AR) project and the methodological reference and background is anchored in the action-based tradition (Rennemo 2006).

The term Action Research contains a variety of traditions and design principles (Reason & Bradbury 2008, Brydon-Miller, Greenwood & Maguire 2003, Dick 2006). The term is also close to and even merges together with other action-oriented concepts, such as Action Learning (Revans 1977), Action Science (Argyris, Putnam & Smith 1985), Action Inquiry (Torbert 2004) and Action Based Development (Rennemo 2006). All together, they have had great impact on

practice oriented research and development work (Minzberg 2004). Even though Action Research was chosen as a methodological orientation in *Women & Growth*, the orientation of the program was quite flexible and took advantage of different action-oriented traditions (Von Friedrichs & Rennemo 2013).

The reason for choosing an AR oriented approach in the *Women & Growth* entrepreneurship development program was assumptions in the project management that such an approach would be the best way to promote growth among the entrepreneurs. These assumptions are anchored in entrepreneurship education programs arguing that entrepreneurship can be learned and facilitated but not taught as well as in general action research oriented literature (Argyris et al. 1985, Lave & Wenger 1990, Daly 2001, Birch 2004, Pittaway & Cope 2007). It is important that the programs and processes involve participants in a spirit of cooperation and democracy, where reflection and experience-based learning are central, where participants are free to take responsibility for their own development and decisions, and set their own goals all of which are very result oriented (Brydon-Miller, Greenwood & Maguire 2003, Grant 2007, Rennemo 2006).

An action-based theoretical approach has a holistic pedagogical orientation matching the holistic nature of entrepreneurship (Page West III, Gatewood & Shaver 2009). This allows flexibility and situation adaption that are dependent upon the variable and quite unpredictable needs from the entrepreneurs involved. In entrepreneurship education, it is argued that there are two recent trends; one to narrow the scope and deliver specialized educational demands, the other is to widen the scope and present the entrepreneur with a learning environment that challenges mainstream thinking, presents new and unusual perspectives that are holistically oriented (Kuckertz 2013). One advantage of an action-oriented design is the possibility, or more correctly the necessity, to combine both narrowing and widening based upon cooperation between entrepreneurs and trainers.

According to central principles from AR, the questions that are focused on are participant driven. This has relevance to an important matter in entrepreneurship training and education, namely who makes decision about teaching priorities. In classroom and business school education, the topics are predetermined before the learning processes starts and are usually described in curriculums (Nelson & Duffy 2010). In the action-oriented tradition, the topics are participant driven.

The data gathered in this study are collected in the AR oriented *Women & Growth* program for women entrepreneurs. However, the findings are not discussed with reference to a gender aspect. On the contrary, the assumption is that state-of-the-art entrepreneurship education is considered gender independent and it is more meaningful to speak about within-sex differences than between-sex differences. (Ahl 2002, Nelson & Duffy 2010).

## METHOD

The paper is based on an AR design, where 12 researchers/trainers/coaches from four research institutions in the central Scandinavian region were interacting with 24 Swedish and Norwegian women entrepreneurs in a 2.5 year development program. The 24 women entrepreneurs had all committed themselves to growth, although the term growth itself was not predefined. They owned their own companies (more than 50%), had their company as their main income source and the company had existed for more than 3 years. Their businesses were related to three business sectors: health/nursing/welfare work, tourism/creative work and business service/immaterial work (Von Friedrichs & Rennemo 2013). Apart from this the group was rather heterogeneous with regard to characteristics like geography, age, business experience and education. The heterogeneity was intended when recruiting the women to the program and was presented as advantageous for the sharing of experience and for the learning

community. When the women met at the first workshop in January 2011, they were organized in four network groups and the principles of heterogeneity followed the organization of these groups as well. The effects and implications of this will be discussed in the full paper version.

The design of the program is also an answer to the claim that a lack of longitudinal studies in the field of entrepreneurship research is a major methodological drawback regarding accumulation of theory (Sexton 1997, Chandler and Lyon 2001). Most research in entrepreneurship education is based upon university student programs and differs from the context in this paper. Knowledge developed from action-oriented research holds a more marginalized position which underlines the importance of AR studies. As Page West III, Gatewood & Shaver (2009) and Fayolle (2010) emphasize it is important to study less focused research areas and topics. Since entrepreneurial thinking and skills to a large extent are unfolding outside academia, it is important to broaden entrepreneurship training and education beyond the university and business school environments.

Four of the researchers/trainers (two from each country) formed the project leadership team, also representing the link to the financier (INTERREG), one of these was the daily manager of the development program. Additionally one member was recruited to have special responsibility for learning processes in the development program as well as ongoing learning and training among the whole team of researchers/trainers. Except this person, all of them were allocated as resources to the network groups, two from each country. The effect of the competence mix among the researchers/trainers will be fully discussed in the paper version. However, the findings are probably one answer to the request for investigation made by scholars regarding design principles in education programs (Silberzahn & Silberzahn 2010).

As mentioned, the action-oriented tradition emphasizes principles like working with real-life issues, knowledge sharing and the necessity to develop a spirit of openness, trust and democracy. These principles were highlighted in *Women & Growth* as well. On the other hand, the Action label was not a central issue; the group was pragmatic and the program shows traces of different action-oriented traditions.

The data giving empirical documentation to this paper are all produced in, or as a result of, activities in the *Women and Growth* program. The reflections continuously given by both entrepreneurs and team of researchers/trainers during the whole program are important. Some of these are open reflections, and therefore based upon authors' logs, but most of the reflections come from answers given to prepared questions at the end of every workshop. Several of these questions were asked repeatedly through the whole program, and some of them were about contributions from the researchers/trainers. From the entrepreneurs, feedback to the program, opinions about help given from both the researchers/trainers and entrepreneurship colleagues and responses to the network of learning that was established are of course important data, the same can be said for the produced documents, such as project description, workshop agendas, presentations and reports. Additionally some secondary data have been used; the most important being the anthology (Von Friedrichs & Rennemo 2013) that was produced by the team of researchers/trainers in collaboration with the entrepreneurs. Here we find valuable information about the program, program responses from the entrepreneurs and documentation of the entrepreneurship knowledge developed through the program.

## **FINDINGS AND IMPLICATIONS**

Empirical findings and discussions will be found in the full-length paper version. Some main findings though will here be emphasized; the first one is related to the competencies that seem to be crucial to develop among growth oriented entrepreneurs. This project as well as others (Gstraunthaler & Hendry 2011) underlines the necessity to focus on developing an entrepreneurial mind-set (Von Friedrichs & Rennemo 2013, Bogren & Mørkved 2013,

Dahlborg 2013). It can also enrich the entrepreneurs with a variety of perspectives (Bogren, Rennemo & Widding 2013) enabling them to think and act creatively and “outside the box” and encourage them to take risks. An Action Research project over a period of time seems to be very suitable as a program design to manage developing such competencies. In this program the entrepreneurs were supported by a great variety of competencies among the trainers/researchers which seems to have been very important. The trainers’ competencies were able to reflect or mirror the competencies that were needed to develop among the entrepreneurs in different periods of the development program, needs that were recognized as well on individual as well on group levels. But even though the learning network among the entrepreneurs themselves is part of this “knowledge reservoir” (Widding 2005), the focus on learning from each other, as a basic principle in AR programs generally, seems to have been very important. Another positive outcome of the AR process was the competence development among the teachers and researchers from different mid-Scandinavian universities or research institutions involved in this program. Researchers have argued that there is an increasing gap between the steadily raising entrepreneurial education programs offered by universities and the lack of qualified teachers in all educative levels (Singh 2008). This program has demonstrated the effectiveness of the AR strategy in developing competencies among the group of trainers. Also, as shown by others (Finkle, Soper, Fox, Reece & Messing 2009), regional collaboration among different universities enables the whole group of trainers to benefit from the strengths that are only found in some of the locations.

The findings in the paper are presented with reference to a Scandinavian development and research program based upon general principles from AR. Even though the findings presented about design principles and heterogeneity and complementarity among the team of trainers/coaches/researchers seem evident, we have to consider the cultural dimension of the findings. As Hytti (2008) argues, education does not take place in a vacuum. The effects of regional, cultural and environmental aspects need to be taken into consideration when designing an educational program. *Women & Growth*, took place in the Scandinavian region. Here the Scandinavian or Nordic welfare model dominates. It emphasizes elements such as equality, consensus, autonomy, empowerment, cooperation and relational orientation (Schramm-Nielsen, Lawrence & Sivesind 2004). Consequently, it might be that the action-oriented path in entrepreneurship education and training is more suitable to follow in this part of the world than elsewhere. This is an interesting follow-up question for further research.

