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The aim and scope of the Journal of Marketing and Strategic Management (JMSM) is:

- to mirror the domain of the Business Policy and Strategy division of the Academy of Management and American Marketing Association academic publications requirements. As such, the journal is interested in “the roles and problems of general managers - those who manage multi business firms or multi-functional business units.”, with special reference to the role of Marketing in the Strategic Management.
- to reflect upon, understand, and improve the effectiveness of strategic management, and marketing strategy
- to seek a balance between empirical research and philosophical and conceptual reflections and observations, between topics of broad concern as well as sharply focused work of considerable depth
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</tr>
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<tbody>
<tr>
<td>Telephone Number</td>
<td>+1-214-212-4343</td>
</tr>
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ISSN 2372-7772 (PRINT) ISSN 2372-7780 (ONLINE)
http://www.journalofmarketingandstrategicmanagement.net/
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This is 12th issue of our journal, first as Strategic Management Review (SMR) and later as a combination of two closely related disciplines; marketing and strategic management, under the Title of Journal of Marketing and Strategy (JMSM).

This issue has an additional part as working paper. We tried to have a balanced combination of marketing and strategy related papers.

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PROPERTY RIGHTS AND VALUE CREATION IN ORGANIZATIONS

Thomas A. Turk
Argyros School of Business and Economics
Chapman University

Candace E. Ybarra
Argyros School of Business and Economics
Chapman University

DOI: http://dx.doi.org/10.21607/jmsm.2018.001

Abstract

Both the Resource Based View of the firm and the Dynamic Capabilities perspective suggest that competitive advantage arises from the effective development and deployment of resources. In this paper we apply property rights theory to propose that the degree of fragmentation of decision rights will have a significant impact of how effectively strategically valuable resources and capabilities are developed and deployed. Applying the logic of both the “tragedy of the commons” and the “tragedy of the anticommons” we argue that fragmented ownership rights encourage investment and careful deployment of resources but impede re-bundling them to exploit market opportunities in dynamic environments. Consequently, extensive fragmentation is ill-suited for dynamic environments where strategically valuable resources are largely intangible.

INTRODUCTION

The resource based view of the firm highlights the importance of developing resources that are valuable, rare, imperfectly imitable, and non-substitutable and deploying them in attractive market opportunities. The dynamic capabilities perspective further argues that sustaining a competitive advantage also requires continually bundling and re-bundling resources to produce capabilities that position a firm to exploit changing market circumstances. In this paper we argue that property rights theory can be applied usefully to understand the organizational barriers that to meeting the requirements of the resource based view and the dynamic capabilities perspective.

The analogy of property rights in organizations is widely used. Managers commonly refer to owning decisions, owning resources, or owning product markets. The concept of ownership in organizations is more psychological than legal and is meant to imply a greater personal accountability for the successful use of the process, activity or resource owned. Intuitively firms recognize that “owners” generally safeguard, develop and use resources they own more carefully than managers who do not own the resources they manage. As a result, firms often seek to assign decision rights in a manner that promotes psychological ownership. The “tragedy of the commons” (Harden, 1968) from property rights theory highlights the waste and inefficiency that occurs when no one “owns” a valuable resource.

More recently, a counter problem, the “tragedy of the anticommons” (Heller, 1998), has received increased attention. The “tragedy of the anticommons” arises when multiple individuals possess the right to restrict access to the use of a resource. In these circumstances, some of the
owners are likely to hoard the resource rather than allow it to be deployed in a valuable market opportunity. Thus, while the commons problem results from “too little” ownership of resources, the anticommons problem results from “too much” ownership.

In this paper, we argue that both the commons and anticommons problems are common in organizations and can significantly reduce the value of the firm. Resources that are not “owned” are subject to the commons problem and are under-supplied and over-used in organizations. We argue that intangible resources and those that add value to multiple business units fit in this category. This suggests that resources such as knowledge, the leadership capacity of the firm, core competences, corporate culture, and reputation, for example, may be under-supplied because managers have insufficient incentives to invest in them.

Where resources have multiple “owners” or can be usefully bundled with resources within the firm to which other managers have to right to restrict access, the anticommons problem emerges. In this circumstance, the resources are more likely to be hoarded rather than deployed in the valuable project. The resource based view of the firm suggests that firms suffering from the commons problem will under-perform because they fail to optimally invest in the development of strategically important resources. The dynamics capability perspective suggests that firms suffering from the anticommons problem will under-perform because the vital capacity of re-bundling resources to develop dynamic capabilities and exploiting emerging market opportunities will be impeded. This problem will be acute in dynamic environments with high levels of uncertainty.

The next section of this paper reviews the resource based view of the firm and the dynamic capabilities perspective. In this review we highlight the need to invest in developing a stock of valuable, rare, and imperfectly imitable resources, and to bundle and re-bundle them to develop capabilities necessary to succeed in dynamic markets. We then review property rights theory and the tragedies of the commons and anticommons. Finally we offer propositions regarding the types of resources likely to be vulnerable to the commons problem and the environmental circumstances under which the anticommons problem is most acute.

RESOURCES, CAPABILITIES, AND COMPETITIVE ADVANTAGE

Resource-Based View

Determining how firms achieve a sustainable competitive advantage is a key question in the strategic management literature. The resource-based view (RBV) of the firm suggests that it is the nature of a firm’s resources that is the key to superior performance. This perspective has roots in the work of Penrose (1959) who theorized that the firm is an organizing mechanism to manage the resources that must be configured and exploited to enhance a firm’s competitive position. Similarly, Wernerfelt (1984) proposed that a firm’s superior performance is based on the acquisition and management of a set of resources that are necessary for developing valued products.

The importance of resources and their configuration for value creation gave rise to the work of Barney (1991) who suggested that a firm’s competitive advantage is based primarily on heterogeneously distributed and imperfectly immobile resources within the firm. Specifically, he detailed specific attributes of the resources that are likely to give a firm a sustainable competitive advantage by suggesting that resources must be valuable, rare, imperfectly imitable, and non-
substitutable. According to Barney (1991) valuable resources are those that enable a firm to improve its’ performance by exploiting opportunities or minimizing threats in the external environment. The emphasis here is that a resource is only valuable in its use to respond to market conditions.

Rare resources are those not possessed by a large number of a firm’s current and potential competitors. He also emphasizes that rareness may not come from any one resource but from the unique way that they are bundled together in the firm. Imperfectly imitable resources are those that cannot be easily obtained or duplicated by a large number of competitors. Compared with tangible resources, intangible resources such as reputation and culture are more difficult to imitate since they are often developed over time and reflect firm-specific dependencies. Finally, non-substitutable resources are those that have no ‘strategic equivalency’ (Barney, 1991 p. 111) In other words, there are no other resources that would enable a firm to produce the same value in that context. Likewise, the availability of a substitute resource decreases the value of each resource since either can be used interchangeably in bundling key resources to develop a competitive advantage.

While the importance of resource and resource configurations in achieving a competitive advantage has wide agreement, there is much less agreement about the definition of resources. In the strategic management literature the term resource has been used in a variety of ways. Barney (1991) suggests that firm resources include all assets, capabilities, processes, firm attributes, and information that a firm possesses. Likewise, Carmeli and Tishler (2004) argue that the term resource is widely used in the literature to represent many aspects of a firm including resources, capabilities, and core competencies. Each of these separate constructs of resources, capabilities and core competencies will be discussed in more detail below.

Specifically, resources have been variously defined as the strengths and weaknesses of the firm (Wernerfelt, 1984), the tangible and intangible assets controlled by the firm (Amit and Schoemaker, 1993), and the stock of available factors of production employed by the firm (Black and Boal, 1994; Ravichandran and Lertwongsatien, 2005). Additionally, Galunic and Rodan (1998) distinguish between tangible input resources (such as people and equipment) and knowledge-based resources which, they argue, are developed through bundles of tangible resources. Similar to Penrose (1959), they emphasize the role of the firm as the integrating mechanism to combine and transform tangible resources into unique bundles of resources for firm advantage.

Capabilities have been defined as the organization’s ability to deploy a bundle or team of resources, usually at the functional level of the firm, to achieve an objective (Amit and Schoemaker, 1993; Ravichandran and Lertwongsatien, 2005), integrated resource bundles (Sirmon, Hitt, and Ireland, 2007), and combinations of routines or socially complex routines that allow a firm to transform inputs into valuable outputs (Collis, 1994; Winter, 2003). Since capabilities are developed through specific organization actions overtime and are the result of unique bundles of resources, they are considered to reside exclusively in the firm in which they are created (Makadok, 2001) and are intricately linked to the processes and values of that organization and are not easily changed over time (Christensen, 1997).

Finally, competencies (and core competencies) have been variously defined as the organized clusters of firm resources (Galunic and Rodan, 1998) and the ‘collective learning’ that results from bundles of accumulated knowledge, production skills and technologies (Prahalad and Hamel, 1990, p.4). Furthermore, Prahalad and Hamel (1990) emphasized that core competencies
are corporate wide, applicable to multiple markets, should be leveraged across multiple divisions or SBUs, and must be developed, nurtured and protected. Of particular relevance to our paper is their discussion of the dangers of SBUs in limiting a firm’s ability to leverage their core competencies.

On one hand, they argue that SBU managers will underinvest in key resources since no single SBU owns the distinctive competencies. Conversely, they contend that, since SBUs are often autonomous and feel ownership over their resources, individual managers may hold valuable resources or competencies hostage. As an example, one crucial resource, knowledge, may be hoarded as managers want to increase their own power, are uncertain about the benefits of sharing or do not see the personal benefits of sharing (Cabrera and Cabrera, 2002; Evans, et.al., 2014). This hoarding or hostage taking of key resources impedes the ability of companies to develop core competencies.

While the above discussion of resources, capabilities and core competencies is useful in understanding the importance of coordinating, bundling and leveraging resources to create a competitive advantage, the RBV has been criticized as being static and ignoring the processes which companies utilize to sustain a competitive advantage over time in dynamic environments (Barney 2001a., b.; Priem and Butler 2001; Sirmon & Hitt, 2003). Similarly, Christensen (1997) proposed an “innovator’s dilemma” in which some firms, despite having valuable and rare resources and capabilities, may lose their dominant market position because their capabilities are not suited for certain types of innovation. As such, he discusses the difficulty of developing a set of capabilities that allow a firm to succeed in disruptive innovations such as hard drives, digital photography, and personal computing.

In many industries the degree of environmental uncertainty and instability has increased dramatically with the integration of the global economy, rapid technological development, and increased competition. As new markets emerge, others evolve, and some die out. With the convergence of many industries such as digital communications, internet, and entertainment, the competitive landscape has become almost unrecognizable. Particularly in these dynamic industries, those companies that don’t respond to market changes brought about by innovation may miss out on opportunities and find their competitive position in jeopardy. A 2018 Innosight study (Anthony, et al, 2018) estimates that nearly 50% of the current S&P 500 will be replaced over the next ten years. Additionally, a McKinsey study (Atsmon, 2016) found that 1/3 of the companies surveyed reallocate only 1% of their capital investments from year to year. These rigid companies had an average 6% return to shareholders compared to the more dynamic resource allocators with a 10% return to shareholders. These figures indicate that many companies may not be structured effectively (or have processes) to obtain, re-bundle, or redevelop key resources and capabilities in dynamic environments.

Dynamic Capabilities Perspective

In an effort to explain how companies can achieve and sustain a competitive advantage in highly dynamic environments, Teece, Pisano, and Shuen (1997) proposed the dynamic capabilities framework. The dynamic capability framework extends the resource-based view and examines the routines or processes that organizations utilize to acquire, develop, and deploy its resources and capabilities to sustain a competitive advantage over time.

Dynamic Capabilities have been defined as “the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (Teece
et al., 1997: 516), the routines firms utilize to “achieve new resource configurations as markets emerge, collide, split, evolve, and die” (Eisenhardt and Martin, 2000: 1107), the higher-order capabilities applied to ordinary capabilities that allow a firm to quickly adapt to market changes (March, 2003; Teece, 2014), and the firm’s systematic modification of a company’s resources, capabilities and core capabilities (Helfat et al., 2007; Wang and Ahmed, 2007). The dynamic capabilities perspective goes beyond the RBV to explicate the process by which managers effectively and efficiently bundle and rebundle the resources of the firm.

Many studies examining dynamic capabilities have identified it as multidimensional construct. For example, Eisenhardt and Martin (2000) argue that dynamic capabilities are a set of three specific routines. Those routines involve resource integration, resource reconfiguration, and the gain and release of resources. Each of these routines involves the combining or pooling of key resources within the firm; often controlled or managed by a diverse group of “owners”.

Teece (2007) and Augier and Teece (2007) also disaggregated dynamic capabilities into sensing, seizing and reconfiguring. Sensing involves the capabilities to quickly identify opportunities in the environment. Seizing involves mobilizing the resources necessary to address the opportunities in the market. Transforming is the continual renewal of vital resources, capabilities and competencies in the organization.

Similarly, Wang and Ahmed (2007) also disaggregated dynamic capabilities into three components. These include a firm’s adaptive capability, absorptive capability, and innovative capability. Adaptive capability emphasizes the flexibility of the firm’s resources and the agility in re-bundling resources to meet external market opportunities. Absorptive capability is concerned with the development of organizational knowledge. Here, sharing knowledge-based resources throughout the firm is essential. Finally, innovative capability refers to a firm’s ability to develop new products, new technologies, and risk taking. They argue that, in order to achieve innovation, managers must have processes in place that facilitate the bundling and re-bundling of resources across the firm. Similarly, O’Relly and Tushman (2008) propose that managers can develop a dynamic capability of ambidexterity to help resolve the “innovators dilemma” (Christensen, 1997) and successfully explore new disruptive innovations while simultaneously exploiting their existing capabilities.

There are two additional features of dynamic capabilities that are relevant to our paper. The first relates to the contingency effect of the external environment and the other relates to the importance of the manager in facilitating resource bundling and reconfiguration. The importance of dynamic capabilities is influenced by the uncertainty in the firm’s external environment. When the environment is dynamic, firms are pressured to revise their routines (March, 1991). Additionally, in these high-velocity markets, agility is highly valued (Teece, Peteraf, and Leih, 2016). Under these conditions, firms will be required to quickly and effectively re-bundle and redeploy resources as well as integrating completely new resources into their resource bundle (Sirmon et al., 2007). Likewise, Fiol (2001) argued that, in highly dynamic environments, competitive advantage comes from the ability to destroy and rebuild resources over time.

However, constant rebuilding, re-bundling, and integrating comes at a cost to the firm and may not be necessary in more stable environments. Sirmon et al. (2007) argue that in less dynamic environments, firms may use stabilizing strategies that include making incremental improvements in existing capabilities. Similarly, Eisenhardt and Martin (2000), argue that in moderately dynamic markets, dynamic capabilities resemble the traditional conception of routines and in more stable
environments, the leveraging of existing core competencies, as discussed in the resource based perspective. It is important to recognize that the most effective process for resource management may differ depending on the nature of the external environment.

Another common feature of the dynamic capabilities framework is the role of the manager in creating processes to facilitate the reconfiguration of the firm’s resources. Managers are instrumental in developing processes for resource and capability development and allocation of resources between businesses within the firm (Adner and Helfat, 2003; Kim and Mahoney, 2006). Similarly, in examining dynamic managerial capabilities, Eisenhardt and Martin (2000) emphasized the importance of the manager in developing routines to capture synergies among resources located in different parts of the organization, while Beck and Wiersema (2013) emphasize the role that dynamic managerial capabilities play in developing unique bundles of resources for the firm.

In summary, to sustain a competitive advantage the Resource Based View of the Firm argues that a firm must develop a stock of resources and deploy them in attractive market opportunities. The Dynamic Capabilities perspective further argues that the firm must be able to continuously develop and re-bundle these resources to exploit emerging market opportunities in dynamic markets. In this paper we rely on property rights theory to argue that the manner in which decision rights are assigned have a significant effect on the firm’s ability to develop a stock of resources, to deploy them, and to re-bundle them. Therefore, assigning decision rights properly is vital to obtaining and sustaining a competitive advantage. In particular, the firm must assign decision rights in a manner that mitigates the costs of both the “tragedy of the commons” and the “tragedy of the anticommons” to maximize its value.

PROPERTY RIGHTS AND INVESTMENT IN MARKETS AND ORGANIZATIONS

Heller (2001) describes a trilogy of properties rights varying based on who has the right to restrict access to a resource. For State Property, the government controls the right to restrict access and sets rules regarding use. For Private property, the private property owner controls the right to restrict access. For Commons property, no one controls the right to restrict access. These different forms of property can result in inefficient allocation of resources under certain conditions.

In a market, private property rights that are well-defined, freely tradeable and protected by an efficient rule of law are vital to promoting entrepreneurial initiative and innovation. Schlager and Ostrom (1992) noted that property rights are really a bundle of rights including the right to access, the right to exclude, the right to manage, and the right to alienate (that is, sell and keep the proceeds of the sale). Collectively these rights provide incentives to invest, develop, and deploy resources to maximize their value. They also provide incentives to transfer resources to those with better knowledge about market opportunities or uses of those resources. Prices provide information about value of alternative uses of resources and alienation provides the authority to transfer resources. Owners have incentives to transfer resources to those who value them more as they receive the proceeds from their sale. Thus, freely traded property rights provide the information, authority, and incentives to guide resources toward their highest valued use - and generally do so quickly (Demsetz, 1967).

Managers in firms do not have property rights, and therefore no “invisible hand” guides resources to their highest valued use within an organization. They do have decision rights,
however. Managers generally control the right to use resources and restrict access to others to use, but do not normally control the right to sell or to personally capture the benefit of a sale (Hart and Moore, 1990). A plant manager may have the right to determine how the facility is used, but not the right to sell the facility and capture the profits. A manager may have authority to restrict access to a conference room, but not the right to sell it and keep some portion of the proceeds of the sale.

Decision rights in organizations can be assigned bureaucratically through job descriptions, budgets, and policies that specify the resources a manager controls and what purposes those resources can be used for. Managers may also informally assume decision rights over a resource not formally assigned. The result is the same. The manager acquires psychological ownership over the resource and behaves in a manner akin to ownership (Pierce et al., 1991).

The advantage of assigning property rights within organizations is increased accountability and incentives to invest and deploy resources in a manner that enhances firm value (Jensen and Meckling, 1995). The key feature of decision rights in organizations is the right to restrict use. If only the manager with the decision right can determine how the resource is used, the manager can be held accountable for the value the resource creates. Performance can be measured more easily and incentives aligned in this circumstance. If the manager is not primarily responsible for how the resource is used and cannot restrict access to it, then performance cannot readily be associated with a particular manager, therefore incentives are weakened and accountability undermined.

Furthermore, as in markets, ownership in organizations provides incentives to invest in developing a resource and protecting it from excessive short-term exploitation. So well accepted is this conclusion that firms routinely use the analogy of property rights to encourage informal ownership. It is believed that psychological ownership is a vital pre-condition for building initiative and accountability in organizations (Avey et al., 2009; Brown et al., 2005; Kim and Mahoney 2005). Some firms adopt incentive systems designed to mimic the power of property rights, by linking compensation directly to value created by decision rights controlled.

Tragedy of the Commons

Economists have identified the “tragedy of the commons” as an impediment to initiative and innovation. Commons resources are those to which no clear property rights are assigned and for which no one has an incentive to protect or develop (Hardin, 1968). A commons problem is created in a market when access to a scarce resource cannot be restricted in an economical way or at least it has not been restricted. If the feature of the resource is such that the cost of restricting access exceeds the benefit, then no one owns the resource. Without the ability to restrict access, no one will have an incentive to invest in increasing the value of the resource. Instead it will be overused in the short run. Ostrom and Hess (2010) argue that a free ride effect will lead to suboptimal investment in improving the resource, overuse, or potential destruction. This is the tragedy of the commons.

Organizations also have resources susceptible to the commons problem. As in a market, the firm may overuse such resources in the short run and under invest in them. Therefore the stock of such resources held by these firms will be sub-optimal. When shared resources are used ineffectively, resource waste or exhaustion pose a significant threat to an organization’s effectiveness (Gupta and Govindarajan, 1986).
Intangible resources create positive externalities and are difficult to enforce rights of exclusion. Thus, they are particularly subject to the commons problem. Positive externalities exist when other organizational members may be able to capture resource value with little or no investment on their part. Additionally, managers will find it difficult to restrict the access to intangible resources to others in the organization. Economic theory predicts that such resources will be under-supplied and over-exploited in organizations. Rights over intellectual property and corporate image that may be protected from competitors by patents, copyrights, or trademarks, generally lack such protection internally.

Prahald and Hamel (1990) argue that SBU managers may not invest in core competencies since they do not have exclusive access to the value they create. Likewise, data and human capital may fall prey to the commons problem as individual managers do not get to capture the full value of their investment. Providing information on attractive donors to a central fundraising database is a familiar example of this problem. Additionally, Mahoney (2012) argues that intangible resources such as reputation and knowledge-based capabilities are more susceptible to the commons problem. For example, he argues that franchisees may overuse or misuse brand name capital with little or no investment on their part. Additionally, strategic alliance partners may appropriate alliance outcomes or intellectual property for their own use with little regard for the overall performance of the alliance. As such, commons problems can destroy the value of key resources and distinctive competencies.

As previously noted, the resource-based view of the firm argues that the stock of valuable, rare and imperfectly imitable resources and the effectiveness with which such resources are deployed largely determines the market value of the firm (Barney, 1995). The commons problem, can therefore significantly reduce the value of the firm by reducing the stock of valuable, rare and imperfectly imitable resources since no one has incentives or the authority to manage and develop them.

The solution to the commons problem in markets is to assign ownership or manage access through some central authority. Hayek (1945) noted that decision rights should be assigned to the people that have knowledge of the situation and access to the relevant resources. Consequently, he suggests that a system of decentralized ownership will lead to more innovation and adaptation to market conditions than resources administered by a central authority.

Property rights theory suggests that ownership over key aspects of a resource or capability are conduits upon which value creating activities are implemented so that resources can be channeled to higher yield uses. (Kim and Mahoney, 2005). Ostrom and Hess (2010) look at property as a bundle of rights that includes among other rights, the right to manage key resources and to exclude others from utilizing the resource. In a strategic management context, Mahoney (2012) argues that bundles of property rights allocations are essential in governing the division of economic rents to limit inefficient appropriation and inefficient investment (commons problems). Additionally, Neilsen et al. (2008) argue that organizational leaders must clarify decision rights for effective implementation of strategy by specifying who “owns” each decision. This may be even more important for dynamic environments in which intellectual property rights and knowledge-based resources need to be utilized quickly and effectively. Assigning “ownership” can serve to reduce the agency problem associated with delegating decision rights to an agent. By assigning ownership, firms can link compensation to efficient use of resources under the managers’ control more readily- if still imperfectly- thereby reducing the conflict of interest between managers and shareholders.
In addition to formal authority and assignment of decision rights, researchers have suggested that psychological ownership or “property rights” are the solution to mitigate the commons problem. Encouraging psychological ownership of a resource through altering control and reward structures (Hernandez, 2012) can enhance an individual’s willingness to allocate resources so as to preserve shared resources for current and future users (Wade-Benzoni et al., 2008). Likewise, psychological ownership (Pierce et al., 2001) is believed to facilitate accountability and incentive alignment, leading to a willingness to manage resources to maximize their long-term value. In short, psychological ownership has been offered as a way to mitigate the “commons problem” in organizations.

Advocates of property rights theory and psychological ownership have generally emphasized their positive contribution in minimizing the commons problem. However, early work on psychological ownership suggests that there may be cases when too much ownership can create more harm than good (Pierce et al., 2001). Psychological ownership may lead to territoriality behaviors. Managers may become preoccupied with ownership at the expense of performance. Kim and Mahoney (2005) note that property rights can result in vested interests, distributional conflicts and other negative externalities. Those with psychological ownership or those that have been granted decision rights may obstruct organizational change and make innovation in an organization difficult by hoarding or restricting access to key resources. This underuse problem is termed “tragedy of the anticommons” (Heller, 1998). The anticommons is a pervasive but subtle problem in organizations (Heller, 2008) and may restrict the performance enhancing capability of resource bundling.

**Tragedy of the Anticommons**

As a result of the above pervasiveness of the anticommons, the “tragedy of the anticommons” has received increased attention. Anticommons resources are those in which the right to restrict their use impedes deployment to exploit new opportunities. Briefly, anticommons research suggests that too much ownership over valuable resources may lead to the underuse of resources which may, in turn, impede innovation and initiative (Heller, 2008; Maurer, 2006). Buchanon and Yoon (2000) argue that scholars and economists have spent too much attention on the commons side and neglected the anticommons.

Whereas the “tragedy of the commons” occurs when no one holds the right to restrict access to a resource, the “tragedy of the anticommons” occurs when multiple people hold the right to restrict access to a resource. Specifically, the anticommons problem results from two sources: 1) multiple people hold the right to restrict access to a resource; 2) multiple resources that are separately owned need to be combined to exploit an opportunity. In both cases, the opportunity will not be exploited unless multiple parties agree. This will result in less deployment than if the right is held by one person.

In this circumstance, initiatives requiring the coordinated deployment of several such resources are likely to be costly and therefore underutilized - especially when the benefit cannot easily be assigned to those controlling the resources. Thus, these resources will tend to be hoarded. Since the development of capabilities, core competencies and dynamic capabilities require managers to bundle and re-bundle valuable resources, they may be particularly vulnerable to the anticommons problem. Additionally, as suggested earlier, many important resources are non-substitutable (Barney, 1991). If the resources are non-substitutable the potential hold-up will be
even greater and may prevent a valuable project from proceeding (Sun and Liu, 2017). This problem has been identified in the context of drug development (Heller and Eisenberg, 1998). In this circumstance product development requires the right to use hundreds of patented resources, each of which can prevent development if withheld. If the developer cannot obtain the contractual right to use each of these resources, the development effort is thwarted and a valuable use of the resource is foregone.

Within organizations, similar dynamics occur in product development if resources needed are “jointly-owned” or require obtaining the right to use from several individuals, just as in Heller’s pharmaceutical firm example. When a manager needs multiple approvals to invest resources, spend money, hire staff, alter the web site, or enter external contracts, an anticommons problem is created and the layers of approval make it less likely that the opportunity will be exploited. This bureaucracy represents multiple people with the right to restrict access to a resource and slows - or prevents entirely - the deployment of resources. In essence, it creates an anticommons problem. As a result, organizations may be thwarted in their ability to initiate strategic innovation and change.

Normally, the contractual right to use a resource can be easily negotiated. To contract for access to a resource, you need to be able to specify how you will use the resource, and how you will compensate the owner for that access. Where it is difficult to specify ex ante how the resource will be used and how its use contributes to the value created by the project (Leiblein, 2003) contracting for the resource may be impeded. Thus contracting for unspecified access with uncertain results is difficult. The right to limit access of a non-substitutable resource provides the opportunity for hold-up and uncertainty creates the difficulty in contractually obtaining access. When many such resources are required to proceed with an initiative the contracting costs exceed the expected benefit and the resources remain unused.

The right to deploy and restrict access, though improving performance measurement, incentives and accountability, may impede deployment when the resources need to be combined with those controlled by others in the organization. There are a variety of reasons why a manager hoards a resource rather than deploy it for a valuable project. First, if the resource is depletable, once committed the option of using the resource for another purpose is foregone. When uncertainty is high, the value of the option to deploy the resource in future uses is particularly valuable. Second, uncertainty over the value of the opportunity may lead to disagreement over the wisdom of deploying the resource in the opportunity. Third, performance in organizations usually only measures the consequences of actions taken, not opportunities foregone. The failure to systematically measure opportunity costs means they will likely be undervalued.

In a market, the anticommons problem is less significant. Market prices reveal the value of the resource in alternative uses. This is an explicit measure of the cost of foregone opportunities. Second, since property rights in a market are alienable and the owners capture the benefit of transferring the resource, they personally bear the cost of hoarding. Therefore, in a market, the owners have incentives to transfer resources to their highest valued use because they have information through market prices and incentives through profits to do so. In organizations, there generally are no market prices to reveal the opportunity cost of hoarding, and managers typically do not have the authority to sell the resources and capture the benefit. Consequently, the anticommons problem in organizations is far more severe than in the market.
While the commons problem leads to over-use of a resource in the short run and the anticommons leads to underuse, the effect is not symmetrical. Authors have argued that the anticommons problem is more serious than the commons problem. For example, Vanneste et al. (2006) describe the commons as a “tragedy” and the anticommons a “disaster”. Schulz et al. (2002) argue that the loss of foregone transactions increases the more ownership is fragmented and the less substitutable the good is to the buyer. They further argue that people are prone to “forget” that the exercise of their right to exclusion reduces the value of other resources. The private incentives of excluders do not capture the external effects of their individual decisions in reducing the value of other resources. Dhont et al. (2012) notes that owners maximize self-interest more rigorously in the anticommons context than in the commons context.

Anticommons in Organizations

The dynamic capabilities perspective of strategy suggests that the key to competitive advantage is not to maintain a static position in valuable, rare, and imperfectly resources, but to develop and deploy them in a dynamic marketplace (Teece et al., 1997). Efforts to imitate by competitors, changes in technology, consumer preferences, the cost of inputs and more all suggest that adaptation is critical to success. This adaptation often requires bundling resources in new ways in responses to environmental changes. Where property rights are fragmented, re-bundling is costly, creating the tragedy of the anticommons. Rarely do managers seek to “flip resources” the way investors seek to “flip” real estate and other resources in a market place, for example.

Re-bundling is costly for two reasons. First, changing decision rights changes status, power, incentives, and reporting relationships. This may lead to resistance and undesirable turnover. Second, a number of experimental studies have suggested that managers require larger concessions to provide access for a resource than they would be willing to pay to obtain access, leading to sub-optimal re-deployment. Researchers have provided a variety of psychological explanations for this, backed by experimental results (Glockner et al. 2015). However, it is important to recognize that the marginal value of a resource that is essential to developing a project is equal to the value of the entire project if withholding prevents the project from going forward. This is the basis of holding out. The seller seeks not the value in alternative uses, but the value to the user. Essentially, this creates a bilateral monopoly situation that results in a higher price than in a perfectly competitive market. The higher prices equates to forgone opportunities. In short, it is easier to fragment that to re-bundle.

Ownership Fragmentation and Resource Characteristics

Fragmented ownership provides the benefit of increased accountability for how a resource is deployed and incentives to invest in developing the resource. Fragmented ownership raises two primary costs: cost of restricting access and cost of re-bundling. Fragmented ownership is therefore preferred when the cost of restricting access is low and the need to re-bundle is low. Intangible resources, such as reputation, human capital, knowledge, culture are more costly to protect than tangible assets, such as plant and equipment, production capacity, and facilities. Therefore, fragmented ownership is less likely for intangible resources. Because fragmentation is less likely, firms would be expected to underinvest in such resources.
Proposition 1: Fragmented ownership is less likely for intangible resources than tangible resources.

Proposition 2: Firms are likely to underinvest in resources that are intangible.

Where re-bundling creates value for other organizational units, a manager has less incentive to re-bundle. As previously noted, this is a problem described by Prahalad and Hamel (1990) where they argue that organizing as SBUs impedes the deployment of core competences. SBUs provide ownership of resources within the SBU and the manager is more directly rewarded for the value created within the SBU with those resources than for value created in other SBUs. Therefore, they argue, that managers have little incentive to share resources. Core competences, because they have value to multiple markets, are particularly prone to underuse when a firm is organized by SBUs according to these authors. We would add they are therefore prone to under-investment.

