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# **TOTAL QUALITY MANAGEMENT & CUSTOMER VALUE FOCUS: ORGANIZATIONAL PERFORMANCE IMPACT IN VIETNAM AND THE PHILIPPINES**

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## **ABSTRACT**

*The purpose of this research is to examine the impact of Customer Value and Total Quality Management on organizational performance as viable strategies towards effectively and efficiently satisfying customer's demands whilst achieving organizational goals. The constructs of Customer Value and Total Quality Management will be defined and developed followed by an examination of the relational nature and theoretical differences between them. Each construct's impact on organizational performance will also be examined followed by an empirical analysis of a sample population. The samples were drawn from Vietnam and the Philippines. Suggestions for future follow-up work to be carried out with local business owners and consumers in the Bahamas to determine the relative worth of Superior Quality and Customer Value, towards satisfying customer's demands and achieving organizational goals is suggested.*

## **INTRODUCTION**

Organizations should place greater emphasis on superior quality as a critical component of customer value towards satisfying customer's demands and achieving organizational goals. According to Johnson and Weinstein; "the battle for customers in the 1980s was won or lost based on quality alone. As TQM (total quality management) became the rage in business, quality gaps diminished and companies focused on customer service. Enhanced customer value synthesizes and extends the quality and customer service movements and has emerged as the dominant theme for business success for the 21st century companies" (2004).

(Woodruff, 1997) asserts "that past attempts have largely looked internally within the organization for improvement, such as reflected by quality management, reengineering, downsizing and restructuring. He also stressed that the next major source for competitive advantage likely will come from more outward orientation toward customers, as indicated by the many calls for organizations to compete on superior customer delivery (p.139)." This view is also supported by (Ulaga, 2001) who stated that value is relative to competition; whereby delivering a better combination of intrinsic quality attributes in a product and related services creates a sustainable competitive advantage.

Likewise, (Band 1991; and Naumann 1995) also supports attention towards superior customer value delivery. However, today, "many feel that quality is still a powerful competitive force facing U.S. companies. In a recent American Management Association survey of North America, Western Europe, and Japan and advanced by (Johnson and Weinstein, 2004); indicates that 78% felt that improving quality and service to customers is the key to competitive success."

Quality matters! It affects the bottom line. The global market is becoming more competitive everyday as companies continually search for new ways to gain an edge over their competitors around the globe. Global competition and deregulation in a number of industries are forcing companies to turn to quality in order to survive (Johnson and Weinstein, 2004). General Electric's former CEO Jack Welch as (Johnson and Weinstein, 2004) asserts that "Quality is our best assurance of customer allegiance, our strongest defence against foreign competition, and the only path to sustained growth and earnings."

Perhaps the most important reason for pursuing quality is that quality pays- performance, market share (Easton and Jarrell, 1998) and (Garvin, 1988) where the market-based link between quality, ROI and profitability is supported by evidence from the PIMS studies (pp. 69-92). Additionally, the significance of quality is supported by (Anderson et al.) whose findings correlated a "Positive impact of quality on customer satisfaction, and, in turn profitability" (1994); (Sadikoglu, 2008) who asserted that continuous improvement is positively related to the firm's performance. Customer value emerged in the 1990s as an issue of growing interest to business, in particular, marketing at the academic and practitioner levels. This concept is considered to be one of the most significant factors in the success of an organization and has been pointed out as an important source of competitive advantage for firms (Woodruff 1997; Ulaga 2001; Band 1991; and Naumann 1995).

As noted by Spiteri and Dion, there are many legitimate antecedents to the comprehensive and complex concept of customer value. There are 16 such influences documented in literature (2004 p. 677). A customer value decision-making framework offers management a unique and potentially superior way of understanding business problems and opportunities. The customer value funnel for example, provides a systematic, multifaceted, integrated, and rich tool for making customer-focused marketing management decisions. Managers can consider value-based criteria such as economic values; relevant values of the various constituencies; maximizing value over time; value adders (or destroyers); value-based segments; and value tradeoffs to improve their business analyses (Johnson and Weinstein, 2004). According to (Hackman and Wageman, 1995) and advanced by (Joiner, 2006), the core ideas of total quality management (TQM) were introduced in the mid-1980s by, most notably, W. Edwards Deming, Joseph Juran and Kaoru Ishika. TQM provides the overall concept that fosters continuous improvement in an organization (Ho, 1999). The philosophy stresses a systematic, integrated, consistent, organization-wide perspective involving everyone and everything. It focuses primarily on total satisfaction for both the internal and external customers, within a management environment that seeks continuous improvement of all systems and processes (p. 171).

Additionally, TQM emphasizes use of all people, usually in multifunctional teams, to bring about improvements from within the organization. It stresses optimal life cycle costs and uses measurement within a disciplined methodology in achieving improvements. The key aspects of TQM are the prevention of defects and emphasis on quality in design. It is the totally integrated

effort for gaining competitive advantage by continuously improving every facet of an organization's activities (Ho, 1999).

As a concept, quality has been with us for millennia. In its original form, it was reactive and inspection-oriented; today, quality-related activities have broadened and are seen as essential for strategic success. Once the exclusive province of manufacturing and operations departments, quality now embraces functions as diverse as purchasing, engineering, and marketing and commands the attention of chief executive officers (Garvin, 1998). They have linked it with profitability, defined it from the customer's point of view where it is now seen as an aggressive competitive weapon (p.21)

The Big Personality Inventory of McBride, Mendoza, and Carraher (1997) as modified by Carraher, Mendoza, Buckley, Schoenfeldt, Carraher (1998) was used to measure personality. It has previously been found to be related to a variety of types of performance (Carraher, Buckley, Scott, Parnell, & Carraher, 2002; Carraher, Carraher, & Mintu-Wimsatt, 2005; Carraher, Franklin, Parnell, & Sullivan, 2006, Carraher & Parnell, 2008; Carraher, Parnell, Carraher, Carraher, & Sullivan, 2006; Carraher & Sullivan, 2003; Chait, Carraher, & Buckley, 2000). Data is used from 354 entrepreneurs in the Philippines and 394 in Vietnam in order to examine quality management and customer value (Paridon, Carraher & Carraher, 2006). Suggestions for future research on customer service, cognitive variables (Carraher & Buckley, 1996; Sturman & Carraher, 2007), entrepreneurship (Carland, Hoy, Boulton, & Carland, 1984; Carraher, 2005), and expatriate stress (Carraher, Sullivan, & Carraher, 2005) are suggested.

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# UNFAVORABLE OUTCOMES OF SERVICE QUALITY: FRUSTRATIONS OF CUSTOMER LOYALTY IN CHINA AND THE USA

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## ABSTRACT

*This paper is an examination of literature concerning customer loyalty. Customer loyalty programs are instituted by organizations in attempt to maintain long lasting repeat purchasing relationships with customers. However, when organizations fail to evaluate target markets, misuse of loyalty programs occurs, resulting in frustration.*

*First, a comprehensive model detailing factors such as customer perceptions, expectations, and values is developed. The model describes the relationship of the aforementioned factors to create customer value. Second, customer loyalty management and the use of customer relationship management techniques are discussed. Third, customer frustrations arising from loyalty management practices are identified.*

*There is a lot of data concerning the importance of building and maintaining customer loyalty through loyalty programs as well as ineffectiveness of loyalty programs. However, recent research conducted identified there is little data concerning customer dissatisfaction of loyalty programs resulting in frustration.*

## INTRODUCTION

Organizations have realized that the backbone of their growth is a combination of good customer services, high quality products, competitive pricing strategy and advertising. Every organization expects their personnel to provide superior customer services. When customers receive good service the outcomes are positive. Some of the outcomes that derive from superb service quality are repeat business, new business, increased revenue, promotions, employee recognition and the like. Customers will definitely tell someone else about their experience.

If a customer had a pleasant experience when doing business that tend to forge a relationship with the customer service representative and will always refer to them whenever they have to do business because of their initial encounter. On the contrary if service quality has a negative impact, a customer that experience poor service will never forget that encounter, as first impression are lasting. Therefore, organizations must put their best foot forward and always ensure that their most pleasant and polite customer representatives are at the forefront. Providing outstanding customer value has become a mandate for management. The service factor must reign supreme in value-creating organization (Johnson & Weinstein 2004).