Finally, another follow-up research question from this study is further investigation in the same group of entrepreneurs that participated in *Women & Growth* in order to find out more about long-term effects of such an AR program. This applies both to the team of researchers/trainers and the long-term effects of cooperation among the four research institutions involved.

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# **ANALYSIS OF SAFETY PRACTICES IN SMALL AND MEDIUM SIZE ENTERPRISES: A FIELD RESEARCH IN THE NIGERIAN AUTOMOBILE SECTOR**

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*The occupational safety imbalance caused by human actions has forced the major world governments to include safety issues in their agendas. This imbalance is a consequence of non-compliance with international standard and practices. This study aims to identify and analyse the status of workers in automobile small and medium enterprises in relation to safety practices and non-financial performance. The sector was chosen because it is considered a reference in relation to employment generation sector and a cluster with high exposure to high occupational hazards and accidents. A literature review on the subject and field research were used as the study methodology. A survey of 46 SME enterprises was utilized as instrument for data collection. The data were treated by descriptive statistics using SPSS version 22. . As a result, the accident information and health related issues like injury, hazards and the like were revealed. The results serve as a basis for cluster studies on human infrastructure and contribute to the literature on the theme.*

# WHEN DO CONSUMERS PERCEIVE AUTHENTICITY IN CSR ACTIVITIES? THE EFFECT OF CSR PRODUCT PRICING

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## ABSTRACT

*Companies' CSR efforts are often met with consumers' skepticism: consumers question firms' true motivation behind CSR activities and, in general, do not perceive them to be authentic. In this research, we propose that companies can influence the perceived authenticity of CSR motivation through pricing of products sold for a good cause with companies' intent to be socially responsible ("CSR products"). In three experiments, we found that pricing of CSR products influenced perceived authenticity of the CSR motivation and that consumers' lay theories moderate this effect. Moreover, the positive effect of setting a low price for a CSR product spilled over to the evaluation of company and brand. And this effect was not observed with a non-luxury brand. Finally, we discuss important implications for research on CSR and for a strategy to communicate authenticity of the CSR motivation to consumers.*

## INTRODUCTION

The recent consensus among the academia and the industry has been that consistent activities based on public relation and authenticity through corporate social responsibility (CSR) are critical factors for company and brand reputations as well as their long-term growth (Edelman, 2013; Porter and Kramer, 2011).

However, credibility and the perceived authenticity of consumers on CSR has remained low despite companies' efforts. The 2012 study jointly performed by the East Asia Institute and the Research Institute for Social Enterprise showed about 80% of respondents agreed that the purpose of CSR is to improve reputations. This tendency has been more evident on luxury brands, and public media has criticized that companies of luxury brands only focused on profits neglecting donations and CSR (Kim, 2014; Seo, 2014).

This study suggests that consumer recognition on authenticity can be affected by pricing of the CSR products of luxury brands, which means the authenticity can be improved by actively promoting consumer participants through low-pricing policy on CSR products of luxury brands rather than maintaining its high-pricing strategy essential for building the brand image.

However, the return may depend on the strength of 'lay theories,' which the consumers have on the marketing activities of companies. That is, the stronger the lay theories that the purpose of marketing activities of luxury brands is to maintain its brand image, the more doubts on CSR activities of luxury brands through low-priced CSR products. Those consumers suspect there's another motivation behind the superficial motivation of CSR and cast doubts on the authenticity (Persuasion Knowledge Model; Friestad & Wright, 1994). On the other hand, low-priced CSR products of luxury brands can be translated into

active efforts and may lead to the perceived authenticity when they have weak ‘lay theories’ on luxury brands.

Therefore, this study was carried out to suggest methods to present CSR activities of luxury brands so that consumers recognize the authenticity. There are several purpose of the current research. First, pricing effect was examined to see if it is relevant to signaling CSR motivation on consumers. Second, a moderating effect on consumers’ lay theories was examined when the authenticity of CSR motivation was affected by the pricing and brand type of the CSR products. Finally, the effect of a low-pricing policy on company and brand reputation was examined when it is applied to CSR products which have good authenticity recognition about its CSR motivations.

Three behavioral experiments were carried out. Authenticity on CSR motivation was reviewed from following literatures, and the reason of inferring CSR motivation was explained by the persuasion knowledge model. To support the variation of the perceived authenticity on CSR motivation, consumers’ lay theories were studied as a moderator.

### **STUDY ON AUTHENTICITY**

A market offering can be an object for judging authenticity in the marketing context (Grayson & Martinec, 2004), and this study chose CSR products as such objects.

Previous studies on authenticity can be divided into two categories. One is the studies on the variables acquired from the judgment on authenticity, and the other is on the variables resulted from the company programs known as authentic or the leadership of managers. The former studied the effects related with brand evaluation (Ewig et al., 2012; Grayson and Martinec, 2004; Napli et al., 2014; Spiggle et al., 2012) such as brand behavior, purchase intention and recommendation intention, while the latter investigated the effects on organization identity, connection among employees (McShane and Cunningham, 2012) and organization engagement (Peus et al., 2012).

The two categories of authenticity studies have following characteristics. Studies on authenticity employed more qualitative methodologies (Beverland and Farrelly, 2010; Liedtka, 2008; McShane and Cunningham, 2012; Thompson et al., 2006). This implies that the researchers of authenticity studies thought qualitative methods were more appropriate as authenticity can be treated as identity or moral values.

This study defined authenticity as the positive emotions which is made when companies’ sincere intention is transferred to the customers in the course of providing products, brands and services to them. In the CSR context, authenticity of CSR motivation is different from the motivation to increase profit or manage image (Yoon et al., 2006). Therefore, sacrifice is the essence of authenticity, which accepts losing profits.

Self-sacrifice is equivalent to the authenticity of CSR motivation. Self-sacrifice is a contrasting concept to self-interest. Self-sacrifice is expressed by the loss of welfare, while self-interest is translated into the maximization of welfare (Overvold, 1980). Self-interest is a contrasting concept to other-orientation (De Dreu & Nauta, 2009). Communal orientation, which shows a tendency to consider others, is contrasting to agentic orientation, which pursues interests and goals of one’s preference (Rucker et al., 2012).

In the viewpoint of companies, self-interest of a company is equivalent to the profit it can take from its revenue or brands while self-sacrifice is to renouncing the profit. Price is related with the profit of a company, and it can make self-sacrifice by decreasing the price.

## **PERSUASION KNOWLEDGE MODEL**

The persuasion knowledge model explains how consumers infer ulterior intentions of the motivations in CSR activities regarding authenticity recognition, company reputation and brand evaluation.

According to the persuasion knowledge model by Friestad and Wright (1994), persuasion knowledge is used when consumers suspect or react to the intention of marketers. Once persuasion knowledge of consumers comes up, or the consumers recognize the persuasion intention from persuasion messages, it leads to change-of-meaning in the persuasion message. At this moment the consumers suspect the activities of whom tries to persuade, such as marketers, and resist to them (Friestad and Wright, 1994). In other words, the consumers may have doubts on persuasion messages and activate psychological defensive mechanism when they acquire higher persuasion knowledge. This phenomenon can be observed from the studies which applied the model in the context of evaluating activities of marketers.

Campbell and Kirmani (2000) claimed that consumers conclude that marketers are not authentic when doubts appear after they infer ulterior motivations of marketers' activities. Other studies based on the persuasion knowledge model include the influences related to donation intention (Hibbert et al., 2007), purchase intention (Guo and Main, 2012), product selection (Williams et al., 2004; Morales, 2005), and overall evaluations on advertisements and brands (Lorenzon and Russell, 2012).

## **LAY THEORIES**

This study defined lay theories as the thoughts or beliefs of respective consumers when they tried to infer the ulterior motivations of companies regarding the marketing stimuli that the companies introduced in the marketing context. The above definition of the lay theories is supported by its characteristics described in the following paragraphs.

Hong et al.(2001) used the terms, "lay, implicit, naïve, intuitive, common sense, or background belief" to refer to the theories people uses in their daily lives. They suggested as such because people do not necessarily need to know their respective theories or its consequences. In other words, it means the thought or belief of an individual is not based on expertise. Also, Schwarz claimed lay theories connect individual experiences with the idea inferred from the experiences (Schwarz, 2004).