P3: Firms are likely to underinvest in resources that have value to multiple units.

Ownership Fragmentation and Environmental Characteristics

The marginal cost of fragmentation increases with a dynamic environment and uncertainty. A dynamic environment increases the frequency of the need to re-bundle and uncertainty increases the cost of re-bundling. Dynamic environments increase the need to re-bundle as the firm adapts to changing market conditions. Given the cost of re-bundling when ownership is fragmented, fragmented ownership is less attractive in dynamic markets. Where there is uncertainty over the value of re-bundling to exploit an emerging opportunity, the cost of re-bundling increases and fragmented ownership will impede adaptation even more.

As mentioned previously, uncertainty increases the option value of hoarding a resource and increases disagreements over the value of re-bundling a resource. Both of these considerations suggest re-bundling resources will be more difficult when uncertainty is high. Therefore, uncertainty increases hoarding and reduces the value of fragmented ownership rights. We propose fragmented ownership is most valuable in stable environments with low uncertainty.

P4: Fragmented ownership is preferred in stable environments.

P5: Fragmented ownership is preferred when environmental uncertainty is low.

Fragmentation increases engagement and investment which may increase the stock of resources and capabilities. However, it reduces the development of dynamic capabilities due to the increased cost of re-bundling. As mentioned above, in dynamic and uncertain environments, limited fragmentation of property rights is more effective. However, if fragmentation is limited, the performance is harder to measure and therefore incentives are harder to align. In circumstances of low fragmentation, other means besides incentives are necessary to gain cooperation to induce investment, engagement, and accountability. A culture that values cooperation or a shared commitment to the success of the firm over personal or departmental goals will become increasingly important in organizations where fragmentation is low. Effective leadership to create
a shared vision and positive culture or careful selection of employees that already possess those values will be more important than in organizations with high fragmentation.

Where the anticommons problem is particularly severe, it may be preferable to bundle resources through market transactions rather than within the organizations. As noted earlier, the anticommons problem is generally less severe in a market setting because market prices indicate the cost of hoarding and alienability of resources ensure that the owner personally bears the cost of hoarding. Alliances provide one means of doing this and may be particularly valuable in dynamic markets, and uncertain environments, when intangible resources need to be bundled. Figure 1 below summarizes the propositions.

**Figure 1**

Optimal Fragmentation as a Function of Resource Type and Environmental Characteristics

<table>
<thead>
<tr>
<th>Intangible Resource</th>
<th>Molteate Fragmentation</th>
<th>Limited Fragmentation</th>
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<tbody>
<tr>
<td></td>
<td>Reliance on measurement and incentives</td>
<td>Reliance on culture and leadership</td>
</tr>
<tr>
<td>Resource</td>
<td>Fragmented Ownership</td>
<td>Limited Fragmentation</td>
</tr>
<tr>
<td></td>
<td>Reliance on measurement and incentives</td>
<td>Reliance on culture and leadership</td>
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<tr>
<td>Tangible Resource</td>
<td></td>
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</table>

Implications and Directions for Future Work

Initiative and innovation are crucial for organization success. Both the commons and the anticommons problem may impede initiative. The Resource Based View argues that investment in and efficient deployment of valuable, rare, and imperfectly imitable resources is central to creating value. The Dynamic Capabilities perspective suggests that the ability to integrate these resources to create compelling capabilities, to continually invest to enhance those capabilities, and to bundle them to exploit changing market conditions is the key to creating value.

In this paper we argue that property rights theory can be applied usefully to predict the types of resources that will be both under-supplied and under-utilized in organizations. The commons problem creates overuse and destruction of key resources while the anticommons can exclude and restrict the deployment of key resources. When critical resources are tangible and relevant to single markets, we argue a regimen of fragmented ownership mitigates the commons problem and increases firm value.
Fragmented ownership may facilitate the management and accumulation of resources, but impedes converting them into capabilities. Fragmented rights have high accountability and low adaptability and are best suited to circumstances where adaptability is less critical. We identify stable environments with low uncertainty as circumstances best suited for heavy reliance on fragmented ownership in organizations. Where adaptability is vital to ongoing success, too much fragmentation impedes the bundling and re-bundling of resources necessary to quickly exploit emerging market conditions and reduces firm value.

Finally, we argue that in dynamic environments where re-bundling resources to enhance capabilities and exploit emerging market opportunities is crucial to success, a decision rights regime with limited fragmentation creates the most value. In such circumstances, it must be realized that foregoing “ownership” will impede performance measurement and weaken incentives to invest in resources. Greater emphasis on other organizational mechanisms such as culture and leadership will be necessary in these circumstances.

This paper essentially proposes a contingency theory of optimal assignment of decision rights in organizations. Future research could examine these hypotheses more explicitly in the context of strategic alliances. In alliances where both partners must agree before committing alliance resources there is a potential anticommons problem, for example. Our hypotheses suggest that such alliances will be less successful in dynamic environments or when alliance contributions are intangible. Joint ventures create a separate entity, may involve less ownership fragmentation, and be less prone to the anticommons problem. Therefore they may achieve more success than other alliance forms in dynamic contexts. Future research could also usefully explore how psychological ownership emerges in organization to create fragmentation of decision rights. That knowledge would allow firms to either combat or encourage this tendency based on whether fragmentation is desirable.

REFERENCES


AN INTEGRATIVE MODEL OF INDIVIDUAL-LEVEL ONLINE WORD-OF-MOUTH TRANSMISSION

Cuiping Chen
Associate Professor in Marketing
HSBC Business School
Shenzhen Graduate School Peking University
Shenzhen, China, 518055
Phone: (+86) 755-2603-3064
E-mail: cuiping.chen@phbs.pku.edu.cn

Tao (Tony) Gao Associate Professor of Marketing
Manning School of Business
University of Massachusetts Lowell
Lowell, MA 01854
Phone: 978-934-5236
E-mail: tao_gao@uml.edu

M. Berk Talay (Corresponding Author)
Associate Professor of Marketing
Manning School of Business
University of Massachusetts Lowell
Lowell, MA 01854
Phone: 978-934-2810
E-mail: Berk_Talay@uml.edu

DOI: http://dx.doi.org/10.21607/jmsm.2018.002

Abstract

This study draws on insights from focus group studies and theoretical arguments to develop an integrative yet parsimonious model on online WOM transmission at micro individual-level, linking emotional and motivational drivers to individuals’ online WOM transmission. The model specifies emotions and motives such as reciprocity, self-enhancement, and altruism as antecedents of an individual’s WOM transmission. It also includes transmitter characteristics, audience characteristics, and costs of transmitting as moderators between the antecedents and WOM transmission. The study findings also highlight the concept of emotional “threshold” and suggest that the intensity of emotions triggered by commercial stimuli may impact the strength of the intention, immediacy, intensity, and reach of individuals’ WOM transmission behaviors. Overall, the qualitative study and the proposed conceptual model based on it contribute to a more thorough and deeper understanding of the drivers of online WOM transmission.

Keywords: Emotions, motives, online Word of Mouth, social media, catharsis, emotional homeostasis, and happiness.
INTRODUCTION

With the ongoing development of the Internet and related technologies, online consumer-to-consumer (C-to-C) word-of-mouth (WOM) communications have become increasingly widespread (Hewett et al. 2016; Van den Bulte et al. 2018). People are now able to share information about products, services, brands, and companies through a wide variety of digital platforms ranging from emails to chain-letter emails, instant messaging, text messaging, discussion forums, customer reviews sites, blogs, and increasingly social media. Social media, in particular, provide innovative features that power word of mouth communications, such as the “Like” button and the news feeds. While emails allow people to easily transmit niche WOM to a particular friend or two, other digital WOM platforms such as discussion forums, customer reviews sites, blogs, and social media enable individuals to broadcast WOM to a much larger audience in a very efficient way (Berger and Milkman 2012).

A study conducted by Forrester Research finds that people in the U.S. generate more than 500 billion online influence impressions for each other regarding products and services every year – more than one-fourth the number of impressions advertisers make (Dybwad 2010). Not only is the amount of Internet-based WOM profuse, but its power is also significant (King, Racherla, and Bush 2014). When making purchase decisions, Internet users trust recommendations and comments from people they know and opinions posted by unknown online users much more than advertisements on television, on the radio, in magazines, in newspapers, or in other traditional media (Kim and Hanssens 2017).

Given the huge and continuously growing amount of online WOM and its strong impact on consumers’ buying behavior, it is inevitable that companies would want to leverage it for marketing purposes. The Word of Mouth Marketing Association reports that 70% of their surveyed companies will increase spending on social media, more than any other marketing channel (WOMMA 2014). Yet, online WOM is a “double edged sword” in that while positive WOM can greatly benefit a company, negative WOM could break it overnight (Sen and Lerman 2017; Dixit, Badgaiyan, and Khare 2017). It is thus imperative for companies to fully understand the mechanisms for individuals’ online WOM transmission behaviors to effectively influence online C-to-C communications. However, the existing research on WOM and viral marketing has generally focused on their impacts on macro-level collective outcomes (Berger and Milkman 2012; Stephen and Lehmann 2009) such as customer acquisition (e.g., Trusov, Bucklin, and Pauwels 2009), sales (e.g., Chevalier and Mayzlin 2006; Van den Bulte et al. 2018), product adoption, and diffusion of innovations (e.g., Goldenberg et al. 2009; Rosario et al. 2016). Although some studies have investigated WOM transmission at the micro individual level (Antonetti 2016; Berger and Milkman 2012; Dubois, Bonezzi, and De Angelis 2016; Fazal-e-Hasan et al. 2017; Stephen and Lehmann 2009; Wojnicki and Godes 2008), critical gaps remain in this research area.

This study aims to contribute to the literature on WOM in several ways. First, no study has directly investigated the boundary conditions that moderate the effects of the antecedents on an individual’s WOM transmission. Berger and Milkman (2012) suggest the importance of audience size and situational factors in influencing the viral transmission of messages, but they fall short of studying their moderating effects on the relationships between antecedents and
WOM transmission. Second, studies on the antecedents of an individual’s WOM transmission have not fully examined the role of emotional thresholds. For example, Berger and Milkman (2012) call for a deeper understanding of the role of the transmitter’s emotional states in impacting whether something is shared. And the important finding by Berger and Milkman (2012) that sadness did not cause an individual’s WOM transmission and related broader implications on the roles of emotions on WOM are worthy of further investigation. Lastly, existing publications on online WOM transmission at the individual level tend to be dominated by email WOM research. Although there are a few studies on an individual’s WOM transmission via customer ratings and reviews sites, research is needed for an individual’s WOM transmission on other digital C-to-C communication platforms, particularly new Internet media like social networking sites and blogs.

To address these gaps in knowledge, this study draws upon findings of focus group studies, extant literature on WOM research along with theories in psychology to develop a comprehensive model of WOM transmission at the individual level. The model specifies emotions and motives such as reciprocity, self-enhancement, and altruism as antecedents of an individual’s WOM transmission. It also includes transmitter characteristics, audience characteristics, and costs of transmitting as moderators between the antecedents and WOM transmission. This parsimonious model (cf. James, Mulaik, and Brett 1982) with a manageable number of factors provides a solid foundation for future empirical studies on individuals’ WOM transmission behaviors. In the next section, research on individual-level WOM transmission is reviewed.

LITERATURE REVIEW

Research on individual-level WOM transmission has focused on identifying the antecedents of an individual’s WOM transmission (Berger 2014; Dixit, Badgaiyan, and Khare 2017). One reason why people generate and spread WOM is that they are motivated to do so (Berger and Milkman 2012; Keiningham et al. 2018). First, people may transmit WOM to derive certain social benefits (Fehr, Kirchsteiger, and Riedl 1998; Stephen and Lehmann 2009) such as sharing and obtaining useful information from others (Barreto 2014; Berger and Milkman 2012; Stephen and Lehmann 2009). Economic rewards also influence WOM transmission (Hussain et al. 2018). Berger and Schwartz (2011) demonstrate that giving away the product itself or nonproduct extras (e.g., stickers or logo hats) to WOM agents are positively associated with their face-to-face WOM of the product. People may also share WOM to help others (Hennig-Thurau et al. 2004; Price, Feick, and Guskey 1995; Sundaram, Mitra, and Webster 1998) or boost their reputations or reflect favorably on the self (Packard, Gershoff, and Wooten 2016; Sundaram, Mitra, and Webster 1998; Wojnicki and Godes 2008), for instance, to appear knowledgeable (Wojnicki and Godes 2008).

In addition to motives, emotions also drive an individual’s WOM transmission (Berger and Milkman 2012). It is found that customers at the extreme levels of satisfaction (i.e., extremely dissatisfied or extremely satisfied) engage in more WOM transmissions (Anderson 1998) and WOM transmitters tend to report extreme attitudes (Guerin and Innes 1989; Schlosser 2005). Although emotions are not the primary focus of these studies, their findings suggest that emotions may play a role in stimulating an individual’s WOM transmission.

Some studies have explicitly investigated emotions in their research on WOM transmission (Antonetti 2016; Brans et al. 2014). Hennig-Thurau et al. (2004) propose that “expressing positive emotions” and “venting negative emotions” may lead consumers to express voices on web-based
opinion platforms. Maute and Debè (1999) find that angry consumers are more likely to engage in negative word-of-mouth, while Lindgreen and Vanhamme (2005) suggest that the emotion of surprise is often at work in causing virality of marketing campaigns. Similarly, Dobele et al. (2007) examine nine successful viral marketing campaigns and suggest that surprise, combined with at least one of five other primary emotions (i.e., fear, sadness, joy, disgust, and anger), is the key to virality of these campaigns. Although Lindgreen and Vanhamme (2005) and Dobele et al. (2007) focus on examining the macro-level collective outcomes (i.e., virality) of WOM transmission, their finding that emotions affect virality of marketing campaigns suggest important impacts of emotions on individuals’ WOM transmissions as well. Both of these studies, though, are mainly focused on online WOM transmission via email, the very first online WOM transmission platform. Together, these exploratory studies provide some initial insights into the role of emotions in WOM transmission. In a recent study, Antonetti (2016) recognizes the existence of two forms of anger: vengeful anger or problem-focused anger, and notes that only vengeful anger represents a threat to marketing relationships (such via spreading negative WOM), whereas problem-focused anger has positive consequences if managed appropriately.

In perhaps the first systematic study of online WOM, Berger and Milkman (2012) employ field studies to investigate the role of emotion in virality of online content and use experimental design to examine how emotion affects an individual’s transmission of online content. Their results indicate that emotional online content is more likely to make the most emailed list and positive online content is more likely to make the list than negative online content. Their findings also demonstrate that online content evoking high-arousal positive (awe) or negative (anger or anxiety) emotions is more likely to make the most e-mailed list than online content evoking low-arousal or deactivating emotions (sadness). More importantly, their results show that marketing content evoking more amusement or anger (characterized by arousal) is more likely to be shared, while news content evoking sadness (characterized by deactivation) is less likely to be shared. Though this study represents a milestone in research on the role of emotions in individuals’ WOM transmissions, it still leaves some important issues unaddressed.

First, the authors call for a deeper understanding of the role of the transmitter’s internal states in WOM transmission. In other words, the mechanism of the effect of emotion on an individual’s WOM transmission needs to be more deeply examined (Berger and Milkman 2012). Their finding that sadness does not cause an individual’s WOM transmission is also questionable, as the intensity of the sadness triggered by reading the news article in their experiment was perhaps not high enough, reducing the likelihood of its sharing.

The above review of the antecedents of an individual’s WOM transmission covers both offline traditional and online WOM transmission. Further, it is worth noting that existing publications on online WOM transmission at the individual level tend to be dominated by email WOM research (e.g., Lindgreen and Vanhamme 2005; Dobele et al. 2007; Berger and Milkman 2012), and research on individual-level WOM transmission via other digital C-to-C communication platforms, particularly via newly developed Internet media like social networking sites and blogs, is still lacking.

**RESEARCH METHODOLOGY**

We conducted several focus groups to gain more thorough and deeper insights into an individual’s online WOM transmission behavior. Focus group methodology is suitable for research in which the shared experiences of a group of people are of interest and researchers want to participate in that shared understanding (Hines 2000). When it is well-designed and facilitated,
focus group can offer insights that cannot be obtained by personal interviews, although triangulation is desirable (Yin 2002).

A total of 71 participants, primarily undergraduate students from a university in the Greater Toronto Area in Canada, attended 9 focus groups in this study. All the focus groups lasted for about an hour and were facilitated by trained moderators using a common discussion protocol prepared by the researchers. The participants were aged from 18 to 23 years and the overall sample was balanced with respect to gender. For the purposes of triangulation, participants were asked to complete an individual critical incident technique (CIT) form before the session. The form asked participants to describe a recent online WOM transmission experience they had. A total of 71 critical incident reports were gathered.

Discussions within the focus groups were based on WOM in an online context. At the beginning of the focus group sessions, the moderators explained the procedures and the purpose of the sessions. The groups then discussed various digital platforms available for WOM and the meaning of online WOM or online marketing buzz. Participants were then asked to recall a recent experience of transmitting a WOM online. Following that, they were asked to tell the reasons for transmitting that WOM. Participants were also asked about other factors that were likely to influence a person’s decision to spread WOM online and the kind of people who are more likely to engage in online WOM dissemination.

The nine focus group sessions were audio recorded and transcribed into a word processing package. These transcriptions and CIT reports were then analyzed following the guidelines of Miles and Huberman (1994). Recurring themes related to the study were first identified and coded on the transcripts. These themes were depicted by Horowitz and Newman (1964, p 642) as “ideas”. Each idea is “an utterance that expresses a thought in a meaningful, relevant and unique way”. “Subordinate ideas”, which add to “ideas” or add understanding or amplification to “ideas”, were also highlighted and coded on the transcripts. The themes were generated in a grounded approach. That is, when analyzing, the analyst remained open-minded while acting within the knowledge of extant research and theory. The transcripts were scanned carefully and codes or labels were assigned to each paragraph. After this, broader themes were developed that represented a series of codes or labels (Miles and Huberman 1994; Strauss and Corbin 1990). Lastly, these themes were validated, modified and finalized by reassessing the raw data.

When discussing their online WOM transmissions, participants in the focus groups focused on such one-to-many online WOM platforms as social networking sites, blogs, customer ratings and reviews sites, discussion forums and chain-letter emails. One-to-one WOM transmission through email, text messaging and instant messaging was not mentioned. Since participants (18-23 university students) are heavy users of new Internet media such as social networking sites and blogs, this result was not surprising.

**RESULTS AND DISCUSSION**

**Drivers of Online WOM Transmission**

The focus group and in-depth interview results suggest that both emotional and motivational drivers may lead individuals to transmit WOM online. When participants were asked what drove them to spread the WOMs or marketing buzzes online, six themes emerged. They were emotions.
Journal of Marketing and Strategic Management  
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and five types of motivational factors including economic rewards, reciprocity, self-presentation and enhancement, altruism, and belongingness. i) Emotions

The first theme arising from our focus groups and in-depth interviews is emotions. For example,

“I usually do, I usually do reviews for the product, only if I love the product, or if I really hate, maybe the service for the product or the product itself.”

As shown, external stimuli such as a product or service experience triggered an emotional response (e.g., “love” and “really hate”) in the recipient. To release the internal affect incurred, the individual shared the emotion-charged information with other people online. The triggered emotion could be positive or negative and anger was the most mentioned negative emotion in our qualitative studies. Supporting comments are:

“I think it depends on how mad you are. If you got a pot that breaks, whatever. If you got a face cream that turns your face green, you’re going to be pretty pissed. Then you’re really going to do something bad.”

“But if you’re really, really ticked off, something just being a piece of crap, then you do tend to go on and warn others. Maybe not purposely to do damage to the company, but you’re ticked off because they made a crap product and maybe hiding behind a brand name.”

“But then as soon as I paid the contract and everything, I just saw a……it was just a lot of stuff that made me become sour.”

In the above cases, anger (e.g., “mad”, “pretty pissed”, “really, really ticked off” and “sour”) triggered by product or service failures acted as the impetus prompting the individuals to initiate negative WOM. In the following instance, service failures triggered two kinds of negative emotions – anger (e.g., “angry”) and frustration (e.g., “really…upset”) – in the users, which acted as the drivers of the widespread negative WOM transmissions about it on Facebook.

“In terms of negative ones I think it’s like if it’s, really made the person upset, like, I guess when BBM [Black Berry Messenger] was down like, it made a lot of people angry. All you saw was BBM, like, sucks, you know, stuff like that [is] on everyone’s Facebook.”

Another comment supporting frustration as the driver of online WOM transmission is:

“Yes people with negative experiences usually go through the frustrations. So they’re more willing to share the word of mouth.”

In the following case, anger (e.g., “pisses you off”) drove the individual to spread negative WOM. But another negative emotion, sadness (e.g., “really hurts you”), might have played a role as well.

“When something that really hurts you or pisses you off [online word of mouth will be spread].”

Regret, a feeling of sadness, repentance, or disappointment over an occurrence or something that one has done or failed to do, as defined by Oxford’s dictionaries, is another negative emotion that is identified in our study as a driver for WOM transmission on Facebook.

For example,

“I posted on my Facebook that it was a horrible, horrible, horrible performance and um, that I feel like the duration of that performance was a time span in my life that I will never get back and it was wasted watching it ……”

Positive emotions of excitement, amusement or fun, interest, and delight are also identified as drivers of online WOM transmissions in our focus groups and depth interviews. For excitement, supporting comments include,

“Yes, there is a website I use to buy protein and stuff like that. I get excited when it comes and there is always free stuff in it. I remember posting [when] it was like Xmas morning with all the free stuff.”
“I know when I got my new MacBook a few weeks ago, I was so excited and posted that it was a beautiful piece of machinery. [I] thought it was pretty exciting.”

“Or it’s like excitement over an issue.”

“Would be if I’m going somewhere, and I feel like people should be going with me or I’m excited about something, I feel people should know what I’m doing.”

For amusement or fun, typical comments are,

“Just some like funny commercial and stuff like that. I’ve seen like people posted [a funny commercial] on my wall [that] they laughed at it. Umm, it didn’t make me wanna go out and buy KFC. But like I laughed at it at night and posted it on somebody else’s wall.”

“Oh well, for one of the videos by Psy, the gangnam style. My brother sent me that link through Facebook. I think he posted it on Facebook and I clicked it. I usually don’t click on my brother’s tabs but he was saying it was really really funny…….”

“Just do it for kicks and giggles. [Fun]”

Interest is a positive emotion (Seligman 2011), which is defined by Oxford’s dictionaries as the feeling of wanting to know or learn about something or someone. Our qualitative studies show that interest also drives online WOM transmission. For example,

“I thought it was really interesting and my friends find it interesting so I shared that [the fitness blog on Facebook] as well.”

“Yes I use word of mouth sometimes when I find something interesting and something that I enjoy. I will tell all my friends about it.”

In the following two cases, delight (e.g., “really awesome”, “really, really awesome”, “fantastic”, “really…fantastic” and “went really out of his way above and beyond”) acted as a catalyst for the individuals to engage in online WOM transmission. It is defined as a profoundly positive emotional state generally resulting from having one’s expectations exceeded to a surprising degree (Rust and Oliver 2000).

“I mean if I find something that I think is really awesome, I’ll pin it. And if I think it’s really, really awesome, I’ll actually post to Facebook as well.”

“It was a fantastic experience. Our tour guide really did a fantastic job. He went really out of his way above and beyond. And I wanted the company and anyone looking into that trip to know that you’re getting great quality from the trip.”

To sum up the findings thus far, negative emotions of anger, frustration, sadness and regret as well as positive emotions of excitement, amusement or fun, interest, and delight drive individuals to spread WOM online. The findings are summarized in Table 1. As shown, the role of anger in impacting an individual’s WOM transmission has been studied the most in the literature (Antonetti 2016). In addition, the role of interest is supported by Berger and Schwartz (2011), Berger and Milkman (2012), and Homburg, Ehm, and Artz (2015) although neither study explicitly treats interest as an emotion. In fact, the focus of Berger and Schwartz (2011) is how product characteristics (e.g., interesting) affect an individual’s face-to-face WOM transmission. They find that more interesting products received more immediate face-to-face WOM but they did not receive any more ongoing face-to-face WOM.
Table 1. Emotional Drivers of Online WOM Transmission

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Authors</th>
<th>Contributions from Our Focus Group and Depth Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frustration</td>
<td>Jayasimha and Srivastava (2017).</td>
<td>Add reports of the feelings of “really…upset” (social media) and “frustration”.</td>
</tr>
<tr>
<td>Sadness</td>
<td>Dobele et al. (2007); Brans et al. (2014); Waterloo et al. (2018).</td>
<td>Report of the feeling of “really hurts you”.</td>
</tr>
<tr>
<td>Excitement</td>
<td>None found.</td>
<td>Reports of the feelings of “excited”, “exciting” and “excitement”.</td>
</tr>
<tr>
<td>Amusement or fun</td>
<td>Berger and Milkman (2012)</td>
<td>Add online evidence, particularly social media evidence to past research.</td>
</tr>
<tr>
<td>Interest</td>
<td>Berger and Schwartz (2011); Berger and Milkman (2012); Homburg, Ehm, and Artz (2015)</td>
<td>Add social media evidence to past research.</td>
</tr>
<tr>
<td>Delight</td>
<td>None found.</td>
<td>Reports of the feelings of “really awesome”, “really, really awesome”, “fantastic”, “really…fantastic” and “went really out of his way above and beyond”.</td>
</tr>
</tbody>
</table>

Note: “Empirical support.

Lastly, the role of amusement or fun is also supported by Berger and Milkman (2012) and the role of sadness matched the implication expressed by Dobele et al. (2007). This study’s findings regarding anger, sadness, fun, and interest are consistent with previous research but we extend past research to the social media context.

Importantly, the results of our studies show that to stimulate individuals to engage in transmitting WOM, not only does an emotion have to be triggered but the triggered emotion also needs to be strong enough. Besides the cases discussed above in this section (e.g., “love”, “really hate”, “really pissed”, “mad”, “really pissed so off”, “really…upset”, “really hurts you”, “so excited”, “really really funny”, “really interesting”, “really awesome”, “really, really awesome”, and “really…fantastic”), other comments supporting this finding include:
“Um, mainly if I’m really impressed or if I really like the product [I will spread WOM] because that is when I have the most feeling towards it. If the product is just “ok”, I’m not going to say much. But if it was, I’m going to tell my friends it was really good.”

“People that have like, deep feelings toward a product (really like it, or don’t like it at all). Those people are going to be the first [to spread WOM]. If they are just alright with it, they won’t do much about it.”

Further, whether an emotion is triggered or not is related to one’s expectations. When what is experienced by a consumer is as expected or not surprised, emotion will not be triggered in him and he will not transmit WOM about it. For example,

“The thing that would make me not put a review, maybe if I knew what I was getting into. For example, if I went on a trip down south to the Dominican Republic and it was only a 2 star resort, I wouldn’t put a review because I would know what I was getting into. Or if I was looking at a TV and it was the biggest TV but it was the cheapest one of its price point by hundreds of dollars out of all of them, I probably wouldn’t put a review because I know how poorly the TV would be made or used.”

Also, the intensity of the emotion triggered is determined by the difference between what is experienced and one’s expectations such that the bigger the difference, the stronger the triggered emotion will be, and the more likely one will engage in transmitting WOM.

“You usually get the extremes. If it was amazing, you would also want to take the time to tell someone else. When I went to go get my new camera, I read tons of reviews on it and then when I got it was okay, but I didn’t go and write a review on it even though I had used tons of reviews. If it was amazing, I would need to take the time to go to these sites and say it, but it wasn’t good enough for me to do that. But it didn’t anger, me either. It was a good enough camera that I didn’t have to go say “oh, this camera sucks”.

In the above instance, the consumer was not adequately stimulated to spread word of mouth about the product online because the product usage experience failed to trigger an emotion or the emotion it did trigger was not intense enough. Since there were no or few emotions to release, the consumer did not spread WOM about the product online. These findings are supported by research on catharsis in the theater and literature (Powell 2009), where surprise and unexpectedness have been used as techniques to provoke strong emotions and strong emotional expressions (e.g., crying or laughing) among the spectators or readers. Similarly, research on psychotherapy (Scheff 2001; Smith 2004), disaster recovery (Veer, Ozanne, and Hall 2016), and consumer and employee complaints (Bennett 1997; Clark 2013; da Cunha and Orlikowski 2008; Nyer 2000) has noted the positive effects of catharsis on the resilience and recovery from negative or even traumatic events.

Lastly, it is found that when an emotion is triggered to a certain level of intensity in an individual, he will spread WOM more immediately, more times, and to more people. Supporting comments are:

“They did the right thing in trying to make it right but because the damage was done and I’d been three times and basically was spoken to in a very condescending manner by being told it’s [me], essentially [I’m] the problem and not the glasses, and went through three weeks of feeling sick, I still told everyone that I could because it was a local eyeglass place and to not go there, or if you go there and you have any problem insist on the manager looking at them right away. They did try and fix it, and I did appreciate that, but the damage which was done unfortunately. ...... but I still told 100 people. It wasn’t a minor thing ...... it was not a small thing.”

“He’s posted at least three times pictures of his dinner at this Italian restaurant that looks really good, and keeps raving about it.”

ii) Economic Rewards

The second theme emerging is that economic rewards drive online WOM transmission. On the one hand, people spread positive WOM about a company online in exchange for material gains. Supporting comments include,
“If they were to give me a discount on their products or to just give it away free for me……that would definitely be a big incentive for me [to spread positive WOM buzz]…… If apple, you know, was to call me and to ask me to spread positive reviews on their company and they were to say even to give me a discount on macbooks and apple products.”

“If they offer me free stuff for posting positive stuff on Facebook or give me a free sample of something. I’ll go with Popeye’s supplements. So if I was to go into the store and spent $75 or more you get the opinion to like them on Facebook and you get a 15% off coupon, that would give me incentive to like them which goes on my Facebook page for my friends to see ….. Ya, if a click of a button got me 15% off, ya, I’d do it.”

 “[To get people to spread good WOM], obviously cash or credit incentives are always huge for people, for example, oh leave us a review and get a chance to win $100 gift certificate ….. if best buy gives you points toward reviews, 100 best buy points, you know what I mean.”

The above cases show that such material benefits offered by a company as free products, discounts, free samples, cash and reward points would motivate the participants to post positive information about the company on Facebook or to write and spread positive reviews about it. And people would like to spend more time and efforts in writing a good review to trade for material rewards. For instance,

“The more in-depth you go or the more valuable the review is, you could win like 10% off your next purchase or something.”

On the other hand, these economic rewards would also prevent participants from spreading negative WOM about a company. For example,

“If it was a place I planned on visiting again, then I would still accept a discount or a free gift [being incentive not to spread negative word of mouth].”

“Different things that would make me not do so [spread negative word-of-mouth] could include product or service discounts, free products or services and refunds on bad products.”