Customer service refers to the broad range of activities that a company and its employee undertake; in order to keep customers satisfied so that they will continue doing business with the company and speak positive to other potential customers. Providing superior customer service involves learning what customers want and taking whatever reasonable steps that are required to make sure they get the products and service they desire. The importance of providing superior customer service cannot be overestimated. The more valuable a company is to its customers, the more likely it is that those customers will continue doing business with the company. As referenced by (Johnson and Weinstein 2004) company must continually seek ways to "wow" their customers as today's customer are not only quite smart and sophisticated but they have an ocean of choices and places where they can do business. Bearing this in mind, it is paramount that organizations recognize that consumers have options and are looking for companies who understand and respond to their most intimate need. By providing its customers with the type of service and quality of services they need and expect, a company can improve its chances of meeting or exceeding its bottom-line business goals.

Customer loyalty is a positive outcome of service quality. Customer loyalty develops when customers become satisfied when their expectations and experience are exceeded. Once loyalty is established, organizations must implement measures to ensure that loyalty is maintained. Uncles, Dowling, and Hammond identified three ways in which customers exhibit loyalty; 1) as an attitude, 2) as a behavior, and 3) based on external factors that drive purchasing decisions (Uncles, Dowling, Hammond 2003). Customer Relationship Management is the tool that focuses on customer retention to create loyalty. Two popular methods of Customer Relationship Management discussed in the paper include Direct Mailings and Customer Loyalty Programs. Direct Mailings focuses on creating brand awareness, while loyalty programs are retention oriented.

Many organizations include the use of loyalty programs to grasp customer loyalty. However, many organizations fail to examine the type of customer patronize the organization. Once customers are identified, organizations are then able to examine their habits, understand their purchase patterns and their responsiveness to particular Customer Relationship Management techniques. When organizations fail to identify their customer, the wrong type of Customer Relationship Management can be implemented. When this occurs, customer frustrations will arise.

Stuass, Schoeler, and Schmidt hypothesized that seven categories of frustration are exhibited due to the misuse of loyalty programs. The seven categories include inaccessibility, worthlessness, qualification barrier, redemption costs, discrimination, economization, and defocusing (Stuass, Schmidt, Schoeler 2005). This literature review will examine the first four categories in relation to the different ways customers experience loyalty.

The Big Personality Inventory of McBride, Mendoza, and Carraher (1997) as modified by Carraher, Mendoza, Buckley, Schoenfeldt, Carraher (1998) was used to measure personality. It has previously been found to be related to a variety of types of performance (Carraher, Buckley, Scott, Parnell, & Carraher, 2002; Carraher, Carraher, & Mintu-Wimsatt, 2005; Carraher, Franklin, Parnell, & Sullivan, 2006, Carraher & Parnell, 2008; Carraher, Parnell, Carraher, Carraher, & Sullivan, 2006; Carraher & Sullivan, 2003; Chait, Carraher, & Buckley, 2000). Customer loyalty was also measured for customers from 340 entrepreneurs in China and 285 in the USA. It was found that conscientiousness, agreeableness, and extraversion were related to customer loyalty in both countries but in China openness to experience was also related to customer loyalty but the

relationship was negative. Suggestions for future research on customer service, cognitive variables (Carraher & Buckley, 1996; Sturman & Carraher, 2007), entrepreneurship (Carland, Hoy, Boulton, & Carland, 1984; Carraher, 2005), and expatriate stress (Carraher, Sullivan, & Carraher, 2005) are suggested.

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Sturman, M. & Carraher, S. (2007). Using a Random-effects model to test differing conceptualizations of multidimensional constructs. *Organizational Research Methods*, 10 (1), 108-135.

# THE EFFECT OF INTERNATIONAL CURRENCIES UPON U.S. STOCK PRICES

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## ABSTRACT

*The literature has demonstrated over the years that the earnings of many non-US companies have been sensitive to the US dollar. Since earnings are a prime determinant of stock prices, then stock prices are also currency sensitive. All firms are exposed to foreign currency risk in today's global economy. This study presents an alternate approach to the current literature by investigating the association between eight non-US currencies and US stock prices as reflected by the Dow Jones Industrial Average and the Standard and Poor's 500 Stock Index. The results show that even though various currencies exhibit significant relationships with stock prices at times, the impact is limited. These findings suggest that many firms take an active stance in managing their currency risks. The results also demonstrate the changing relationships of paired currencies used in this study. Positive relationships were expected when paring currencies by region. For example, one would expect the European currencies (Euro, Pound, and SSFranc) or the Asia Pacific currencies (Yen, Sing\$, and Rupee) would be positively related to each other in the same region over the time periods used and this was not the case during this investigation.*

# **BABY BOOMERS AT 60: EFFECTS ON RETIREMENT PLANS, BENEFITS, AND THE WORKFORCE IN THE BAHAMAS, JAPAN, AND THE USA**

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## **ABSTRACT**

*The global aging population leaves much to be considered when determining how a generation that has contributed so much leave their respective industries. The term "Baby Boomers" has become synonymous with speculation on how this generation's departure will affect the economy, the workforce, and the country. We analyze the effects that baby boomer exodus will have on United States. Additionally, the Bahamas' National Insurance Plan, which is the nation's equivalent to the United States' Social Security plan, is presented. Finally, a comparative study between the American and Japanese baby boomers is presented. The data examined examines the financial burden, benefits, social and health care issues, and other negative implications on retirement plans. This information leaves the question to be answered, "What will happen if we fail to accommodate the massive baby boomer departure from the workforce?"*

## **INTRODUCTION**

Since the turn of the century, managers have been scrambling to fill positions that were left open by the baby boomer generation. As the first baby boomers start to retire the effects has become evident in the workforce. The economic and financial implications that the baby boomers have left the country make it imperative that we find resolutions to these challenges. Trend analysis, statistical data and prior research will be used to help us identify and recommend ways to soften the impact of the baby boomers' departure from the workforce.

### **Economic Effects on Social Security**

The baby boom generation refers to individuals that were born between 1946 and 1964, making the first baby boomers age 60 in 2006. For business organizations this means that there will be a leadership gap and possible brain drain shortage. Companies are faced with a dubious challenge of having to find adequate persons to fill the positions of their retiring workforce as well as hiring and retaining persons competent enough to ensure that their organizational goals are met. When a baby boomer retires, their departure from the workforce strains the internal work environment as well as the external environment.

Approximately 10,000 baby boomers are eligible for retirement every day. This suggests that the social security benefits are being strained and if this continues, it could have a drastic effect on the economy. As the social security deficit approaches \$1.2 trillion in 2009, the government is seeking to reform the social security program (Washington Times Article). This conundrum of the baby boomer's retirement affects not only the workforce and the government but also the younger generation.

A major problem that is attributed to the retirement of the baby boomers is that the social security deficit that they left is going to be sustained and paid for by the Generations X and Y.

### **Brain Drain**

The American Management Association states that "the direct cost of losing a key employee can be as much as 18 months' salary", baby boomers can be considered to be key employees. Employers must prepare for the impending departure of approximately 78 million baby boomers. These employees are retiring at the rate of over 8,000 per day or more than 300 per hour.

Baby boomers are senior employees as well as part of the management team therefore, the departure of their invaluable knowledge, experience, skills, irreplaceable talents and work ethic will have a tremendous affect on the work place. Employers need to implement an apprenticeship, mentoring or an understudy program so that the younger generation of employees can work side by side with the older employees for a long period of time, so that they can learn by observation and hands on training as knowledge and expertise cannot be transfer over night.

A survey conducted in 2000 by the U. S. Census Bureau and by the Department of Labor's Bureau of Labor Statistics data indicated that baby boomers have a higher level of education than their parents' generation. The data also revealed that 88.8% of them completed high school and that about 29.5% of them possess a Bachelor's degree or higher. There is also a small percentage of baby boomers who did not have the opportunity to further their education due to various reasons. However, they now have the opportunity to enroll in colleges to pursue their schooling ambitions.

Employers must act now to in order to soften the brain drain impact to their organization as a vast majority of the baby boomers prepare to make their departure.