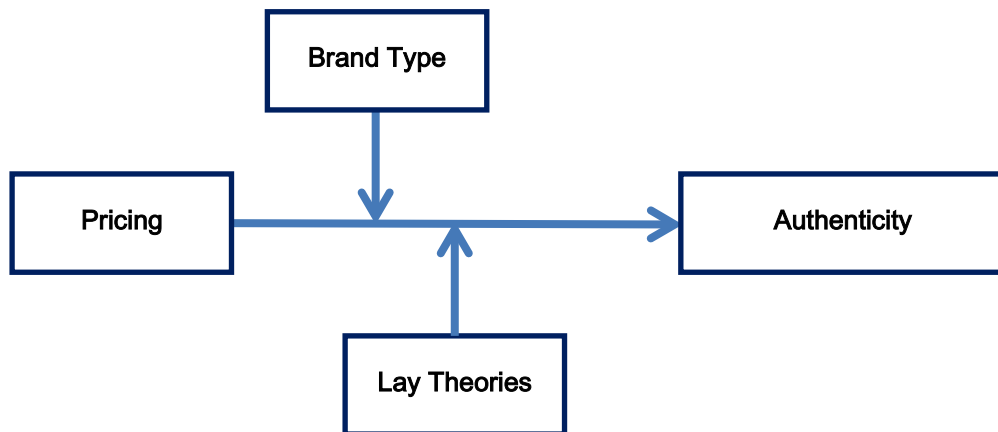
Previous studies suggested that lay theories affect purchase intention (Newman et al., 2014), product selection (Huang, Dong and Mukhopadhyay, 2014) and brand evaluation (Jain, Mathur and Maheswaran, 2009).

Lay theories are believed to play a critical role for consumers to judge as it can induce a fundamental change on consumers' perception. This can be explained by marketing placebo. Placebo effect in the marketing activities refers to an influence of lay theories on products or services through arousing expectation on them (Shiv et al, 2005). Previous studies on marketing placebo emphasized univocally the influence of lay theories, and reported that consumers made different decisions other than their initial evaluations (Shiv et al, 2005; Wright et al., 2013). In other words, lay theories could affect consumers' decisions as much as they generate placebo.

## HYPOTHESES

The conceptual model in Figure 1 describes what was discussed in the previous studies referred above.

**Figure 1. Conceptual model**



Price is basically an indicator of monetary sacrifice and indicates the product quality (Bornemann et al., 2011; Leavitt, 1954; Völckner, 2008). In addition, price signals several things. Pricing indicates price preferences of consumers (Coulter and Grewal, 2014) and the reputation of online retailers (Jarmon, 2009).

If a CSR product of a luxury brand is low-priced, then it will not be well accepted by many consumers of prior interest in luxury brands. Because the pricing which is contradictory to lay theories triggers persuasion knowledge to come up, and generates doubts that the low pricing has ulterior intention of CSR rather than authentic intention of CSR.

As described above, people with more prior interest in luxury brands can be regarded as having strong lay theories. It suggests prior interest in luxury brands can be a proxy variable to measure the strength of one's lay theories, which leads to the following hypotheses.

- H1 The people with lower prior interest in luxury brands recognize the authenticity of CSR motivation more than those with higher prior interest do when a luxury brand priced CSR products lower than regular products.*

In order to verify hypothesis 1, prior interest in luxury brands was employed as a proxy variable to measure lay theories. In particular, 'high price-premium image lay theories,' or H-P lay theories in short, was chosen for more direct measurement of lay theories. 'H-P lay theories' in this study refer the belief that 'luxury brands manage their image with high-pricing to get profit.' People with 'H-P lay theories' may pay attention to the change of a company running a huge risk and suspect its ulterior intention rather than accepting the activity as a usual one. In addition, the following hypothesis was extended to non-luxury brands to confirm if the hypothesis can be applied to them.

- H2 *The people with weak 'H-P lay theories' recognize the authenticity of CSR motivation more than those with strong 'H-P lay theories' do when a luxury brand priced CSR products lower than its regular products, which is not the case for a non-luxury brand.*

Provided that the hypotheses 1 and 2 are supported, the most effective combination for the perceived authenticity of CSR motivation is when CSR products of a luxury brand are low-priced. If the CSR motivation is accepted authentic, the reputation and brand evaluation about the company executing the CSR activities becomes favorable. This leads to Hypotheses 3 and 4 as follows.

- H3 *The people with weak 'H-P lay theories' give more favorable reputation evaluation about the company of a luxury brand introducing low-priced CSR products than those with strong 'H-P lay theories' do, which is not the case for a non-luxury brand.*

- H4 *The people with weak 'H-P lay theories' give more favorable brand evaluation about the luxury brand introducing low-priced CSR products than those with strong 'H-P lay theories' do, which is not the case for a non-luxury brand.*

### **EXPERIMENT 1: THE EFFECT OF PRICING STRATEGY ON AUTHENTICITY RECOGNITION**

To confirm Hypothesis 1, a two-group experiment was designed according to the CSR product pricing strategy of luxury brands: regular pricing vs. low pricing. 'Prior interest in luxury brands' used for a moderator was measured as a continuous variable.

In order to familiarize the product prices of luxury brands to the participants of the experiment, a fashion magazine article about luxury brands were presented with a fictional scenario. The article had two paragraphs, whose first sentence introduced a fashion brand and the second one referred CSR activities of the target brand. As target brands, a fictional brand of 'Moyali' was created and placed in between the real brands of COACH and RALPH LAUREN. As a target product, a shoulder bag was chosen as its exposure was less dependent on the season (Wang and Griskevicius, 2014).

To control the pricing strategy, the following sentences were presented for each group, respectively. For a group of 'regular pricing,' 'Regular pricing for a new Moyali shoulder bag for fund-raising.' For the other group of 'low pricing,' 'Huge discount of 25% for a new shoulder bag for fund-raising compared to other Moyali bags.'

Authenticity of CSR motivation was measured on a seven-point scale (7= "strongly agree", and 1= "strongly disagree"), answering the question, 'This company fulfills social responsibility scarifying economically' (De Cremer et al., 2009). 'Prior interest in luxury brands' was measured on a seven-point scale (7='a lot of interest', 1='very little interest'; 'How much interest about luxury brands do you usually have?').

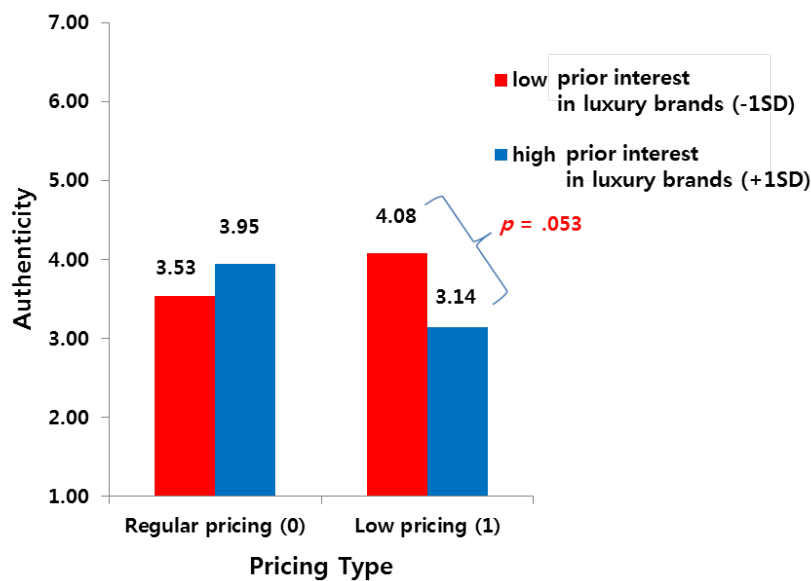
In July 2014, 59 students in the Chungcheong region in South Korea, among whom 29 was female, participated the experiment. Participants were distributed randomly into two groups according to the CSR product pricing strategy of luxury brands: regular pricing vs. low pricing.

Multiple regression analysis was used to confirm Hypothesis 1, which employed the type of CSR product pricing strategy (dummy coding: 0 for regular pricing and 1 for low pricing) and mean-centered 'prior interest in luxury brands' as continuous variables, and measured the 'authenticity of CSR motivation' as a predictor.

The result showed that the interaction of the CSR product pricing strategy type and the prior interest was significant ( $\beta = -.43$ ,  $t(55) = -1.91$ ,  $p = .061$ ). In order to interpret the interaction, a spotlight analysis was carried out applying  $\pm 1SD$  on the mean of the prior interest in luxury brands as shown in Figure 2. As predicted, the people with lower prior interest ( $-1SD$ ) in luxury brands recognized the authenticity of CSR motivation more than those with higher prior interest ( $+1SD$ ) did when a luxury brand priced CSR products lower than regular products ( $M_{\text{Low interest, Low pricing}} = 4.08$  vs.  $M_{\text{High interest, Low pricing}} = 3.14$ ,  $\beta = -.30$ ,  $t(55) = -1.97$ ,  $p = .054$ ). The relation between prior interest in luxury brands and CSR product pricing strategy was not significant.

**Figure 2. Experiment 1(Authenticity of CSR motivation):**

**Interaction between the pricing type and the prior interest in luxury brands**



As described above, prior interest in luxury brands was confirmed as a moderating variable that controls the effect of low pricing to the consumer recognition on the authenticity of CSR motivation. In order to increase its reliability and validity, a following experiment needed to adopt a moderating variable that measured the concept of lay theories in a direct manner and measured the authenticity of CSR motivation from multiple questionnaires, which was applied to Experiment 2.