As shown, compensating unsatisfied customers with refunds, discounts, free products and services, or free gifts would prevent them from spreading negative WOM following service or product failures. The finding of economic rewards as a motivator for online WOM transmission is consistent with that by Berger and Schwartz (2011), which demonstrate that giving away the product itself or non-product extras to WOM agents significantly increases their positive face-to-face WOM of the product. It is further supported by Hennig-Thurau et al. (2004), which find that economic incentives motivate people to write comments on virtual platforms. Kozinets et al. (2010) further note that consumers attempt to balance commercial and communal considerations in conducting online WOM as economically motivated WOM may or may not benefit people in the transmitter’s online social circles.

iii) Reciprocity

Besides economic exchange, social exchange also plays a role in online WOM transmission. The results of our studies show that reciprocity motivates an individual to transmit

WOM online. For example,

“I shop online a lot so I rely on using word of mouth and other peoples’ reviews. So if I have a good experience or a really bad experience with a product either way, I will post on there as well.”

Reciprocity refers to inclinations to respond in kind to beneficial or harmful acts with no material gains expected by the responder from the reciprocal response (Fehr and Gächter 2000; Falk and Fischbacher 2006). In the above case, the participant intended to respond to other consumers’ kind actions – sharing WOM online with kind actions – sharing his valuable product experiences online. Such cooperative inclinations to give back in a cooperative manner are called
positive reciprocity (Fehr and Gächter 2000; Fazal-e-Hasan et al. 2017). Another comment supporting positive reciprocity resulting in online WOM transmission is,

“...And I wanted the company and anyone looking into that trip to know that you’re getting great quality from the trip......so if someone [our tour guide] gives you good service, you want to do them a favor too, right? And like you know they help you out [so] you help them out [by writing a good review online].”

In the above case, to reward the service provider for delivering quality service, the consumer spread positive WOM about it online. On the other hand, negative reciprocity, that is, the retaliatory aspects or the aspects of trying to get back and cause harm (Fehr and Gächter 2000), also leads to online WOM transmission. A typical comment is,

“I gave them the worst feedback I’ve ever left on eBay and wrote a long bad review. I sent messages to eBay and all kinds of stuff because I was really pissed. And then I gave them all 1 stars and told people exactly why I did the review. And then I review his profile as well [body language: aggressive hand movements and anger in his eyes showing aggressiveness]...... well yeah I was mad so I wanted to affect them in a bad way, like I wanted to get revenge...... I just wanted it now and I can’t get it now so I’m mad about that....... there’s nothing they can do for me now. I was just really pissed so off.”

In the above case, the consumer engaged in spreading very negative WOM to punish (e.g., “affect them in a bad way” and “get revenge”) the online store for failing to deliver the product on time. In fact, in response to the harmful act, the consumer was much nastier and even brutal. Besides negative reciprocity, the emotion of irritation (e.g., “really pissed”, “mad” and “really pissed so off”) obviously played an important role in these negative WOM transmissions.

Additionally, with reciprocity, a small favor, even if it is uninvited or the person who gives it is not likable, can create feelings of indebtedness obliging reciprocal types of people to return a favor, which frequently is larger (Falk and Fischbacher 2006; Fehr and Gächter 2000; Regan 1971). Reciprocity works this way because from a young age people are taught to return favors and to disregard this lesson will lead to the social stigma of being an ingrate (Falk and Fischbacher 2006). This aspect of reciprocity also leads to online WOM transmission. A typical comment is,

“Basically, just to see other peoples’ actions towards it because if I was passionate enough to share it with somebody, I’d like to see the same reaction towards me, from them.”

In this case, participant initiated the WOM transmission to produce a sense of obligation in the recipients to return the favor. He anticipated that the psychological debt would allow his WOM transmission to be reciprocated with information sharing with him. Although not expressed as explicitly as in the above case, the same motive might have driven the following two WOM transmissions.

“I knew none of my friends had them because they had just come out and it’s kind of fun. And I actually took pictures and showed them how it works and kind of a bit of a review on them [on Pinterest]. Because I have several friends I knew who would actually seriously consider the purchase, so there’s no point in all of us buying them if they’re going to be terrible.”

“When I see something that I think my Facebook friends would enjoy. If I see a product that is currently on sale, I will post the website link to my Facebook so everyone can see it. Another example is when a band or artist that I like is having a concert or show locally then I’ll post this as my Facebook status so that again, my Facebook friends will see it as well.”

Participants in the above two cases shared WOM directly with their friends on social networking sites to trade for their favors. Differently, in the following instance, the participant spread WOM to other people but for his friends or family members. His purpose also was to maintain or strengthen relationships with them hence to garner social benefits from them in the future.

“I help promote small businesses, people that I’m close to.”
The finding of reciprocity as a driver of online WOM transmission is supported by previous research. First, Sundaram et al. (1998) and Hennig-Thurau et al. (2004) support our finding of positive reciprocity resulting in positive online WOM transmission by finding “helping the company” as a motive for engaging in positive WOM transmission. Second, Sundaram et al. (1998) and Cheung et al. (2007) support our finding of negative reciprocity as the driver of negative online WOM transmission by finding that vengeance or seeking retaliation motivates people to participate in negative WOM communications. Lastly, regarding the favor trading aspect of reciprocity as a motive of online WOM transmission, Burt’s (1992) theory of structural holes posits that individuals’ information sharing in a social network builds social capital, which can be leveraged to generate social benefits (Bourdieu 1986). Sahlins (1972) directly describes WOM transmissions as social exchanges and in WOM marketing research, Fehr, Kirchsteiger, and Riedl (1998) and Stephen and Lehmann (2009) demonstrate that WOM transmission is often made to derive social benefits, for example, to obtain useful information from others (Barreto 2014; Stephen and Lehmann 2009) or to make a small talk.

iv) Belongingness

Another social-exchange related driver of online WOM transmission arising from our studies is belongingness. Human beings have an inherent desire to belong, that is, to form and maintain at least a minimum quantity of interpersonal relationships (Baumeister and Leary 1995). The need to belong is a fundamental human motivation. Inability to meet this need results in difficulties for people to identify themselves clearly, communicate with and relate to their surroundings. Without belonging, people may exhibit physical, behavioral, and psychological problems such as loneliness or mental distress. Therefore, people are naturally driven toward belongingness and much of what we do is in the serve of it. Supporting comments include,

“Uhm, when I [a teenager] bought my iphone in June, I went on facebook and twitter and I was like talking about…… because, you know, like I said, a lot of my friends have it and like you know when you’re in a group of friends that everyone has the same thing and you don’t have it you kind of feel left out. So it was good to finally be part of that group I guess.”

“Well sometimes people send me rap videos and I know it’s not good but they just say ‘share the video’ so I force myself to share the video ….. I didn’t want to be one of those people who got left out when they shared a video and people are like “You’re an asshole”. You’re a loser because you didn’t share. I didn’t want to feel guilty about not sharing the video…….”

As shown in the first case above, the need to be an accepted member of a group of friends who all have iPhone not only urged the participant to purchase the product but also drove him to spread WOM about it on social networking sites. Moreover, the WOM act in the second case purely served to maintain relationships. Pressure to belong to a group motivated the participant to share about the product even if he did not like it.

The finding of belongingness as a motivator of online WOM transmission is supported by Alexandrov, Lilly, and Babakus (2013), Dubois, Bonezzi, and (De Angelis 2016), and Munzel and Kunz (2014), who find that the need for social bonding positively affects positive WOM.

v) Self-Enhancement

The fourth motivator identified concerns self-concept. Specifically, an individual’s need for self-enhancement motivates his online WOM transmission. Comments that reinforce this view include:

“For me it’s a way to feel validated. That’s why I share it. It validates me as a human being; it validates me that I have interests; it validates that I have friends and people think I’m interesting.”
“For me it’s self-confirmation. To be honest, it sounds weird. But when I think about it, when I post something on Facebook, I wait for people to “like” it. And it means – Listen, listen. I share it because I like it. I like the feeling of people confirming that I am an interesting person.”

“The only people I’ve ever really seen post about laptops are people that are considering maybe a Mac versus a PC or something that’s not apple. And I think maybe they’re proud to put out there that I’m thinking of a Mac versus this.”

Self-enhancement involves taking a tendentiously favorable view of oneself and expecting others to view one in the same manner (Sedikides and Gregg 2008). At the level of an underlying motive, it describes the conscious, genuine desire to see oneself as superior or to feel good about oneself (Sedikides and Gregg 2008). One can enhance the self either by augmenting the positivity of the self-concept or self-regard (i.e., self-advancing) or diminishing the negativity of it (i.e., self-protecting) (Arkin 1981), either publicly or privately, and either tactically or candidly (Sedikides and Gregg 2008). In the above instances, WOM transmission was employed as a vehicle for overt self-advancing – presenting or bolstering a transmitter's perceived positive self (e.g., an interesting and social person who has interests for the first instance, an interesting person for the second one, and knowledgeable about personal computer for the third one) publicly amongst his social group. Obviously, self enhancement in all the three cases was tactical. This finding is supported by Sundaram, Mitra, and Webster (1998) and Alexandrov, Lilly, and Babakus (2013), which demonstrate that self enhancement impacts positive WOM, although they focus on WOM transmission in the traditional offline context. It is also supported by Hennig-Thurau et al. (2004), which shows that self-enhancement influences the frequency of online WOM.

It is worth emphasizing that self-enhancement motivated transmitters are those with positive self-views (e.g., an interesting person, a social person or a PC expert). This finding is consistent with Wojnicki and Godes (2008) who demonstrate that self-enhancement (i.e., to appear knowledgeable) plays a motivational role in WOM transmission of self-described consumer experts – the consumers who perceive themselves as experts on a product category.

vi) Altruism

Altruism is the last motivator identified for an individual to share WOM with others online. It is defined as the intention to benefit others as an expression of internal values, regardless of social benefit or self-concept reinforcement (Price, Feick, and Guskey 1995).

Different from reciprocity, altruism given does not respond to altruism received (Fehr and Gächter 2000). Therefore, it is unconditional kindness in nature. Supporting comments are:

“Yeah, I would take the two minutes to help another person buying then. If it sucks, you want to tell them. It doesn’t take very long.”

“It was more that – I felt that is...not angry. It was more that. I just wanted to show people, to get people aware of it. To some extent you want to show them that “this” is happening. I think a lot of people don’t understand that you put negative things just because you want to. You put it to show.”

“Once again I help the people around me by spreading WOM .... we can all make an impact.”

The above three instances all show that “to benefit others” compels consumers to share their personal market-related experiences, particularly negative ones. This finding is supported by Dichter (1966), Price, Feick, and Guskey (1995), and Hennig-Thurau et al. (2004). Additionally, besides altruism, the emotion of anger might also play a role in the first two instances (e.g., “it sucks” and “angry”).

The findings of economic rewards, reciprocity, belongingness, self-enhancement, and altruism as the motivational forces of online WOM transmission are summarized in Table II.
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Authors</th>
<th>Contributions from Our Focus Group and Depth Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Rewards</strong></td>
<td>Hennig-Thurau et al. (2004); Berger and Schwartz (2011) a.</td>
<td>Reports of refunding or giving away discounts, free products and services, or free gifts to support negative WOM.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Add social networking site evidence to support positive WOM.</td>
</tr>
<tr>
<td><strong>Reciprocity</strong></td>
<td>Fehr, Kirchsteiger, and Riedl (1998) a; Sundaram, Mitra, and Webster (1998) a; Hennig-Thurau et al. (2004) a; Cheung et al. (2007) a; Stephen and Lehmann (2009) a; Dubois, Bonezzi, and De Angelis (2016) a; Fazal-e-Hasan et al. (2017) a; Keiningham et al. (2018).</td>
<td>Find a more underlying and parsimonious motive integrating the related findings of past research. Add social media evidence to support positive reciprocity. Add online evidence to support negative reciprocity and favor trading aspect of reciprocity.</td>
</tr>
<tr>
<td><strong>Sense of Belonging</strong></td>
<td>Alexandrov, Lilly, and Babakus (2013) a; Dubois, Bonezzi, and De Angelis (2016) a; Chen (2017).</td>
<td>Add social media evidence to support this.</td>
</tr>
<tr>
<td><strong>Altruism</strong></td>
<td>Dichter (1966) a; Price, Feick, and Guskey (1995) a; Hennig-Thurau et al. (2004) a.</td>
<td>Add more online evidence to support this.</td>
</tr>
</tbody>
</table>

*Note: *a Empirical support.
Emotions and Motivators as Joint Drivers for Online WOM Transmission

While each of the emotions and motivators could drive the consumers to do WOM transmissions, as shown in several above instances regarding altruism and self-enhancement, a single WOM transmission could be jointly driven by more than one factor. Specifically, a single WOM transmission could be driven by two or more emotions, two or more motivators, or even by an amalgamation of emotions and motivators. More supporting comments are:

“......so I went on Best Buy and reviewed the TV because I thought it was a really good TV. So then I think that more people will see the review and other people’s reviews, it will probably impact if they buy the product or not......Just mainly how much I enjoyed the TV. I felt that I could try to give back to the people who sold the TV and who made the TV, considering how much I enjoyed the TV......I found how nicely the product actually worked......”

In the above case, the emotion of delight (e.g., “a really good TV”, “how much I enjoyed the TV” and “how nicely the product actually worked”) obviously was involved in driving the consumer to spread positive WOM about the product on a customer ratings and reviews site.

Positive reciprocity also played a role in the WOM transmission (e.g., “I felt that I could try to give back”). The consumer reciprocated the maker and seller delivering quality products with positive WOM. Self-enhancement and altruism also possibly played roles in this WOM transmission (e.g., “it will probably impact if they buy the product or not”).

“A few weeks ago, one of my teammates was the OCAA athlete of the week when I posted it on my Facebook page ...... I wanted to make sure my team mate got the recognition he deserved because it’s pretty cool. It was after only playing one match. So it was pretty neat he got the recognition. So I was happy to spread the word. First of all, he’s my teammate so of course I’m going to support him as well as it was cool. He did it in only one game and he was already athlete of the week. So [I] wanted to make sure the word got out and spread some recognition to our team as well as him. Yes, as soon as I saw it I made sure the word goes out...... it was awesome for him getting it.”

The first glance of the above instance shows us that strong positive emotions of excitement (e.g., “cool”), delight (e.g., “awesome”), and pride (e.g., “He did it in only one game and he was already athlete of the week”) as well as the motivator of social benefits reciprocity (e.g., “he’s my team mate so of course I’m going to support him”) drove the individual to spread the WOM immediately to his Facebook friends. But a closer examination discloses that selfpresentation and enhancement (e.g., “spread some recognition to our team [including me]”) might also motivate the WOM transmission.

Pride is the last emotion identified by our qualitative studies as the antecedent of online WOM transmission. As defined by Oxford Advanced Learner’s Dictionary, pride is a feeling of pleasure or satisfaction that you get when you or people connected with you have done something well or own something that other people admire. According to our knowledge, no study in the literature has yet posited pride as the driver of WOM transmission.

Moderating Factors That Influence Online WOM Transmission

Besides the emotional and motivational drivers of online WOM transmission discussed above, three other factors were found to impact an individual’s decision to transmit WOM online, as potential moderators of the main effects of the emotional and motivational drivers. They are self-presentation concerns, recipient characteristics, and transmission costs.
The results of our focus group studies and depth interviews show that self-presentational concerns influence an individual’s negative WOM transmission online. The typical comments were:

“I think people are less likely to mention an actual company when they mention a product, because it can look badly upon you too. Like you are not going to say “oh I just opened a can of coke and it was flat” and tag coke in it. You’re just going to say it. If you get a product and it is bad, if you are going to complain about it, most of the time you will just complain about it to your friends not to the company.”

“Twitter is close with a lot of companies. They will hire social media consultants to make their company bigger on Twitter. So they are hiring people who are reading every single comment that has to do with their company. Anytime anyone says anything about Cola they will start reading it and follow that person. So a lot of people are not going to use it to say something negative because it looks poorly on themselves. I feel like Facebook is a lot more of a venting area, as only your friends see it. It is not as public as Twitter is.”

“Someone a little more reserved might not go to those outlets and say these shoes are terrible but might just go to their friends out it. Someone more opinionative might go on and bash the store and product and make sure everyone knows it. I am definitely a bit more reserved ...... I wouldn’t go write about it unless someone decided to ask me to post a bad experience.”

In the above three cases regarding negative online WOM transmission, transmitters were concerned that what they said might cause one of the audiences (e.g., company) to form undesirable judgments about them. Therefore, they deliberately avoided an open public platform (e.g., Twitter), which is composed of individuals representing different interest parties or sharing different opinions, to share their public attitudes or evaluations. Instead, they chose a closed private platform (e.g., Facebook) or people with whom they did not have such concerns (e.g., friends) to transmit. Even if they chose an open public platform, they would make the content of WOM inoffensive to the related interest parties. This finding is supported by Schlosser (2005) which indicates that self-presentational concerns may manifest in a negativity bias.

In addition, we find that when people are very angry, they would not care about selfpresentational concerns any more. They would spread WOM to any audience as long as the WOM transmission action could help them release the emotion. For example,

“So when companies get messages on Twitter it is mostly people raving about them.”

On the other hand, we find that people with high self-presentational concerns do not transmit negative WOMs even on Facebook. For example,

“Well I definitely wouldn’t put anything derogatory on the Facebook because its people’s perception of it and people do go in and read it. ...... Easiest thing is to not write anything bad on there.”

In addition, self-presentational concerns not only manifest in negative WOM transmission, they may also influence WOM transmission involved with sensitive topic. For instance,

“But, I really wouldn’t make stuff like that [evaluations of condom brand] public on my Facebook. I have family, little kids, things like that so I probably wouldn’t tell them about something more sensitive.”

Likewise, the individual in the above case would not transmit the WOM on Facebook. Moreover, for people with very high self-presentational concerns, they tend not to share any feeling with any other people on any platform whether it is negative or positive, sensitive or nonsensitive. A supporting comment is,

“I think a lot of people, a lot of people are self-conscious, they tend not to share their feelings because they think that other people are gonna put them down about it.”

Recipient Characteristics
The above quotations and analyses regarding self-presentational concerns demonstrate that transmitters are selective when it comes to where (i.e., on which online platform) or to whom to transmit WOM. Another excerpt that reinforces this view is,

“I mean it really depends on your audience that you’re catering to. I think that a lot of it depends on you know, who I’m talking to.”

Therefore, characteristics of potential audience or recipient influence online WOM transmission. This finding is supported by Stephen and Lehmann (2009), although its context is face-to-face product WOM transmission.

Moreover, one such recipient characteristic identified by our studies is tie strength. As shown in the above comments regarding self-presentational concerns (e.g., “most of the time you will just complain about it to your friends not to the company”, “I feel like Facebook is a lot more of a venting area, as only your friends see it”, “not go to those outlets … but might just go to their friends out it”), the nature of the relationship between a transmitter and a potential recipient influences whether the transmitter transmits a certain WOM to the potential recipient. People are more likely to transmit WOM to friends. The result is consistent with Frenzen and

Nakamoto (1993) which shows a preference for sharing information over strong ties, and with Stephen and Lehmann (2009) which demonstrates that strong tie strength significantly enhanced transmission likelihood. In addition, we noted that transmitters were selective even among strong ties. For instance,

“If I’m talking to a friend that I’m comfortable with, I would definitely, you know, let them know [which condom brand was good and which one wasn’t].”

As shown in the above case, the individual would share the sensitive WOM only with a friend that she was “comfortable with”, not with all her Facebook friends. The following cases further show that even if a potential recipient is a friend, a transmitter will not transmit WOM to him unless the information contained in WOM is considered “relevant” to him or he shares some common interest in the WOM topic with the transmitter (e.g., “in a similar situation”). Therefore, information fit is an important characteristic that a transmitter is looking for in a potential recipient, whether the potential recipient is a strong tie or not. The following third case reinforces this view (e.g., “in somewhat similar situations” and “it could also benefit”).

“So unless there’s something I know is universal, I don’t bother to post it because it is not going to be relevant [to my friends].”

“But if it’s a friend in a similar situation, I probably would tell them which condom brand was good and which one wasn’t.”

“Especially [spread] to people that I know would be in somewhat similar situations and that it could also benefit.”

This finding is supported by social influence theory in which transmitters select targets based upon who they think will find their messages more relevant (Festinger, Schachter, and Back 1963; Stephen and Lehmann 2009). It is also supported by Stephen and Lehmann (2009) which demonstrates that good information fit significantly increased transmission likelihood.

**Transmission Costs**

The last theme identified in this study is that the time and effort needed for transmitting influence online WOM transmission. Supporting comments include,

“Also it only takes like 2 seconds of your time just to update the status and be seen by many people.”

“You just take the minimal efforts to broadcast the message or spread it on Facebook.”
“Ya because you’re talking to a large group all at once and it takes longer time to text a 1000 ppl than to post it to Facebook where all my friends can see it.”

“Well if you say, why I would use Facebook is because, Facebook is huge, and everyone goes on it. So spreading the word is a lot easier, faster…… And yeah, you would just get a lot of people’s attention.”

“Same as twitter. That’s what it’s for kind of. It just does it. It is. I don’t know. And if you want a message to get across to people, you might as well put it on the status and see who reads it.”

The above remarks show that online transmitters care about the efficiency of WOM transmitting. If it is quick and easy to spread WOM to many people, for example, using Facebook and Twitter, they will be more likely to engage in. If it takes time and effort, they will be less likely to take action. For example,

“It’s only a matter of time for the people who aren’t doing it [writing reviews].”

“It just takes time like a couple minutes to write a 30 second review and you know mostly that probably, people are just too busy or impatient you know [to write a review].”

“To try and convince people to review you almost have to make it extremely easy.”

And the costs involved in learning how to use an online platform would prevent consumers from using it to transmit WOM. For example,

“I think some are just technologically challenged. I’ve introduced friends to Pinterest. I think it’s a great site. They joined. They never pinned anything. They don’t know how to pin anything. It’s very simple. It really is pretty user-friendly and has offered like. I’ll go on the phone with you and in real-time and take you through how to use it really quickly if you want. It’s like no. I’ll just keep seeing what you pin.”

“I don’t know how to post [on Facebook]. I don’t bother doing it.”

The finding of transmission costs involved in an individual’s online WOM transmission decision is supported by Stephen and Lehmann (2009). They posit that transmission costs are a factor that influences the probability of person $i$ transmitting a message to person $j$. The findings of self-presentational concerns, recipient characteristics and transmission costs influencing online WOM transmission are summarized in Table 3.

### Table 3. Moderating Factors Influencing Online WOM

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Authors</th>
<th>Contributions from Our Focus Group and Depth Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self-Presentational Concerns</strong></td>
<td>Schlosser (2005).</td>
<td>Add online, particularly social media evidence to support this for negative WOM transmission; also add online evidence for sensitive topic WOM transmission.</td>
</tr>
<tr>
<td><strong>Recipient Characteristics</strong></td>
<td>Festinger, Schachter, and Back (1963); Frenzen and Nakamoto (1993); Stephen and Lehmann (2009) (^a).</td>
<td>Add online WOM evidence to support this.</td>
</tr>
<tr>
<td><strong>Transmission Costs</strong></td>
<td>Stephen and Lehmann (2009).</td>
<td>Add social media evidence to support this.</td>
</tr>
</tbody>
</table>

*Note: \(^a\) Empirical support*
A PROPOSED MODEL OF INDIVIDUAL-LEVEL ONLINE WOM TRANSMISSION

Based upon prior research and the findings of our qualitative studies, we propose an individual level online WOM transmission model. The components of the model are shown in Figure 1.

Figure 1. Proposed Model of Individual-Level Online WOM Transmission

Emotion-Driven Online WOM Transmission

Emotion-driven WOM transmission process was triggered by an emotion-provoking stimulus (or stimuli). Specifically, when an individual encounters a market-related affective stimulus, for example, a faulty product or a funny YouTube advertisement video, an emotion (e.g., anger or amusement) will be triggered, which could be positive or negative. Positive emotions identified by our qualitative studies and prior research include excitement, amusement or fun, interest, delight, pride, and awe, while negative emotions include anger, frustration, sadness, regret, anxiety, fear, and disgust (Brans et al. 2014; Waterloo et al. 2018). The triggering of an emotion and its direction and strength are determined by the difference between what is encountered and what is expected. The stronger the emotion triggered, the more likely the individual will transmit WOM. The stronger the emotion triggered, the more immediately the individual will engage in WOM transmission. The stronger the emotion triggered, the longer the internal affect caused will stay in the individual, the more times he will need to share the information with others and with more people. As a cathartic activity, WOM transmission releases a transmitter from the emotion incurred by a market-related stimulus, thus recreates emotional homeostasis in him.

The emotion-driven WOM transmission mechanism (i.e., difference between what is encountered and expectation → emotion → WOM transmission) is supported by the catharsis literature and Buck’s theory of emotion as homeostasis. As human beings, by nature, we strive to maintain emotional homeostasis (Buck 1988). That is, we continuously search for emotional equilibrium. In causing departure from emotional homeostasis, emotions involve expenditure of our energy (Damasio 2003). Since we need that energy to live our lives (Damasio 2003),
particularly to handle challenging situations (Harvard Medical School, p. 20), we cannot always be in a state of emotions, for example, a state of ecstasy or a state of anger. According to Buck (1988), the ultimate function of emotions is homeostasis. If a situation occurs in the environment, which is unexpected, emotions will emerge to react to it (e.g., scare will emerge in response to danger) (Buck 1988). Emotions have the function of bodily adaptation to the environment (e.g., scare make people scream). They also have the function of hastening communication of crucial information among people. Both physiological response (e.g., laughing, crying, weeping, sobbing, wailing, or screaming) and communication with other people are expressions of emotions, the function of which is to recreate emotional homeostasis in an individual. Emotional expressions are natural human necessities (Scheff 2001). Emotions, if not adequately expressed, may cause psychological, mental, physical, or relationship problems in one’s life (Powell 2009).

Proposition 1: The presence and intensity of emotions drive an individual to transmit WOM.

Motivation-Driven Online WOM Transmission

The motivational WOM transmission process is driven by the transmitter’s motives to fulfill his various needs and desires (Chen 2017). They include the desire to gain material benefits such as free products or services, discounts, free samples, free gifts, cash and reward points offered by a company, the desire to punish unkind actions such as provision of quality products or services by companies, and the intention to reward kind actions such as sharing of valuable consumption experiences by other consumers even if no material gains can be expected. They also include the desire to derive social benefits from the WOM receiver such as information sharing in the future, the needs to belong, the needs to bolster the self (e.g., social, interesting, or knowledgeable) before the recipient or among a group of recipients, and the needs to help others without any condition. Accordingly, we put forth the following propositions.

Proposition 2: The presence and intensity of (economic, reciprocity, belongingness, selfenhancement, and altruism) motives influence consumers’ online WOM transmission.

Moderators on the Effects on the Drivers on Online WOM Transmission

In addition, we propose three general moderators for the relationships between the drivers and WOM transmission based on previous literature as well as our qualitative studies. They are self-presentational concerns, recipient’s ability, and transmission costs.

Self-Presentational Concerns

Self-presentational concerns are an important transmitter characteristic that moderates the relationships between the antecedents and WOM transmission. We propose that the level of a driver (i.e., an emotion or a motive) is compared to the level of self-presentational concerns by a consumer when deciding whether to transmit a WOM online. If the level of a driver surpasses the threshold of self-presentational concerns, then a consumer will engage in WOM transmission. If the level of self-presentational concerns is greater than the level of a driver, then a consumer will not engage in WOM transmission. Accordingly,

Proposition 3a: Self-presentational concerns negatively moderate the relationships between emotional and motivational drivers and online WOM transmission.

Recipient’s Ability
The second moderator we propose for the relationships between the antecedents and WOM transmission is a potential recipient’s ability to fulfill a transmitter’s desired needs. Specifically, whether a transmitter will transmit a particular WOM to a potential recipient is contingent on the recipient’s anticipated ability to deliver desired benefits to the transmitter. The more a potential recipient is anticipated to satisfy a transmitter’s emotional homeostatic needs, the more likely emotions triggered by market-related stimuli in the transmitter will lead to his WOM transmission to the potential recipient. Similarly, the more a potential recipient is expected to fulfill a transmitter’s needs to exchange social or economic value, to present and enhance his “self”, or to help others, the more likely reciprocity, self-enhancement or altruism will lead to WOM transmission to the potential recipient. Accordingly,

_Proposition 3b: Recipient’s ability positively moderates the relationships between emotional and motivational drivers and online WOM transmission._

When assessing a potential recipient’s ability to deliver desired benefits, a transmitter considers the characteristics that the potential recipient possesses. Such characteristics may include, but not limited to, common interest in the WOM topic with the transmitter, common experience, information fit (Stephen and Lehmann 2009), tie strength, receptiveness, connectivity, and knowledge on the WOM topic. However, for a different driver, a transmitter seeks different ability, hence different characteristics, in a potential recipient (Stephen and Lehmann 2009). For instance, to vent negative emotions, a transmitter may seek safety and supportiveness in a recipient (Powell 2009).

_Transmission Costs_

Costs of transmitting are the last general moderator we propose for the relationships between the antecedents and WOM transmission. Transmission costs mainly include time, effort, and money spent on transmitting WOM. For example, writing the details of a frustrated and failed in-vitro fertilization (IVF) treatment on an IVF forum involves much time and effort. Sharing special sale information with Facebook friends using a smartphone while shopping in a store involves wireless data expenses. Transmission costs also include the costs of the device (e.g., a smartphone or a PC) used to transmit WOM online or part of them, Internet costs or part of them, and the learning costs related to how to use the device and WOM platform or part of them. When transmission costs are high, emotions or motives triggered would not result in WOM transmission. If they are low, emotions or motivational motives incurred are more likely to lead to WOM transmission. Accordingly,

_Proposition 3c: Transmission costs negatively moderate the relationships between emotional and motivational drivers and online WOM transmission._

CONCLUSIONS

_Theoretical Contributions_

This study contributes to the online WOM literature by developing an integrative yet parsimonious model of WOM transmission at the micro individual level that is grounded in both empirical findings and strong theoretical arguments. By examining the key drivers of an individual’s WOM transmission and key factors that moderate the effects of the drivers of WOM transmissions, this study directly addresses several key questions that have remained largely
unanswered by previous WOM research. As a result, this study provides a more thorough and deeper understanding of the mechanism of individual-level WOM transmissions.

Specifically, the first major contribution of this study is that it bridges the gap between current knowledge and a deeper understanding of the role of the transmitter’s emotional states in WOM transmission (see Berger and Milkman 2012). By drawing upon empirical findings and Buck’s theory of emotion as homeostasis, this study posits that emotions or an amalgamation of two or more emotions triggered by a market-related affective stimulus or stimuli drives an individual’s WOM transmission, and catharsis through WOM transmission results in emotional homeostasis. Although Berger and Milkman (2012) highlight the important role of emotion in transmission of online content, their explanation of why people share emotionally evocative content is less than convincing. Specifically, Berger and Milkman (2012) resort to previous research (i.e., Festinger, Riecken, and Schachter 1956; Peters and Kashima 2007; Rime et al. 1991) and explain that “people may share emotionally charged content to make sense of their experiences, reduce dissonance, or deepen social connections.” More deeply, the current study proposes that people share emotion-driven WOM to release emotion, thus recreating emotional homeostasis. Accordingly, the ultimate driving force hereof is emotional homeostasis. WOM transmission plays a full mediating role between emotions and catharsis, which results in emotional homeostasis. In short, people transmit WOM because they feel good by doing so.