### **Health Care Issues**

This impending "silver tsunami" is evitable, although the exact timing is sort of unclear, we must accept the fact that the eradication of social security will occur. The erosion of the social security benefits will commence as millions of baby boomers become eligible and begin to draw down on their social security benefits. As this phenomenon continues and worsens, it will be difficult for the administration to pay the social security benefits and other commitments that it would otherwise be able to fund, for examples: environmental programs, highway construction, and defense aids (Social Security Website, 2008).

Research and other statistical data would reveal that the generations after the baby boomers are having less children; today, there are 2.1 births per woman (in the United States), compared to 3.7 in the 1950's (U.S. Census Website 2009). The census bureau further projects that the average growth rate will drop by 50% during the next six decades. This scenario clearly depicts that there



will not sufficient tax payers contributing to the administration to cover the benefit expenses of the baby boomers as they begin claiming benefits, medical care, or other social services needs ("Kitchener," 2007). In other words, the baby boomer generation has outnumbered the other sub-sector populations and the burden of the masses (baby boomers) will fall upon the upcoming generation. In that regard, that poses another critical issue relative to future benefits, what will be available in the years to come? With the loom of this impending disaster, employees are forced to establish secondary forms of retirement plans to help buffer the effects of this grave problem, (i.e.) 401(k) plans, Roth IRAs, and other retirement investment vehicles ("Earls," 2003).

Coupled with the imminent erosion of the social security benefit, there are many challenges that we as a society must embrace relative to health care issues. It is evident that as we age, our bodies succumb to more health issues. Therefore, due to the large number of aging baby boomers, it has been suggested that health care needs and costs will grow exponentially, attributable to chronic illnesses and other diseases that require long term treatment ("Policella," 2008). Further according to statistics provided by The Centers for Disease Control and Prevention National Centers for Health Care, it is being reported that common causes of deaths are chronic diseases, namely: heart disease, cancer, and stroke. Therefore, this epidemic can certainly cause a tremendous financial burden to the health care system, insurance companies, and the social security administration. This increase in cost is also due to the invasive need for technological advancement in an effort to treat that these critical diseases and illnesses ("AORN Journal," 2003). For example, more people are requiring surgical procedures (i.e.) bypass surgery, to treat cardiovascular diseases due to the increasing number of patients with a heart condition. Therefore, as we seek to elevate the level of technological advancement a linear relationship will continue to prevail, where the costs increase as we pursue higher standards. Evidently, the rise in health issues will result in the same effects on Medicare as it will to the social security benefit, and we ask the same questions...will the Medicare trust fund erode as well?

Invariably, another critical health issue that baby boomers will encounter is the myriad of benefits that will be available as they approach retirement age. This is an issue as it imperative for the medical coverage to be applicable to the needs of the employee, as he/she ages ("Policella," 2008). This is essentially true as we have more illnesses prevailing in the coming years. Outside of this problem, we will be faced with much of the aging population not being able to pay expenses related to health care, because the insurance coverage they possess is inadequate. This inadequacy will continue as companies begin to cut back on the range of benefits to save costs. Thus, this shortfall will force the affected to rely on Medicare or personal savings to cover medical costs. In this regard, many are resorting to home health care, which is substantially less and being highly promoted as a cost savings for baby boomers.

### **The Financial Implications Social Security poses on the Younger Generations**

To gain an appreciation of the impact social security funds has on the workforce; we must first examine the numbers. Presently, payroll taxes that are paid by workers are used to pay for the social security benefits of today's retirees. The taxes for 2009 are equal to 6.2% on earnings up to \$106,800 for individuals work for someone else and double that amount for self-employed persons (Social Security website). The idea behind social security is that individuals who funded the

program should receive a certain amount of funds when they retire. This creates a "safety-net" of sorts because of the expectations those who have contributed their entire lives feel should be received. The question we should then ask is, "What will happen if the safety net should fail"?

### **Comparison of Baby Boomers in the United States and Japan**

Another country that faces similar issues to the United States is Japan. According to CBS News report (2007), "Japan is graying faster than any other country in the world". The country has more than 20% of its population over the age of 65 (Deloitte Research). Much like other developing countries, low fertility, a decrease in population and low mortality rates all attribute to this surge.

Moreover, Japan has the second highest life expectancy rate for men (at 79) and the highest expectancy rate for women (at 86) (Deloitte Research). Deloitte Research also reports that this has placed a huge burden on the government which funds the nation's pension plan.

According to a study conducted by Deloitte Research, the old age dependency affects several factors including reduced labor supply, savings and investments and fiscal pressure (2007). The study reports, "Japan's dependency ratio is expected to shoot up to 0.74 in 2030 and to 0.97 in 2050, meaning that there will be almost one dependent for every worker" (Deloitte Research). The implications of the Japanese baby boomers simply means this, more aging people translates to "a reduced labor supply, less consumption, slower economic growth and increased government spending but declining revenues, more regional disparities and new fiscal pressures" (Deloitte Research).

We need to pay careful attention to the suggestions of Buckley and Associates in terms of how Human Resource Management practices should be changing we need to have a move towards greater entrepreneurship (Carland et al. 1984).

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# **THE IMPACT OF NATIONAL CULTURE ON VALUE BASED DECISIONS: COMPARISON OF SAUDI ARABIAN, EGYPTIAN, AND AMERICAN HEALTHCARE PROFESSIONALS**

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## **ABSTRACT**

*There is no area of the world of greater interest and concern to the United States than the Middle East. There is no field of endeavor with greater promise of growth in these tough economic times than healthcare. As Peter Drucker explained, the decision making process for the managers of healthcare institutions is of considerable interest because of the conflicts between resource availability, expectations, scientific advances and the variety of political and economics constraints. This paper reports the empirical examination of the impact of national culture on value based decisions. Similar populations of healthcare professionals were surveyed in each Saudi Arabia, Egypt and the United States using a questionnaire based on Fritzsche and Becker's vignettes. Results were surprising but understandable.*

# **IDENTIFYING RUSSIA'S CORRUPTION PROBLEM: A COLLEGE STUDENT SURVEY**

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**Sergey Moskaloinov, Ulyanovsk State University, Russia**

## **ABSTRACT**

*This research details a preliminary survey of the attitudes towards corruption in Russia. We surveyed Russian business students (n=540) in spring of 2008 for their attitudes toward corruption. We discuss the implications for further research in this area, and the outlook for Russia's next generation to control the problem of corruption.*

## **INTRODUCTION**

Jaffe and Tsimmerman (2005) explained that the ethical attitudes of current business students indicate the future moral climate of business. The attitudes students have now translate into behaviors they will have in the business world.

The large state-run economies have crumbled. Capitalism has bloomed across the globe. Our current project details an exploratory survey of the attitudes toward corruption of Russian college students. In support of this project, we will first discuss the business climate in Russia. Next, we will briefly summarize the past research in this area. We will then report our findings. We conclude with implications for further research in this area.

## **THE BUSINESS CLIMATE IN RUSSIA**

The Russian business frontier has prospered. Russia has one of the fastest growing economies (Cain, 2007) and their GDP grew by 6% in 2006 (Mokhoff, 2007). Many economists have predicted Russia will be a top ten economy in the near future (Kazakov, 2007). With capitalistic rewards, Russia's current workers are more productive than past generations (Borisov, 2007). This has caused real disposable incomes to jump 11% a year since 2000 (Kazakov, 2007).

However, not all the business news has been positive. Two-thirds (67%) of Russia's exports were in one industry, minerals and energy (Field, 2007). Russia's growth has been heavily tied with the energy industry which has gone through significant changes. The Russian government has had a difficulty adjusting to the rapid economic advances. Inflation was above 8%, which signaled rough times ahead (Economist, 2007c). Further, Russia has been slow to invest in infrastructure (Bush, 2007a and 2007b), which may inhibit future growth. Several authors have commented that despite their advances, it will take Russia a long time to truly become a capitalistic state (Estates Gazette, 2007).

## **SURVEY OF CURRENT LITERATURE ON RUSSIA**

Russian business managers demonstrated very low ethical values in comparison with Turkey, Slovenia, and the United States (Hisrich, Bucar, and Oztark, 2003). The ethical climate under the Soviet system encouraged corruption. Longnecker (2001) explained that "red" executives (schooled 1917 to 1991) have different values on honesty. They kept two sets of books, one for the owners, and one for the government.