## **EXPERIMENT 2: THE EFFECT OF PRICING STRATEGY AND BRAND TYPE ON AUTHENTICITY RECOGNITION**

Experiment 2 expanded its scope in two ways compared to Experiment 1. One is the comparison between luxury brands and non-luxury brands, and the other is to confirm the moderating effect using ‘H-P lay theories’ as a variable of direct measurement unlike Experiment 1 which used a proxy variable instead. The experiment in June 2014 was carried out with participants of 61 students among whom 26 was female. Participants were distributed randomly into four groups according to the pricing strategy: regular pricing vs. low pricing, and the brand type: luxury brands vs. non-luxury brands. In non-luxury condition, ‘Moyali’ was placed in between the real brands of GAP and FOREVER21. The procedure of

the experiment was the same as that of Experiment 1.

Authenticity of CSR motivation was measured on a seven-point scale (7= “strongly agree”, and 1= “strongly disagree”), to answer the question such as ‘this company fulfills social responsibility scarifying economically.’, ‘this company returns its profits for society’, ‘this company carries out its social responsibility though it should take risk of getting damaged luxury brand value.’ Reliability was calculated at  $\alpha=.60$ . We measured ‘H-P lay theories’ using a six-item such as ‘if luxury brands reduce price, it would damage premium image’, ‘if luxury brands launch products on the low price, consumers would evaluate unfavorably the products’, ‘if luxury brand maintain the high level of pricing, consumers who like luxury brands would purchase them consistently’, ‘even if luxury brands reduce the price temporarily, there is no problem to maintain premium image-®’, ‘if luxury brands reduce the price temporarily, sales would be negatively influenced’, ‘if luxury brands reduce the price temporarily, consumers who like luxury brands would rate value of luxury brands high-®’ (7= “strongly agree”, and 1= “strongly disagree”; ® is reversed item). Reliability was calculated at  $\alpha=.74$ .

In order to confirm Hypothesis 2, multiple regression analysis was conducted to measure the authenticity of CSR motivation, where the type of CSR product pricing strategy (dummy coding: 0 for regular pricing and 1 for low pricing), the brand type (dummy coding: 0 for non-luxury brands, 1 for luxury brands) and mean-centered ‘H-P lay theories’ as continuous variables, and measured the interaction term of the three variables as a predictor.

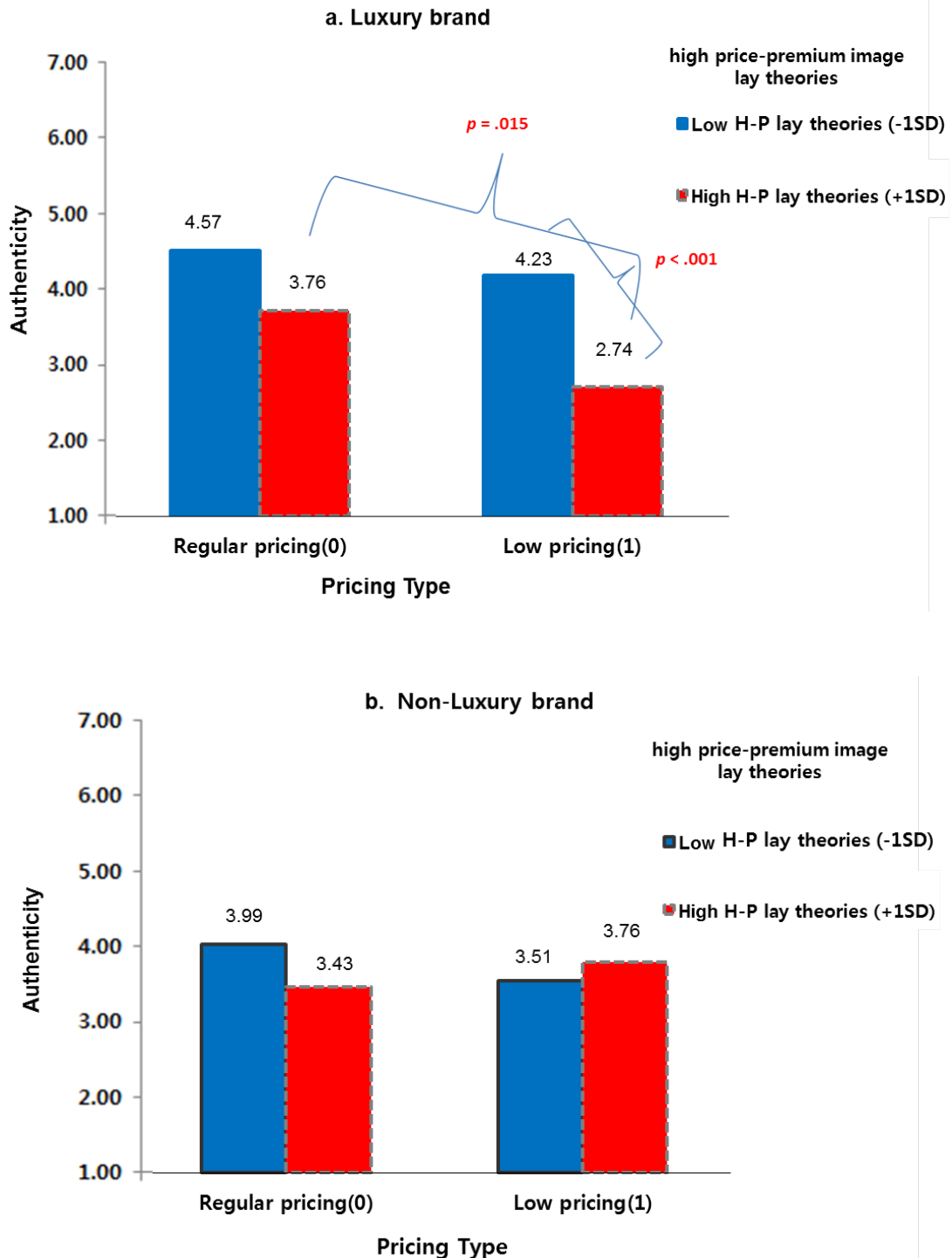
As a result, the main effect of each variable was not significant, while the three-way interaction among pricing strategy, brand type, and ‘H-P lay theories’ was significant ( $\beta = -.392$ ,  $t(53) = -1.687$ ,  $p = .097$ ). In order to interpret the interaction, a spotlight analysis was carried out applying  $\pm 1SD$  on the mean of the ‘H-P lay theories’ as shown in Figure 3. The people with strong lay theories (+1SD) showed a significant interaction between the pricing strategy and the brand type ( $\beta = -.64$ ,  $t(53) = -2.28$ ,  $p = .027$ ).

On luxury brands, the consumers with weak ‘H-P lay theories’ showed higher recognition on the authenticity of CSR activities than those with strong lay theories did when CSR products were low priced ( $M_{\text{Luxury brand, Low pricing, Strong lay theories}} = 4.23$  vs.  $M_{\text{Luxury brand, Low pricing, Weak lay theories}} = 2.74$ ,  $\beta = -.70$ ,  $t(53) = -3.71$ ,  $p < .001$ ). On luxury brands, furthermore, the consumers with strong ‘H-P lay theories’ showed higher recognition on the authenticity of CSR activities when CSR products were priced comparable to regular products rather than being priced low ( $M_{\text{Luxury brand, Regular pricing, Strong lay theories}} = 3.76$  vs.  $M_{\text{Luxury brand, Low pricing, Strong lay theories}} = 2.74$ ,  $\beta = -.58$ ,  $t(53) = -2.52$ ,  $p = .015$ ).

On the other hand, on luxury brands, the people with strong lay theories (+1SD) was less likely to recognized the authenticity of CSR motivation when it priced low for its CSR products compared with the same activities done by a non-luxury brand company ( $M_{\text{Luxury brands, Low pricing, Strong lay theories}} = 2.74$  vs.  $M_{\text{Non-luxury brands, Low pricing, Strong lay theories}} = 3.76$ ,  $\beta = -.56$ ,  $t(53) = -2.19$ ,  $p = .034$ ). However, on non-luxury brands, interaction between the pricing strategy and ‘H-P lay theories’ was not significant ( $\beta = .07$ ,  $t(53) = 2.44$ ,  $p = .808$ ), which supported Hypothesis 2.



**Figure 3. Experiment 2 (Authenticity of CSR motivation):**  
**Interaction effect among pricing strategy, brand type, and H-P lay theories**



The following experiment expanded its scope further, which was tried to confirm the effects of CSR product pricing strategy on company reputation and brand evaluation in addition to the perceived authenticity of CSR motivation.