Additionally, the current study proposes the concept of “the threshold” for emotions. That is, if the intensity of the emotion triggered does not reach a surprising level, it will not cause WOM transmission; and the further the intensity of the emotion surpasses the threshold, the more immediately the individual will engage in WOM transmission. Also, we note that the further the intensity of the emotion goes above the threshold, the longer the internal affect incurred will stay in the individual and the more frequently the individual will need to share the information with others. This proposition challenges the finding of Berger and Milkman (2012) that sadness, a low-arousal, or deactivating emotion, does not cause WOM transmission. We argue that the intensity of the sadness triggered by reading the news article in their experiment did not reach or exceed a surprising level. That is why it was less likely to be shared. Although the experiment controlled “surprise”, the “surprise” may have been caused by additional stimuli other than the stimuli that triggered the sadness. In other words, the “surprise” may have had no relationship with the sadness. If that is the case, the “surprise” in their study was not a pertinent measure for the intensity of the sadness.

The second major contribution of this study is that no other study has thus far examined the factors that moderate the effects of emotional and motivational drivers on WOM transmission. Based upon our own focus group findings and previous research, this study identifies transmitter characteristics, audience characteristics and costs of transmitting as the key moderators influencing the impacts of the drivers on WOM transmission. Specifically, selfpresentational concerns negatively moderate the relationships between the drivers and negative WOM transmission; “transmitter’s internal propensity to talk” positively moderates the relationships between the drivers and WOM transmission while costs of transmitting negatively moderate the relationships. As for audience characteristics, the more an audience can satisfy a transmitter’s needs, the more likely the drivers will lead to WOM transmission to the audience.

Managerial and Consumer Welfare Implications

This study has important marketing management implications. First, in the era of digital economy, the customer has much more power than ever before, and Internet-based WOM marketing is becoming one of the most important means of marketing communication. It is
important for marketing managers to realize that and to position Internet-based WOM marketing as an important marketing strategy. Second, to effectively influence online C-C communications, marketers are advised to craft viral marketing content that is capable of evoking viewers’ emotion(s) to a surprising level or to design content that contains valuable information and benefits so that consumers will use it to exchange with others, to help others, or to bolster the self. And when choosing where to place viral marketing content, marketers should consider whether the audience of a platform can satisfy potential transmitters’ emotional cathartic needs, needs to exchange social value, needs to present and enhance the self, or needs to help others. Third, marketers also could use free products or services, discounts, free samples, free gifts, cash, reward points, and contests to motivate people to spread positive WOM and prevent them from spreading negative WOM about their companies, products and services. Fourth, companies should realize that the most fundamental way of ensuring a positive purchase and consumption experience is to listen to the customers’ needs and voices, even the most negative of feedback shared privately or publicly, and use that information to improve the core technical aspects of the product or service. Fifth, in the Internet age, people seek out a speedy and efficient way to communicate information with others, so making it quick, easy and costless to share would help generate favorable word-of-mouth. Sixth, to generate word-of-mouth, marketers could also try targeting “opinion leaders” or “market mavens” since they are more likely to engage in WOM transmission. Lastly, marketers should realize that public WOM platforms with lesser degrees of anonymity like Twitter, Instagram, and Tumblr may not be the most optimal means for gathering accurate information on public opinions towards their products, brands or companies, particularly cathartic opinions, since self-presentational concerns may prevent consumers from honestly expressing their opinions and attitudes there.

**Limitations and Future Research**

While this study provides rich and deep insights into an individual’s WOM transmission behavior, it has certain limitations. First, focus group, the research method employed by this study, is exploratory in nature. Furthermore, the focus group sample was student based and relatively small in size. Although the integrative model developed is based on both the findings of focus groups, relevant theories, and previous WOM research, it needs to be supported by quantitative research. Accordingly, for future research, the relationships underlying the proposed model, including the main effects of various drivers on online WOM transmission and the roles of the moderators on such main effect relationships need to be empirically tested by quantitative research. Although a few studies (i.e., Berger and Milkman 2012; Stephen and Lehmann 2009; Wojnicki and Godes 2008) have endeavored to empirically test some of the proposed drivers of WOM transmission and their findings are insightful, more research is needed. First, carefully designed experiments are needed to directly test the three motivational drivers of WOM transmission (i.e., reciprocity, altruism and self-enhancement). Second, the causal relationship between each emotion and WOM transmission needs to be tested by well-designed experiments with the threshold concept well operationalized. Third, how the amalgamation of various emotions and motives affects WOM transmission needs to be further examined theoretically and tested empirically. It is particularly important to investigate whether they are simply multiple main effects independently exerting impacts on WOM transmission or there exist interaction effects among the antecedents in jointly impacting WOM transmission.
REFERENCES


“BIG FISH” OR “SMALL FISH”: HOW INSTITUTIONAL THEORY AND RESOURCE DEPENDENCE THEORY EXPLAIN INSTITUTIONAL CHANGE IN ORGANIZATIONAL FIELD

Manely Sharifian,
San Francisco State University

Nasser Shahrasbi,
San Francisco State University

Mina Rohani,
Senior Quantitative Researcher at Keylimeinteractive/UX Researcher at Google

DOI: http://dx.doi.org/10.21607/jmsm.2018.003

Abstract

This conceptual paper draws on Resource Dependence Theory and Institutional Theory to argue that institutional change in the field may come from different sources, including central organizations, peripheral organizations, and even outside of the field. It also suggests that the degree and quality of resource dependency on other organizations in the field plays an important role in organizations’ decision to initiate a change or introduce new norms and practices in the field. The paper illustrates that when there is resource asymmetry and hierarchical resource dependency in the field center/core, the central organizations in the top of the hierarchy are usually the source of institutional changes in the field. However, when central organizations are related to each other horizontally and there is resource symmetry in the field, institutional change comes from the peripheral organizations or may even have roots outside of the field.

Keywords: institutional change; institutional theory; resource dependence theory; change source
INTRODUCTION

In the 1980s, the U.S. law firm community faced an unprecedented crisis and a tremendous challenge in developing and retaining human resources across the field. The standard processes of human resource development and retention across the law firm community followed an old and well-established model, called the Cravath model (Sherer & Lee, 2002). The Cravath model was designed based on an up-or-out system, which was very similar to the university tenure-track system. In this system, the newly hired employees (lawyers) were put on a “partner-track” process and offered six years to promote themselves to the company’s partner position or else leave the company. This model had a long history in the field and had been practiced for almost the whole twentieth century. Nonetheless, the drawbacks of the model, including the long process and the hardship of becoming a partner, caused many problems for both the lawyers and the firms. In the late 70’s, the old model started to crack as the field experienced a dramatic human resource crisis. The lack of new graduates from high-ranking law schools, on the one hand, and the lack of any effort or will from law firms to fix the problem, on the other hand, led to a huge staff shortage across the field. However, for many years, no one, neither the big fish—the prestigious franchised law firms—not the small fish—the small boutique firms—had the daring or the will to change the malfunctioning system because the Cravath model was so institutionalized in the field.

In a revolutionary act, a different practice with regard to human resource development was undertaken, first in 1982 by Davis, Polk, and Wardell, a large and reputable New York law firm (Pollock, 1982; Sherer & Lee, 2002), and later in 1985 by Jones, Day, Reavis, and Pogue, the second largest law firm in the whole country (Freeman, 1987; Sherer & Lee, 2002). New standards were put in place to retain lawyers who did not make it to the partnership—they were called “permanent salaried employees.” The impact of this action was so pronounced that several newspapers and important journals in the field started to write about this new system and publicized its success (see Galante, 1983; Pollock, 1982). By the late 1980s, the new model had been widely accepted and adopted by different firms of different sizes across the field, and the new practice was institutionalized (Sherer & Lee, 2002).

This example illustrates a radical institutional change that can happen because of external sources such as social movements (Schneiberg & Lounsbury, 2008), technological innovations (Bergek et al., 2015), and economic conditions (Greenwood et al., 2017; Greenwood, Suddaby, & Hinings, 2002) and may have roots inside or outside the organizational field (Greenwood & Suddaby, 2006). While one could argue that the change in the way law firms retained employees was triggered by external forces outside of the field, this is a clear example of a change that has roots inside the field (Sherer & Lee, 2002). Previous research has traditionally built on institutional theory to explain radical institutional changes in organizational fields (Greenwood et al., 2017). However, there is scant research on who initiates and institutionalizes new practices.

The few studies in this domain have shown mixed results (Greenwood & Suddaby, 2006; Greenwood et al., 2002; Leblebici, Salancik, Copay, & King, 1991; Sherer & Lee, 2002). Some of these studies found that organizations in the centre of the field, also called central organizations (Eisenhardt, 1968), initiate new practices and change the practices in the field mostly because they have the power and legitimacy to do so (Greenwood & Suddaby, 2006). This school of thought argues that the relative power and prestige of central organizations in the field provide them with the legitimacy to try new things and institutionalize new practices in the field (Greenwood et al., 2011; Meyer & Rowan, 1977). However, other studies have found opposite results and propose
that central organizations do not initiate institutional changes even though they have the relative prestige and power because these changes are always both resource-intensive and risky (Ahmadjian & Robinson, 2001; Maguire & Hardy, 2009; Zuckerman, 1999). These theorists argue that it is the organizations in the margin, also called peripheral organizations (Eisenhardt, 1968), which initiate institutional changes in the field and change the dominant institutions and standard practices to compete with the central organizations (DiMaggio & Powell, 1983; Leblebici et al., 1991; Sherer & Lee, 2002; Battilana, Leca, & Boxenbaum 2009; Smets, Greenwood & Lounsbury, 2015).

This discrepancy in the findings of previous studies make it unclear whether it is the central organizations or those in the margins that initiate revolutionary changes in the field. If it is both, under what circumstances does the change come from the central or peripheral organizations or even from outside of the field? This study attempts to address these questions.

Drawing on resource dependence theory (RDT) (Javalgi, Dixit, & Scherer, 2009; Pfeffer & Salancik, 2003) and institutional theory (IT) (Greenwood et al., 2017), this paper suggests that the occurrence of change in a field is related to the distribution of the resources and the configuration of the resource dependencies of the organizations in the field. More specifically, if there is resource asymmetry in the field, meaning that a group of organizations have more access to resources than the rest of the organizations in the field (Greenwood & Suddaby, 2006), then the central organizations with high resource access can initiate the change. However, if there is resource symmetry in the center of the field, meaning that the key resources are distributed fairly in the center of the field (Greenwood & Suddaby, 2006), the change most often comes from the organizations in the margins (peripheral organizations) or may even have roots outside of the field.

The term “field” refers to “organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983, p. 148). Central to this definition is the notion of sets and communities, which refers to a group of organizations interacting and influencing each other in a meaningful way (Greenwood et al., 2002). In line with Pfeffer & Salancik (2003), power is defined as “the ability to organize activities and minimize uncertainties and costs ... power is inevitably organized around the most critical and scarce resources in the social system” (p. 284). Central organizations, in the context of institutional theory, are the group of the organizations that are closer to the state and the center of the field (Greenwood & Suddaby, 2006). These organizations are usually more visible to stakeholders, larger, and have a longer history in the field (Greenwood & Suddaby, 2006). Peripheral organizations are defined as those organizations that are less visible to stakeholders, are often new to the field, and have less power compared to the central ones (Greenwood & Suddaby, 2006). They are usually small and unknown in the field (Leblebici et al., 1991). Finally, an institutional change refers to the changes in the norms, rules, and culture, laws and standard practices of any institutional field (Ingram & Silverman, 2000). The next section discusses RDT and the foundations of institutional change in the organizational context. To support the theoretical arguments and propositions, the paper uses the empirical findings of the previous studies and showcases the case studies that has been published in peer-reviewed and high-ranking management journals.
THEORETICAL CONTEXT

Institutional theory argues that “those who shape and enforce institutional rules” are those who have the power and control the field (Oliver, 1991, p. 148; see also Munir, 2015). However, according to resource dependence theory, organizations with the power are those who control scarce resources in the field (Oliver, 1991). RDT argues that organizations are dependent on each other with regard to resources (Pfeffer & Salancik, 2003). Resources include legitimacy, technology, information, and elites and relates organizations in the field (Greenwood et al., 2002) since no organization, regardless of central and peripheral, can produce or supply all of its resources internally (Pfeffer & Salancik, 2003). In many cases, the survival of organizations in the field is strongly tied to their relationship with other organizations and their ability to manage these relationships and resource dependencies (Pfeffer & Salancik, 2003). In this context, most organizations try not only to weaken their dependencies on other organizations, but also to control key and fundamental resources in their field (Clegg & Bailey, 2007; Pfeffer & Salancik, 2003). Organizations try not to become over-dependent on other organizations while making other organizations more dependent on themselves. Initiating change in the field can empower organizations to control critical resources to influence the actions of other organizations and gain more authority because the change in the field can change the distribution of resources, power, and control. In light of this, this paper argues that the quality and level of the resource dependencies in the field can be a great identifier and a trigger for organizations to initiate institutional changes in the field. In other words, organizations that control scarce resources commit to initiate institutional changes in order to gain additional power in the field.

Institutional theory also argues that if organizations respond to institutional rules in a timely manner, they can gain legitimacy, stability, and resources to survive and even succeed in spite of not performing well financially (Meyer & Rowan, 1977). However, RDT argues that those organizations in the field that are less privileged compared to others to get support from institutors are less dependent on the resources of institutions (Pfeffer & Salancik, 2003). Therefore, these organizations assume they have nothing to lose, which may motivate them to initiate change. These organizations often try to initiate the change to make themselves less dependent in terms of resources in the uncertain environment and increase their ability to control more the flow of resources in the field. If the change is successful, then other organizations are encouraged to adopt the change and institutional change occurs in the field.

Institutional Change and the Role of Central Organizations

Central organizations can have two types of resource dependencies (ties) with other organizations in the field: a) hierarchical relationship (DiMaggio, 1983; Greenwood et al., 2002; Sherer & Lee, 2002) or b) horizontal relationship (Greenwood, Diaz, Li, & Lorente, 2010; Ahmadjian & Robinson, 2001). As shown in Figure 1, in a hierarchical relationship, the organizations at the bottom of the hierarchy depend on the organizations at the top of the hierarchy (DiMaggio, 1983; Greenwood et al., 2002; Sherer & Lee, 2002). This means that the central organizations at the top of the hierarchy control the key resources and there is a resource asymmetry in the field center (DiMaggio, 1983). The arrows illustrate the direction of dependencies/resource ties in the field (see Figure 1).
An example of a hierarchical relationship (DiMaggio, 1983) in the center of the field can be seen in Greenwood et al. ’s (2002) study on institutional change in the Canadian accounting community. Greenwood et al. studied institutional change in the standard business practices and operational scope of the Canadian accounting firms during the 1980s and 1990s. Their study illustrates how standard business operations that have been practiced and institutionalized in the field for decades were changed by five dominant players at the center of the field.

The institutional change occurred between 1977 and 1997 and entirely shifted (broadened) the scope of the operations of the Canadian accounting firms to areas like management consulting and special services, also known as MDP (multi-disciplinary practices). Until the early 1980s, accounting firms in Canada limited their activities to standard and routine accounting and auditing practices (Powell, Brock, & Hinings, 1999). The change was initiated by a group of large firms, known as the Big Five. Greenwood et al. (2002) identified this group of firms as the center elite, “delineated by their size, revenue, clients, and reputation” (p. 34). Despite initial resistance by the smaller firms and other players in the field, the new practices soon dominated the center of the field and radically changed the way accounting firms have been practicing.

Drawing mainly on institutional theory, Greenwood et al. (2002) relate the institutional change and its diffusion to the influential power and legitimacy of the Big Five firms in the field. They

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1 Greenwood et al. (2002) identified three separate sub-communities in the accounting firms: 1) the tier-1 large firms at the center of the field, The Big Five, which operated in the international market and focused mostly on very large clients; 2) the three top firms with the focus on the national market. These firms had less variety in terms of their services compared to those offered by the Big Five, but their services and clients often overlapped to some extent with the services of the Big Five firms; 3) regional and local accounting firms in the field margin that worked with small- to medium-sized clients.

2 Arthur Andersen, Deloitte Touche Tohmatsu, Ernst & Young, KPMG, PricewaterhouseCoopers.
argue that the resource asymmetry in the field caused central organizations not to be confined by the old institutions and to be more open to change. However, from a resource dependence perspective, the widespread institutional change can also be explained by the hierarchical relationship and resource dependencies among the central organizations and the other main players in the field. The asymmetric and top-down distribution of the key resources in the field and the hierarchical dependencies between the central organizations and those smaller firms in the margins provided a special position for those organizations to not only independently change their operations, but also to enforce their new operations to the other organizations in the field. In other words, the Big Five firms initiated the change because they were at the top of the hierarchy. They were connected to international clients that made them aware of the new needs of other large clients. In fact, they could bridge other organizational fields, which made them aware of new resources available to the firm. They started the change because of the power, prestige, and independency they had compared to other organizations at the bottom of the hierarchy. The expansion of their market activities beyond the field made them even more independent to the resources in the field. Their special position in the field freed them from coercive and normative pressures that could impede change (DiMaggio & Powell, 1983).

Another example of hierarchical relationship among central organizations is the example of two prestigious law firms in the U.S. who initiated the change, which was described in the opening of the paper. The institutional change was the change in the human resource practices. Resource scarcity, scarcity of law graduates from elite law schools, motivated two prestigious law firms to look for alternative resources. Because they were at the top of the hierarchy, and they were not dependent on the resources of other law firms, they neither need to justify the innovation nor get legitimacy from organizations in the bottom. Interestingly, the whole process of change made them even more independent. The two prestigious law firms created a new position for those employees who did not make partnership during the period of six years. In the new system, they received salary but not extra money based on the firm’s profit as partners did (Sherer & Lee, 2002). The companies could keep the employees that were unable to make partnership, which meant that they decreased their dependency to the graduates from elite schools.

The above examples illustrate the circumstances when the institutional change in the field is initiated by the organizations at the center of the field and shows how the central organizations at the top of the hierarchy were able to dominate their environment and initiate institutional change because they were not significantly dependent on other organizations at the bottom of the hierarchy and in fact were in a position to control the resources in the field. The prestige and power of these organizations also enabled them to negotiate the change with the state. Later, other organizations adopted the new practices because 1) the practices were successful and legitimated by the central organizations in the top and 2) other organizations were dependent on the resources of the central organizations at the top of the hierarchy. Based on the above discussion, we propose:

**Proposition 1:** In the hierarchical context, which there is a resource asymmetry in the center of the organizational field, the central organizations at the top of the hierarchy most probably initiate institutional changes.

**Proposition 2:** In a hierarchical context, the resource dependency of the organizations at the bottom and the power, prestige, and the independency of the firms on the top of the hierarchy can pull the trigger for institutional change.
Proposition 3: The resource independency of the central organizations at the top of the hierarchy triggers the process of change and the change itself makes them even less dependent.

Contrary to the hierarchical model, in a horizontal/flat relationship, there is resource symmetry in the center of the field and central organizations have to compete with other central organizations for scarce key resources (please see Figure 1). This creates an opportunity for peripheral organizations or even organizations outside of the field to initiate the change.

Greenwood et al. (2010) show how the dependency of large firms (central organizations) in particular regions in Spain that highly valued family and religion hindered those firms’ efforts to downsize. The major resource that the large firms were afraid to lose was the legitimacy they enjoyed from these regions. Downsizing would have increased unemployment, and the unemployed people would not be able to financially support their families, which was against the core religious values in Spain. It should be noted that there was no hierarchy among firms, and large firms had equal status in the region and were equally dependent to the regions (horizontal relationship). They were not in the position to control the scarce resources, as these resources were controlled by the government of the regions. Greenwood et al. (2010) also show that in the regions where the government spent money on industrial development, the tendency against downsizing was amplified among large firms, which is another evidence that shows how the dependency of central organizations on the resources (expenditure on industrial development) of a regional government held them back from initiating change. In contrast to the examples of the accounting and law professions, in this example the field was regions in Spain. The institutional change was downsizing, and the central organizations were large organizations that provide high rate of employment for the regions.

The following example also shows how central organizations behave when there is no hierarchy in the field. Ahmadjian and Robinson (2001) studied downsizing that deinstitutionalized permanent employment among public companies in Japan between 1990 and 1997 and found that large, old, and high-reputation Japanese firms were not the ones who initiated the change although they would have liked to do so. They knew if they initiated the change (i.e., downsizing), they would lose legitimacy—an important resource according to Zuckerman (1999)—because permanent employment was a strong social value in Japan. Therefore, small firms who were less visible to the public were the first movers. In this example, the field was the Japanese society.

In both examples, central organizations did not have any superior position in the field and depended on the resources—especially legitimacy—of other organizations to survive. They were afraid to lose these resources by initiating change. Thus:

Proposition 4: In a horizontal context, where there is resource symmetry in the center of the organizational field, peripheral organizations or the ones outside of the field most probably initiate the institutional changes.

Institutional Change and the Role of Peripheral Organizations

Peripheral organizations can initiate change when the resources at the center of the field follow a symmetric distribution and the peripheral organizations have few/no dependencies with the center of the field. In general, peripheral organizations can take four types of resource dependencies/ties with other organizations in the field: 1) independent or having few ties in the field; 2) having strong resource ties with the organizations in the center of the field (central organizations); 3) having strong ties with both central and peripheral organizations; and 4) having strong resource ties with the other peripheral organizations in the field (Pfeffer & Salancik, 2003)
(see Figure 2). The arrows in Figure 2 show the directions of the resource dependencies.

![Figure 2](image)

**Figure 2. Four Types of Peripheral Organizations in the Field**

The following examples elaborate on how peripheral organizations can initiate institutional changes from a resource dependence perspective. In both examples, the empirical results from previous studies show that peripheral organizations can initiate and institutionalize change in a field when they have few/no ties with central organizations while making strong ties with other peripheral organizations to disseminate and institutionalize change in the field.

The first example is the emergence and diffusion of the Voice over Internet Protocol (VoIP), which was considered by many as an institutional change and a disruption in the telecommunication industry (Nystroem, Hacklin, & LO, 2005). VoIP was considered a disruptive technology during the 1990s. It revolutionized the telecommunication industry by providing several new and low-cost business opportunities for the companies operating in the field. VoIP, also known as Internet Telephony and IP Telephony, offers the ability to make voice calls, send faxes and videoconference over the Internet or on any IP-based networks (Hur, 2016; Werbach, 2005). The technology did not require a large investment in infrastructure, and those who implemented it could offer a wide range of national and international voice call services for free or at a very low cost (Hur, 2016).

Despite the tremendous business opportunities and ability to expand the network, the technology received little attention at first from the organizations at the center of the field but was widely adopted by peripheral organizations (those at the field’s margin). Before VoIP was introduced, the major revenue of many telecommunication companies including those at the center of the field came from traditional voice services (Cheung, Kwok, & Kam, 2005). The rise of VoIP
and its widespread adoption among peripheral organizations soon created a challenge for larger firms and big players in the market and eventually led to a shift in the way the whole industry worked.

Many large organizations felt threatened once they started losing revenues and market share and decided to include VoIP into their services, and that is how the change was institutionalized in the field (Nystroem et al., 2005). For example, British Telecom (BT) decided to gradually shut down its traditional “circuit-switched” telephone network and move its voice network completely to route calling over the Internet, which had a lower cost and more features for the end customers (McGuire, 2004). As a short-term plan to compete with other VoIP providers, BT developed services called BT Communicator and BT Broadband Talk (BT Archives, 2018).

Leblebici et al. (1991) offered another example of institutional change in the U.S. commercial radio broadcasting field, showing how radio as a public good was transformed into a private commodity between 1920 and 1965. During the 1920s and 1930s, high school students built their own stations in attics and garages to broadcast news and music. These amateur channels had to contact small manufacturers in the field to supply the materials and equipment to equip and run their stations. Eventually, the small manufacturers themselves started their own broadcasts to attract customers to purchase radio sets. This gradually created an institutional change in the field and later led incumbent and larger firms in the field to privatize broadcasting to compete with the peripheral organizations as they learned from the peripherals how to take advantage of privatization.

Leblebici et al. (1991) present a similar case of institutional change by peripheral organizations between 1950 and 1965, which put an end to the network era and the growth of independent stations. In this time period, most of the innovations like having DJs (Disk Jockeys) host radio programs and targeting specific audience segments with specialized broadcasting came from small stations, many of which were run by individuals who had returned from World War II with technical knowledge of radio. Because of the success of the new practices, radio networks like ABC (central organizations) started to adopt the practices of their smaller competitors (peripheral organizations).

In both cases, Leblebici et al. (1991) argue that radical new practices are most likely to come from those peripheral organizations because experimentation is less costly for them and they are less likely to be sanctioned by central organizations in the field as they are not dependant on the resources of central organizations. Moreover, peripheral organizations receive less favor in terms of resources from the institutional bodies in the field such as regulators and states. Therefore, they are not as dependent on the institutional bodies as central organizations are. Nor are they afraid of losing resources provided by institutional bodies through breaking norms in the field. Leblebici et al. (1991) explain that increased competition because of the emergence of new successful practices encourages central organizations to adopt new practices and legitimize them in the field. This example also demonstrates how peripheral organizations that are not dependent on the central organizations in terms of resources are the ones that initiate change. However, they have to be connected to other peripheral organizations to communicate the change. Eventually, intensified competition because of the success of new practices in the field encourages central organizations to adopt and legitimize the change.

The above two examples showcase that in a symmetrical environment, institutional changes most often can come from organizations that have few/no ties with the central organizations but
strong ties with other peripheral organizations that enable them to disseminate and institutionalize change in the field. In both examples, the organizations that initiated the change had few or weak ties with the organizations at the center of the field, in that such dependencies/ties could block the change before the change institutionalized in the field. In fact, to communicate and institutionalize the change, the first movers had to partner with other peripheral organizations such as retail stores or small manufacturers. For example, in the first case, those who initiated the service had to partner with small retail stores to distribute the service to end customers. More specifically, the pure service providers were dependent on retail stores to distribute the service, and the retail stores were dependent on the pure service providers as the suppliers of the service. This highlights the importance of the resource dependencies among peripheral organizations in initiating and institutionalizing change; if they were dependent on central organizations, the change could have been blocked because it would cannibalize the traditional service. Thus:

**Proposition 5:** Peripheral organizations that are interdependent of other peripheral organizations and are not dependent on the central organizations in the center of the field can initiate change in the field.

**Proposition 6:** Other organizations, especially central ones, start to adopt successful new practices to compete with peripheral organizations, which leads to institutional change in the field.

**When Institutional Change Has Roots Outside of the Organizational Field**

An institutional change can also have its roots outside of the field. Maguire and Hardy (2009) showcase how a social movement outside of the field resulted in a radical change and the abandonment of the widespread use of DDT in the agriculture industry. In this example, Rachel Carson’s *Silent Spring*, published in 1962, highlighted the negative impacts of the use of DDT on humans and nature (Maguire & Hardy, 2009). The book caught the attention of different stakeholders about the problem, and 500,000 copies of the book were sold by April 1963. It also got the attention of the scientific community and was reviewed in journals such as *Ecology* and *Science* (Maguire & Hardy, 2009). However, the agribusiness and chemical industries tried to challenge the claims of the books. Parts of the book were read in the Congressional Record and politicians wrote to the author of the book to get advice on what to do. President Kennedy asked his President’s Science Advisory Committee (PSAC) to investigate the case. After investigation, PSAC called for the elimination of DDT and other pesticides that were harmful to humans and nature (Maguire & Hardy, 2009; Mrak, 1969; Ribicoff, 1966). In 1967, NGOs such as the Environmental Defense Fund (EDF) asked the government to act against the use of DDT (Time Magazine, 1971). After multiple hearings, the EPA banned DDT nationwide in 1972 (Maguire & Hardy, 2009).

In this example, a social movement initiated the change. Later, both voluntary and coerced change were evident in the field. Early adoption of new practices (e.g., use of other chemical-based pesticides), or in other words early abandonment of old practices (i.e., use of DDT), occurred voluntarily. Farmers who produced food crops and were dependent on end customers who were concerned about the use of DDT were among the first actors to abandon the practice in the field. As the demand for the use of DDT decreased in the field, many producers also voluntarily abandoned the practice because of their dependency on the farmers to sell their products. Later, the use of DDT was banned by federal government (coercive pressure), which forced cotton growers, the single remaining large market for DDT, to abandon the practice of using it (Maguire & Hardy, 2009).
In another example, Tolbert and Zucker (1983) studied the adoption of civil service procedures by municipalities in cities from 1880 to 1936. In this case, the state initiated change in the municipalities by requiring them to have written examinations for hiring and job tenure for employees. In other words, the state reinforced regulations to initiate institutional change. However, if the regulations were not reinforced by legal and political pressure, the state could not initiate institutional change in the field.

These two examples show how outsiders initiated change and put pressure on the field to change a practice. This type of institutional change made by outsiders shifts the pattern of resource dependency in the field in several ways. New actors may control scarce resources, the nature of scarce resources or the definition of required resources for organizations may change, or the power relationship between the organizations in the field can be altered. In these examples, social movements and new regulations were initiated by actors outside the field that were not dependent on the resources of insiders of the field. This explains why some organizations, especially central ones in the field, sometimes try to co-opt scientists, social activists, and key decision makers in the government and make those actors dependent on themselves, or in other words, lock them into the current system so that they do not initiate change. For instance, to address climate change, some central players in polluting industries have tried to collude with politicians to make them dependent on themselves. The key players perceive that if they make politicians dependant, they would not vote in favour of regulations that constrain the activities of polluting industries. In return, the key players would support the politicians financially to help them get re-elected. The preceding arguments suggest the following propositions:

**Proposition 7:** Institutional change can be initiated by outsiders if there are widespread social movements or new regulations enforced by the state that shift the pattern of resource dependencies in the field.

**Proposition 8:** Outsiders who initiate change are those who are not dependent on the valuable resources of organizations (e.g., money, and reputation) inside the field.

**DISCUSSION AND CONCLUSION**

The literature mainly draws on the institutional theory to explain how institutional changes occur in the organizational field. However, most of the research in this domain tends to focus on the stages of the change process, missing an important question about the locus of the change (Armenakis and Bedeian 1999; Poole and Van de Ven 2004). This paper takes the resource dependence perspective and offers complementary views about the locus of institutional changes in the organizational field. It proposes that the occurrence of change in the field is related to the distribution of resources and the configuration of the resource dependencies of the organizations in the field.

This paper makes several contributions to institutional theory and the change management discipline. First, it provides an alternative explanation for the genesis of the institutional change. Previous studies attempted to highlight different reasons for why and how institutional change may be initiated by central organizations while they may also come from other organizations (i.e., peripheral organizations) or have roots in the outside of the field. For example, Christensen (2013) argues that disruptive innovations can be initiated by new entrants and lead to the failure of incumbents, thus, a firm's resource base cannot always protect it from new entrants). D'Aveni,
Dagnino, and Smith (2010) theorize the importance of temporary advantages, which serves as a counterpoint to Michael Porter's (1980) positioning approach to strategic advantages. This paper builds on these works and provides propositions that show under what circumstances central or peripheral organizations become the first movers to initiate change in an organizational field. Future studies can indeed test these propositions by empirically examining the nature of institutional changes in different contexts. For instance, using the qualitative or quantitative samples, future studies can see whether and how institutional changes may be initiated by central or peripheral organizations, or even outside of the field. Obviously, contexts such as high-tech and innovative industries could be great contexts for testing the above propositions.