Also working with Russian business managers, Deshpande, Joseph, and Maximov (2000) found that there were strong differences in the ethical views of male and female managers in Russia, with female managers having a much stronger ethical orientation. Similar findings were made by several recent surveys of Russian managers and business workers (Stewart, Sprinthall, and Kem, 2002; Zarkada-Fraser and Fraser, 2001; Welsh, Luthans, and Sommer, 1993) and from more in depth interviews as well (Neimanis, 1997).

There has been very little research on Russian students' attitudes towards western business concepts (Enderle, 1997). Ahmed, Chung, and Eichenseher, (2003) found a negative relationship between years of education and ethical attitudes. Jaffe and Tsimmerman (2005) surveyed students and found that they have a more negative view of ethics than current business managers. Mogilchak (2006) studied Russian students and their work ethic.

## **METHOD FOR THE RUSSIAN SURVEY**

A convenience sample of business majors were taken from large survey classes at Ulyanovsk State University in the spring semester of 2008. The University has an enrollment of over ten thousand students and over a thousand faculty members. The University offers over fifty degree programs for undergraduates and graduates.

Students were asked to complete the questionnaire during class time. All students participated. A total of 540 completed surveys resulted. No surveys were rejected because of incomplete answers. Since we have a large number of responses, we assumed the computed statistics should follow a normal distribution.

The majority (74%) of survey participants were business majors. The group was fairly distributed among the first four academic years (Russia uses a five year degree program). The respondents were in the following academic years: First year, 29%; second year, 47%; third year, 15%; fourth year, 9%. Since most students were in the first two years of the business program, many had not completed the core business classes. Less than 16% had taken a class in business ethics. Just over a third (34%) had taken a class in business law. In contrast, 80% had taken macroeconomics and 62% had taken microeconomics.

Females outnumbered males by two-to-one. By age, the group consisted of traditional students. Most (63%) were under age 20. Less than 2% were over age 26. Less than 7% of the respondents were married, and about 24% used tobacco. Most students did not work while attending school (73%). Of those who were employed, only a third of the students were employed full-time. Fewer than 10% owned any stock or securities.

Previous research found very broad support for President Putin and his political party. In fact, in 2006, 79% of the Russian business students identified with Putin, among five choices of

political parties (Ludlum, Moskaloinov and Machiorlatti, 2008). In our survey in 2008, Putin's popularity was nearly 76%. Further, 65% of the Russian business students indicated they would vote for Putin again, should he be eligible to run.

This was in stark contrast to the expectations in the West. Many have complained that Putin is not popular, but has used to political power to suppress opposition (Economist, 2007a; 2007b). Recently, the Weekly Standard reported that Russia's election was not fair (Kimmage and Sidorov, 2007). However, our findings contradict these views. We found a strong base of support for Putin and his political party from 2006-2008.

## **FINDINGS**

What did we find in our sample? First, we asked students to identify the main cause of corruption from three choices. The greediness and immorality of Russian bureaucrats was chosen by 23.33%. The ineffectiveness of the state and imperfect laws was chosen by 30%. Finally, the low level of legal culture and obedience to the law of the majority of the population was chosen by 30.19%. The remainder (16.3%) said the question was difficult to answer.

Next, we asked if Russian President Putin has been successful in fighting corruption while in office. A strong majority (70%) said things were better with Putin, compared with 2.78% who said corruption has gotten worse. This may explain Putin's popularity within Russia.

We wanted to know if the students had ever been personally involved in corruption. To be more discreet, we asked if the students had ever given money to persons on whom the solution to your problems depended. Only 8% said this occurred regularly. The overwhelming majority said this happened rarely (37.41%) or never (46%). Since this population involved college age students, these results are not surprising. As traditional college students, young and few being employed, they have little interaction with the adult business world.

Finally, we asked students if they had information about corruption would they report it. Those who said they would never report it (39.26%) were seven times larger than those who said they would definitely report it (5.19%), with most students unsure. Students, who may be unexposed to the corruption in their own lives, were not sure how to proceed or where to report the corruption.

## **IMPLICATIONS FOR FURTHER RESEARCH**

The scope of students being surveyed also should be expanded. Most the students in this sample were students in business. All other majors were collapsed together. A diversity of majors should be examined in future research.

There are many differences among the many diverse ethnic groups within Russia. Future research should identify cultural groups within the Russian population for comparison. Another line of inquiry should explore the effects, if any, of business ethics and business law courses. In our sample, very few of the students had taken these courses. Future samples should include more fourth and fifth year students. Future research should investigate whether a business ethics or business law course indoctrinated students into certain views.

## CONCLUSION

The problem of corruption in Russia is well known in the media, and problematic for foreign investment in Russia. However, it appears that many of the next generation of Russian leaders are not exposed to this problem. This is promising. However, this future generation was also unprepared or unwilling to report any wrongdoing by others. This is a concern for both Russian business educators and for the future Russian economy.

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## **WEBSITE UTILIZATION BY BUSINESS SCHOOLS IN DEVELOPING NATIONS: THE CASE OF INDIA**

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### **ABSTRACT**

*Today the world has become a global village and the internet has a major role in shrinking the boundaries and bringing people closer. Educational institutions rely heavily on the Internet and their websites in particular, to communicate information. Business schools have been at the forefront of this technological trend in developed countries such as USA and UK. While many institutions have been successfully using high technology in their marketing efforts for over a decade now, we also find institutions that are not using internet with the same degree of effectiveness. This can be due to any number of reasons: lack of awareness of the importance of having a good website, lack of technical knowledge, cultural differences etc.*

*This paper seeks to assess the usage of the internet by schools of business in an emerging economy - India. The goal is to determine areas of excellence and areas of weakness in internet usage by Indian business schools. Today India is one of the fastest growing economies in the world, with a boom in its information technology sector. Internet availability has spread around the whole country, and the country's information technology industry is providing support to companies around the world. The Business Schools in India can easily take advantage of this information technology boom for improving their web presence and resources. In the past decade India has seen a rapid growth in the number of students wanting to pursue a career in the business field. Lately, Indian students have begun to constitute one of the biggest pools of applicants to business schools around the world and specifically to the countries like USA, UK and Australia. Indian business schools need to understand the importance of having a good web resource to attract prospective Indian as well international students. Since educational institutions in the USA have been the leaders in internet utilization hence in this article we have used the websites of business schools in the United States as a benchmark. Websites of business schools from both these countries are critically analyzed on various criteria like accessibility, amount of information provided, creativity in presentation of the website, timeliness of the information (updates) and technology used.*

*A preliminary analysis shows the need for Indian business schools to revise the way they utilize web resource for effective communication and marketing. It is expected that our findings would help Indian business schools identify the areas they need to work on and to focus on getting the most marketing value out of their internet presence.*

# **THE VALUE OF ENTREPRENEURIAL MARKETING AND SERVICE: A STUDY OF THE SIGNIFICANCE OF HAVING PROPER MARKETING STRATEGIES AND DILIGENT CUSTOMER SERVICE IN THE BAHAMAS, CHINA, AND THE USA**

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## **ABSTRACT**

*The purpose of this paper is to identify the importance of having effective marketing strategies and diligent customer service. This paper will identify and analyze business practices in differing cultures that have exemplary marketing strategies and customer service. We use statistical data collected from consumers and potential customers about service in the tourism sector, the food stores, government agencies and banks in the Bahamas, as well as samples of entrepreneurs from China, the United States and The Bahamas, and compare their demographic makeup and business orientation in an effort to show the entrepreneurial trends that exist.*

## **INTRODUCTION**

Small businesses have a significant effect on the United States economy. “Over five million strong, small businesses (those employing less than twenty people) account for 89% of all U. S. employers and employ over twenty million people , about 4.5 per business” ( U. S. Small Business Administration, Office of Advocacy, 2007). This simply helps to solidify the idea that small businesses are the bedrock of any economy. It is for this reason that good customer service and marketing is vital to the entrepreneur, as he plays a vital role in maintaining the vitality of the society.