### EXPERIMENT 3: EVALUATION OF COMPANY AND BRANDS

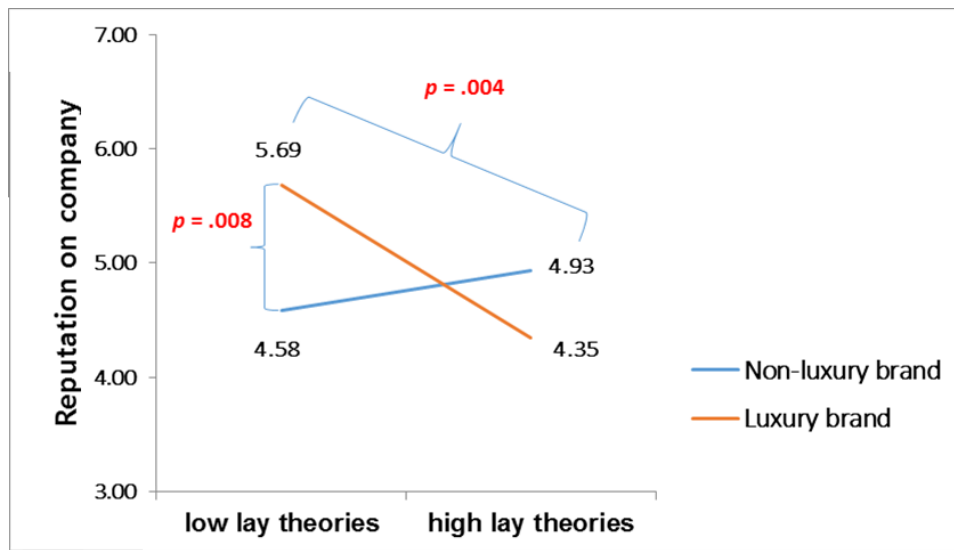
Experiment 3 was carried out to achieve two purposes. One is to find if ‘lay theories’ employed as a dependent variable in Experiment 1 and 2 influences company and brand evaluation as well as the perceived authenticity on CSR motivation, and the other is to compare luxury brands and non-luxury brands.

In order to achieve such purposes, an experiment was designed consisting of two groups according to brand types: luxury brands vs. non-luxury brands. ‘H-P lay theories’ was used for a moderator and measured as a continuous variable. The experiment was carried out in November 2014 on 180 students, among whom 50 participants were female. They were distributed into two groups randomly according to brand types: luxury brands and non-luxury brands. The stimuli and procedure of the experiment were the same as that of Experiment 2.

Authenticity of CSR motivation was measured in the same way as Experiment 2 ( $\alpha=.60$ ). ‘H-P lay theory’ was measured using a six-item similar to Experiment 2 on a seven-point scale (‘to maintain the high level of pricing is necessary to keep brand image’, ‘if brand adopts a low pricing policy, it would damage the whole brand image’, ‘company puts a high price on the product to seem luxurious’, ‘if brands adopt a low pricing policy, consumers would evaluate unfavorably’, ‘if brand adopts a high pricing policy, consumers who like brands having premium image would purchase it’, ‘companies use the way of high pricing to enhance its brand image.’;  $\alpha=.80$ ).

Multiple regression analysis was conducted to measure a dependent variable of ‘company reputation.’ The interaction between the brand type and ‘H-P lay theory’ was significant ( $\beta = -.23$ ,  $t(176) = -1.71$ ,  $p = .089$ ). In order to interpret the interaction, a spotlight analysis was carried out applying  $\pm 1SD$  on the mean of ‘H-P lay theories’ as shown in Figure 4. The consumer with weak ‘H-P lay theories’ ( $-1SD$ ) recognized that the reputation of luxury brands were higher than that of non-luxury brands when CSR products were low priced. ( $M_{\text{Non-luxury brands, Weak lay theories}} = 4.58$  vs.  $M_{\text{Luxury brands, Weak lay theories}} = 5.59$ ,  $\beta = -.72$ ,  $t(176) = -2.83$ ,  $p = .005$ ). The consumers with strong ‘H-P lay theories’ showed higher brand evaluations than those with weak ‘lay theories’ when CSR products of luxury brands were low priced ( $M_{\text{Luxury, Strong lay theories}} = 4.97$  vs.  $M_{\text{Luxury, Weak lay theories}} = 5.54$ ,  $\beta = -.84$ ,  $t(176) = -2.68$ ,  $p = .008$ ). Consumers with weak ‘H-P lay theories’ recognized a company’s reputation higher than those with strong ‘lay theories’ did when CSR products of luxury brands were low priced ( $M_{\text{Luxury brands, Weak lay theories}} = 5.69$  vs.  $M_{\text{Luxury brands, Strong lay theories}} = 4.35$ ,  $\beta = -.45$ ,  $t(176) = -2.95$ ,  $p = .004$ ).

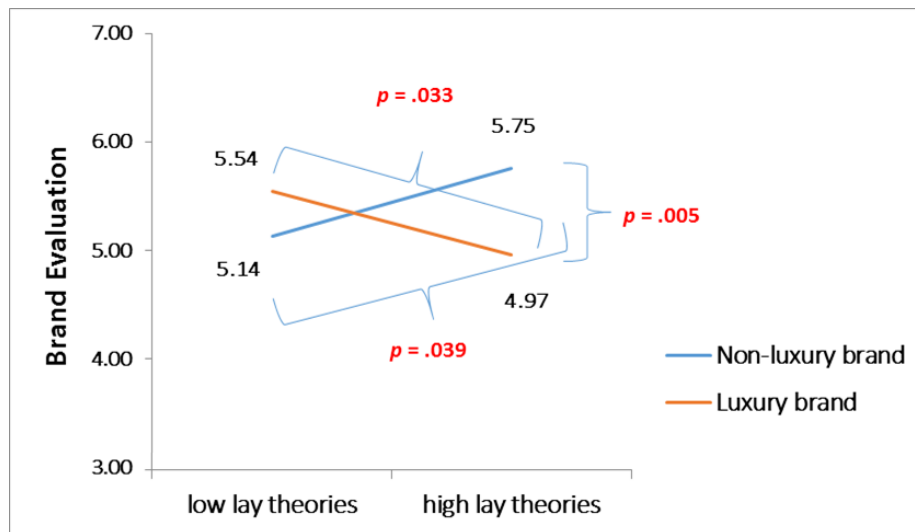
**Figure 4. Experiment 3 (Reputation on Companies):**  
**Interaction between brand types and H-P lay theories**



Also, multiple regression analysis was carried out to evaluate ‘brand evaluation.’ The main effect of ‘H-P lay theories’ on the brand evaluation was significant ( $\beta = .26$ ,  $t(176) = 2.14$ ,  $p = .034$ ), and the interaction between the brand type and ‘H-P lay theories’ were significant as well ( $\beta = -.51$ ,  $t(176) = -2.99$ ,  $p = .003$ ). In order to interpret the interaction, a spotlight analysis was carried out applying  $\pm 1SD$  on the mean of ‘H-P lay theories’ as shown in Figure 5. The consumer with strong ‘H-P lay theories’ (+1SD) was less likely to recognize the authenticity of CSR motivations of luxury brands than that of non-luxury brands when CSR products were low priced ( $M_{\text{Non-luxury brands, Strong lay theories}} = 5.75$  vs.  $M_{\text{Luxury brands, Strong lay theories}} = 4.97$ ,  $\beta = -.72$ ,  $t(176) = -2.83$ ,  $p = .005$ ). Consumers with weak ‘H-P lay theories’ recognized higher brand reputation than those with strong ‘lay theories’ did when the CSR products of luxury brands was low priced ( $M_{\text{Luxury brands, Strong lay theories}} = 4.97$  vs.  $M_{\text{Luxury brands, Weak lay theories}} = 5.54$ ,  $\beta = -2.27$ ,  $t(176) = -2.14$ ,  $p = .033$ ).

As a remark, consumers with strong ‘H-P lay theories’ recognized higher brand reputation than those with weak ‘lay theories’ did when the CSR products of non-luxury brands was low priced ( $M_{\text{Non-luxury brands, Strong lay theories}} = 5.75$  vs.  $M_{\text{Non-luxury brands, Weak lay theories}} = 5.14$ ,  $\beta = 2.25$ ,  $t(176) = 2.08$ ,  $p = .039$ ).

**Figure 5. Experiment 3 (Brand evaluation):**  
**Interaction effect of brand type and H-P lay theories**



In Experiment 3, the effect of ‘H-P lay theories’ on company reputation and brand evaluation was confirmed when CSR products were low priced depending on the brand type. The experiments with improved questionnaires about ‘H-P lay theories’ showed an equivalent effect could be achieved like what was observed from Experiments 1 and 2. That is, the authenticity of the CSR motivation of luxury brands was less recognized when ‘H-P lay theories’ was strong, while the respect to a company and brand evaluation of luxury brands were higher when ‘H-P lay theories’ was weak. Therefore, the experiment supported Hypothesis 2 and showed the same effect on company reputation and brand evaluation.