Second, it uses resource dependence theory to understand the behavior of a group of organizations rather than individual organizations. Most of the research on resource dependence theory looks at organizations as individual actors, and there have been multiple calls in the literature to use RDT to explain the behaviour of group of organizations (Clegg & Bailey, 2007). Moreover, resource dependence theory often investigates how organizations manage their relationships to access stable sources of scarce resources, and less research has been done on how organizations exploit the dependencies of other organizations or how the mutual dependencies of organizations affect their behaviour (Clegg & Bailey, 2007). This paper responds to these calls as well. Finally, the paper demonstrates how the mutual dependencies of central organizations in a competitive environment prevent these organizations from initiating change, while the mutual dependencies of peripheral organizations that do not depend on central organizations enable them to initiate change.  

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We would like to thank the anonymous reviewer(s) for their fruitful comments and suggestion on this point.


RESEARCH-IN-PROGRESS

THE WAR OF STORE WINDOW DISPLAY IN EMERGING MARKETS:

MANUFACTURERS VS. DEALERS

Melih Karabiyikoglu
Marketing Consultant
Istanbul

DOI: http://dx.doi.org/10.21607/jmsm.2018.004

Abstract

Purpose – The present study aims to understand which window display design, manufacturer’s or dealers’, a marketing tool to catch the consumers for store visitation.

Design/methodology/approach – Random sampling method was used to collect the data. Surveys were handed out to only shoppers who entered the stores and accepted to make survey at the end of their visit. 557 surveys were completed. Reliability Statistics identified that data set is useful for analysis and structural equation modeling tested hypotheses.

Findings – The impact of window display attributes was measured on six different evaluations customers may make in a retail store. Additionally, the customers’ responses on organizational identification, brand perception and shopping motivations to enter the store were measured. The results suggest that window display design in white goods and consumer electronics do not impact all customer types in a similar manner. Additionally, the importance of shopping outcomes in the formation of overall value judgment differs across hedonic and utilitarian shoppers.

Research limitations/implications – This study will be a number of managerial implications for manufacturers and dealers. The differences of their point of view will be important because the effectiveness of the window display design strategy on consumer behavior for each can be different. Neither manufacturer nor dealer is succeed in all locations to reach shoppers via window display design.

Practical implications – The implication of these results is somehow significant for decisions related to window display in a retail store. If a manufacturer or dealer wishes to create a window display that can deliver a valuable shopping experience, then an understanding of customers’ motivations is important.

Originality/value – The current study demonstrated that store window displays affect customers to enter the store. However, manufacturers and dealers should make a cooperation to reach customers via window displays in each location seperately.

Key words Retail marketing, Window display, Consumer shopping motivation, SOR model, Visual Merchandising, Shopper marketing
INTRODUCTION

According to Chinta (2006), the retailers should evaluate the opportunity of acquiring effective insights about their certain or potential customers. With a well-analyzed insight, building a closer relationship with the customers would be more likely as the need and demand variables were anticipated after the examination of these insights. When we look at today's fast-changing market conditions, we expect to see an increase in direct marketing operations with end users. The important thing is the executor of this operation either retailers or manufacturers.

The manufacturer still will be able to compete with the retailers in any primary research; however, the manufacturers will need to collaborate with the retailers in order to gain more insight about that specific retailer's customers Chinta mentioned in 2006. This information is critical to set a direction for the manufacturer's future marketing mix. A large benefit of this information could be to debunk. The main argument of many retailers which is "everyone is our customer" will be proven wrong and this will give them a benefit of the doubt. With a common understanding of the retailer's customer base, the manufacturer and the retailer can put together the best program for that customer base. This type of planning should enhance revenue, serve to reduce channel conflict and enhance the relationships between the manufacturer, retailer and consumer.

Distribution channel conflict is probably one of the biggest challenges that manufacturers are facing nowadays. Being where customer will shop is extremely important. Therefore they need to know which channels are more important than others to reach their customers. This is one of the fundamentals in shopping science regardless of industries.

In retailing, products can be sold directly to the customers by manufacturers themselves or dealers which are chosen by manufacturers. Dealers can be exclusive or they can be multi-branded. Normally, exclusive dealers have a special agreement with the manufacturer to become a dealer. They have to open their stores, to purchase products based on monthly and yearly targets of the manufacturer, and to invest in their business. Manufacturers use dealers and their stores because they want to see and understand the market at the penetration phase.

However, mostly, manufacturers and dealers face conflict in order to implement retail marketing practices in the stores. Dealers believe that they know their customers, they understand the market, know the sales technics and marketing based on their customers. They would like to influence their customers via their retail marketing practices in their stores, but manufacturers assume that they have an academic and professional know-how, so they have long term plans, and they have employees who are experts in retail marketing. Under these conditions, manufacturers and their dealers always have conflicts about store management via retail marketing.

Under these conditions, the research presented in this study is concerned with the effects of the manufacturer’s and dealer’s window display design on customers who have different shopping motivations for store visitation.
LITERATURE REVIEW

The present study examines the effect of window display design on visitation based on different customer motivation and specifically, whether window display context settings will affect customers’ brand perception and organizational identification toward the display and approach-avoidance behavior. This chapter provides a review of literature on the theoretical framework and concepts associated with the stimulus – organism – response (SOR) model, and window display design as a stimulus, brand perception, organizational identification, and customer’s shopping motivations as an organism and response behavior.

FROM CONSUMER VALUE TO CONSUMER RESPONSE: SOR MODEL IN RETAILING

Environmental psychology is the use of atmospherics to construct environments that affect the consumers’ decision making mechanism and behavior in shopping (Mehrabian and Russell, 1974; Darley and Gilbert, 1985; Holahan, 1982;). Environmental psychologists developed a model called Stimulus-Organism-Response (SOR) model to show the effects of the environment on consumer behavior. Basically SOR model is based on three components and a set of responses or outcomes. Bitner (1992), Hoffman and Turley, (2002) and Turley and Milliman, (2000) articles all used SOR framework to try to explain the atmospheric effects on marketing.

SOR model in environmental psychology field is developed by Mehrabian and Russell (1974) to describe the effects of store environment variables on shoppers’ emotions and their shopping behavior and later on it applied by Donovan and Rossiter (1982) in marketing. The importance of store atmospheres and the effects on the shopper behavior is still being studied (Olahut et al, 2012) long after Donovan and Rossister in 1982. It was found that three aspects cause some actions such as spending, purchasing or entering the stores (Law et al, 2012).

There are evidences that impacts on consumers' purchases are differentiated impacts on such consumer (Buckley, 1991). Connection between physical environment and individual's behavior is established by the SOR model according to the study of Mehrabian and Russell (1974). In a retailing context, the atmospheric variables are the stimuli (S) that motivate consumer evaluations (O), and then influence their behavioral responses (R). Consumer behavior responses are either approach or avoidance within a retail store (Singh, 2006).

The Attribute of Environment as a Stimulus

SOR theory suggests that physical environments are quite affective, and poorly set up designs can have a negative effect on shopping pleasure (Mehrabian and Russel, 1974; Spies et al., 1997;Baker et al., 2002).

According to Cinjarevic (2010), the environmental stimulation is below the optimal level, where an individual feels comfortable in his environment; he tries to increase his stimulation in order to try new or unusual products and services. External triggers such as atmosphere encourage customers’ impulse buying behavior. Researchers show that these kinds of triggers are intervening variables between the stimulus and response and affect the outcome (Flight et al, 2012).

According to Dennis et al (2010), the specific stimulus influences the perception of other attributes of environment, which then influence emotions and in turn influence behavior. An
impulse is described “a sudden, forceful urge” to a given stimulus with delight. It has three characteristics. First is that an impulse is specific that it is risen when a general drive state faces off a specific stimulus in the environment. Second is that an impulse may stimulate short-term peaceful and lastly, an impulse often carries with a forceful drive to act on person’s desires (Moore and Lee, 2012).

The SOR model shows that environmental stimuli may influence behaviors through internal assessments. Based on this, the store environments such as music, lighting, layout, colors, storefront, window displays, and signage strives an influence on emotional and cognitive feelings. (Donovan and Rossiter, 1982; Dulsrud and Jacobsen, 2009; Miao-Que and Yi-Fang, 2010). The influence of the store environment on the purchasing and customers’ perception is an external stimulus and these store environments elements are pleasure and arousal (Mehrabian and Russell, 1974; Donovan and Rossiter, 1982). Pleasure refers where an individual senses good in the environment and arousal relates that an individual feels excited or stimulated (Baker et al. 1992). The perceived quality, the price, and the emotional contact are the organism and the entering the store and the purchasing are the response which is approach behaviors that are willing to (Baker et al, 1992; Miao-Que, Yi-Fang, 2010).

Baker et al, (1992) show how external stimulus is related to emotional feelings and behaviors;

![Figure 2.1. The relationship between external stimulus and emotional feelings and behaviors](image)

Yeung et al, (2004) mention that similar findings which are retail atmosphere perform positive or negative effects on shoppers’ behavior. The environment stimuli identify exterior and interior factors; store layout, interior and exterior displays and human variables.

Adjustable for customers, items and store attributes are included in the model according to Buckley (1991). Since the characteristics of a person have a major influence on his or her actions according to the researches. There are variables of customer characteristics. Environmental psychology researches showed that there are variables in store attributes. These signify that human behavior is affected by the surrounding environment. The attributes of store are the part of the environment surrounding a consume’s purchase (Buckley, 1991).

Previous studies on consumer behaviors show that two main factors influence shoppers for buying. According to SOR Model, situational and non-situational factors affected shoppers’ behaviors. Situational factors include physical surroundings, which are location, decor, sounds, layout, merchandising materials and displays, are stimulus (Zhuang et al., 2006).
A Specific Stimulus: Window Display Effect in Retailing

More specifically, visual merchandising displays serve as environmental stimuli that affect the perceptions of consumers; these perceptions, in turn, elicit responses such as visit the store, test the products and purchasing (Du Plessis and Rousseau, 2003). A key goal of a shop window is to generate excitement among "windowshoppers" and convert them into actual shoppers. Interestingly, it has been shown that the average shopper has 11 seconds to take in a show window, which is not enough time to persuade an individual to purchase a given product. This emphasizes the notion that the primary role of a shop window is to spark a consumer's curiosity. In current retail environments, shop windows are so important that they are typically assigned a separate budget. Notably, however, despite their utility as a marketing tool, shop windows have been largely overlooked by not only researchers (Opris and Bratucu, 2013) but also professionals, too.

According to study of Cinjarevic, (2010) change seeking in stores is not a very reliable predictor for impulse buying. However, he believes that it would be sensible and interesting to include other internal and external marketing variables in impulse buying like visual merchandising, retailing atmospherics, and special in-store promotions. Puccinelli et al. (2009), advert that customer experience can be altered. Both tangible and intangible aspects of retail store can be assigned by atmospherics, or the retail store environment. The subjective experiences of consumers such as pleasure and arousal should be influenced by the design of retail environmental (Mehrabian and Russell, 1974). When consumers like or positively change their attitude towards a store by looking at the window displays they are more likely to enter and make purchases, positive views can be achieved by layout, equipment, furnishings, signage, and the style of decor (Puccinelli et al., 2009).

Nowadays window displays are used for promotional strategy. Retailers now use the window displays as “are created to enthuse and challenge the consumer and ultimately entice them into the store” rather than just attracting customers by presenting their products in the displays. Promoting strategies and images of the corporation itself are all sideline effects of window displays. Different types and level of consumer behavior can be affected by the store environment. Today, window display is art. It is a fancy way of attracting customers to make difference from the competitors, an important marketing tool that has been overlooked within the literature, but plays an important part in the development of a business. The major benefits by this tool are: the process of communicating a definite brand image; creating a brand image by integrating it into the brand strategy; shaping the image between the market competitors; usage of modern and innovative technology; presenting a special event for the retailer, the customer or the environment. The most important functions of the window displays are: to attract attention, to create interest, to invite customers in the store and finally to generate sales.

According to Levy and Weitz (2009), window displays are very important to a retail shop as they show what the store offers and send a visual message that such store tries to display as an image. New customers who are not very familiar with that store are attracted by the storefront window displays as they are a great ‘weapon’ for creating an image for the store. Retailers give a great importance to storefront windows because for example if it is a women’s specialty store, the storefront must have a maximized window displays so that window-shoppers can see what the store offers and the atmosphere in the store, and some others think that nothing must block the store view from outside. If the window displays include the customers' self-image they would be...
considered as more attractive towards the customers, they are less successful when they only have promotional or style information (Sen et al., 2002).

Mower et al. (2012) give suggestion for retailers about window display:

1. Window displays should reflect the retailer's image.
2. Window displays should fit with the target market they are trying to attract.
3. Window displays should illustrate the type of merchandise or brands the retailer offers.
4. Window displays should be unique and aesthetically pleasing.
5. Retailers should try to incorporate themes into their window displays including local themes and holiday or special event themes.

Liu, S. et al. (2009) emphasized that media started using window displays as propaganda as fashion information can be displayed in the shop windows and attract and affect the consumers. The main reason why the window displays are decorated is to attract the consumers' attention along with delivering the product information and stay in the consumers’ memory. The success of the window display designs depend on the purchasing and staying decisions made by the consumers by the psychological and emotional effects of the window displays. Dodds et al. (1991) considered store image has significant influence on consumer behavior and store image appraisal can influence consumer’s buying will.

The Emotional States of Consumers as an Organism

The environmental variables are tested onto the stimulus – organism – response framework to find linkage between Stimulus, Organism and the Response variables by Donovan and Rossiter (1982). They found that environmental stimuli affect the consumers’ emotional states. In the model, the notion of stimulus, which is the environment, is an external variable that internal states of consumers are affected in order to get into action. The notion of organism is an intervening variable, which is people’s internal evaluation that linked between external stimuli and final decision. The conceptualization of the response is the final outcome or action of the consumers such as entering the store, purchasing (Sherman et al, 1997; Spangenberg et al, 1996). Researches show that store-induced pleasure is associated with willingness to buy in positive way and store-induced arousal influences the time spent in the store and willingness to interact with sales person (Baker et al, 1992).

Atmospherics research is covered in broad discipline of environmental psychology where the SOR model (Babin et al., 2003) is employed. Consumers' emotional responses to a physical environment interfere with the influence of the environment on their behaviors as it is accepted by the SOR model (Mower et al., 2012).

Customers’ Brand Perception

According to Coker et al., (2013), the most important strategic element in an organization's identity is the corporate visual identity. The relation between concept of corporate visual identity and the notion of customer perception are bordered using the activity theory as a theoretical framework. All the human understanding is formed by the "objects" that they see so the perceptions are created by the objects. Desired perception is brought out by the relationship between the "subject” and the "object". Consequently, activity theory shows that the activities human beings engage in are interfered by tools in a deep sense. Tools are created and transformed during the
development of the activity itself and carry with them a particular culture. Dutta and Singh, (2013) argue that the purchase decision of consumers is ‘influenced by the corporate image of a company involved in cause related marketing.’

Nowadays the change in the retail environment has been more rapid than ever (Dabholkar, 1996) for 20 years. This is because of the competition in both domestic and foreign companies, series of mergers and acquisition, and demanding customers that have high expectations of their consumption experiences (Nair and Nair, 2013). Everyone accepts that high service quality, which is related to company’s reputation, delivery is the result of basic retailing strategy for creating competitive advantage (Nair and Nair, 2013). Store appearance is important to the customers according to the retail literature (Baker et al., 1994). Another important issue that the retail literature shows is that the customer’s value the enjoyment of shopping that physical aspects and the availability of merchandise is also a measure of reliability (Nair and Nair, 2013).

Independent inputs such as personal shopping values, motives and perceived shopping alternatives are narrowed down to models in researches. Models can be argued that perception of retail store attributes and the attitudes towards retail stores are affected by the shopping motives (Morschett et al., 2005). Strategic product positioning and effective retailing augment the customer perceptions and help building the long-run customer values towards the non-conventional products possessing unfamiliar brands (Rajagopal, 2007).

Foxall (1980) explains perceptions as “the process whereby stimuli are received and interpreted by the individual and translated into a response”. Perception depends on consumer's individual beliefs structure so it is crucial to know that the perception process is different for every individual (Soomro and Shakoor, 2011). It is important to know that perception is very important in the decision making process according to Foxall (1980). In markets in which branding is used, consumers tend to purchase the brand names since they are not purchased for their functional characteristics but by their social and sometimes psychological identity (Foxall, 1980). Building on these concepts, two determinants can be highlighted on these concepts to influence a consumer’s perception of brands. These two factors are stimulus discrimination and stimulus generalization (Soomro and Shakoor, 2011).

The key role to the life cycle of a brand is consumer perception and this role changes according to the stage in the life cycle, market situation and competitive scenario. Investing on appealing communication strategies that create attention on unfamiliar brands to influence the consumer decisions to buy their brands may be a smart move to do (Rajagopal, 2007).

Ewing (2000) investigated the connection between actual past behavior and the future behavioral intentions along with recommendation willingness. Results show a valid research metric with the purchase expectation/ intention. As it comes out brand/ consumer interface gives a greater predictive ability than the retailer/ consumer interface. However recommendation willingness doesn’t look like it is influenced by past behavior, but higher the expectation of a brand will result in higher recommendation willingness.

Birtwistle et al., (1998) show that there is a connection between the consumer attitudes towards a store or a brand and customer expectations, previous purchase experience and customer perception of the store and the brand. The attitudes towards the stores and brands are created by the important factors that provide the store choice. If the expectations are met positive experience is provided that cause increased loyalty and vice versa.
Burt and Carralero-Encinas, (2000) mention most of the researches study the image as it is the consumer perception of the brand image, related to specific purchase behavior contexts or specific store and service attributes. However some studies point out the problems with the image implementing and the disagreement that may occur between management and consumer perceptions of brand and store image. The image variation was tested that may occur within a chain, and the management perceptions of store image was investigated in a competitive situation. The ‘gap’ in perceptions which usually happens in management or corporate views of image with customer views was found out. (Pathak et al.,1974; Burt and Carralero-Encinas, 2000).

Image is expected to evolve over time since as the brand image to a consumer is determined by exposure and experience of a store (Burt and Carralero-Encinas, 2000). The more functional components of image can be handled easily in short term to create a comprehensive image, as consumer perceptions of these components are understood. The basis of the brand image are judge by the customers by their own experiences, values and priorities, different degrees of tangibility were chosen to represent the statements and dimensions whilst all dimensions of store image contain both tangible and intangible elements. Burt and Carralero-Encinas, (2000) keynote “Physical characteristics”, “Pricing policy” and “Product range” were felt to be the more tangible dimensions, serving customers with a higher proportion of primarily physical, immediate, clues on which to base their perceptions such as store cleanliness, decor, range, product quality and price. The higher degree of tangibility can cause a faster adaptation of these dimensions to host market conditions if needed from a management perspective. The dimensions named “Customer service”, “Character” and “Store reputation” were felt to represent less tangible dimensions of image, more dependent on customers' experience-based perceptions of staff helpfulness, kindness, trust, store appeal and position.

The process of perception includes an individual selects, organizes and interprets stimuli into their personal view, exposure, attention and interpretation are also included (Solomon, 2011). Consumer perception about product, service and image of company in the future can also include the good or bad services experienced by the consumer (Resti and Purwanegara, 2013). Then, perception of consumers can have an aftermath on consumer satisfaction and commitment. Commitment and cumulative satisfaction are linked to each other based on Johnson et al., (2001) where price, image, reputation are related to the consumer perception of quality of a firm (Olson and Jacoby, 1972; Olson, 1977; Parasuraman et al., 1988; Resti, and Purwanegara, 2013).

Four major psychological factors affect the buying decision according to the study by Shwu-Ing, (2003); motivation, perception, learning, and beliefs/ attitude. Resti and Purwanegara, (2013) mention that while some researchers have different opinions about the internal and external influential factors, internal factors conclude as personality, self –concept and perception of consumer, and external factors as stimuli from the brand name. Price, store image, distribution insanity, advertising spending, and price promotion of the marketing mix are all decisive factors in consumer attitude of marketing mix based to Yoo et al. (2000); Pappu and Quester , (2006); Resti and Purwanegara, (2013).

Manohar and Ravilochnan, (2012) highlight people go to malls in different characters: as shopper, as chooser, as communicator, as character explorer, as pleasure seeker, as rebel, as victim, as activist, and as citizen. As shoppers, people who go to malls spend their time mostly on window shopping; where examining and shopping becomes as one. While inside the mall, shoppers recognize the names of the stores and brands, quality of the product, service quality and stores' window displays which have positive perception.
The success in retail industry mainly depends on product strategy, product benefits, service, unique selling proposition, interior design of the stores and brand and store image. These factors help the store to be unique and different from the competitors on customers’ perception (Cheng et al., 2008). Differentiation process does not only include products and services in retail organizations. Cheng et al. (2008) suggest that store layout, window displays, and store personality are not dependable with its dreamed identity. Company's philosophy should be mirrored in corporate advertising. The advertising campaigns should be clear on what the company is, what they stand for to be more effective, how they match with their customers’ perception with brand perception.

Customer perception is divided two different focuses. One is brand perception and second is the atmosphere of retail store. Retail store attributes and the attitudes towards retail stores are affected by the shopping motives according to Morschett et al., 2005. In our model, we try to understand how shoppers are affected from their perceptions when they look at the windows of store.

Consumers’ Organizational Identification

Identification is emotional state when an individual feels as a member of a social entity (Bergami and Bagozzi, 2000). The individual notices “oneness with or belongingness with an entity” upon seeing the similarities and differences between members of the social in-group and various out-groups (Mael and Ashforth, 1992; Carlson et al., 2009), the differentiation causes to create a social identity (Tajfel, 1978). An identity is a schema, or what is different and central about the individual (Dutton et al., 1994). The overlap between a person's self-schema and the entity's schema occurs when an individual identifies with an entity, rather than being emotional, behavioral or commitment base. Increases in attendance (Bhattacharya et al., 1995) and spending are both connected to identification (Carlson et al., 2009).

To provide a consistent, comprehensive articulation of the conditions where the consumers would likely to recognize, or the belonging feeling (Mael and Ashforth, 1992), with a company, theories of social identity (Tajfel and Turner, 1985; Brewer, 1991) and organizational identification (Mael and Ashforth, 1992; Dutton et al., 1994; Whetten and Godfrey, 1998; Bergami and Bagozzi, 2000) are used.

The concept of organizational identification, seems like the sense of link between an individual and an organization (Dutton et al., 1994), has often been considered as the primary psychological substrate that interferes corporate actions on the one hand and stakeholder responses on the other (Ahearne et al., 2005). Formal definition of identification is: the degree where organizational members notice themselves and the focal organization as they share the same aspects (Dutton et al., 1994). Identification, where it was originally developed in social psychology and organizational behavior areas, it pleases the social identity needs and self-definition and, in proper sequence it has been determined to have positive impact on organizational member loyalty (Mael and Ashforth, 1992; Ahearne et al., 2005) along with organizational members’ cooperative and citizenship behaviors (Bergami and Bagozzi, 2000). According to the model of Ahearne et al., (2005), Customer - Company identification is determined by three general factors. The first factor focuses on the customer's view about what company represents, set by personal experiences in the past along with individual's culture and climate perceptions: identification occurs only if the company is attractive to the customer. The second factor focuses on the customer's perception of the other people's ideas about the organization (construed external image of the company), so
identification is expected to be stronger when relevant others have high esteem thinking about the company. Lastly understanding the impact of boundary spanning and those involved in these activities is becoming increasingly important to organizations as more and more organizational members participate in boundary-spanning roles.

Consumer culture theorists have been interested for a long time on how the symbolic resources of products and brands to build a sense of self, construct their identities, and pursue self-representation goals by the consumers (Belk, 1988; Lam, S. K.et al., 2013). Recent studies have drawn from social identity theory (Tajfel and Turner, 1985) and the consumer company identification framework (Bhattacharya and Sen, 2003) to describe why a consumer is connected to a brand that has the same self-definitional attributes. There are three elements of consumer's psychological state in consumer-brand identification (CBI) sense: perceiving, feeling and valuing his or her belongingness with a brand as mentioned earlier (Lam et al., 2013). This approach is in line with the original tripartite conceptualization in social identification entity theory (cognitive, affective, and evaluative aspects) (Tajfel and Turner, 1985) and integrates the multidimensional perspective in recent research on organizational identification in applied psychology.

Cheng et al., (2008) described that corporate identity is the set of meanings by which an object allows itself to be known and through which it allows people to describe, remember and relate to it. Consistent corporate identity is crucial to retail organizations since it can show the difference between the competitors, it is important that an organization's identity is communicated to the customers effectively in managerial perspective (Cheng et al., 2008). Some evidence suggest that consumer attitude towards a corporate identity can be different than it is wanted by organizations (Cheng et al., 2008). According to extant literature there are a number of dimensions to corporate identity. For example, Schmidt (1995) proposes five main constructs of corporate identity, including; (1) corporate culture; (2) corporate behavior; (3) products and services; (4) communications and designs; and (5) market conditions and strategies.

Identification based consumer-company relations cannot only be established by companies; they must be questioned to the consumers in their way of finding self-fulfillment, so basically we recommend a higher order and speechless source of company based value that consumers get when they identify with the company along with the collection of typical utilitarian values (e.g., high product value, consistency, convenience) that accumulate to consumers' relationship with the company (Bhattacharya and Sen, 2003).

According to Bhattacharya and Sen, (2003) the key to the supporting of identification comes from research citing organizations, which makes it the people's social identity. Identification is active, selective and volitional on the part of the consumers and influences them. Social identity theory (Tajfel and Turner, 1985; Brewer, 1991) imposes that while the consumers express themselves, they go further up their personal identity to find a social identity, categorizing themselves in various social groups (e.g., gender, ethnicity, occupation, sports teams as well as other, more short-lived and transient groups).

The feeling of wholeness build between the individuals is called social identity as Ashforth and Mael, (1989) mentioned, it usually occurs an individual feels integrated with a particular group. The individuals who identified their groups define themselves in relation in that such group and differentiate themselves from the others (Tajfel and Turner, 1985). As the researches show the mental link between the individuals and brands, products and brands can meet the consumer self-definition need (Shirazi et al., 2013).
Bhattacharya et al., (1995) emphasize that the notion of identification differs from the related notions of brand loyalty and organizational commitment that have been discussed in the marketing literature. According to them, the definition of brand loyalty proposed closely parallels modern views on the subject. People become brand loyal by their positive past experiences with the brand so basically brand loyalty could be a result of functional utility in the past that the consumers determine. The causes or the goals of an organization represent the identification necessary, so if an organization is set for a specific cause (e.g., preservation of rain forests by Ben and Jerry’s), consumers tend to be loyal since 'the cause is identified and accepted by the consumers, so with all the other things the same, the people who identify with an organization represents tend to be loyal to the products or services however all brand loyal customers may not identify with the organization (Bhattacharya et al., 1995).

Consumers’ self-definitional needs as their symbolic nature let the people identify themselves in the brands, and enrich their personal identity with a meaning or differentiate themselves from their social groups (Escalas and Bettman, 2005; Currás-pérez, et al., 2009) are satisfied through brands as they are good mediums. Recently, marketing and management researchers became more and more interested on examining how individuals (employees, investors, managers, consumers) recognize with the organization, and the results of this identification on their responses (Bhattacharya and Sen, 2003; Currás-pérez, et al., 2009). In consumer research, this interest is justified since identification with the company depends on the motivational relationship with the consumer to continue having link with the organization over time. Identification research in the context of consumer–company relations is based on Social Identity Theory (SIT) (Tajfel and Turner, 1979) and Self-Categorization Theory (SCT) (Turner et al., 1990); in particular, the notion of consumer–company identification developed from SIT and SCT is assumed as a mental state of connection and proximity of the consumer to a company, which are generated by a subjective process of comparison between the individual’s personal identity and that of the organization (Dutton et al., 1994; Bhattacharya and Sen, 2003; Currás-pérez, R. et al., 2009).

The research about identification has discovered the reasons and desires that drives people to relate to brands and companies. SIT (Tajfel and Turner, 1979) and its visionary development by SCT (Turner et al., 1990) are the main theoretical basis for identification research in management and marketing areas. Four links identified by literature to explain the existence of consumer-company relations (Currás-pérez et al., 2009) are as follows: values, shared personality traits, common objectives and satisfaction of individual needs thanks to the company. The C–C identification combines these links between company and consumer without difficulty. C–C identification is a mental state of self-categorization, connection and proximity of the consumer to a company (Bergami and Bagozzi, 2000; Bhattacharya and Sen, 2003), brought about by a subjective process of comparison between the organizational identity and the consumer’s own identity (Ashforth and Mael, 1989; Dutton et al., 1994); in this process, the existence of shared values plays an important role (Currás-pérez et al., 2009); finally, C–C identification is a mean to satisfy self-definitional needs (Dholakia et al., 2004; Bagozzi and Dholakia, 2006;).

Based on in 2003 study of Bhattacharya and Sen, customers with strong brand or organizational identification support companies with buying products. These customers as a shopper would like to visit those stores when they are in shopping. In our model, organizational identification is another motivator which affects the shoppers for their visitation on their shopping journey. We should understand how organizational identification affects shoppers’ behavior for
visiting and what kind of theme we should use on windows as a display to support organizational identification.

Customers’ Shopping Motivations

According to George and Yaoyuneyong, (2010) shopping areas such as shopping-malls, town squares, flea markets, and bazaars are the main reason why shopping has been growing since the second half of the 20th century. Shopping has become a characteristic feature of society recently rather than the dictionary meaning. It is now an economic and leisure activity with the unified of hedonic and utilitarian values. Kaltcheva and Weitz, (2006) found that shopping motivation restrain the relation between stimulation and shoppers’ acts in the store environment. It is interesting that utilitarian motivational orientation driven consumers were distrustful of arousal and they keep away from the aroused shopping environments. Impulse buying satisfies intense indulged feelings (Holbrook and Hirschman, 1982). The trait of impulsiveness is strong in some individuals as they feel the pleasure and the stimulation since planned buying cannot give that feeling (Lee and Yi, 2008).

‘Motivational component’ and ‘reasons for the motivation’ are the two main conceptual facets of involvement that moderate consumer decisions according to Park and Mittal (1985). They pointed out that the utilitarian/ value-expressive motive that needed to be distinguished. Park and Mittal proposed that the process of information under cognitive involvement is different from that under affective involvement and the consumer's involvement changes over time. Product (which is utilitarian) and brand (which is value-expressive/ hedonic) involvement are the two different sub-constructs of utilitarian/ value-expressive/hedonic distinction in involvement motivation (Kim and Sung, 2009).

Consumers don’t shop for specific reasons (Tauber, 1972); entertainment, recreation, social interaction, and intellectual stimulation are just some examples of shopping. It really depends on the consumer's mind of choice to buy a specific brand and same retail environments may create different outcomes depending on the consumer's behavior (Puccinelli et al., 2009). Sometimes shoppers make mistakes on purpose but rather maximizing their utility in shopping cycle. Risk of making mistakes is the main affection of purchasing decisions, thus for a retailer, to give information to customers for decreasing their risk level which are accepted by customer for buying (Bettman 1973; Mitchell 1999; Suwelack et al. 2011). Shopping motivation can either be product oriented, in which it include acquiring the products or services, or experience oriented (hedonic shopping dimension that mainly focuses on the sensory excitement (Babin et al., 1994; Arnold and Reynolds, 2003; Davis et al, 2012) and the gratification of such needs by improving well-being and socializing with the others (Tauber, 1972) as shown by further studies (Dawson et al., 1990).