With the rise in unemployment due to both company downsizing and the fallout in the world’s economy, more and more persons are now seeking alternative ways to support themselves. As a result, entrepreneurship is the fastest growing market with an annual increase of at least 30 percent since the 1990’s (McCune, 1995). Entrepreneurs are being birthed overnight as the major insurance companies, financial institutions, car manufacturers and hotel chains worldwide are announcing significant losses and in some instances, declaring bankruptcy. In the year 2008, the Bahamian hotel industry suffered major losses, as the Atlantis Paradise Island Resort located in Nassau, Bahamas laid off hundreds of employees following a drop-off in visitor arrivals to the island of New Providence. On Wednesday, February 25<sup>th</sup> 2009, the current economic situation seemed to

have gotten progressively worse as the Clico Insurance Agency located in Nassau, Bahamas, announced its proposed liquidation to the surprise of its nearly two hundred employees and numerous clients. This amounts to more lay-offs as Clico and other large companies are reducing their workforce in response to the economic downturn as persons who have been employed for any number of years are now finding themselves on the unemployment line redirecting their efforts to sustain themselves throughout this bleak time in their lives.

The upsurge of small and medium sized businesses (SME's) has created the need for more invasive research as globalization has opened the doors of opportunity for individuals. In countries like China, The Bahamas and the United States of America, SME's are increasing due to the strides in transportation and communication technology, allowing entrepreneurs to explore the possibilities that exist on the international market (Knight, 2008). It is for this reason that we say that knowledge will be the power that fuels their business engine. If entrepreneurs are to compete globally, or even in the local arena, they must understand the new breed of customers that will be encountered. Johnson et al 2004 refers to this new breed as "...value-seeking...choice seeking, demanding and knowledgeable; they believe that loyalty must be earned; and they are price conscious, concerned about the environment, and convenience oriented." That will be the biggest challenge.

Entrepreneurship involves creativity as individuals are motivated to seek out the resources necessary to produce unique merchandise and render excellent customer service. Customer service is more than just a "smile in every aisle". Rather, it is the effort that is made on the part of the business to show the customer the true value of conducting their business. When it comes to customer service, perception is everything. The internet explosion of the late 1990's was characterized by a frenzy of entrepreneurial activity and new business concepts (Ibid). The authors of this paper will demonstrate how the effective use of the media can assist the entrepreneur in effectively connecting with his customers in order to deliver his product more efficiently and effectively and thus create a successful business.

Carraher et al. noted that perceived customer service is often the determining factor in the initial purchase and/or the repeat purchase of products. Positive customer service experience purchases, drives customer satisfaction that subsequently affects the level of customer satisfaction. On the other hand, negative experiences reinforce customer dissatisfaction. A dissatisfied customer may become an economic liability to the organization, and worse, a critic of the products and services provided (Carraher et al, 2005). For these reasons, exceptional marketing strategies and diligent customer service must be properly planned and carefully implemented before the product is introduced to the intended market. The marketing concept mandates that a consolidated effort be made by all members to satisfy the customer while providing the total quality experience that meets or exceeds customer expectations; thereby creating and maintaining relationships over the long term (Johnson and Weinstein, 2004).

In the current study, we offer three cultural models, China, the United States of America and the Caribbean to be used to demonstrate evidence of entrepreneurial success as a result of effective marketing strategies and diligent customer service and the importance that personality plays in influencing customer service. The Big Personality Inventory of McBride, Mendoza, and Carraher (1997) as modified by Carraher, Mendoza, Buckley, Schoenfeldt, Carraher (1998) was used to examine personality. It has previously been found to be related to a variety of types of performance (Carraher, Buckley, Scott, Parnell, & Carraher, 2002; Carraher, Carraher, & Mintu-Wimsatt, 2005;

Carraher, Franklin, Parnell, & Sullivan, 2006, Carraher & Parnell, 2008; Carraher, Parnell, Carraher, Carraher, & Sullivan, 2006; Carraher & Sullivan, 2003; Chait, Carraher, & Buckley, 2000).

The remainder of this paper consists of six major sections. The first section lays the theoretical foundation for the paper. The second section discusses the assumptions relating to the value of marketing and customer service for the success of the business. Following this, the authors will state the hypothesis as well as the methodology which will help to determine whether the hypothesis is correct or not. We then outline the weaknesses and the obstacles encountered in conducting our research. The paper concludes by suggesting possible strategies that constitute proper marketing techniques as well as the recommended attributes of diligent customer service based on our findings. We found that customer service in the Bahamas was significantly different than customer service in other parts of the world (Carraher, 2005) with conscientiousness having a negative relationship with customer service ( $B = -.296$ ,  $t = -7.013$ ,  $R^2 = .419$ ). We believe that future research should examine the influence that cognitive complexity (Carraher & Buckley, 1996; Sturman & Carraher, 2007) might have on the relationship as well the influence that cultural factors might have (Carraher, Sullivan, & Crocitto, 2008). Additional future research is also suggested.

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# ON THE PORTABILITY OF CAPITAL STRUCTURE THEORY: DOES THE TRADITIONAL MODEL FIT IN AN EMERGING MARKET?

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## ABSTRACT

*The received theories of capital structure have traditionally been tested in the context of firms in developed economies. Taking India as a case study, the present study contributes to this body of literature by testing whether the model of capital structure is portable to an emerging market. India suggests itself as a candidate for such a study because it has experienced significant economic liberalization and financial sector reform since the early 1990s. The process of reform in India has certainly not brought its financial system yet to the levels of competition, efficiency and relative transparency found in developed countries, but it is plausible that such reform has fostered optimizing behavior that might be revealed in the pattern of firms' choice of capital structure. Using a sample of 1110 to 1163 manufacturing firms for the period 1998-2002, the study finds that the traditional explanatory variables (fixed asset ratio, firm size, profitability, market-to-book ratio, non-debt tax shields, and earnings volatility) play a significant role in explaining the cross-sectional variation in financial leverage, and broadly have the expected signs. The results thus provide strong evidence in support of the portability of capital structure theory across developed and developing economies. The study's results also point to a few unique aspects of financing behavior in developing countries, from which follow specific implications for further research.*

## INTRODUCTION

Recent empirical research suggests a growing interest in the financial management practices among businesses in less developed countries and emerging markets (e.g. Booth et al., 2001; Aivazian et al., 2003; Delcoure, 2007). This departure from the traditional focus on developed economies is valuable because, among other things, it allows us to see how variations in factors such as the extent of capital market development, quality of accounting practices, institutional setting, and corporate governance influence "optimal" financing policy. In the context of developed economies, the value of contrasting capital structure determinants across countries can be seen in Wald, 1999, for instance, who compares the financing behavior of firms in the U.S., Germany, France, the U.K., and Japan, and whose findings suggest that legal and institutional differences do influence the choice of financing mix. Delcoure, 2007, indicates that differences in legal systems, banking system constraints, corporate governance, sophistication of capital markets, and protection of investor right limit the "portability" of traditional capital structure theories to the emerging markets of Eastern and Central Europe.

An insight into the unique features of developing economies is also provided by Harvey et al., 2004, who consider emerging markets to provide "an excellent laboratory to test the governance

potential of debt"; they argue that such markets are characterized by "extreme" agency problems stemming from pyramid ownership structures, weak legal protection, and underdeveloped markets for corporate control. Aivazian et al, 2003, contrast the dividend policy of firms in the US with that of firms in emerging markets such as India, Jordan, and Pakistan, so as to study the impact of the differences in institutional setting and degree of financial market development on corporate payout behavior.

Existing work thus points to the fruitfulness of investigating the financing behavior of firms in emerging markets. The present work contributes to such a line of research that contrasts developed and emerging economies by gauging the extent to which a traditional model of capital structure choice, widely applicable to firms in developed economies such as the U.S., explains the financing behavior of firms in India. India represents an interesting case because, traditionally weighed down by heavily regulated capital markets, opaque accounting and disclosure, and weak corporate governance, its economy has seen significant market reform and liberalization since July 1991. As a result, total market capitalization has exploded (for example, tripling between 2002 and 2006), and debt issuance and M&A activity have also seen very significant growth.

Still, Indian business possesses characteristics that distinguish it from the typical developed economy: shareholdings and control are very concentrated, and family and state ownership is quite common. For instance, in 2006, about 70% of India's 500 largest firms-accounting for roughly 87% of total market capitalization-were affiliated with family business groups or the government (Chakrabarti et al., 2008). Further, India's bank-oriented financial structure may still be classified as "underdeveloped", and its capital markets still lack consistent analyst services and are burdened with high levels of information asymmetry (Sarkar & Sarkar, 2003; Reddy & Rath, 2005).