## CONCLUSION

Our primary finding is that the pricing strategy of CSR products signaled the perceived authenticity of the CSR motivation of luxury brands, and the effect was moderated by lay theories. Furthermore, low-priced CSR products of luxury brands gave positive influences not only on the perceived authenticity of CSR motivation but also on the company reputation and brand evaluations to consumers with weak lay theories.

The findings from Experiments 1 to 3 suggested marketers the following implication. First, it was effective to employ lay theories as one of the criteria to categorize consumers when launching CSR products. In particular, it was more effective to address consumers of low prior interest in luxury brands for the campaigns targeting new customers rather than existing ones. Second, it was more applicable in practical uses because lay theories were assessed by a proxy variable (prior interest in luxury brands) which was relatively easy for marketers to measure. Third, it was helpful to deliver authenticity of CSR motivations of luxury brands when a low-pricing strategy for CSR products was employed as a communication strategy. Fourth, it suggested a way to differentiate the CSR strategy of luxury brands from that of non-luxury brands. Future research expanded its scope will be expected.

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# **THE ROLE OF MUSIC IN MOTION PICTURE ADVERTISING AND THEATRICAL TRAILERS: ALTERING MUSIC TO MODIFY EMOTIONAL RESPONSE AND GENRE EXPECTATIONS**

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## **ABSTRACT**

*The abundance of theatrical trailers released today is undeniable, and combined with the ability to access and view these creative advertisements on a multitude of platforms, one may wonder about the effectiveness of various elements in trailers. Theatrical trailers are, essentially, advertisements for movies, and they create expectations of what viewers will see in the film product. Music selection plays a vital part in the strategic creation of the trailer, and movie marketers must consider the role and impact music will have on consumers' evaluations and considerations to see the film.*

*The impact of music in advertising has been widely investigated, with studies ranging from musical congruency and likeability to levels of involvement. Similarly, studies have been conducted examining the functions and importance of music in films. However, none have investigated how these emotions relate to the viewers' perceptions of movie genre. The purpose of this study is to explore emotions evoked by elements of music in a theatrical trailer and investigate potential relationships between the emotions elicited and the movie genre expectations of viewers.*

*Viewers were exposed to one of four theatrical trailers for the movie, "The Secret Life of Walter Mitty," each with a different musical selection. After viewing, subjects were asked to select relevant feelings/descriptors and which one of nine movie genres best represented the film. Results show a relationship between the emotions elicited from a musical selection and the movie genre expectations of viewers.*

*This study sheds light on the emotional interpretation of music, an important variable widely employed in advertising and theatrical trailers. Music affected the feelings/descriptors selected and did, in turn, have a significant effect on movie genre perceptions. As the majority of respondents rated music as unimportant, music appears to be a subconscious factor because it did have a significant effect on selection of feelings/descriptors. Music was the only variable manipulated across the four trailer versions, and thus, it is the only explanation for differences in the selection of feelings/descriptors across the trailers. Prior studies have identified how music helps establish the tone of a film and shape ambiguous situations. Such findings go hand-in-hand with the notion that music is a subliminal factor, as music persuades viewers to feel a certain way in various situations yet does so without viewers explicitly realizing it.*

# THE INFLUENCE OF COMPETITIVE PRESSURE ON INNOVATIVE CREATIVITY

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## ABSTRACT

*Government policy to open free market changes business environment. It will then deeply influence SME's competitive rate especially on creative industries. Tight competition pushes entrepreneurs in batik industry to keep on innovating, such as innovation in product, design, dyeing method, technology, and service innovation. These need to be done to make batik industry more interesting in import and export market. One local heritage creative industry in Indonesia is batik industry. This study is aimed to investigate and analyze the influence of competitive pressure on innovative creativity and competitiveness of batik SME in Indonesia. Design method in this study is survey method on batik entrepreneurs in Indonesia. The number of samples are 168 respondents. Purposive sampling technique is used to decide sample, based on certain criteria that is the frequency of exporting batik into foreign countries. Data is analyzed by using Structural Equation Modelling (SEM) and AMOS 16.0 program. Hypotheses results state that competitive pressure does not affect product innovative creativity skill, on the other hand competitive pressure affects the ability to adapt with business environment change. Adaptive ability on business environment change also affects batik industry's marketing performance. Product innovative creativity also affects significantly on SME's product performance. Competitive pressure in business environment will push entrepreneurs to be more creative in developing their product and to improve SME's competitiveness. Results from this study contribute to Resource Based View theory (RBV) states that an organization will be able to improve marketing performance through product innovative creativity and adaptive ability to business environment change.*

*Key Word: Competitive Pressure, Marketing Performance, Batik SME*



# **COMPARISON OF TAX/LEGAL RESEARCH SERVICES**

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## **ABSTRACT**

*The main goals of tax research include answering tax questions and communicating information. Additionally, the tax researcher needs to work efficiently and effectively. This paper introduces commercial tax services as tools to conduct efficient and effective tax research. Moreover, this paper discusses specific commercial services including RIA Checkpoint (RIA), CCH IntelliConnect (CCH), Bloomberg BNA U.S. Income Portfolios Library, Lexis-Nexis, LexisNexis Academic, and Westlaw. Karlin (2009) cites advantages of tax research services including libraries, searches, and links.*

# **LOCAL PROBLEM, GLOBAL SOLUTION: MITIGATING ANTIMICROBIAL RESISTANCE IN MULLENIA**

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**Gretchen Kaufman, Paul G. Allen School for Global Animal Health**

## **CASE DESCRIPTION**

*This multidisciplinary case presents real issues using fictitious characters and plots that bear no direct reflection to any existing individuals. The case represents a complex scenario that may not have a correct or perfect solution, and thus requires a judicious balance of creative, perceptive and knowledgeable approaches. The information included within the case is adapted from real occurrences and can represent real life situations. The case study is at an appropriate level for university graduate students and upper level undergraduates, and can be utilized for any university major interested in multidisciplinary subjects. The case can be taught using different formats: it can be introduced and discussed over two one-hour sessions. Using this approach, students can prepare for the case prior to class and come ready to make contributions by offering recommendations in groups. It can also be presented as a class project or group competition over a weekend to allow more in-depth analysis of the problems and stronger solutions. When used as a class project, students should be given no less than six hours to come up with actionable recommendations for the case.*

## **CASE SYNOPSIS**

*The President of the Democratic Republic of Mullenia (a fictional state) convened an emergency meeting of the Disaster Management Taskforce (DMT) under the office of the Prime Minister responsible for coordinating all aspects of disaster management in mainland Mullenia. The taskforce comprising the heads of several ministries was called in order to address a recently identified public health crisis stemming from increased antimicrobial drug resistance (AMR). The most affected areas in the country are rural, which typically lack adequate medical resources, but the AMR is rapidly spreading into urban areas as well. A preliminary survey shows that this trend correlates with the indiscriminate sale and use of antimicrobials from unregulated markets and private drugstores that do not require prescriptions. Challenged with poor medical infrastructure and shortage of trained personnel, the country is determined to tackle the issue holistically. This means that, at the least, expertise in medicine, business/economics, sociology/anthropology and public policy is required. You (or your team) have been hired by the Government of Mullenia to offer both short and long term solutions to address these issues.*

# USING A HYBRID TEACHING STRATEGY IN GRADUATE ACCOUNTING COURSES

**P.N. Saksena, Indiana University South Bend**

## ABSTRACT

*There is growing and consistent evidence that an increasing number of credit hours are being completed through online and hybrid courses. The growth of online and hybrid courses is driven by a number of factors. First, generational shift which includes current students being comfortable with distance education, primarily through web-based tools. Second, ease and flexibility that online and hybrid courses afford adult learners. Third, significant strides in the world of educational technology which has led to a growing number of apps and tools to aid online and hybrid learners. Fourth, growing numbers of adult and degree-completion learners with limited capacity for static face-to-face learning.*

*While there has been growth, there is a growing divide within academia with one group experimenting with alternative teaching strategies, like offering courses through online and hybrid courses. What is clear is that, as technology changes and future generations, comfortable with web-based education mature, a growing number of mid-tier face-to-face only institutions face the risk of going the way of dinosaurs.*

*Accounting, as a discipline, is viewed as being dry, number intensive and procedural in nature. Typically it would be viewed as a discipline that would not lend itself to online or hybrid teaching since it requires hands-on and step-by-step instructions. However, the author used hybrid teaching methodology in mostly graduate accounting courses, and once in a junior level class too. Student performance and student feedback indicates that offering courses through a hybrid model is an effective teaching strategy. Students' anxiety level is greatly reduced once they understand how the model works and they perform better in online sessions, with greater engagement, than in face-to-face sessions even though online sessions are more time and effort intensive. With over five years of experience teaching in a hybrid format, the data suggests that it is an effective method of instruction which is preferred by most students.*

## INTRODUCTION

There is growing evidence that an increasing number of credit hours are being completed through online and hybrid courses. The Online Learning Consortium has conducted a survey to track the growth of online education in the United States. In its tenth year, 2012, responses from more than 2,800 leaders of academic institutions revealed that more than 6.7 million users took at least one online course during fall 2011; thirty-two percent of students in higher education took at least one course online; seventy-seven percent of academic leaders rated online course learning outcomes as being better than those in face-to-face courses; and 69.1% of chief academic officers recognize online strategy as being critical to their long term strategy (Online Learning Consortium, 2012).