The study of Breugelmans and Campo, (2011) hedonic shopping attitude can be influenced by the store environment and customers with hedonic dimension can tend to change their purchasing plans, where utilitarian oriented customers tend not to change their purchasing plans as a result of good store environment. Customers' emotional, cognitive and behavioral responses are affected significantly by the atmosphere of the store (Olahut et al., 2012).

According to Hirschman (1982), hedonic consumption mainly focuses on the multisensory, fantasy and emotive attitudes of the consumers' experience with the products and since these words (multisensory, fantasy and emotive evoke) are used quite a bit of times we shall explain them formally what they mean. Multisensory: the experience that has effects on multiple human senses including tastes, sounds, scents, tactile impressions and visual images. Hedonic consumption
basically invokes to consumers multisensory images, fantasies and emotional arousal in using products and the responses received by this structure can be called hedonic responses. Motivation research is one of the important research forerunners of the hedonic consumption in marketing. It began in the 1950s and carried on until the 1970s; the main focus of the research was to find out the emotional aspects of the products and the fantasies that product could provoke (Hirschman, 1982).

Product symbolism is one of the strong bodies of literature related to the hedonic consumption dealing (Grubb and Grathwohl, 1967). Recent studies of symbolic consumption and its relation with hedonic experiences show that nothing has changed and the rational debt of the earlier studies are relevant today (Hirschman and Holbrook, 1981). Hedonic consumption point of view comprehends that products are not viewed as objective but subjective symbols. Hedonic perspectives can be used on several areas of concerns.

The hedonic experience comes into place when the information about a product is either overloading or insufficient (Holbrook and Hirshman, 1982). The consumer loyalty is built via hedonic value as they connect to the consumers with emotional arousal (Holbrook and Hirshman 1982), aesthetic designs, and process involvement. According to Miao-Que and Yi-Fang (2010), functionality or emotional clues are important as they establish the perfect experience between the consumer and the product or service.

Utilitarian shopper who goes and buys what he/she needs could buy additional products depending on the illusion he/she got from the creative displays or demonstrations. Another shopper who goes out may only enter the store due to positive-mood-inducing atmosphere and make unplanned purchase or spend more than expected. Even though when the consumer is in a negative mood while entering the store may get inspired by the atmosphere in which positive mood takes over and spends more than intended. In fact, more research is needed on this aspect (Sherman et al., 1997). According to Teed et al., (2010), utilitarian values incorporate economic and functional values. They also suggested that lowering prices and one stop shopping accommodation are useful strategies for the retailers to meet these values. Better retail ambiance can alter the subjective and abstract dimensions of customer value by emotions and symbolic values.

Utilitarian value is built mainly upon by sacrifices like promotions, lowering of prices, saving customer's time and effort, and helping the customers to make the correct decisions. These dimensions are called "economic value" (Gale, 1994) and “functional value” (Sheth et al., 1991). Stimulation of senses, self-expression of the personalities created by the shopping atmosphere to reflect subjective and abstract realms of customer value is called the "emotional value" (Sheth et al., 1991; Rintamäki et al., 2007) and “symbolic value” (Smith and Colgate, 2007). Customers, who are motivated by the usefulness of the products, look for functional value. Sheth et al., (1991) define functional value as the “perceived utility derived from an alternative’s capacity for functional, utilitarian, or physical performance.”

According to Watchravesringkan et al (2010), retailers can use the utilitarian and hedonic dimensions of consumer attitudes to design their advertising campaigns by deciding if functional or more sensational components of the product are need to be expressed. Customers buy the products in the sense of utilitarian or hedonic dimensions. It is suggested in the previous research that intervenes in hedonic and utilitarian dimensions build upon the task. A choice for example is usually associated with utilitarian dimension. Tversky and Griffin (1991) suggest that when a consumer is about but a product they start to search for logical or emotional reasons to support
their choices. Likewise, Dhar and Wertenbroch, (2000) provide evidence that choice tasks include justifiable arguments in the decision making process. Previous research showed that consumer awareness and choices are both hedonic and utilitarian.

According to Kaltcheva and Weitz (2006), and Chaudhuri and Ligas, (2009) feelings of the consumers are resulted from hedonic and utilitarian orientations. Their results show that the increase of positive feelings is the mainly determined from hedonic orientation and the opposite from utilitarian orientation. Some shoppers tend to focus on functionality, brand name and any other effects rather than just only functionality. For customers choosing a product is affected by cognitive and affective process. For example, an evaluation of MP3 from the customers’ point of view, cognitively process is that how many songs can be stored on it or affectively process which product can represent me such as Apple or Sony, and/ or design of MP3. However, according to hedonic and utilitarian motivations, motivation is divided into two different involvements. Product is a utilitarian and brand is a hedonic involvement (Kim and Sung, 2009).

Shopping basically have three key dimensions, “shopping environment”, the “socio-cultural context” and the “roles, motivations and behavior” of the individual shopper (Woodruffe et al., 2002) while consumptions is driven by utilitarian (product-oriented) and/or hedonic (experience oriented) (Holbrook and Hirschman, 1982; Babin et al., 1994). Since utilitarian benefits are closer to necessities or needs they are referred as functional, instrumental and practical benefits of consumption offerings according to the previous research in marketing while hedonic benefits are considered as luxuries or desires as they have aesthetic, experimental and enjoyment related benefits (Batra and Ahtola, 1991; Dhar and Wertenbroch, 2000; Okada, 2005; Chitturi et al., 2008). Consumers still need to get the 'necessary' out of the product functionality and only then they show greater interest towards hedonic dimension. On the other hand, consumers show more interest on the utilitarian dimension unless they need to spoil themselves. Marketing literature is divided into two dimensions; product related -the utilitarian- and the non-product related - hedonic – (Petruzzellis, 2010).

Decision makers have to know their customers and try to hook them with window display to enter the store. So in our model, one of the motivator is customers’ shopping motivations to enter the store or not. Store’s window display is made to effect shoppers for their store visitation. We should decide which motivation value is more important to use on the window display. All the literature above show that shopping motivations, which are utilitarian or hedonic, and cognitive or affective, affect the customers to visit the store and purchasing. However, stores or brands don’t give their utilitarian and hedonic massage to all their customers and potential customers at the same time clearly. So we should think about shopping motivations when we arrange the window display.

An Approach - Avoidance Behavior as a Response

An environmental stimulus is related to emotional response according to stimulus-organism-response model of Mehrabian and Russell (1974). According to the model, physical or social stimuli in the environment affect an individual's emotional state, which also influences a person's behavior such as affiliation, exploration, and physical approach. Pleasure-displeasure, arousal-nonarousal and dominance-passivity are associated with emotional responses which mediate the relationship between the environmental stimuli and an individual’s behaviour, however Soh et al., mentioned in their study (2015) that dominance factor has proved to be the weakest part of the model in empirical research. According to the environmental psychologists, approach and
avoidance are the two general forms of behavior that people tend to react at places (Mehrabian and Russell, 1974). Approach behaviors are mainly all positive and they can be conducted at such place (Mehrabian and Russell, 1974). Avoidance behaviors are the total opposite to approach behavior; it reflects the desire to leave and not to explore. The "pleasure emotion" and "arousal emotion" induced by the environment can cause the customer to remain longer in the store and experience a greater buying impulse (Liao and Liaw, 2011). Impressions of the environment are the key to the approach behaviorists according to Donovan and Rossiter (1982).

While Mehrabian and Russell (1974) conceptualized their model as relevant to a variety of environments, the model has been specifically adapted to the retailing environment by a number of marketing scholars as Sweeney and Wyber (2002) mentioned. We haven’t found that any research has evaluated all three stages of this model, which mentions the stimulus (Window display design) --> the shoppers’ evaluation (organism) --> the behavioral outcome (response).

Desirable and undesirable behaviors on retailing are related to approach and avoidance motivation. Approach motivation is responsible for mostly desirable retail behaviors, Arnold, and Reynolds, (2012) mentioned, like spending more money, staying in the store longer, or exhibiting stronger patronage intentions, and that avoidance motivation is responsible for more undesirable retail behaviors, like leaving the store, spending less money, or postponing payment (Donovan and Rossiter 1982; Patrick and Park 2006; Arnold and Reynolds, K. 2012). Avoidance motivation is positively related to hedonic motivation and value.

Customers' perceptions arising from the store design elements which are generally in aesthetic nature influence perceived store satisfaction. The question is that how perceptions influence customer retention or patronage intention. Poorly designed store environments may reduce shopping pleasure, according to Mehrabian and Russell's (1974) stimulus-organism response theory. According to Spies et al., (1997), as customers' perceptions of store design become more favourable, they will be more satisfied with the store. Therefore, perceived store satisfaction will fully mediate the association between store design and customer retention.

Approach and behavior responses are a combination of four different things: 1) a desire to stay (approach) or leave (avoid), 2) a desire to further explore and interact (approach) or a tendency to ignore it (avoidance), 3) a desire to communicate with others (approach) or to ignore (avoid), 4) feelings of satisfaction (approach) or disappointment (avoidance) with the service experience (Gaël Bonnin, 2006). In our model, the first way shows us, how shoppers respond to window display design. Visiting the store is an approach behavior and passing the store is avoidance behavior. Because physical environment cues can affect people's internal states and their behaviors (Turley and Milliman, 2000; Gaël Bonnin, 2006)

Based on the literature, our model can be analyzed by SOR model. Window display design, which is made by the collaboration of manufacturer and dealer, is a stimulus for shoppers. Shoppers evaluate the store and brand by their identification, and perception with their shopping motivations, which are organisms in the model. In our model, visitation must be our output, which is a dependent variable. According to the SOR model, our visitation is the shoppers’ response.
METHODOLOGY AND ANALYSIS

The study adopted the Stimulus-Organism-Response model to examine customers’ visitation behavior at the store when they are stimulated by an environmental stimulus of store. More specifically, this study investigated the SOR model by window displays which are designed by manufacturer or dealer as a stimulus. To assess customers’ visitation behavior when they encounter the window displays, hypotheses were tested based on data collected through a survey that was designed to measure the organizational identification, customer perception, shopping motivations and customer visitation. The specific methods we used for the present study are explained in this chapter.

RESEARCH MODEL

In accord with the literature review and the underlying relationships in the proposed model, the research model and hypotheses are developed to address the following research questions:

1. How do the different window display designs influence customers’ visitation behavior?
2. How do organizational identification and brand perception affect customer’s shopping motivation and visitation?
3. Is the model generalizable across different window display designs based on varied customers’ shopping motivations?

According to the literature review, this study is based on combining perceived shopping value with window display design and discusses the effects of window display design on shoppers’ responses. The expectation is to establish a new and complete theoretical structure model for consumer behavior in retailing for designing window display. Therefore, the theoretical framework of this study is as illustrated in Figure 3.1.

Figure 3.1. Model for measuring the effect of window display design on visitation
Below figure 3.2 and 3.3 show us the model which dealer and manufacturer make WDD.

Figure 3.2. Model for measuring the effect of window display design which manufacturer made on visitation

Figure 3.3. Model for measuring the effect of window display design which made by dealer on visitation

Window display design affects customers or they aren’t affected by it and pass the store. Customers pay attention the store window based on his or her motivation. For instance, hedonic customer wants to see an emotional, pleasure links between himself and window display. On the other hand utilitarian customer looks to see rational and functional benefits. Customer notices the window display, then enters the store or not. If customer is attracted by the window display, he stops in front of the window and observes it, then enters the store.
3.2. HYPOTHESES

Hypotheses formulated accordingly are given below:

1. H1: There is a statistically positive relationship between customer perception about window display and brand perception.
2. H1.1: There is a statistically positive relationship between customer perception about window display, which is designed by manufacturer, and brand perception.
3. H1.2: There is a statistically positive relationship between customer perception about window display, which is designed by dealer, and brand perception.
4. H2: There is a statistically positive relationship between customer perception about window display and organizational identification.
5. H2.1: There is a statistically positive relationship between customer perception about window display, which is designed by manufacturer, and organizational identification.
6. H2.2: There is a statistically positive relationship between customer perception about window display, which is designed by dealer, and organizational identification.
7. H3: There is a significant relationship between customer perception about window display and shopping motivation.
8. H3.1.1: There is a significant relationship between customer perception about window display and hedonic shopping motivation.
9. H3.1.2: There is a significant relationship between customer perception about window display and utilitarian shopping motivation.
10. H3.2.1: There is a statistically positive relationship between customer perception about window display, which is designed by manufacturer, and hedonic shopping motivation.
11. H3.2.2: There is a statistically positive relationship between customer perception about window display, which is designed by dealer, and hedonic shopping motivation.
12. H3.2.3: There is a statistically positive relationship between customer perception about window display, which is designed by manufacturer, and utilitarian shopping motivation.
13. H3.2.4: There is a statistically positive relationship between customer perception about window display, which is designed by dealer, and utilitarian shopping motivation.
14. H4: There is a statistically positive relationship between organizational identification and brand perception.
15. H5: There is a statistically relationship between brand perception and shopping motivation.
16. H5.1: There is a statistically positive relationship between brand perception and hedonic shopping motivation.
17. H5.2: There is a statistically positive relationship between brand perception and utilitarian shopping motivation.
18. H6: There is a statistically relationship between organizational identification and shopping motivation.
19. H6.1: There is a statistically positive relationship between organizational identification and hedonic shopping motivation.
20. H6.2: There is a statistically positive relationship between organizational identification and utilitarian shopping motivation.

21. H7: There is a statistically relationship between shopping motivation and visitation.

22. H7.1: There is a statistically positive relationship between hedonic shopping motivation and visitation.

23. H7.2: There is a statistically positive relationship between utilitarian shopping motivation and visitation.

PARTICIPANTS

A sample size of 800 respondents was targeted for the study. Random sampling method was used to collect the data. Surveys were handed out to only shoppers who entered the stores and accepted to make survey at the end of their visit. At the end of the study, 557 surveys were completed.

MEASURES

A questionnaire was developed to test the proposed model. The measurement of variables in this study has employed the scales developed by previous scholars, and incorporated expert opinions to properly adjust questionnaire contents, and therefore possess good content validity, surveys were completed in four different stores in Istanbul by the part-time pollsters who are employed by the independent field work company and the results of survey made by the researcher. The questionnaire developed for this study includes five sections:

(1) Customer perception

(2) Organizational Identification

(3) Shopping motivations

(4) Visitation

(5) Demographic data.

The questionnaire was first developed in English, and then translated into Turkish for the survey. To validate the instrument, scale items written in Turkish were reviewed and back translated into English by an employee of the research company who has a good command of both English and Turkish languages.

As a whole, this study measured the items using five-point Likert scales anchored by “strongly disagree (1)” and “strongly agree (5)”. Therefore, the questionnaire had a total of 43 items.

Given below is a detailed description of the measures adopted for the constructs under final study:

Window Display Design: The survey instrument included a six-item scale designed to measure customer perception and adapted from Schaefer et al., (2011) and Burt and Carralero-Encinas (2000). The scale captured perception of window display design. Each item was rated on a five-point Likert scale where 1 represented ‘strongly disagree’ and 5 represented ‘strongly agree’. An example is “Window Display Design (WDD) attracts my attention to the store.”
**Brand Perception:** The survey instrument included a five-item scale designed to measure customer perception and adapted from Schaefer et al., (2011) and Burt and Carralero-Encinas (2000). The scale captured perception of perception of brand. Each item was rated on a five-point Likert scale where 1 represented ‘strongly disagree’ and 5 represented ‘strongly agree’. An example is “The products in the window display show that xxx pays attention to design.”

**Organizational Identification:** The survey instrument included a five-item scale designed to measure organizational identification and adapted from Mael and Ashforth, (1992) and Lam et al., (2013). The scale captured customers’ organizational identification. Each item was rated on a five-point Likert scale where 1 represented ‘strongly disagree’ and 5 represented ‘strongly agree’. An example is “When someone criticizes the company. It feels like a personal insult.”

**Shopping Motivation:** Shopping motivation was measured by using a fourteen item scale, adapted from Babin and Darden (1994) and Arnold and Reynolds (2003). The scale captured both utilitarian and hedonic dimensions of motivation. Each item was rated on a five-point Likert scale where 1 represented ‘strongly disagree’ and 5 represented ‘strongly agree’. An example is “Shopping at this store was truly a joy.”

**Visitation:** The next part of the questionnaire measured consumers’ approach-avoidance behavior. The scale was originally adopted from Mehrabian and Russell (1974) by Ti (2009). However, it was adjusted to match the purpose of the present study. The items included: (1) I would like to spend more time in this store. (2) I would like to explore the store. (3) I would like to get more information about the store. (4) I would like to get more information about the products displayed and (5) I would like to examine the products displayed

Finally, the following demographic information was collected in the last part of the questionnaire: age, gender, socioeconomic status and marital status questions which are accepted by Turkish Research Associate in 2006 as a social economic status (SES).

**DATA COLLECTION**

The data will be collected in two steps during two weeks period by survey. In first step, window display design made by dealers and in second step, manufacturer arranged window display design. The data from the two data collection period are combined in the analyses. In the first stage of study, multiple stores of all types will be identified and recruited for the study in Istanbul.

Each store gave us permission to allow trained pollsters to administer questionnaires to customers as they left the store. The pollster identified him- or herself and asked customers whether they would be interested in participating in a brief (20 min.) questionnaire. The survey was made with shoppers, who exit the store, to understand there is any correlation between shoppers’ visitation behavior and window display design and verify which of hypotheses are not rejected.
DATA ANALYSIS

Cronbach’s alphas were used to test the reliability of the scales included in the questionnaire below:

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Window Display</td>
<td>.0000000</td>
<td>7</td>
</tr>
<tr>
<td>Brand Perception</td>
<td>.0000000</td>
<td></td>
</tr>
<tr>
<td>Organizational Identification</td>
<td>.0000000</td>
<td></td>
</tr>
<tr>
<td>Visitation</td>
<td>.0000000</td>
<td></td>
</tr>
<tr>
<td>Hedonic Shopping Motivation</td>
<td>.0000000</td>
<td></td>
</tr>
<tr>
<td>Utilitarian Shopping Motivation</td>
<td>.0000000</td>
<td></td>
</tr>
</tbody>
</table>

Table 3.1: Scale Reliability Coefficient

The study had done in the same stores 2 weeks in a row. In first week, store windows were designed by dealers. As dealers were not directed in designing process, the visuals and implementations contained hedonic and utilitarian messages were entangled. The utilitarian messages contained especially prices, campaigns and promotions. In second week, window design had been designed by the manufacturer firm. In this design, certain sections of window displays constituted with the visuals which contained hedonic messages, and the other sections constituted to bring utilitarian features of products into front. Hedonic messages contained brand and brand value.

RESULTS

Structural equation modelling (SEM) with SPSS AMOS 21 software was conducted to test the proposed research model, as SEM allows us to examine multiple relationships simultaneously, while incorporating measurement error into the estimation process (Hair et al., 1998; Meydan, C.H. and Sesen, H., 2011). All of the factors were included in one Confirmatory Factor Analysis (CFA) model. For the CFA analysis, subscales or parcels were used (a method of aggregating or taking the mean of several items that purportedly measure the same construct as indicators of a latent variable), instead of individual items, as recommended by Schmit and Ryan (1993) due to the small sample size. In testing the theoretical framework, we fit several nested models, each incorporating different assumptions about parameters. Comparisons with reason able alternative models are recommended as a means of showing that a hypothesized model is the best representation of the data. Comparison is considered to be an important part of assessing model fit (Kelloway, 1995). The overall fit measures, the multiple squared correlation coefficients of the
variables, and the signs and significance levels of the path coefficients all indicate that the model fits the data poor.

When we look at the results under the each hypothesis;

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>WD &lt;-&gt; BP</td>
<td>WD &lt;-&gt; OI</td>
<td>WD &lt;-&gt; SM</td>
<td>BP &lt;-&gt; OI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.93</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.01</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-0.15</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.29</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.39</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.34</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 3.2: Correlations Table for Main Hypotheses

<table>
<thead>
<tr>
<th>Correlation Level</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>0.00-0.20</td>
</tr>
<tr>
<td>Low</td>
<td>0.21-0.39</td>
</tr>
<tr>
<td>Medium</td>
<td>0.40-0.59</td>
</tr>
<tr>
<td>High</td>
<td>0.60-0.79</td>
</tr>
<tr>
<td>Very High</td>
<td>0.80-1.00</td>
</tr>
</tbody>
</table>

Table 3.3: The level of correlations

<table>
<thead>
<tr>
<th>CMIN</th>
<th>RMR, GFI</th>
<th>Baseline Comparisons</th>
<th>RMSEA</th>
<th>AIC</th>
<th>ECVI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CMIN</td>
<td>DF</td>
<td>CMIN/DF</td>
<td>RMR</td>
<td>GFI</td>
</tr>
<tr>
<td>2212.82</td>
<td>550.00</td>
<td>4.02</td>
<td>0.08</td>
<td>0.79</td>
<td>0.73</td>
</tr>
</tbody>
</table>

Table 3.4: Model Fit Summary Table
Hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlations</th>
<th>results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: There is a statistically positive relationship between customer perception about window display and brand perception.</td>
<td>0,93</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H2: There is a statistically positive relationship between customer perception about window display and organizational identification.</td>
<td>0,01</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H3: There is a significant relationship between customer perception about window display and shopping motivation.</td>
<td>0,30</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H4: There is a statistically positive relationship between organizational identification and brand perception.</td>
<td>*</td>
<td>Reject</td>
</tr>
<tr>
<td>H5: There is a statistically relationship between brand perception and shopping motivation.</td>
<td>0,29</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H6: There is a statistically relationship between organizational identification and shopping motivation.</td>
<td>0,39</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H7: There is a statistically relationship between shopping motivation and visitation.</td>
<td>0,34</td>
<td>Not Reject</td>
</tr>
</tbody>
</table>

Table 3.5: Hypotheses Results

When we look at the main hypotheses, we conclude that window display and brand perception, organizational identification and shopping motivation have statistically meaningful relationships with each other. Especially there is a very high level of (0,93) and positive relationship between brand perception and window display. Moreover, there is a positive and very low level of (0,01) relationship between window display and organizational identification. Also, there is a low level of and positive relationship among window display and shopping motivation, brand perception and shopping motivation, organizational identification and shopping motivation (0,30 – 0,29 – 0,39). When we evaluate the relationship between visitation and shopping motivation, we see that there is a low level of (0,34) and positive relationship between them. We cannot see that there is a statistically meaningful relationship between organizational identification and brand perception. According to Table 3.5, H1, H2, H3, H4, H5, H6, H7 hypotheses cannot be rejected, but H4 rejected.

Table 3.6: Correlations Table for Sub Hypotheses

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>WD</td>
<td>BP</td>
<td>0.76</td>
</tr>
<tr>
<td>WD</td>
<td>OI</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Table 3.7: Model Fit Summary Table

<table>
<thead>
<tr>
<th>CMIN</th>
<th>RMR, GFI</th>
<th>Baseline Comparisons</th>
<th>RMSEA</th>
<th>AIC</th>
<th>CAIC</th>
<th>ECVI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN</td>
<td>DF</td>
<td>CMIN/DF</td>
<td>RMR</td>
<td>GFI</td>
<td>NFI</td>
<td>RFI</td>
</tr>
<tr>
<td>2212,82</td>
<td>550,00</td>
<td>2.62</td>
<td>0.09</td>
<td>0.75</td>
<td>0.69</td>
<td>0.66</td>
</tr>
</tbody>
</table>
Hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Correlations</th>
<th>results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1.2: There is a statistically positive relationship between customer</td>
<td>0.76</td>
<td>Not Reject</td>
</tr>
<tr>
<td>perception about window display, which is designed by dealer, and brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>perception.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2.2: There is a statistically positive relationship between customer</td>
<td>0.40</td>
<td>Not Reject</td>
</tr>
<tr>
<td>perception about window display, which is designed by dealer, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organizational identification.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3.8: Hypotheses Results

Firstly, we examined the results of H1.2 and H2.2 hypotheses. The brand perception based on the window display, which was designed by the dealer, and organizational identification were evaluated. We see that both of them have statistically meaningful relationships. Especially there is a high level of (0.76) and positive relationship between brand perception and window display. Again, there is a positive and medium level of (0.40) relationship between window display and organizational identification. According to Table 3.8, H1.2 and H2.2 are cannot be rejected.

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>WD &lt;--&gt; BP</td>
<td>0.9</td>
<td>***</td>
</tr>
<tr>
<td>WD &lt;--&gt; OI</td>
<td>0.07</td>
<td>0.36</td>
</tr>
</tbody>
</table>

Table 3.9: Correlations Table for Sub Hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Correlations</th>
<th>results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1.1: There is a statistically positive relationship between customer</td>
<td>0.90</td>
<td>Not Reject</td>
</tr>
<tr>
<td>perception about window display, which is designed by manufacturer, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>brand perception.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2.1: There is a statistically positive relationship between customer</td>
<td>*</td>
<td>Reject</td>
</tr>
<tr>
<td>perception about window display, which is designed by manufacturer, and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organizational identification.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3.11: Hypotheses Results

As for, Table 3.11 H1.1 and H2.1 the results of hypotheses brand perception based on the window display which was designed by the manufacturer and organizational identification were evaluated. While observing that there is a statistically meaningful relationship between brand perception and window display, a relationship with Organizational identification was not found.
There is a very high level of and positive relationship between brand perception and window display. By looking into the result we can see that hypothesis H1.1 in table 39 cannot be rejected, but H2.1 is rejected.

<table>
<thead>
<tr>
<th>Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>WD &lt;-- USM</td>
<td>0,18</td>
</tr>
<tr>
<td>WD &lt;-- HSM</td>
<td>0,2</td>
</tr>
<tr>
<td>BP &lt;-- USM</td>
<td>0,22</td>
</tr>
<tr>
<td>BP &lt;-- HSM</td>
<td>0,21</td>
</tr>
<tr>
<td>OI &lt;-- USM</td>
<td>0,08</td>
</tr>
<tr>
<td>OI &lt;-- HSM</td>
<td>0,31</td>
</tr>
<tr>
<td>VIS &lt;-- USM</td>
<td>0,11</td>
</tr>
<tr>
<td>VIS &lt;-- HSM</td>
<td>0,28</td>
</tr>
</tbody>
</table>

Table 3.12: Correlations Table for Sub Hypotheses

<table>
<thead>
<tr>
<th>CMIN</th>
<th>RMR, GFI</th>
<th>Baseline Comparisons</th>
<th>RMSEA</th>
<th>AIC</th>
<th>ECVI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN</td>
<td>DF</td>
<td>CMIN/DF</td>
<td>RMR</td>
<td>GFI</td>
<td>NFI</td>
</tr>
<tr>
<td>2135,67</td>
<td>546,00</td>
<td>3,91</td>
<td>0,09</td>
<td>0,80</td>
<td>0,74</td>
</tr>
</tbody>
</table>

Table 3.13: Model Fit Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Correlations</th>
<th>results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H3.1.1: There is a significant relationship between customer perception about window display and hedonic shopping motivation.</td>
<td>0,20</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H3.1.2: There is a significant relationship between customer perception about window display and utilitarian shopping motivation.</td>
<td>0,18</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H5.1: There is a statistically positive relationship between brand perception and hedonic shopping motivation.</td>
<td>0,21</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H5.2: There is a statistically positive relationship between brand perception and utilitarian shopping motivation.</td>
<td>0,22</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H6.1: There is a statistically positive relationship between organizational identification and hedonic shopping motivation.</td>
<td>0,31</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H6.2: There is a statistically positive relationship between organizational identification and utilitarian shopping motivation.</td>
<td>*</td>
<td>Reject</td>
</tr>
<tr>
<td>H7.1: There is a statistically positive relationship between hedonic shopping motivation and visitation.</td>
<td>0,28</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H7.2: There is a statistically positive relationship between utilitarian shopping motivation and visitation.</td>
<td>0,11</td>
<td>Not Reject</td>
</tr>
</tbody>
</table>

Table 3.14: Hypotheses Results

When we look at the Table 3.14, it can be seen that the relationships between shopping motivation and window display, brand perception, organizational identification and visitation were
examined. While there is not a statistical relationship between utilitarian shopping motivation and organizational identification, it can be seen that there are statistically meaningful relationships between hedonic and utilitarian shopping motivations and other variables. While there is a positive and very low (0.20) level of relationship between window display and hedonic shopping motivation, there is also a very low level (0.18) and positive relationship between window display and utilitarian shopping motivation. Again, there are low level of (0.21 – 0.22) and positive relationships between brand perception and hedonic shopping motivation and brand perception and utilitarian shopping motivation. As for Organizational Identification, it has a positive and low level of (0.31) relationship with hedonic shopping motivation but it has not with utilitarian shopping motivation. When we examine the visitation, it has a positive and low level of (0.28) relationship with hedonic shopping motivation. It also has a positive and very low level (0.11) of relationship with utilitarian shopping motivation. For this reason, as it can be seen on Table 3.14 H3.1.1, H3.1.2, H5.1, H5.2, H6.1, H7.1, H7.2 hypotheses cannot be rejected. However, H6.2 hypothesis is rejected.

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>WD &lt;- USM</td>
<td>-0.22</td>
<td>0.02</td>
</tr>
<tr>
<td>WD &lt;- HSM</td>
<td>0.27</td>
<td>***</td>
</tr>
</tbody>
</table>

Table 3.15: Correlations Table for Sub Hypotheses

<table>
<thead>
<tr>
<th>CMIN</th>
<th>RMR, GFI</th>
<th>Baseline Comparisons</th>
<th>RMSEA</th>
<th>AIC</th>
<th>ECVI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CMIN</td>
<td>DF</td>
<td>CMIN/DF</td>
<td>RMR</td>
<td>GFI</td>
</tr>
<tr>
<td>1439,33</td>
<td>546,00</td>
<td>2,64</td>
<td>0,11</td>
<td>0,76</td>
<td>0,69</td>
</tr>
</tbody>
</table>

Table 3.16: Model Fit Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Correlations</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H3.2.2: There is a statistically positive relationship between customer perception about window display, which is designed by dealer, and hedonic shopping motivation.</td>
<td>0.27</td>
<td>Not Reject</td>
</tr>
<tr>
<td>H3.2.4: There is a statistically positive relationship between customer perception about window display, which is designed by dealer, and utilitarian shopping motivation.</td>
<td>-0.22</td>
<td>Not Reject</td>
</tr>
</tbody>
</table>

Table 3.17: Hypotheses Results

Table 3.17 shows us, the relationship between window display and shopping motivations in stores whose window displays were designed by dealers. According to this, there is a statistically meaningful, positive and low level (0.27) of relationship between window display design and hedonic shopping motivation. There is also a statistically meaningful relationship between window display and utilitarian hopping motivation. This relationship is negative and at low level (-0.22). The hypotheses H3.2.2 and H3.2.4 hypotheses cannot be rejected.
<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>WD ← USM</td>
<td>-0.18</td>
<td>0.2</td>
</tr>
<tr>
<td>WD ← HSM</td>
<td>0.09</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Table 3.18: Correlations Table for Sub Hypotheses

<table>
<thead>
<tr>
<th>CMIN</th>
<th>RMR, GFI</th>
<th>Baseline Comparisons</th>
<th>RMSEA</th>
<th>AIC</th>
<th>ECVI</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN</td>
<td>DF</td>
<td>CMIN/DF</td>
<td>RMR</td>
<td>GFI</td>
<td>NFI</td>
</tr>
<tr>
<td>1420,17</td>
<td>546,00</td>
<td>2,60</td>
<td>0.07</td>
<td>0.76</td>
<td>0.68</td>
</tr>
</tbody>
</table>

Table 3.19: Model Fit Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Correlations</th>
<th>results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H3.2.1: There is a statistically positive relationship between customer perception about window display, which is designed by manufacturer, and hedonic shopping motivation.</td>
<td>*</td>
<td>Reject</td>
</tr>
</tbody>
</table>

Table 3.20: Hypotheses Results

Table 3.20 indicates the relationship between window display and shopping motivations in stores whose window displays were designed by the manufacturer. According to this, there are no statistically meaningful relationships between window display and hedonic shopping motivation or utilitarian shopping motivation. For this reason H3.2.1 and H3.2.3 hypotheses are rejected.