The present study seeks to investigate whether, in this nascent market-oriented setting, capital structure choice can be explained by mainstream Western models. The study distinguishes itself in several ways from the limited amount of existing work on the subject (e.g., Bhaduri, 2002; Booth et al., 2001). First, it provides a more powerful test of capital structure hypotheses by including a much larger sample of firms (1163 firms versus 363 and 99 firms in the older studies). By their own admission, Booth et al face data constraints that limit their sample of Indian and Brazilian firms to a small proportion of listed companies on those countries. Second, the present study analyzes data from a more recent time period (1998-2002, as against 1990-1995 and 1980-1990 in the older studies). The process of financial liberalization in India began in earnest only in the early 1990s, a fact that suggests the need for the study of a more recent time period. Finally, the study explicitly employs the explanatory factors and methodology used in the typical context of developed economies so as to facilitate a direct comparison between the Indian corporate sector and an advanced economy such as the U.S. Somewhat surprisingly, the current study finds that in fact a common set of factors does influence financing choice among U.S. and Indian firms in a qualitatively similar way, and that the overall explanatory power of the model is closely comparable for businesses in the two countries. At least on the face of it, this evidence points to a quick convergence to optimizing behavior by firms in a country experiencing financial liberalization. An explicit test of a causal link between liberalization and optimizing behavior, however, is beyond the scope of the present paper, and will be pursued in a later study.



# **GENDER DIFFERENCES IN SUCCESSFUL BUSINESS OWNERS' NETWORK STRUCTURES: A EUROPEAN STUDY**

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## **ABSTRACT**

*Access to resources, particularly sources of information and advice, is highly important to start-up companies. Men have traditionally enjoyed stronger formal networking positions than have women because they have more often worked in managerial and executive positions before starting businesses. Informal social networks are also often sex-segregated. Whereas men are more likely to identify their most important supporters to be lawyers and accountants and other professionals, with spouses second, women tend to say their spouses are their most important supporters, followed by close friends (Hisrich & Brush, 1986). The result is that women entrepreneurs are often at a disadvantage in terms of their social networks and the resources, information, and advice they can obtain through them. This study examines data from the European Union regarding business owners' reported sources of advice. Analysis shows that women were more likely than men to name friends and family as a source of advice, whereas men were more likely than women to name professional acquaintances and professional consultants as sources of advice. This difference could have implications for performance as the information acquired from informal sources (family and friends) is not likely to be as useful as that obtained from more formal sources such as professional acquaintances and consultants.*

## **INTRODUCTION**

Entrepreneurs are, to some extent, dependent on their networks of personal relationships when making decisions and solving problems (Taylor & Thorpe, 2004). Networks provide business owners with direct access to the resources required when establishing and growing a business, as well as indirect access to third parties and their resources. In certain industries, such as creative and professional business services, networks and contacts have been found to provide an indication of an entrepreneur's standing and reputation (Silversides, 2001).

Men have traditionally had different networks from women, with men's contacts being more likely to produce information important to business success (Aldrich, 1989). This study examines data from the European Union regarding business owners' reported sources of advice, comparing the answers of men and women. The following sections provide a brief literature review on networks, followed by the results of the study, and analysis of the data.

## NETWORKS AND KNOWLEDGE ACQUISITION

Networks are becoming increasingly important as they provide firms with access to markets, information, and other resources (Gulati, Nohria & Zaheer, 2000). One result of networking is the development of social capital, which essentially consists of the "resources individuals obtain from knowing others, being part of a network with them, or merely being known to them and having a good reputation" (Nahapiet & Ghoshal, 1998, p. 107). The degree of diversity in a network can be referred to as the network's range (Burt, 1982; Zhao & Aram, 1995). Founders with varied networks of contacts can gain information to help them surmount business development problems, thus shaping their own survival and growth (Aldrich, 1989; Burt, 1982; Low & MacMillan, 1988; Zhao & Aram, 1995).

Granovetter (1973) classified network ties as either weak or strong based on the frequency of contact. However, frequency of contact is not sufficient as the sole measure of network quality because the exchange of useful information is not guaranteed--there is only the opportunity for exchange (Frenzen & Nakamoto, 1993, p. 369; Zhao & Aram, 1995). For example, a strong tie with a friend (with whom one interacts frequently) is not necessarily useful in a business setting, whereas a weak tie with a business consultant could be expected to yield more useful information.

Women have customarily been at a disadvantage in both formal and informal networks. Men have traditionally enjoyed stronger networking positions that are more beneficial to business start-ups (Aldrich, 1989). Many occupations and fields of study are still dominated by men, decreasing the chances that a woman will have easy access to these networks. Given that most entrepreneurs start their businesses after they have worked for several years, rather than immediately after finishing high school or college, the early choice of majors and jobs can influence network structures for many years (Aldrich, 1989).

Informal social networks are also often sex-segregated, putting women at a disadvantage in this area as well (Aldrich, 1989). Hisrich and Brush (1986) found that men claimed advisors such as lawyers and accountants among their most important supporters, with spouses second. In contrast, women reported spouses to be their most important supporters, followed by close friends. In a related study (Smeltzer & Fann, 1989), women were found to be more likely to use other women as information sources. Similarly, many volunteer associations have been found to be dominated by a single sex, limiting women's access to these networks (McPherson & Smith-Lovin, 1986). The result of the difference in experiences and both occupational and informal social structures is that "division and barriers within these spheres significantly limit the reach and diversity of women's networks" (Aldrich, 1989, p. 125).

These networks and sources of knowledge are important to businesses because the development of absorptive capacity begins with knowledge acquisition. Absorptive capacity is essential to the creation of entrepreneurial performances as it pertains to a firm's overall capacity for learning, integrating and disseminating new knowledge internally, and then exploiting this knowledge to enhance performance (Teece et al., 1997; Wu & Young, 2007; Zahra & George, 2002). In fact, Gray (2006, p. 349) contends that the propensity to network is a pre-requisite to "the effective knowledge management that underpins the construction of entrepreneurial absorptive capacity." If an entrepreneur's network is limited to a group of people who cannot provide valuable

information about business, the performance of his or her firm is likely to suffer in comparison to that of a company whose owner is able to take advantage of a diverse, high quality network.

It is clear from the literature that a business owner's network can influence the performance of his or her business. The quality of information obtained from different sources is likely to vary based on the expertise of the given knowledge source. If men rely on networks from which they receive more useful information (than the networks used by women), the performance of women's and men's business are likely to vary accordingly. This study examines the issue of gender differences in networks by examining data from the European Union regarding the sources of advice used by men and women business owners.

### METHODOLOGY, RESULTS AND ANALYSIS

The data for this study were gathered from Eurostat's metadata database (Eurostat, 2009). The countries included in the "European aggregate based on available data," are the Czech Republic, Denmark, Italy, Lithuania, Luxembourg, Austria, Slovakia, Sweden, and Bulgaria. Romania was originally included in this data set, but is not included in this study because of incomplete data. The target population of this 2005-2006 survey consisted of people who had started businesses in 2002 and were still personally managing them in 2005. In total, 287,837 people participated, with 77,140 women and 210,700 men.

Table 1 shows the results for nine questions regarding the sources of advice used by the business founder. The percentages show the proportion of each sex that reported using each source of advice (or no advice). Chi-square analyses were performed to determine if there was an association between gender and these reported sources of advice. Although not all percentage differences were particularly large (for example, 3.1% of men and 3.9% of women received advice from an unemployment administration), statistically significant differences between genders were found for all sources of advice except organizations specializing in business start-ups and financial institutions.