There are a number of reasons that have led to the growth of online and hybrid courses. The first is that the current generation of students is very comfortable with distance education, primarily through web-based tools. The Millennial generation has grown up with cell phones, the Internet and the Web. They are more technologically proficient than their faculty and over two-

thirds of them own a computer by the time they reach college. Additionally, most of the Millennial generation has used the Internet for homework and most have used e-mail (Dziuban, Moskal and Hartman, 2012). The second reason is that online and hybrid classes offer learners ease and flexibility, which allows learners to continue working jobs while taking classes. Third, there are a number of apps and tools that have helped learners take online and hybrid courses. Lastly, distance technologies offer adult and degree completion learners the opportunity and outlets to achieve their goals.

The next section details how the author used the hybrid teaching strategy in accounting courses (mostly graduate and one undergraduate course). The last section is the conclusion section.

## **EXPERIENCE WITH ACCOUNTING COURSES**

The author has used the hybrid teaching methodology for over five years in a number of graduate accounting courses (Consulting and Strategic Cost Management, Forensic Accounting and Advanced Auditing), and in one junior level accounting course (Accounting Information Systems), at a regional university in the Midwest. The motivation for using the hybrid mode of course delivery came from improvements in technology which made online sessions possible as well as through student requests since they typically work full-time and this mode of delivery offered them flexibility. The author was an early adopter of hybrid teaching strategy given his service on the distance education committee which identified the looming threat from online mode of course delivery. A series of discussions with other early adopters, an interest in using technology and a focus on student input, through midterm evaluations, led to his decision to use the hybrid teaching strategy.

## **CONSULTING AND STRATEGIC COST MANAGEMENT**

The author has developed and taught Consulting and Strategic Cost Management in the Master of Science in Accounting program for over a decade. This is the first course in which the author decided to use the hybrid teaching methodology, about five years ago. After giving some thought to the rhythm of the class, he came up with the syllabus that included both in class and online class sessions. The thinking was to meet in class for the first few weeks, in order for students to get to know their peers and for them to get a feel for the rhythm of the course, before holding an synchronous online session.

Students were presented with the syllabus on the first day of class. When discussing the syllabus in detail it was clear that it was the first time students had been introduced to a hybrid course. Right away, students expressed a lot of concern about the unknowns of the online sessions and the expectations. Some concern was also expressed around the lack of availability of high-speed internet connections which might impede participation and hurt performance. Having predicted resistance to change, the author had a clause in the syllabus which stated that the class would be taught face-to-face if students had concerns about the online session, after we had completed the first two sessions. This seemed to allay some concerns, however, there was still unease and skepticism.

The first online session required students to complete a number of steps. They were expected to complete readings and answer questions. They were asked to post their answers to the questions at the start of the session. Students were then given a short window of time to read selected responses and had two tasks. They were required to answer questions posed by the instructor, as well as, they were encouraged to ask questions of their peers. Not surprisingly, there

were a number of issues. One, some students felt that others had cut and pasted parts of other student responses and posted them as their own in the first window of time when they were required to post their answers to questions. Two, there were a number of instances where students did not close the loop, i.e. their peers asked them a question, however, they did not respond to questions but instead asked questions of their own of other students. Three, there were technology related issues. There were times when students wrote a response but when they hit the post button they got an error message and they lost their post.

However, despite the issues, students enjoyed the benefits of a hybrid class. They appreciated the flexibility of working from the comfort of their home. Students enjoyed being able to participate in the threads where they had an interest and they quickly learnt that they did not lose their post, but that if they hit a series of buttons they would be able to see their work and post it in the desired thread. They also appreciated the time they had to post their responses without feeling the pressure to answer a question in class, with their peers looking on.

At the end of two online class sessions the author had a vote in class. An overwhelming majority of students voted in favor of continuing to use the hybrid format. And thus, a new mode of delivery gained a footing in the school. Given the efficient communication structure of institutions, by the time the author offered the course the next time, students were starting to confirm and request that the hybrid mode of delivery be used.

## **OTHER ACCOUNTING COURSES**

The author was able to use the hybrid format in additional courses. These include, Forensic Accounting (graduate course), Advanced Auditing (graduate course) and Accounting Information Systems (junior level course). Each course has different aspects that lend themselves to the hybrid format. In Forensic Accounting the analysis of frauds lend themselves for online analysis; in Advanced Auditing discussion of cases lend themselves for online sessions; while in Accounting Information Systems coverage of an accounting package lends itself to students working at their own pace and completing assignments through online sessions. Additionally, online sessions are not necessarily paced equally through the courses. In some cases online sessions start after a few in-class sessions; in others every other class session is an online session; while in some online sessions are clustered during the semester. In summary, there isn't a one size fits all strategy that works when it comes to hybrid courses.

## **LESSONS LEARNED AND CONCLUSION**

The author has continued to offer graduate courses using the hybrid format but made a few improvements. One, unique forum links are used for each week that the online class is scheduled as this avoids confusion. Two, the forum for each week is divided into manageable time slots so the discussion is focused on particular topics during specific times. Three, participation points are awarded based on a grading rubric which includes quality of postings, along with quantity. Four, students are asked to post their answers to specific questions to an assignment submission part of the website, before posting it to the discussion thread for the week. This ensures that students aren't plagiarizing their answers.

In conclusion, given the growth of online and hybrid courses, the growth in technology, the current generation's comfort with technology and the interactive nature of online sessions, the author is a believer in teaching his accounting courses as blended courses.

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# **IDENTIFYING THE ON-LINE SHOPPING EXPERIENCES FROM THE PERSPECTIVE OF SHOPPING MOTIVES**

**Sangyeon Song, Dongduk Womens University**

## **ABSTRACT**

*This study is about the online shopping experiences have not suggested the integrated and easily-applicable shopping experience factors until now. As the quality of living improves and the value of life varies, the shopping evolves to a profound activity that involves experience from various motivations. By analyzing the shopping activities according to the customer experience, this study re-defined the shopping experience factors as prime experience from hedonic perspective and procedural experience in context of value shopping. The primary experience is defined as Sensory, Affective, Intellectual, Behavioral, and Relational experience. The procedural experience is defined as Decision convenience, Access convenience and Benefit convenience. Above experience factors have shown an impact to the attractiveness of shopping sites.*

## **INTRODUCTION**

Recently online shopping has been increased rapidly as an important channel for the market. In the 2008 SERI(Samsung Economic Research Institute) report, in 2006 online shopping channel was ranked third after the Large Supermarket and Department Stores but it took over 20% of the market share competing with Department stores for the second place. Also the characteristics of the customers who are shopping online have changed. The shoppers trust more the product information provided by other customers than the information given by the company, and this led to more active production and distribution of information by customers. Historically customers are reluctant to buy service products and clothes online but the contribution of those sales are increasing. Also the various informational experiences became active through proactive exchange of feedback in the online community of customers (SERI 2008).

As the standard of living is improving and the needs and value of life become diversified, the shopping has evolved as profound activity that requires experiences from various motivations. Kim et al.(2007) said that the value of shopping that customers are seeking does not limit to buying a product, meaning that through these various shopping environment the customers are not only just buying but are shopping in a various aspects. It can be inferred from the previous contents that the value the customers are seeking from shopping happens online as well as off-line. In other words, the shopping activities that happen online are changing to the activities with the experiences from various motivations.

However, the studies about the online shopping experiences have not suggested the integrated and easily-applicable shopping experience factors until now. Vazques et al(2001) has claimed the shopping experience factors can be shown differently depending on the industry and circumstances. But these experience factors need to be defined in a highly generalized format. Brakus, Schmitt, Zarantonello(2009) has defined the experience factors that can be highly

generalized according to the brand experience and also revealed the performance of these experience factors.