In conclusion, one of the reasons why window display designs draw attraction of shoppers is their perspective into the brand. When manufacturer designs the window display, the approach rate to the window display is becoming very high (0.90). It has seen that in sectors such as consumer electronics and white appliances, window display design and brand perception have positive effects. These effects differentiate depending upon designer of window display design and location. Due to the differences of results, product, customer, location and brand perception should be evaluated altogether and it is possible to apply different window display design in different locations.

When we look at the shoppers' perception of window display design and organizational identification, there is a positive and very low (0.01) level of relationship between these two variables. If results are examined in a detailed way, it can be seen that when the window display is designed by manufacturer, there is no relationship or there is not any relationship between the shoppers' perception of window display design and organizational identification. When dealers designed the window display design, there is a positive and medium level of relationship between the perception of window display design and organizational identification. In this sector where dealers are seen as the representatives, moreover as the manufacturers, it can be accepted that consumers feel more powerful organizational identification when dealer designed the window displays. When it has thought that the relationship between brand perception and perception of window display design is at high level and in positive direction, risks will arouse in store entering, product examination and buying if customers are not loyal to brand or organization.
Another organism in the model is shopping motivation. Our shopping motivation is affecting us while we are shopping and it directs our attitudes towards brands or stores. When we look at the products and brands in the sector where our model is tested, we can see that there is a meaningful relationship between the perception of window display design and shopping motivation at a low level (0,30). Especially, when a buying necessity is not established in the consumer side for the products/services in consumer electronics and white appliances sector, the visitation of the stores in this sector are not easy. When we go deeper into “motivation”, it has seen that there is a relationship between perception of window display design and hedonic shopping motivation even at low (0,20) level. However, there is a relationship between the perception of window display design and utilitarian shopping motivation at low level (0,18) too. When the perception of the window display designed by manufacturer or dealer, the perception of window display design by dealer is higher (0,27) in hedonic shopping motivation compared to the perception of the window display design by manufacturer. In utilitarian shopping motivation, the window display designed by manufacturer, there is no relationship between the shopper perceptions of window display design. Otherwise we can see a relationship with negative and very low (-0,22) level for dealers made the window display design.

It has seen that there is not any meaningful relationship between brand perception and organizational identification.

There is a positive relationship between brand perception and shopping behavior at low level. Even the brand is leader in its sector, the low (0,29) effect of brand perception on shopping behavior shows that as long as purchasing decision is not made, it is not easy to increase visitation. When we look at the hedonic shopping motivation variable we can see that, there is a positive relationship between brand perception at low (0,21) level. When utilitarian motivation is evaluated with brand perception there is a positive but a little bit high (0,22) level of relationship can be seen compared to the relationship of hedonic shopping motivation and brand perception.

There is a positive relationship between organizational identification and shopping motivation at a low (0,39) level. Again, as the brand is not identified with daily use it is accepted that the organizational identification is not strong. There is a positive relationship between hedonic shopping motivation (0,31) and there is no relationship between utilitarian shopping motivation and organizational identification.

When we look at the organisms in SOR Model, there are positive relationships with initiator window display design to be perceived. Furthermore, there is positive and mostly low level of relationships with one another. Overall, it can be said that brand perception and organizational identification effect shopping motivation, Moreover, perception of window display design has a stronger relationship with shopping motivation. When it has thought that there is a positive and high level of relationship between brand perception and perception of window display design, if customers become unidentified organizationally, it will arouse risks at entering, product examining and buying processes.

There is a positive relationship between shopping motivation and visitation at a low (0,34) level. Again, when we evaluate hedonic and utilitarian shopping motivations, there is a low level (0,28) relationship with visitation and hedonic shopping motivations and a very low (0,11) level relationship with visitation and utilitarian shopping motivations.
Figure 3.4. Model for measuring the effect of window display design on visitation. CMIN/DF: 4.02, AIC: 2372.82, CAIC: 2798.63, ECVI: 4.27, WD<-->VIS: 0.95, P: ***

Figure 3.5. Model for measuring the effect of window display design dealer made on visitation. CMIN/DF: 2.62, AIC: 1603.70, CAIC: 1974.48, ECVI: 5.75, WD<-->VIS: 0.81, P: **
In the context of our model, the (S) element presents window display design; (O) element presents emotional reactions, in a word, brand perception, organizational identification and shopping motivations; (R) element presents visitation. When we think of consumer electronics and white appliances sector, window display design has a trigger effect on shoppers. When we evaluate the perception of window display design's relationship with emotional reactions, brand perception and organizational identification is higher level of relationship compared to its relationship level with shopping motivation. Visitations will be increased if brand perception has brought into front with perception of window display design. The messages conveyed in the window display are at one step forward compared to the design of window display. The designer of the window display should design something that addresses the store’s customer profile, customer shopping motivations, brand perception and organizational identification of customers, with a much more hedonic approach to increase the visitation of the store. Especially, when we think that selling a product in white appliances and consumer electronics is sold with the brand power and dealer relationships in Turkey, the high score of dealer's effect and the higher level of relationships which were established by dealer's window display design than the level of relationships which were established by manufacturer's window display design can be evaluated as normal. For long years, dealers brought themselves into forefront as brand power in white appliances and consumer electronics sector.

In conclusion, in window display design process, general strategies of manufacturer should determine the key parts of the overall design, in addition to this dealer's opinion about window display design should be gotten as there are customer and location differences among stores, and
also by utilizing hedonic and emotional messages, customer’s brand perception and organizational identification should be enhanced.

As a result, we should focus these strategies below;

- Window display design (WDD) must be made by manufacturer is not always right.
- Dealers know customers better than manufacturer is not right for all locations.
- WDD should be changed based on locations and customers’ shopping motivation.
- Large-scale marketing knowledge which manufacturers have and local marketing knowledge which dealers have must be combining to reach customers by WDD.
- As a tool, WDD should use in brand strategy.
- As a tool, WDD should be a part of organizational identification for brands.

CONCLUSION
This chapter discusses the findings of the results presented in chapter three. Following the discussion of implications, a further examination of the findings is presented with implications of the findings. The remainder of the chapter relates the contributions of this research, the limitations of the research presented, and potential future directions of this research.

FINDINGS
During the course of this study, the SOR model and shopping motivations have been continuously mentioned. The results of this study helps in aligning these two distinct concepts. In brief, the SOR model suggests that the environment of a store, which window display is ours, leads to certain cognitive and affective evaluations in the mind of the consumer, and these evaluations predict the consumer’s response to approach or avoid the store in future. The main question that was put forth in this study was as to which particular evaluations a customer is likely to make while entering in a store? Which particular evaluations weigh heavily on customer’s response? And what is the effect of organizational identification and brand perception on such evaluations?

The impact of window display attributes was measured on six different evaluations customers may make in a retail store. Additionally, the customers’ responses on organizational identification, brand perception and shopping motivations to enter the store were measured. The importance of shopping outcomes in the formation of overall value judgment differs across hedonic and utilitarian shoppers. If an individual’s goal is to find recreational fulfillment through shopping, than stores that can contribute to such consequences that fulfill the recreational goals will be deemed as providing value. On the other hand if an individual is motivated by utilitarian goals, then the stores that provide positive consequences related to utilitarian benefits will be seen as providing value.

The window display design draws attention of customers and affects their entrance rates, to the store. Still, when we evaluate the results, we see that these effects are in lower levels than we expect them to be. The designer of window displays is taking a determining role when providing entrances and capturing interests of shoppers.
To sum up, different window display designs in different locations are positively affecting the customers who have different shopping motivations. As a result of this research, there are no determining differences between these relationships. Again, organizational identification and brand perception also provide interest from customer; therefore help customers to enter the store. It has seen in results that brand perception's effect is higher than organizational identification's.

**IMPLICATIONS**

This study will be a number of managerial implications for manufacturers and dealers. The differences of their point of view will be important because the effectiveness of the window display design strategy on consumer behavior for each can be different.

When we look at the manufacturer side, manufacturer has deep marketing know-how, consultants who work on marketing and retail, employees who are in charge of retail, marketing, and dealer management. Under all these conditions, we believe that manufacturer should manage designing of window displays to reach loyal and potential customers to visit its stores. On the other hand, dealer always run its business individually to make money, so dealers try to catch all types of shoppers to sell products in their stores. Dealer believes that he knows his customers in specific area which he makes business. However we see in our study that neither manufacturer nor dealer is succeed in all stores to reach shoppers via window display design. Our study show that implementation of different window display design can be succeed. In that case, manufacturer and dealers should work together to catch shoppers to visit stores via window display design efficiency. Manufacturer and dealers first work on how they collect data and make accurate analysis to understand customers, shoppers and consumers. After that jobshare should be done for design. Dealers always feed manufacturer via inputs from their stores and manufacturer develop and create marketing materials based on those inputs.

The results linking consumer motivation dimensions and the perceived shopping style should help a retail manager plan for retailing mix strategies. In addition, the results also hold important implications in the areas of store segmentation and targeting decisions. The window display could be designed to create different, alternative effects which allow customers to understand brand image and promotions at the same time.

The implication of these results is somehow significant for decisions related to window display in a retail store. If a manufacturer or dealer wishes to create a window display that can deliver a valuable shopping experience, then an understanding of customers’ motivations is important. This is in tune with the main paradigm of marketing that states that the offering of the marketer should be tailored towards the segment it wishes to target.

**LIMITATIONS**

According to survey research methods, the present study has the traditional limitations, such as potential bias in selection of the samples, in the development of measures and scales, and in the interview process. The first concern is potential sample selection bias. For example, the respondents were intercepted on the basis of shopping on a particular day. Some shoppers didn’t accept the interview and some others answered questions carelessly. Moreover, more than half of the visitors indicated that they visit at the store 1-2 times per month. It is impossible to cover the population in a two week survey period. We attempted to assess representation by examining the
distribution of participant page and gender using the demographic characteristics of shoppers in the neighborhood of the store.

One of the measurement problems concerns the inability of examining the adequacy of emotional responses. First, the measures were translated from English into Turkish for the use of the survey in Istanbul. It was a difficult process to identify appropriate Turkish words which had a comparable English meaning, which could adequately describe the states of feeling during the customers’ shopping experience. The present study attempts to minimize the measurement bias by doing protest and back translation. For example, respondents had found difficulty relating the organizational identification and shopping motivations.

Next, we have assumed that shopping motivations were only due to the current state of the store to which they were exposed, not considering the customers’ previous state prior to entering the store. A shopper’s pre-existing mood could be important affecting the customer perception during shopping. With no doubt, respondents’ responses right after shopping in these four stores may have reflected some combination of these before and after conditions.

Further, the present survey was conducted in four white goods/ consumer electronic stores operating in shopping-malls and residential areas in Istanbul in Turkey. The physical characteristics of sector tend to exhibit a more functional and goal-directed shopping environment than do those of stores in general.

FUTURE RESEARCH

Future research is needed to continue research about presenting window displays. Window displays will play a main role in offline retailing in the future. As we know, online retailing is improving day by day. Many customers look, search and buy products on online channels. Retailers make a competition with not only their competitors but also all kind of online retailers too. When we look at the literature, window displays are still a missing part of consumer literature. The results of the present study reveal only one part of it. Further studies should continue to examine different techniques of presenting window displays, and figure out how different presenting types influence consumers’ behaviors. Such as how differences on window display can influence consumers’ behaviors or whether a window display that is transparent into the store can influence consumers’ responses. On the other hand, organizational identification and customer’s brand perception are in customer’s mind when they have a look on window display.

There hasn’t been any research about comparing manufacturer’s executions and dealers’ executions. For the perfect retailing and management, we should know how manufacturer and dealers make cooperation on retail marketing. For the future studies, different internal variables or external behaviors could be included.

REFERENCES


EFFECTIVE USE OF STRATEGIC LEADERSHIP IN BUSINESS: A REVIEW

James Ike Schaap, Ph.D.
College of Business Administration
California State University, Monterey Bay
Seaside, CA 93955

DOI: http://dx.doi.org/10.21607/jmsm.2018.005

ABSTRACT

The purpose of this didactic study is to determine whether the strategic leadership process is being used effectively today in business. I studied the work of 44 writers and scholars that was written over the past 16 years. Also, in the review of the literature, I wrote an integrative review of 8 different leadership commentaries (i.e., as they relate specifically to strategic leadership) and 16 strategic leadership reviews. Effective leaders often invest in weeklong retreats, extensive marketing research, and expensive outside strategic leadership consulting services when trying to develop the strategic plans that will lead their companies to a successful future (i.e., as opposed to organizational failure). Unfortunately, many of these plans do not come to fruition because of inadequate design or poor implementation by senior-level leadership. Nevertheless, successful leaders do continue with the strategic implementation process having explored the notion of strategic leadership extensively, and having summarized the past work of key scholars, I agree that effective leaders who follows the five-step strategic guidelines developed by Thompson (2018) and other prominent researchers will overcome the chances of experiencing organizational setbacks or failure.

Keywords: Culture, leadership, strategic execution, strategic leadership, strategic priorities, strategy
INTRODUCTION

Developing and executing a strategy, by senior-level leadership, is essential to business success. That said, this informative report presents an overview of a collection of scholarly studies about the strategic leadership process and determines whether businesses, according to these scholarly researchers, are effectively using it as a key management tool today. Because this study uses no control groups to compare outcomes, this critique has no statistical validity.

Effective leadership, at least as it pertains to strategic leadership, requires new forms of management thinking and organizational structures, global mind-sets, considerable strategic and structural flexibility, and innovative methods for executing strategies. As such, very early in the strategy-making process, a company’s senior-level executives must wrestle with the issue of what directional path the company should take (Thompson, 2018). This scientific reawakening will bring about the rise of new industries, change how businesses compete, and possibly transform how companies are lead (Pascale, Millemann, & Gioja, 2000). Besides, senior-level business leaders know that previous strategic plans made in the past are unlikely to be implemented without being altered first (Bozeman & Straussman, 1980). Therefore, business strategy has entered the aptly named market-driven era because of its central focus on the market as the basis for strategy design and leadership implementation (Cravens, Greenley, Piercy, & Slater, 1998; Day, 1994).

According to OneSearch (2018), more than 2,153 books and 269,473 scholarly peer-reviewed journal articles have been written with the words strategic management in the title. With so much literature available on this discipline, is this academic topic being used effectively today in business?

Although public statements of strategic priorities are common today, they do not always do a good job of clearly signaling a company’s future direction. In fact, many organizations list strategic urgencies that are too numerous, vague, difficult to measure, or untethered from an underlying view of how the management team will create and capture economic value (Sull, Turconi, & Sull, 2018).

In the world of business today, where the business cycle as well the environment is chocked with unprecedented uncertainties and risks, companies that want to remain competitive must learn how to navigate the unknown more strategically (Ogari, Ibidunni, Ogunnaike, Olokundun, & Amaihian, 2018).

RESEARCH QUESTION

Is the strategic leadership process being used effectively today in business? Given the query just asked, strategy advice, unfortunately, has taken a rather negative tone of late. Consultants and scholars alike seem obsessed with eradicating bias and error in human judgment and decision-making. A virtual cottage industry has emerged to offer advice on how to do that, often pushing managers to replace flawed human judgment with big data analytics and various computational tools. Taking into account this particular view of human judgment, it is no wonder that some authors have suggested that algorithms and artificial intelligence should play a greater role in the strategic decision-making process (Felin & Zenger, 2018, p. 86).
DEFINITIONS

To help the reader better understand the gist of this review piece, I have provided a definitions section about four key concepts of this paper:

- Leadership
- Strategic management
- Organizational leadership success
- Strategy

Robbins and Judge (2017, p. 382) define leadership as “the ability to influence a group toward the achievement of a strategic vision or set of goals.” Rothaemel (2015, p. 4) describes strategic management as an “integrative management field that combines analysis, formulation, and implementation in the quest for competitive advantage.” Knorr (1993, p. 26) states organizational leadership success as “the achievement or accomplishment of the specific strategic objectives set by the organization.” And Thompson (2018) identified that:

A company’s strategy is defined by the specific market positioning, competitive moves, and business approaches that form management’s answer to “What’s our plan for running the company and producing good results. A strategy represents managerial commitment to undertake one set of actions rather than another in an effect to compete successfully and achieve good performance outcomes (p. 2).

METHODOLOGY

To better understand the concept of strategic leadership and whether it is being used effectively today in business, I carefully reviewed the work of over 500 writers and scholars that was written over the past 16 years. Using OneSearch, at the school library, I drilled down to ABI Inform, and typed in the terms strategic management: is it being used in business today? as well as strategic management and leadership. Of the 4,414 articles listed, this author selected, in date order over the past 16 years, 78 random critiques about these two topics. These carefully selected indiscriminate articles and books were chosen because the overview section of this extensive list included these key words (refer to the Appendix section). Also, in the review of the literature, I wrote an integrative assessment of 8 different leadership commentaries (i.e., as they relate specifically to strategic management) and 16 strategic management reviews.

Of the 78 critiques and manuscripts that were selected, 44 were used in this write-up. Furthermore, this writer incorporated 9 books including 8 textbooks on the topic of strategic leadership to determine if the strategic leadership process is being used effectively today in business.

Lastly, I only used 44 books and articles to stay within a total word count of 7,000+ words.
REVIEW OF THE LITERATURE

The following is a brief review of this academic discipline, with a concentrated and succinct focus about strategic leadership, over the past twelve years:

Effective Leadership (and How It Pertains to Strategic Management)

Kotter (2002), in his book *The Heart of Change*, mentions that in order to have effective leadership, these senior-level managers must incorporate large-scale change efforts. They are:

1. Increase urgency.
2. Build the guiding team.
3. Get the vision right.
4. Communicate for buy-in.
5. Empower action.
7. Don’t let up.
8. Make change stick (p. 6).

According to Shaffer (2008), the field of leadership has evolved significantly over the years. Although different theoretical perspectives have come and gone, common themes and principles have emerged that remain important for effective leadership: the importance of effective communication, the necessity for a solid understanding of the organization’s strategic business or mission, and the requirement to adapt, at least strategically, to changing situational factors.

In their textbook, *Learning to Lead*, Bennis and Goldsmith (2010) talked about the competencies of successful leaders. Knowing this, each leader has unique skills, talents, abilities, styles, behaviors, and winning formulas. What they share, however, are six clear and powerful leadership competencies:

1. Mastering the context.
2. Knowing yourself.
3. Creating a vision.
4. Communicating with meaning.
5. Building trust through integrity.
6. Realizing intentions through actions (pp. xxi-xxii).

In his article, Fickenscher (2014) discussed the need to have a strategic vision. The vision mobilizes employees far beyond what they imagine because it unleashes their energy and focus. The key to effective leadership is persistence, and the strategic vision serves as the cornerstone of building an effective leadership journey. Although one cannot predict or control events, one can manage a response—the capstone for serving as an effective leader.

Maner (2016) discussed two distinct leadership styles—prestige and dominance. Leading through prestige, from a strategic management perspective, means influencing others by being assertive and leveraging one’s power and formal authority. It also means displaying one’s knowledge and expertise and encouraging others to follow. In the case of dominance leadership, however, employees follow the leader.

Dominance works best when the leader’s job is to get everyone aligned quickly and moving in the same direction. Additionally, when a company’s strategy is clear, a leader needs to provide
clear and firm strategic directions so that everyone is working together and moving in the direction of the stated vision and mission.

Maner (2016) also stated the following: The Italian philosopher and political strategist Machiavelli famously wrote that people are driven by two principal impulses, either by love or by fear. The best leaders succeed by understanding both. Having both dominance and prestige in their leadership toolkit can help people respond adaptively to a variety of workplace situations, as well as a range of organizational cultures. Maturing as a leader means being able to diagnose what type of leadership is needed and deploy the strategy that is likely to work best (p. 5).

In his article, Reed (2017) clarified ways to foster high performance leadership—namely a leader must have a strategic vision. Additionally, senior-level leaders should be able to establish strategies, goals, and objectives based on internal and external changes, trends and opportunities for improvements, and be able to connect the work of their organization to the larger internal and external environment. Further, Reed mentioned that the vision of leaders involves strategic planning and positioning the organization to optimally serve its customers.

The basis for this leadership approach is to align corporate and department goals at the employee level; fosters maximum engagement and support, and encourages collaboration, facilitating dialogue with leaders who take into account employees objectives and interests. An effective leader can see the big picture and can communicate that vision and mission in a way that enables others to see it clearly as well.

According to Thompson (2018), a company’s present culture, which is directed by senior-level leadership and work climate, may or may be compatible with what is needed for effective strategy implementation and execution of the chosen strategy. When a company’s present culture promotes positive and healthy attitudes, behaviors, and ways of doing things that are in sync with first-rate strategy execution, the culture functions as a valuable ally in the strategy execution process (p. 253). Further, a strong culture, provided that it embraces execution-supportive attitudes, positive behaviors, and good work practices, is a culture that is going to be high performing (p. 255).

And lastly, Kathryn Stewart (as cited by Moore, 2018), CEO of Knowbly, a platform for building interactive e-learning objects, feels that today’s leaders need the ability to adapt and stretch. By doing this, leaders can better operate teams with a wide variety of skill sets, personalities, and experience.

**Strategic Management**

Bennis and Nanus (2003, p. 82) stated that in order to choose a strategic leadership direction, A leader must first have developed a mental image of a possible and desirable future state of the organization. This image, which we call a vision, may be as vague as a dream or as precise as a goal or mission statement. The critical point is that a vision articulates a view of a realistic, credible, attractive future for the organization, a condition that is better in some important ways than what now exists.

Schaap (2006) investigated the relationship between effective leadership and successful strategy implementation. The findings of Schaap’s study reinforces, from a leadership stance, the notion that frequent communication up and down the organization enhances strategic consensus through the fostering of shared attributes and values. Further, particularly from a leadership perspective, leaders must clearly develop and implement strategy plans and indicate particular
tasks for individuals by utilizing clear-cut time frames and identifying the people responsible for task completion (Schaap, 2006).

Schaap, Stedham, and Yamamura (2008) concluded, from a gender leadership assessment standpoint that men use financial rewards as motivators for effective strategy implementation whereas women do not. Similarly, men were more likely than women to believe that increased personal leadership involvement and increased personal communication were needed to ensure greater success.

Eniola and Ektebang (2014) stated that businesses that fail to drive good strategic planning practices will not only stay bound by slow, stovepipe planning process, but also find it difficult to compete in good conditions. Stovepiping (also called stove piping) has been used, in the context of intelligence, to describe several ways in which raw intelligence information may be presented without proper context (Wikipedia, 2018). It is also a system created to solve a specific problem. The lack of context may be due to the specialized nature, or security requirements, of a particular intelligence collection technology. It also has limited focus and data within is not easily shared. Alternatively, the lack of context may come from a particular group, in the national policy structure, selectively presenting only that information that supports certain conclusions (Wikipedia, 2018).

Branislav (2014) stated that the application of strategic leadership practices helps firms exploit and create new business opportunities. Therefore, to straighten up operations and enable firms have vision and direction, strategic leadership is a popular approach. Meanwhile, Kasahara (2015) stated that the dysfunction of strategic leadership is due to performance not meeting expectations and the inability to achieve set strategic goals.

Rothaermel (2015) asked the question—How do you become an effective strategic leader? Successful strategic leaders go through a natural progression of five different strategic levels. Each one builds on the previous one. Characteristics of the five strategic levels are:

1. **Level 1** – Makes productive contributions through motivation, talent, knowledge, and skills.
2. **Level 2** – Uses high level of individual capability to work effectively with others in order to achieve team objectives.
3. **Level 3** – Is efficient and effective in organizing resources to accomplish stated goals and objectives. Does things right!
4. **Level 4** – Presents compelling vision and mission to guide groups toward superior performance. Does the right things!
5. **Level 5** – Builds enduring greatness through a combination of willpower and humility (p. 38).

Getting strategy right is no easy task. The human capacity for calculation is admittedly flawed and prone to errors. Strategic decision-makers should do their best to avoid succumbing to any number of biases, including overconfidence, confirmation, and anchoring biases. But the cumulative negative effects of these biases pale in comparison to the capacity for enhanced strategic decision-making that can be provided by a well-crafted theory (Gamble, Peteraf, and Thompson, 2015).

Phadnis, Caplice, and Sheffi (2016) discussed that leaders need to be flexible when it comes to implementing a strategy. Considering multiple strategy implementation scenarios, this type of suppleness appears to spur a greater appreciation for the benefits of different types of implementation strategies. This, in turn, keeps more options open when faced with high
uncertainty about the future. Alternatively, as stated by David and David (2016), some firms do not use strategic planning for the following 10 reasons:

1. No formal training in strategic management.
2. No understanding of or appreciation for the benefits of planning.
3. No monetary rewards for doing planning.
4. No punishment for not planning.
5. Too busy “firefighting” (resolving internal crises) to plan ahead.
6. Planning as a waste of time, since no product/service is made.
7. Lazy and unwilling to put time and effort into effective planning.
8. Content with current success; failure to realize that success today is no guarantee for success tomorrow.

Cooper (2017) discussed a modified five-step strategic management approach to making transformational change happen:

1. Build the “big picture” by starting with a vision that is dynamic. Leadership requires constantly reassessing and relaying where you are going and how far you have come in the process.
2. Remove the guesswork.
3. Get the message right.
4. Prepare the stakeholders. Leaders must become aware of change and be willing and able to adapt to change.
5. Evaluate the results (pp. 54-55).

Schaap (2017), in a third study on strategic leadership, concluded that if a senior-level leader follows the five-step strategic management process developed by Gamble et al. (2015), the leader will be that much better prepared to cope with the signs of an impending organizational setback or possible failure.

Sull, Turconi, Sull, and Yoder (2018) stated that strategy, at its heart, is about choice. Few companies succeed by making a single big bet. Most winning strategies are based on a bundle of choices about, among other things, the customers to serve, the scope of the business, product offering, and capabilities that interact with one another to help a company make money.

Interestingly enough, part of these researchers’ work was on strategy execution or strategy implementation. Their investigation found that teams used a framework that boiled down their company’s strategy to three key elements: target customers (who), the value proposition (what), and how the company would deliver, sell, and distribute products or services (how) (Sull et al., 2018).

Sull et al. (2018) also found that executing strategy requires different parts of the company to work together in new ways. Strategic priorities should reinforce one another to ensure the different departments of the company are moving in tandem. Lastly, the best strategic urgencies hang together and tell a coherent story about how the company will create value in the future.

Humans, in general, are endowed with a remarkable capacity to compose theories that facilitate novel perception, experimentation, and value creation. As such, senior-level strategic leaders should focus their efforts on positing strategic theories, testing their underlying logic and assumptions, and then crafting strategic actions. It is those activities—rather than computation or
the avoidance of biases and errors—that lead to true strategic breakthroughs (Felin & Zenger, 2018, p. 88).

According to Ogbari et al. (2018, pp. 1-2), strategic orientation has come to the attention of some scholars in different disciplines such as marketing, entrepreneurship, and management, and they have invested much time and intellectual ability in its study. Several studies on customers, production, and technology have shown that firms place emphases on the strategic orientation because organizations should intermittently strategize because of the intensity of the business environment as an aftereffect of the complexities in the commercial center.

And lastly, in a research study performed by Agwu (2018, p. 1), this author stated that: “the presence of good strategic plans assists in some ways in making business less vulnerable to the erratic business environment. And that strategy is a source of sustainable competitive advantage.”

ANALYSES

In reviewing what the literature states about the effective use of strategic leadership in business, the two tables below reflects a concise but brief descriptive impact on this concept.

**TABLE 1**

*Effective Leadership*

<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
<th>Key Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Kotter</td>
<td>In order to have effective leadership, these senior-level managers must incorporate large-scale change efforts.</td>
</tr>
<tr>
<td>2008</td>
<td>Shaffer</td>
<td>Leadership has evolved significantly over the years. Common themes and principles remain important for effective leadership including the organization’s strategic mission.</td>
</tr>
<tr>
<td>2010</td>
<td>Bennis &amp; Goldsmith</td>
<td>There are six clear and powerful leadership competencies.</td>
</tr>
<tr>
<td>2014</td>
<td>Fickenscher</td>
<td>Key to effective leadership is persistence and having a strategic vision.</td>
</tr>
<tr>
<td>2016</td>
<td>Maner</td>
<td>Lead through prestige and dominance, from a strategic management perspective, to achieve success.</td>
</tr>
<tr>
<td>2017</td>
<td>Reed</td>
<td>In order for there to be high performance leadership, a leader must have a strategic vision.</td>
</tr>
<tr>
<td>2018</td>
<td>Thompson</td>
<td>When leaders promote positive attitudes and behaviors, the culture functions as an ally in strategy execution.</td>
</tr>
<tr>
<td>2018</td>
<td>Moore</td>
<td>Today’s leaders need the ability to adapt and stretch. By doing this, leaders can better operate teams with a wide variety of skill sets, personalities, and experience.</td>
</tr>
</tbody>
</table>
TABLE 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
<th>Key Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Bennis &amp; Nanus</td>
<td>A leader must develop a mental image of a desirable future state of the organization. This image, which we call a vision, may be as vague as a dream or as precise as a goal or mission statement.</td>
</tr>
<tr>
<td>2006</td>
<td>Schaap</td>
<td>Frequent communication up and down the organization enhances strategic consensus.</td>
</tr>
<tr>
<td>2008</td>
<td>Schaap et al.</td>
<td>Men use financial rewards for effective strategy implementation; women believe that increased personal leadership involvement is key.</td>
</tr>
<tr>
<td>2014</td>
<td>Ektebang</td>
<td>Businesses that fail to drive good strategic planning practices will find it difficult to compete.</td>
</tr>
<tr>
<td>2014</td>
<td>Branislav</td>
<td>The application of strategic leadership practices helps firms exploit and create new business opportunities.</td>
</tr>
<tr>
<td>2015</td>
<td>Kasahara</td>
<td>The dysfunction of strategic leadership is due to performance not meeting expectations and the inability to achieve set strategic goals.</td>
</tr>
<tr>
<td>2015</td>
<td>Rothaermel</td>
<td>Success strategic leaders go through a natural progression of five different strategic levels.</td>
</tr>
<tr>
<td>2015</td>
<td>Gamble et al.</td>
<td>Strategic decision-makers should do their best to avoid succumbing to any number of biases, including overconfidence, confirmation, and anchoring biases.</td>
</tr>
<tr>
<td>2016</td>
<td>Phadnis et al.</td>
<td>Leaders need to be flexible when it comes to implementing a strategy.</td>
</tr>
<tr>
<td>2016</td>
<td>David and David</td>
<td>Stated 10 reasons why firms do not use strategic planning.</td>
</tr>
<tr>
<td>2017</td>
<td>Sull et al.</td>
<td>Winning strategies are based on a bundle of successful choices; one is working together.</td>
</tr>
<tr>
<td>2017</td>
<td>Cooper</td>
<td>You must include a five-step strategic management approach to make transformational change happen.</td>
</tr>
<tr>
<td>2017</td>
<td>Schaap</td>
<td>You also must embrace a five-step strategic leadership approach to make business happen positively.</td>
</tr>
<tr>
<td>2018</td>
<td>Felin and Zenger</td>
<td>Leaders should focus their efforts on crafting strategic actions.</td>
</tr>
<tr>
<td>2018</td>
<td>Ogbari et al.</td>
<td>Organizations should strategize because of the intensity of the business environment.</td>
</tr>
<tr>
<td>2018</td>
<td>Agwu</td>
<td>The presence of good strategic plans makes businesses less vulnerable to the erratic business environment.</td>
</tr>
</tbody>
</table>

CONCLUSION

Effective leaders often invest in weeklong retreats, extensive marketing research, and expensive outside strategic management consulting services (such as my own consulting business) when trying to develop the strategic plans that will lead their companies to a successful future (i.e., as opposed to organizational failure). Unfortunately, many of these plans do not
necessarily come to fruition because of inadequate design or poor implementation by senior-level management. Nevertheless, successful leaders do continue with the strategic implementation process. They are achievers, action takers; they are not necessarily impetuous, but they do not wait until they have recognized every potential unforeseen event before beginning to take action (Hardy, 1994).