Source of advice	Men	Women	chi.sq	p.
Family and friends	34.6%	42.9%	1693	.000
Professional acquaintances	45.2%	35.8%	2013	.000
Professional consultants	22.0%	19.9%	145	.000
Training course for entrepreneurs	4.7%	7.1%	679	.000
Organizations specializing in business start-ups	8.1%	8.0%	1.42	.233
Unemployment administration	3.1%	3.9%	94	.000
Financial institution	1.6%	1.6%	0.24	.624
No access to any relevant advice	14.2%	13.5%	24	.000
No advice needed	20.4%	18.0%	206	.000

Analysis of the data clearly shows women were more likely than men to use family and friends as a source of advice, while a greater proportion of men than women used professional acquaintances and consultants. This is consistent with earlier findings by Hisrich and Brush (1986) that women's families (spouses) and friends were their most important supporters, while men's were professional advisors such as lawyers and accountants, with spouses coming in second. In this study, family and friends (42.9%) were women's most commonly cited source, followed by professional acquaintances (35.8%) and professional consultants (19.9%). Although men also placed professional consultants third (22.0%), family and friends (34.6%) placed second to professional acquaintances (45.2%). This may also lend support to Aldrich's (1989) contention that men have formal and informal networks that are stronger than women's. Women in this study may have used family and friends because they did not have professional acquaintances from whom they could obtain advice. The availability of friends and family, however, may have kept many women from answering that they had no access to advice. The overall proportions are similar to the 35% of Australians in Watson's (2007) study who reported "accessing" friends and family in their networks.

In contrast to the 62% of people in Watson's (2007) study who used banks for information, only 1.6% (no significant gender difference) of the European sample sought advice from financial institutions or from organizations specializing in business start-ups (8%). Past studies (Humphreys & McClung, 1991; Schwartz, 1976) have shown that the vast majority of business failure failures in the United States could be attributed to a lack of experience and management skills. Expert advice and business support provided by organizations such as business incubators could substitute for direct experience and help business owners acquire the tacit knowledge shared by other managers in the industry (Aldrich, Reese, & Dubini, 1989; Miller, Besser & Riibe, 2006/2007). With only 8% reporting that they received advice from such an organization, and 14% (14.2% of men, 13.5% of women) stating that they had no access to any relevant advice, incubators and other organizations that help start-ups appear to be needed and/or promote themselves better so that potential entrepreneurs are aware of the support that is offered. Given that women were more likely (7.1% vs. 4.7%) to have taken a training course for entrepreneurs, and less likely (18.0% vs. 20.4%) to state that they needed no advice, women founders of new businesses might be more willing to use incubators if they were available and women were aware of their services. Because one of the primary functions of an incubator is to mediate between tenants and the outside world and thereby help incubatees develop stronger business networks (Bergak & Norrman, 2008; Lender, 2003), incubators may also help to reduce the differences in women's and men's network structures (Robinson & Stubberud, 2008), which could lead to improved performance.

## CONCLUSION

The sources of advice used by new firms' founders and their overall social networks are very important for providing resources and knowledge for businesses. This learning strengthens a firm's absorptive capacity, which is in turn related to improved performance (Gray, 2006). Therefore, network ties can influence the company's success. Women, however, often have a decreased level of access to sources from which they can obtain useful information and resources (Aldrich, 1989). As shown in this study of successful new business owners in the European Union, women are more

likely than men to use friends and family as advisers, whereas men are more likely to use professional acquaintances. These results may, in future work, be used to help further explain differences in business performance.

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# DESIRABLE SKILL SETS FOR NEW MANAGERS: CHINESE AND U.S. VIEWS

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## ABSTRACT

*The rapid industrial and economic growth of China has triggered a great deal of academic interest in Chinese management practices. Still unresolved is an important issue, whether existing theories of organization and management can be applied to the Chinese experience, or whether social and cultural differences create conditions that require a uniquely Chinese approach to management.*

*This study surveys the value that managers in China and the U.S. place on a variety of both personal and functional skill sets when recruiting new managerial talent. We do find significant differences between the two countries. However, it is not always clear how these differences might be related to differences in social context, or to fundamental differences in organizational structures and processes.*

## INTRODUCTION

Jay Barney (2009) notes there are two possible approaches to understanding organizations and management in the rapidly growing Chinese business sector. The first involves applying and refining theories developed elsewhere to the Chinese case. To what extent, then, can our existing management theories be successfully generalized to this new context. The second approach, however, would involve developing a unique theory of Chinese management with explanations for the existence of sui generis Chinese organizational characteristics.

If there is indeed a unique approach to management evolving in China, it might be seen in the skill sets Chinese managers value when recruiting new managerial talent. Arguably, different skills sets would be necessary to deal with different kinds of supervisory issues, as well as to effect different kinds of organizational objectives.

Certainly there is much evidence that the social and cultural context of Chinese organizations is quite different from that in the west. While China has undergone very rapid industrial, social, and economic change over the last two decades, Chinese heritage is still ingrained in family and relationships. One study (Tan, 2002) has shown that most Chinese managers are still very collectivistic; however younger Chinese managers are showing more individualism than ever before and are better at adapting to the western culture.

Recruitment processes themselves are different (Gross, 1997). There is a cultural negativity towards bragging in China, which makes the interview process more difficult. Chinese applicants will be reluctant to sell themselves and list outstanding achievements. Resumes may also seem less than spectacular, but asking probing questions can get the recruiter the answers they need.

Before the 1980s, Chinese workers were assigned to jobs by the state, and many times had no choice in the matter. This past cultural norm has somewhat lingered, and Chinese workers now

look for jobs that offer many benefits that Americans would consider strange, such as employee funded housing, food, and children's education. Healthcare and pensions are also run through the Chinese state, so workers in China can utilize this benefit, but Chinese workers in the United States may expect outstanding healthcare and pension programs.

U.S. firms operating in China have difficulty retaining good managers. Because business education is limited in China, companies that offer further business education tend to see an increase in employee loyalty.

Once in the workplace, studies have argued that cultural values begin to change once that person is transplanted into a setting with different ideologies (convergence). However, it seems that cultural values seem to dominate (Giacobbe-Miller, et. al., 2003) no matter what workplace the person is put in (divergence). Chinese managers tend to be very collectivist, and will give priority to group success. This makes sense due to the highly collective society they live in, and their socialist style of government. American managers on the other hand value individualism and will strive for individual successes. Once again, this makes sense due to the vast amount of freedom and independence that Americans are offered. This comparison between collectivism and individualism show that China and America are cultural opposites in this area. There is also a tendency for collectivists to resist change while individualists can embrace change. Having a manager who struggles with change could represent a problem for today's ever-changing business world.

Chinese managers truly value input from their subordinates which fits in with their collective thinking (Doucet, 2005). While Americans are relying more and more on cell phones, email, and telecommuting, Chinese workers and managers many times refuse to do business via these devices. Face to face communication is an important value in eastern cultures.

Also as part of the collectivist society, Chinese managers base interactions on trust. While an American may understand if a promise is broken (granted, if there is recourse to fix it), Chinese managers see this as an untrustworthy action which will damage one's status.

There appear to be process differences as well (Tata, 2003). Procedural justice is the perceived fairness that comes with organizational decisions. In general, Chinese workers have a lower tolerance of ambiguity than Americans, which is linked to their collectivist nature and their resistance to change. This simply means that Chinese workers value the consistency that comes with policies and procedures more than their American counterparts. Any variance in procedure can lead to ambiguity and other sources of stress that may be felt more by Chinese workers than American workers.

As a collectivist society, Chinese managers and workers tend to focus more on the group as a whole, rather than individual ambitions. Many studies have shown that collectivist eastern cultures are much more sensitive to others, empathetic, and prefer avoiding conflict much more than Americans.

Gender equality is also a major difference between American and Chinese cultures. China has typically been a male dominated society. One of the recent social changes in China is increased women's rights, but many studies have confirmed that American men are more accepting of equal gender rights than Chinese men.

In summary, it may well be that differences between the Chinese and western organizational contexts are significant enough to generate a fundamentally different approach to management. To



what extent, then, are these differences reflected in the kinds of skills managers prefer when recruiting new managerial employees?

## **METHODS**

A survey was distributed to managers and recruiters of mid-size and larger business in the U.S. and China. In the U.S., 73 managers responded, most from companies located in the mid-west. In China, 30 managers responded, all from the area in and around Beijing. The survey first asked managers to rate the importance of 33 different personal skills in ten different categories (see Table 1) on a five-point Likert-type scale (1 = not at all important to 5 = very important). The second section asked managers to rank the importance of 23 more specific functional area skills (see Table 2).

## **RESULTS**

Of all the personal skill sets, Chinese managers rated leadership skill as most important for new managers, followed by teamwork skills. These two skill sets were tied at fifth of the ten sets among U.S. respondents. In particular, Chinese managers were significantly more likely to value team leadership skills.