By analyzing the shopping activities according to the customer experience, the core of shopping activities can be understood as integrated factors and through this, the implication of shopping can be found (Schumitt 2003). Therefore, this study will give new definition of shopping experience factors in online shopping environment. When we define shopping experience factors, we want to study the preceding factor of shopping, the shopping motivation. Also this study will reveal the effectiveness of these shopping experience factors to the shopping site attractiveness.

This study has categorized the shopping experience factors as the primary experience and the procedural experience. The primary experience is defined as Sensory, Affective, Intellectual, Behavioral, and Relational experience. The procedural experience is defined as Decision convenience, Access convenience and Benefit convenience. Above experience factors have shown an impact to the attractiveness of shopping sites.

## **THEORETICAL BACKGROUND**

### **Studies on Shopping motives**

For the comprehensive analysis of the customer experience factors in online shopping environments, we need to study the preceding variables for the customer experience, the shopping motives. This study re-defines and systemizes the shopping experience from the perspective of shopping value and tries to derive in-depth studies on online shopping experience as well as highly applicable shopping experience factors.

What kinds of purpose and motivations do customers have when shopping? To answer this question, at first there is a research that defines shopping as task-related rational activities (Batra and Ahtola 1991). These studies have defined shopping from various shopping utilitarian point of view such as in terms of orientation and product usage (Darden and Reynolds 1971), store preference and shopping behaviors (Stephenson and Willett 1969), AIO in relation to shopping (Moschis, 1976) etc. Secondly there is a study says that the reason for shopping is motivated by the emotional needs (Tauber 1972). Tauber categorized the shopping motives as personal motive and social motive.

These studies can be divided into practical motive and hedonic motive. And Dawson et al.(1990) categorized practical motive as product motives and hedonic motive as experiential motives. Jin and Kim(2002) classified hedonic motives as diversion motives and socialization motives besides practical motives. Arnold and Reynolds(2003) subdivided the shopping motives further into value shopping, adventure shopping, gratification shopping, idea shopping, role shopping, and social shopping.

This study aims to derive the shopping experience factors that can consolidate those shopping motives.

### **Studies on shopping Experience**

Dewey(1963) says in the early study of the experience that experience is a combination that includes continuous time, expectation, emotional engagement, and uniqueness, which is different from general things. In other studies, Gupta and Vajic(2000) says that experience is



cognition or knowledge that is produced from reciprocal reaction among other environmental factors created by the service provider. Barry et al(2002) pointed out that the experience is combination of practical aspect and emotional aspect and Gsikszentmihalyu(1997)says that the experience is the flow and engagement, individually controlling, feeling joy and value, and voluntarily participating, and experiencing the process and cognition. Arnould and Price(1993) defines extraordinary experience as the case where this experience appears with the high level emotional intensity.

Though the definitions of experience and the characteristics of current studies about the experience, it can be seen that the experience is very subjective and has both practical and emotional aspects and is created by reciprocal reaction of other environmental factors.

As an important study related to the experience, Schmitt(1999) says that the traditional marketing perspective do not consider the customers as the rational decision makers who make decision with functional characteristics and the benefits of the product and services, but rather understands the customer as an emotional being who wants joyful experience. That study insists that there are 5 types of experiences. The first is the sense, and the second is feel, the third is creative and cognitive think, the fourth is action oriented and life-style related act, and the lastly fifth is the relate which is the experience of social identity created by the reference group and culture.

Studies about the shopping by Vazquez et al(2001) defines the factors of service experience from the service marketing perspective and categorizes into four factors. Though the interview of the user group, he insists that experience factors consist of tangibility, reliability, personal interaction and policy- variety/cost factor etc. In the study of in-store shopping experience, Terblanche and Boshoff(2004) also categorize the factors that affect the in-store shopping experiences into 5 factors such as personal interaction, merchandise value, internal store environment, merchandise variety and assortment, and complaint handling. Jones defined the retail factors that makes shopping enjoyable are retail price, selection, store environment, and salespeople in the investigative study for the factors that makes shopping enjoyable. The study also defines that customer factors are social aspects, tasks, time, product involvement, and financial resources.

In this shopping environment, experience factors are suggested in various forms. However, these experience factors need to be re-fined from two perspectives in this study. At first, both shopping motives from hedonic perspective and experiential perspective. Secondly, both practical and emotional factors need to be considered in defining the experience.

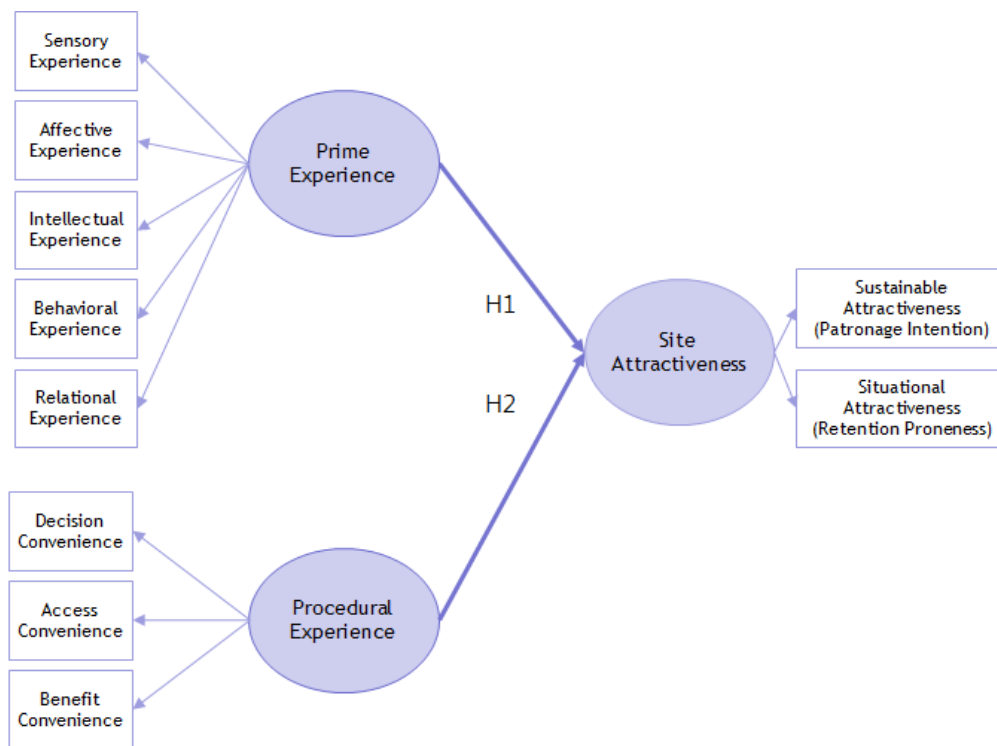
Arnold and Reynolds(2003) suggested the 6 dimensions of shopping motives that includes emotional/hedonic and reasonable/and practical aspects in study of shopping motives. value shopping, adventure shopping, gratification shopping, idea shopping, role shopping, and social shopping can be understood as motives that includes various shopping experience during shopping. It showed that especially in value shopping, reasonable and practical aspects are important in shopping motives.

Therefore, this study re-defined the customer shopping experience based on the studies of Brakus, Schmitt, Zarantonello(2009) and Schmitt(1999). Customer shopping experience is defined as the customer's inner and emotional experience from prime experience perspective. Also to define the integrated motives of shopping in practical/rational dimensions, this study has adopted the dimension of convenience suggested by Seiders, Voss, Godfrey (2007) in relation to the retail distribution. Morganosky( 1986) defines it as accomplishment of the task with the least energy consumption within the shortest time period. This concept is further developed in context

of the time and effort as the basic concept of purchase decision-making process (Anderson and Shugan 1991; Gross and Sheth 1989). Sediers et al. (2007) has defined the dimensions of convenience as decision convenience, access convenience, benefit convenience, post-benefit convenience, and transaction convenience. Among above 5 dimensions, this study defines the procedural experience through the decision convenience, access convenience, and benefit convenience, which are highly related to the value shopping of shopping environment.

### MODEL CONSTRUCTION AND ASSESSMENT OF HYPOTHESIS TESTING

In this study, shopping experience is defined as prime experience and procedural experience based on the theoretical background. Prime experience is the experience felt from the shopping site in an emotional dimension and defined as Sensory, Affective, Intellectual, Behavioral, and Relational experience. Secondly procedural experience is defined from the decision making, information access, and convenience of purchase benefit.



The research model of this research is like <Figure 1>. The model consists of two kinds of hypotheses like this. Assessment of positive prime experience will increase site attractiveness. And assessment of positive procedural experience will increase site attractiveness.

The research samples for the empirical study are the university students in their 20's, who are familiar with online shopping and purchase various products online. The samples are limited to the students who have purchased online since it would be difficult to answer the assessment of experience-related factors that this study is trying to analyze. The survey was done to the 300

university students in Seoul. 290 samples except for incomplete samples were used for the final analysis.

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