Both groups of managers ranked personal effectiveness very highly (third-ranked preference for Chinese respondents and second-ranked for the U.S.), although U.S. respondents placed a much higher value on initiative.

By contrast, U.S. managers were far more likely to value communication skills, especially oral communication (first-ranked in the U.S. sample and only seventh in China), as well as the ability to write business letters and short correspondence.

Ranked third most important among U.S. managers were analytical skills (ranked ninth out of ten in China).

Not surprisingly, Chinese managers placed higher value on a recruit's awareness of intercultural issues. Somewhat surprisingly, however, they also placed a much higher value on ethical sensitivity than did U.S. managers (who ranked ethics ninth out of the ten personal skill sets).

In general, neither group of respondents rated the more specific, functional skills as particularly important. However, there are some differences. U.S. managers focused on customer service, organizational skills, and supervisory skills. For each, the value placed on these skills was significantly higher than that of the Chinese respondents.

Chinese managers, on the other hand, were significantly more likely to value human resource skills, entrepreneurship, and knowledge of financial statements. Chinese managers also placed significantly higher value on several other skills, including international management, investment analysis, and well as a cluster of skills related to purchasing and inventory and supply chain management.

## DISCUSSION

Variances on the survey items was quite small, an artifact of the wording of the scale's anchors. Only rarely would any respondent rate a skill as either "not at all important" or "not very important" (response categories "1" and "2" on the five-point scale). Findings might be more robust with a redesigned scale - still interesting differences do emerge.

In keeping with the collectivist orientation, Chinese managers are more likely to look for team leadership skills among new potential managers. However, it is the U.S. managers' strong preference for communication skills that is particularly striking. Also, the much higher weight they give to analytical skills.

Interpreting such differences is difficult. Perhaps managers in one country place a lower value on certain skills because they can assume most applicants will be competent in that area. Or, conversely, they may assume that most applicants will not be competent in that area and in-house training will be required after a hiring decision is made.

Fundamental organizational processes might be at play as well. In a setting where a great deal of work is done by teams, rather than individuals, it may be possible for Chinese managers to place a lower weight on certain individual skills, since the group will develop them collectively.

Certainly, follow-up research is called for before we can offer any definitive conclusions about the uniqueness of Chinese management. In part, we are limited by our understanding of what questions to ask. The survey itself was based on needed skills as expressed by U.S. recruiters. If there are skills unique among Chinese recruiters, we did not ask about them.

In conclusion, however, there are differences between the two countries and they are significant enough to warrant further research.

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**Table 1.**  
**Perceptions of Important Personal Skills for New Managers: China vs. U.S.**

	China		U.S.		t	P
	Mean	sd	Mean	sd		
Written Communication	4.11	0.72	4.13	0.64	0.11	0.912
Writing short reports	4.20	0.66	4.36	0.84	1.00	0.321
Writing detailed reports	4.10	0.80	3.48	1.03	-2.95	0.004
Writing letters	4.03	0.77	4.55	0.63	3.27	0.002
Oral Communications	4.11	0.65	4.55	0.44	3.96	0.000
Giving oral presentations	3.87	0.73	4.38	0.78	3.23	0.002
Communication in a group	4.07	0.69	4.49	0.67	2.89	0.006
Communicating one-to-one	4.40	0.68	4.77	0.46	3.20	0.002
Computer skills	3.53	0.77	3.81	0.69	1.69	0.098
Statistical analyses	3.90	0.66	3.63	0.96	-1.44	0.154
Graphics programs	3.30	0.79	3.42	0.97	0.68	0.501
Retrieving information	3.40	0.97	4.36	0.73	4.87	0.000
Analytical Skills	3.69	0.77	4.39	0.65	4.67	0.000
Utilizes systematic approach	3.93	0.74	4.33	0.99	2.24	0.028
Can Acquire Needed Inputs	3.57	0.97	4.44	0.82	4.35	0.000
Use of Business Tools	3.57	0.77	4.39	0.78	4.88	0.000
Teamwork	4.42	0.67	4.37	0.60	-0.39	0.698
Interacting in a team	4.47	0.57	4.66	0.56	1.55	0.127
Remedying team problems	4.47	0.68	4.33	0.71	-0.92	0.360
Group decision-making	4.33	0.84	4.12	0.87	-1.14	0.260

Leadership	4.61	0.50	4.37	0.57	-2.01	0.037
Articulate a Vision	4.67	0.55	4.42	0.67	-1.76	0.081
Team Leadership	4.63	0.56	4.37	0.68	-2.06	0.043
Ability to Coach	4.53	0.51	4.33	0.73	-1.40	0.163
Cognitive Effectiveness	4.36	0.60	4.30	0.47	-0.55	0.584
Analytical Thinking	4.47	0.63	4.36	0.59	-0.83	0.397
Information Seeking	4.18	0.61	4.42	0.60	1.76	0.079
Conceptual Thinking	4.20	0.81	4.26	0.93	0.33	0.757
Innovation	4.43	0.57	4.28	0.66	-1.46	0.172
Learning Orientation	4.43	0.57	4.19	0.66	-1.84	0.088
Personal Effectiveness	4.40	0.56	4.49	0.38	0.91	0.365
Initiative	4.47	0.57	4.73	0.45	2.46	0.016
Self-Confidence	4.33	0.55	4.36	0.56	0.19	0.851
Adaptability	4.43	0.63	4.47	0.60	0.25	0.807
Concern for Order/Accuracy	4.37	0.62	4.40	0.70	0.21	0.836
Cultural Awareness	3.94	0.76	3.78	0.81	-0.97	0.333
Intergroup Sensitivity	3.77	0.71	4.03	0.80	1.35	0.179
Intercultural Interactions	4.07	0.87	3.79	0.93	-1.38	0.171
Intercultural Issues	3.97	0.85	3.51	0.97	-2.39	0.020
Ethics	4.27	0.61	3.79	0.64	-3.52	0.001
Write Standards	4.43	0.57	3.41	0.81	-6.27	0.000
Ethical Awareness	4.17	0.70	4.12	0.78	-0.28	0.792
Legal Awareness	4.20	0.66	3.85	1.00	-2.07	0.083

**Table 2.**  
**Perceptions of Important Functional Skills for New Managers: China vs. U.S.**

	China		U.S.		t	p
	Mean	sd	Mean	sd		
Functional Area of Expertise	3.68	0.71	3.53	0.81	-0.87	0.389
Accounting	3.70	0.75	3.75	1.36	0.24	0.850
Marketing	3.55	0.82	3.44	1.06	-0.46	0.682
Financial Statements	3.94	0.79	3.38	1.30	-2.16	0.010
Supervision	3.50	0.86	4.15	0.99	3.34	0.002
Budgeting	3.63	0.77	3.57	1.30	-0.25	0.802
Customer Service	3.83	0.70	4.63	0.88	4.38	0.000
Human Resource	4.17	0.79	3.56	1.12	-2.70	0.008
Sales	3.80	0.85	3.65	1.43	-0.53	0.521
Administration	3.79	0.88	3.51	1.25	-0.77	0.376
Business Planning	3.76	0.96	3.74	1.15	0.29	0.755
Consumer Marketing	3.60	0.62	3.51	1.33	-0.46	0.733
International	3.43	0.68	2.85	1.47	-2.76	0.040
Project Management	3.73	0.69	3.88	1.07	0.68	0.499
Organization Skills	3.87	0.63	4.40	0.78	3.33	0.001
Investment Analysis	3.77	0.93	3.13	1.48	-2.31	0.007
Training	3.60	0.68	3.72	1.18	0.53	0.512
Economic Analysis	3.53	0.86	3.35	1.29	-0.71	0.411
Pricing	3.30	0.92	3.18	1.37	-0.44	0.608
Purchasing	3.50	0.82	3.00	1.19	-2.11	0.017
Quality Control	3.83	0.83	3.66	1.22	-0.72	0.401
Inventory	3.53	0.78	2.94	1.38	-2.73	0.031
Supply Chains	3.40	0.93	2.85	1.21	-2.49	0.015
Entrepreneurship	4.00	0.87	3.38	1.24	-2.50	0.014