Strategic decisions are formulated by key leaders of the firm and then administratively imposed on lower-level management or nonmanagement employees with little consideration of the resulting functional-level perceptions (Nutt, 1987). If, however, lower-level management or non-management personnel are not aware of these strategic decisions, or if this information must pass through several (management) layers in the organization, there may never be consensus and consistency regarding the information, leading to further organizational failure. In the end, this lack of shared knowledge with lower-level management or non-management employees creates stumbling blocks to successful strategy implementation (Dess, 1987; Noble, 1999).

As noted by Bossidy and Charan (2002), execution is the great unaddressed issue in the business world today. Its absence is the single biggest obstacle to leadership success and the cause of most of the disappointments that are mistakenly attributed to other events. Without execution, the chance of organizational failure is high.

Peng (2014) concludes that the true determinants of a firm’s successful performance, particularly from a strategic management perspective, is truly determined not only by acquiring and leveraging competitive advantage but also by sustaining such gains over time and across various regions.

Rothaermel (2015) stated that the theory of strategy, a key characteristic within the framework of strategic leadership, can gain the firm a competitive advantage and help to sustain superior performance.

A good leadership strategy consists of three essential elements:

1. A diagnosis of the competitive challenge. This element is accomplished through strategy analysis of the firm’s external and internal environments.

2. A guiding policy to address the competitive challenge. This element is accomplished through strategy formulation, resulting in the firm’s corporate, business, and functional strategies.

3. A set of coherent actions to implement the firm’s guiding policy. This element is accomplished through strategy implementation (Rumelt, 2011).

Human ability, knowledge, creativity, and motivation (i.e., all essential and key leadership traits) are the most valuable strategic management tool, so human power can achieve business excellence and competitiveness. To accomplish this aim it is important to define business strategy and implement such human resource management praxis which provides maximal support to the business strategy (Bogdanovic, Durian, & Cingula, 2016).

As a follow-up point to this last statement, Arshad and Yazdanifard (2017) suggested that Sony Inc., a major multinational organization, work on a series of interconnected strategic direction recommendations to efficiently revive the corporation from its current situation. Further to this point, these researchers suggested four interlinked strategic recommendations for Sony that would revive the company and lead it to sustainable growth.

According to Thompson (2018), leaders of all types of businesses face three central questions: What is our company’s present situation? What should the company’s future direction be and what performance targets should we set? What is our plan for running the company and producing good results? Arriving at a thoughtful and probing answer to the question “What is
our company’s present situation?” prompts managers to evaluate industry conditions and competitive pressures, the company’s current market standing, its competitive strengths and weaknesses, and its future prospects in light of changes taking place in the business environment. The question “What should the company’s future direction be and what performance targets should we set?” pushes leaders to consider what emerging buyer needs to try to satisfy, which growth opportunities to emphasize and which existing markets to de-emphasize or even abandon, where the company should be headed, and what outcomes the company should strive to achieve with respect to both its financial performance and its performance in the markets where it competes.

RECOMMENDATIONS FOR CONSIDERATION

As noted in this paper, the purpose of this informative study is to determine whether the strategic leadership process is being used effectively today in business. That said, and according to Hesselbein and Goldsmith (2009), leaders, at all levels of the organization, should focus on its capabilities—not its structure. That is done by being focused—creating a virtuous cycle of assessments and investments, comparing capabilities to perceptions, matching capabilities with deliveries, avoiding underinvesting in organizational intangibles, and not confusing capabilities with activities (pp. 25-26).

I also believe that the effective senior-level leader who follows the strategic leadership guidelines developed by R. T. Lenz (as cited in David & David, 2016), will, most likely, overcome obstructions or even organizational collapse:

1. Keep the process simple and easily understandable.
2. Eliminate vague planning jargon.
3. Keep the process non-routine, so vary assignments, team membership, meeting formats, setting, and even the planning calendar.
4. Welcome bad news and encourage devil’s advocate thinking.
5. Do not allow technicians to monopolize the planning process.
6. To the extent possible, involve managers from all areas of the firm (p. 17).

Having studied the concept of strategic leadership for the past 40 years, I feel that sustainable growth comes from a proper fit between strategy and operational effectiveness. Although strategies are a path to sustainable profitability, selecting a different set of strategic activities or doing them in a different way, operational effectiveness is about doing them better than competitors (Viltard, 2017).

Ivanov (2017), like other scholars who researched the discipline of strategic leadership, recommended that organizations be more strategic about the division of labor so that employees are assigned tasks that are one level below the tasks of their supervisors.

I am also convinced that senior-level leaders should continue to communicate the following strategic priorities to their subordinates:

1. Limit strategic priorities to a handful so that is easy for external stakeholders to assess what matters most to the company.
2. Provide a concise explanation of what a strategic priority means. Elaborate on the meaning of these specific objectives.
3. Clarify how a strategic priority will be accomplished. Give concrete examples of how the company intends to achieve its objective.
4. Explain why a strategic priority matters. Clarifying the “why” behind the “what” is particularly important if the strategic priorities do not have an obvious impact on the bottom line in the short term.

5. Measure progress toward achieving the strategic priority. Measuring progress reinforces the idea that the strategic priorities still matter, that management takes them seriously, and that leaders will stake their reputation on making material progress (all of which increase the credibility of these commitments).

6. Set specific targets for the future. By staking their reputation on hitting the targets, managers decrease the odds that these objectives will be dismissed as “cheap talk” (Sull et al., 2018, n.p.).

Having explored the topic of strategic leadership extensively, having found research to support the thoughts of strategic leadership, and having summarized the past work of key scholars, I also agree that the effective senior-level leader who follows the strategic leadership guidelines developed by Thompson (2018) and other prominent researchers will, hopefully, overcome organizational setbacks or even failure. Additionally, if that same leader adheres to the leadership process of crafting and executing a company’s strategy on an ongoing basis, as outlined by this same scholar, organizational success will most likely be achieved:

1. Develop a strategic vision that charts the company’s long-term direction, a mission statement that describes the company’s business, and a set of core values to guide the pursuit of the strategic vision and mission.

2. Set objectives and using them as yardsticks for measuring the company’s performance and the progress it is making in achieving the intended strategic vision and mission.

3. Craft a strategy to achieve the objectives and move the company along the path to accomplishing the mission and vision.

4. Implement and execute the chosen strategy efficiently and effectively.

5. Monitor developments, evaluate performance, and initiate corrective adjustments in the company’s long-term direction, objectives, strategy, or execution in light of actual experience, changing conditions, fresh managerial ideas for improving the strategy, and newly emerging market opportunities (p. 14).

Finally, in a recent study of 400 CEOs in the United States, Europe, and Asia found that strategic executional excellence was the number one challenge facing their companies (Sull, Homkes, & Sull, 2015). Therefore, senior-level leaders must be able to create a companywide crusade to implement and execute the chosen strategy as fast and effectively as possible (Thompson, 2018).

LIMITATIONS OF THE STUDY

I did not conduct an independent research study. This paper is intended to be an integrative review of 44 articles and books on the discipline of strategic management. That said, this writer decided to pursue a didactic study so that the reader could possibly better understand whether the strategic leadership process should be used in businesses today.
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A TIME OF CRISIS IS A TIME OF OPPORTUNITY FOR ORGANIZATIONS: A STRATEGIC EXAMINATION OF MANAGERIAL RESPONSE AND STAKEHOLDER PERCEPTION

J.C. BLEWITT
WILLIAM G. MCGOWAN SCHOOL OF BUSINESS
KING'S COLLEGE
133 NORTH RIVER STREET
WILKES-BARRE, PA 18704
570.208.5900, EXT. 5712
JCBLEWITT@KINGS.EDU

DOI: http://dx.doi.org/10.21607/jmsm.2018.006

ABSTRACT
Organizational crisis is something that all organizations must deal with in their history. At times, a major crisis can be the fatal blow to an organization. Other times, crises provide opportunities for organizations to display gumption, communicate with stakeholders, and move forward, potentially with an enhanced reputation and promise of future success. The critical link in the process is the ability to act and communicate with stakeholders, have the stakeholders perceive responses positively, and allow the positive perception to lead to improved or recovered performance. This article empirically supports a conceptual model of the relationship between an organization’s response to a crisis and stakeholders’ perceptions of that response. Data from three organizations (N=505) were obtained through a survey of stakeholders in the higher education industry. The results support the central hypothesis that stakeholder perception of a managerial response strategy is a critical factor in an organization’s legitimacy following a crisis.

INTRODUCTION
Amid today’s unpredictable economy, the exposure of multiple scandals in organizations, the loss of key executives, and the destruction of natural resources through corporate irresponsibility, the issue of crisis management in business is as salient as ever. Examples such as the Deepwater Horizon oil spill in 2010, the Connecticut power plant explosion in 2010, the death of Steve Jobs in 2011, and the exposure of multiple sex scandals in politics and higher education institutions in 2010 and 2011 have shown that such incidents come with major implications for an organization. The major proposition advanced in this article is the idea that strategic handling of an organizational crisis can propel an organization to sustained future performance, particularly when it comes to legitimacy factors such as reputation, trust, and commitment to the organization on behalf of the stakeholders. The primary theories used to support this proposition include: stakeholder theory, institutional theory, contingency theory, social learning theory, and dynamic capabilities.

While previous research in strategy has considered the direct relationship between managerial response and competitive positioning (Mantel et al., 2006; Greening and Johnson, 1997), this work extends such prior studies by examining role of the stakeholder’s perception towards institutional legitimacy. Properly implemented managerial responses can allow an organization to develop core
competencies such as flexibility and an ability to reposition itself in times of uncertainty (Pastoriza et al., 2009). As such, core competencies that can be exploited and deployed successfully are ultimately based on the perception of these responses from an external perspective. It is the perceptual qualities of these responses from the stakeholder’s point of view that have a direct implication on the organization’s position. Stakeholder theory has suggested that stakeholders are critical resources that influence a firm’s competitive position (Freeman, 1984). This article suggests that there is a more complex story to tell about the way in which an organizational response has implications on legitimacy during a crisis.

The two outcome variables in this project focus on the legitimacy of the organization in terms of reputation and relationship quality. This extends the application of relationship marketing to a new context. Relationship marketing (Palmatier et al., 2006), though relatively new in application to organizational literature, focuses on activities that create or enhance relationships between brands and individuals (Morgan and Hunt, 1994). Thus, a similar relationship is proposed between the organization and the stakeholder. If the organization is able to provide a response which is positively perceived, reputational capital towards the organization is enhanced (Pastoriza et al., 2009). The main constructs that will speak to these relationship-building elements are organizational reputation, satisfaction, trust, helping behavior, and loyalty.

The conceptual model of stakeholder perception of organizational response that is theoretically developed and empirically tested in this study addresses a major deficiency in the crisis management and strategy literatures. Data from three organizations (N=505) with parallel top-management crises were obtained through a survey of stakeholders in the higher education industry. Specifically, this work identifies the role of perception and evaluation by the stakeholder in the crisis resolution process. It also provides support to the assertion that an organization in crisis can reestablish and possibly even strengthen its stakeholder relationships through functional response strategies. In connecting the dots from the antecedents to managerial response and organizational legitimacy, this work lends support to the integration of the crisis management and strategic management literatures. The result of this article highlights the importance of stakeholder relationship management, which ultimately allows for a deeper understanding of the effect of perception on firms facing organizational crises.

LITERATURE REVIEW

While prior research in crisis management has looked at the relationship between organizational reactions to crisis and strategy, this article seeks to provide clarity and further insight into the process, highlighting the critical role of the stakeholder’s perception. The literature review will focus on the relationships advanced in the conceptual model and identify gaps in the literature, which have paved the way for this study to emerge.

In a seminal work on crisis management, Pearson and Mitroff (1993) discuss the five-phase process of a crisis resolution. The process begins with signal detection. This is where many authors in the field find their niche contribution in discussing ways in which organizations can plan and take preventative action towards crises occurring, by identifying their antecedents (Sturges, 1994). The next step in the process is preparation. Literature on crisis preparation looks at the organizational hierarchy and human resources element in having competent managers in place with the proper training (Coombs, 2009). Managerial contributions of these works focus on advocating for crisis management positions within the organization, namely a Chief Operating
Officer. The third step in the process is crisis containment. Containment focuses on limiting the impact and effect of the crisis situation. Some authors have focused on the immediate role of a manager at this point in the process: arriving at the scene of a crisis, providing support and reaching out to those immediately impacted (Small, 1991).

The fourth step of the crisis management process is recovery. This is where the majority of the work in crisis management connects with strategic management. Thus, it is the critical step for the contribution of this article. Strategic communication with stakeholders occurs at the recovery level (Allen and Caillouet, 1994). Authors in this area have cited impression management and institutional theory to help explain the reasons why firms take the actions that they do during a time of crisis. Impression management studies look at the process that managers take when deciding how to approach those impacted by the crisis (Grove and Fisk, 1989). Institutional theory takes into account the external environment and how conforming to social rules enhances an organization’s legitimacy (Meyers and Rowan, 1977; DiMaggio and Powell, 1991). Further, a theoretical framework for analyzing strategic communication was developed to understand this element of the process. Garrett, a leading author in crisis management, discussed the different options of responses, including: justification, concession (apology), denial, and excuse (Garrett et al., 1989). The unifying feature in this step of crisis resolution is that communication with stakeholders is the cornerstone of the recovery process. An organization can respond to a crisis in a way that is perfectly appropriate and ethical, but if the message of the crisis recovery is not communicated and received, then the potential positive effect cannot occur. As such, proper communication during a time of crisis can mitigate the negative effects of the crisis itself (Ulmer, 2001). Further, custom tailoring to the specific communication is required during the recovery process, given the crisis, industry, magnitude, and general business environment (Pearson and Mitroff, 1993).

The final stage in the crisis management process deals with organizational learning. While perhaps an assumed step in most processes dealing with mistakes or shortcomings, this element is many times overlooked and similar crises repeat themselves throughout an organization’s history (Pearson and Mitroff, 1993).

Crisis management scholars aim to make contributions within the five-step process as defined by Pearson and Mitroff (1993). Much can be learned about the inner workings of the organization and how firms can improve and be more prepared to handle crisis given organizational learning and change. Connecting the crisis management literature to strategic management literature is most appropriately done at the recovery stage. This article aims to unveil legitimacy outcomes from the communicative strategies to stakeholders of the organizations examined. In asking stakeholders to rate the communication approaches to the crisis and their corresponding levels of sincerity, timeliness, and adequacy, a better understanding of the perceptual process at the individual stakeholder level can be gained. Once perception of the response is assessed, response quality will lead to outcomes such as satisfaction and trust towards the organization. The overall story offered by this work lends support for crisis management en route to sustained performance through stakeholder perception.

Stakeholder literature emphasizes the importance of perception as a key determinant of strategic future action (Nijhof et al., 2003; De Saram et al., 2004). In bridging the gap in crisis management and strategy, this article provides a holistic theoretical framework for understanding and predicting the performance implications of managerial response to crisis.
HYPOTHESIS DEVELOPMENT

This work is concerned with providing insight on three primary research questions. Each seeks to advance the knowledge in the crisis management and strategic management literatures, making the argument that these two literature streams do a better job at explaining performance outcomes of an organization during the crisis recovery period together rather than in isolation (Allen and Caillouet, 1994). Table 1 provides a list of these questions, which are hypothesized about and empirically examined throughout the course of this work.

Table 1: Research Questions

<table>
<thead>
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<th>Research Questions</th>
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<tr>
<td><strong>RQ1:</strong> When an organization implements a response to a crisis situation, what is the process that a stakeholder goes through to evaluate the response strategy?</td>
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<tr>
<td><strong>RQ2:</strong> How does a stakeholder’s perception and evaluation of a response to a crisis impact the relationship between the stakeholder and the organization?</td>
</tr>
<tr>
<td><strong>RQ3:</strong> What are the reputational implications of an organization’s response strategy?</td>
</tr>
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</table>

In order to examine these research questions, a conceptual model was developed as a new framework to illustrate a stakeholder’s perception during a time of crisis. The model demonstrates the relationship among three perceptual elements during a time of crisis with his or her organization. First, there is an appraisal of the type of response or communication strategy taken by the organization that will be assessed by the stakeholder to the organization in the dawn of an organizational crisis. The second level of perception occurs at the evaluation stage, when the stakeholder makes a personal judgment, not on the type of response strategy, but rather, on the quality of the response itself. Factors that a stakeholder will consider at this level will be adequacy, sincerity, and timeliness (Mentzer et al., 1989; Bies and Shapiro, 1987; Lewicki and Bunker, 1996). From the evaluation of the response, stakeholders enter a third level of perception in their rating of an organization’s legitimacy and reputation. At this level, the stakeholder, using the information that he or she has appraised and evaluated throughout the crisis, must determine if there has been a change in the relationship between one’s self and the organization because of the crisis. Thus, stakeholders will need to assess their satisfaction, trust, and loyalty to the organization, as well as their willingness to help the organization. Finally, the stakeholder will need to decide how the organization compares in reputation to other rival organizations within the industry after the crisis event. Figure 1 illustrates the conceptual model of stakeholder perception advanced in this article.
The overarching theoretical framework that drives the proposed conceptual model of stakeholder perception is based on the social learning theory (SLT) (Bandura, 1978) from organizational behavior studies. The SLT explains organizational action by examining the relationships between behavior, the environment, and the organizational participant (Davis and Luthans, 1980). In this case, organizational participants would be the stakeholders perceiving a crisis. According to the SLT, individual actions and the environment do not exist in isolation, but determine each other in a reciprocal manner. Individuals learn from organizations and in the process acquire and maintain new behaviors and cognitions. The theoretical framework, which the SLT is based, is listed below:

Stimulus → Organism → Behavior → Consequence

Based on the SLT, the relationship between organizations and their stakeholders can best be understood in terms of an interacting, reciprocal determinism between the behavior itself, the organizational participant, and the environment (Davis and Luthans, 1980). The conceptual model for this work builds off this understanding of organizational interactions with stakeholders and is consistent with the framework of a highly cited and trusted organizational theory.

In order to test our conceptual model meaningfully from a statistical perspective, factors were selected which speak to the latent variables of the conceptual model: appraisal of managerial response, evaluation of response, and organizational legitimacy. In order to test these variables, scales from the crisis management, marketing, psychology, and strategy literatures were adapted as first order constructs that would speak to the second order variables which this article is concerned. Figure 2 below presents the statistical model which is used to analyze the data collected from our survey. This framework will be applied to three unique organizational crises (with a unifying theme) towards the goal of empirically justifying the new framework based on theory.
Managerial Response Hypotheses

Managerial response is something that many crisis management scholars examine during the recovery stage of the process as discussed in the literature review. Garrett and colleagues (1989) identified some of the predominant ways in which organizations go about responding to an organizational crisis: denial, excuse, justification, and concession. Since this work, many crisis management scholars have identified other managerial responses to crisis and developed scales to measure each (Allen and Caillouet, 1994; Benoit, 1997; Kaufmann et al., 1994). Based on this stream of literature and the adaptability of the scales for response strategies, the managerial responses that will be examined in this work include: apology, disclosure, corrective action, evasion, excuse, and justification. These strategies and their corresponding author and citation are illustrated in Table 2.
Table 2: Managerial Responses Strategies

<table>
<thead>
<tr>
<th>Response</th>
<th>Citation</th>
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<tbody>
<tr>
<td>Apology</td>
<td>Allen and Caillouet, 1994; Benoit, 1997</td>
</tr>
<tr>
<td>Excuse</td>
<td>Allen and Caillouet, 1994</td>
</tr>
<tr>
<td>Justification</td>
<td>Allen and Caillouet, 1994</td>
</tr>
<tr>
<td>Evasion of Responsibility</td>
<td>Benoit, 1997</td>
</tr>
<tr>
<td>Corrective Action</td>
<td>Benoit, 1997</td>
</tr>
<tr>
<td>Full Disclosure</td>
<td>Kaufmann et al., 1994</td>
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</tbody>
</table>

Having identified legitimate stakeholder classifications and response types, the way in which organizations communicate with its stakeholder groups can vary depending on the crisis itself, the magnitude of damage, and the type/number of stakeholder groups which the organization must communicate (Pearson and Mitroff, 1993). An organization must be dynamic in its selecting a response strategy, as it will have direct implications on stakeholder perception in the process. As has been done in prior crisis management works (Garrett et al. 1989; Pearson and Mitroff, 1993), this project dichotomized the response strategy types into two groups: functional response strategies and dysfunctional response strategies. This allows us to group responses which are generally regarded as functional (apology, disclosure, and corrective action) into one category, and those that are regarded as dysfunctional (evasion, excuse, justification) into another category.

Examining the following hypotheses will allow for a better understanding of the types of responses that are correlated with positive and negative impressions by stakeholders. Ultimately, we anticipate positive correlations with the functional responses and negative correlations with the dysfunctional responses, as research has shown that top management teams can minimize the severity of a crisis through effective communication with stakeholders (Greening and Johnson, 1997). Thus, the above discussion leads to the formulation of the following hypotheses:

- **Hypothesis 1**: Functional response strategies will positively affect managerial response perception.

- **Hypothesis 2**: Dysfunctional response strategies will negatively affect managerial response perception.

**Evaluation of Response**

The relationship between stakeholders and organizations is a two way street: organizations need stakeholders for profitability and viability, and stakeholders need organizations for employment, community building, and basic satisfaction of human needs and wants. Based on this understanding, a stakeholder’s evaluation of an organization’s response to a crisis appears directly relevant in the crisis management literature. Based on institutional theory (Meyer and Rowan, 1977) and stakeholder theory (Freeman, 1984), the literature suggests that an evaluative link affects the relationship between the actions of a firm and its corresponding competitive position.
after an organizational crisis. An organization’s response to a crisis cannot have performance implications without a perception and evaluation of the response by stakeholders. Perception is defined as the process by which people translate sensory impressions into a unified view of the world around them (Howard and Sheth, 1969; Bettman et al., 1998). As such, perception of the response becomes the reality, even if the reality or intention of reality by the organization was different than what it was perceived to be.

To gauge the level of positive evaluation of a response to stakeholders, this study calls upon constructs utilized in the marketing literature: timeliness, adequacy, and sincerity. Each of these constructs has been utilized by marketing researchers at the individual level to gauge a person’s evaluation of a particular situation or action (Mentzer et al., 1989; Bies and Shapiro, 1987; Lewicki and Bunker, 1996). Thus, as we are interested in gaining an understanding of stakeholders’ evaluations of responses from an organization, these constructs were adapted to this study. The three elements of the evaluative criterion are discussed below.

First, timeliness refers to the time lag between an event in question and the response or report by the organization regarding the event (Leventis and Weetman, 2004). The construct of timelines becomes a critical factor in the overall satisfaction or evaluation in the aftermath of a crisis situation (Mentzer et al., 1989). When some type of violation or offense occurs in crisis, stakeholders are unsettled by the fact that an assumed trust has been broken (Lewicki and Bunker, 1996), and it is up to the offending party to re-establish the relationship via some timely communicative effort (Tomlinson et al., 2004). Timeliness is evaluated at the individual level, so timeliness to one stakeholder can be un-timely to another. As such, it is a perceptual element for the purposes of measuring stakeholders’ evaluations, and it is the first construct utilized in this work to determine stakeholder evaluation of response by an organization.

Next, adequacy relates to the level in which a stakeholder believes an organization has responded to a crisis situation. In a study done by Bies and Shapiro (1987), perceived adequacy of an explanation was a critical component in the reduction of negative action taken by the stakeholder when an organizational problem occurred. Organizations encountering situations in which a response is merited should provide adequate social accounts to offset the negative impact (Tomlinson et al., 2004). The stakeholder ultimately determines the adequacy of a response at the individual level, and thus, there is an evaluation of the adequacy of an organizational response that can be rated by stakeholders of the organization. As such, we conclude that adequacy is a critical construct which helps to determine a stakeholder’s evaluation of a response by an organization.

Finally, sincerity, a construct often cited in the brand personality literature, is achieved through an individual’s perception of a brand’s caring and genuine nature (Aaker, 1991). In the context of crisis management, the level of sincerity of an organizational action has a critical impact on the victim in terms of their willingness to reconcile a relationship after a negative event (Lewicki and Bunker, 1996). An individual’s evaluation of honesty and sincerity was found to be a key variable regarding “negative reactions” held by stakeholders when an organizational promise was broken (Shapiro, 1991). Further, sincerity was found to enhance the effect of a response by an organization (Tomlinson et al., 2004). Based on these studies, sincerity is an appropriate construct to use to measure evaluation of response to crisis.

The next section discusses the link between the response quality and the performance of the organization in crisis. As such, the above section has theoretically developed the means for evaluating a response’s quality in terms of timeliness, adequacy, and sincerity. How positively the stakeholder judges the response will be reflected in the overall quality of the organization-stakeholder relationship, measured in terms of relationship quality and organizational reputation.
These outcome variables speak to the higher order construct of organizational legitimacy, which, during a crisis situation, is imperative to establish.

Organizational Legitimacy Hypotheses

Performance has been defined throughout the strategy literature as the competitive position of the firm relative to others in the industry (Porter, 1981; Hoskisson and Hitt, 1990). Performance can be looked at under two distinct lenses, financial performance and reputational performance. The former iteration of performance is concerned with managerial outcomes demonstrated in financial reports, stock prices, and other financial metrics (Cameron, 1978). On the other hand, according to institutional theory, if a firm is to legitimize its reputation and position in the competitive market by appealing to stakeholders through meeting their demands in time of crisis, the stakeholders play a part in the institutionalization of the firm, and performance implications should follow. As such, this article is concerned with the latter definition of performance; examining organizational outcomes for performance with reputation and legitimacy (Deephouse and Carter, 2005). The constructs that we use to examine the link between a stakeholder’s evaluation of a response and the organizational legitimacy are relationship quality and organizational reputation.

Relationship quality can be defined as an all-inclusive assessment of the soundness or health of a relationship (Gabarino and Johnson, 1999). Prior research has regarded relationship quality as the most accurate appraisal of relationship strength (Kumar et al., 1995). While there is no one single dimension to produce an overall rating of relationship quality (Johnson and Grayson, 2005), researchers in marketing and management use a variety of factors which speak to the higher order construct. For the purposes of this work, the overall relationship quality will be assessed using a combination of four factors: satisfaction (Maxham and Netemeyer, 2002), trust (Morgan and Hunt, 1994), loyalty (Arnould and Reynolds, 2003), and helping behavior (Ahuwalia et al., 2000). Thus, in order to gauge the impact that an organization’s response quality has on the relationship quality between the stakeholder and the organization, the following hypothesis is proposed:

- **Hypothesis 3:** Ratings of response quality positively affect a) satisfaction, b) trust, c) loyalty, and d) helping behavior.

Next, organizational reputation can be a very powerful and valuable asset to an organization (Dasgupta, 1988). Reputation is defined as the extent to which an organization is perceived to be honest and concerned with its stakeholders’ interests (Doney and Cannon, 1997). An organization’s reputation is developed over time through exposure to the firm’s products, services, marketing, public relations, and employees. Stakeholders develop a sense of what the organization’s values are and establish a basis for rating the organization when compared to others in the industry, local community, national forum, and even worldwide. Certainly, communication during a time of crisis has many implications on an organization’s reputation. Marketing research has demonstrated that an organization’s reputation will affect a consumer’s product choice, intentions for purchases, and overall attitude towards the brand (Johnson and Grayson, 2005; Hess, 2008)

This article contends that an organization’s response strategy in combination with the stakeholder’s appraisal and evaluation of the response will have implications on the organization’s overall reputation following a crisis situation. Based on the marketing and management literature surrounding organizational reputation, the following hypothesis is formulated:
• Hypothesis 4: Ratings of response quality will positively affect organizational reputation.

METHODOLOGY

In order to test the proposed conceptual model on the relationship between managerial responses and stakeholder perceptions en route to organizational legitimacy, an appropriate setting in higher education was identified to investigate these relationships. For the purposes of this work, three universities with major leadership transitions were selected. The unifying feature of each of the institutions examined was that there was a change in leadership at the presidential level. The difference in the context of the replacement of the university president provides us diversity in examining the effects of managerial response and various stakeholder groups’ evaluation of the organization during its time of transition. Thus, it is an appropriate context for studying the phenomenon under review in this work. The three schools are geographically diverse, have diverse student populations, vary in their degree of exclusivity, and center around three possible crises circumstances: external crisis, internal crisis, and benign crisis. Using such a sample of institutions and crises makes it possible to generalize the results of our study and negate the idea that crises are an artifact of one particular management circumstance.

Data collection for this article was facilitated through cooperation with students, faculty members, and administrators (as well as their personal contacts) from whom the principal investigators have personal relationships. All three of the selected universities are accredited institutions in the United States whom have each underwent a change in their leadership. The unit of analysis is the individual stakeholder-organizational relationship, as perceived by the stakeholder, and the data was compiled through snowball sampling of stakeholders at each of the three selected universities (Bernard, 2002).

Given the focus of this work, we rely on the typology for stakeholder salience as proposed by Mitchell et al., (1997). According to this typology, salient stakeholders possess characteristics of legitimacy, urgency, and power, focusing on stakeholder groups who have a real impact on the shaping of the organization in a more direct, tangible way. In applying this to university stakeholders, seven pre-tested stakeholder groups emerged: students, faculty, administrators, staff, alumni, donors, and sports fans. Each of these stakeholder groups should possess adequate levels of knowledge about occurrences at their particular school of interest, particularly when something out of the ordinary such as a major change in leadership occurs. The key-informant approach (Kumar et al., 1993) was used to assess stakeholder ratings of the institution regarding its crisis situation.

To address the issue of common methods bias, two safeguards were performed (Podsakoff et al., 2003). From the basis that stakeholders would be assessing the organization after being reminded of the crisis that took place (and potentially would impact their present rating of the organization), the survey was coded in such a way that attitude towards the organization was assessed in alternating format in the online data collection tool. Thus, every other respondent answered the outcome variables before their perceived managerial response and evaluation of the response surrounding the crisis. Additionally, survey respondents were guaranteed their anonymity so that the responses would not be publically available, coded in such a way that only the principal investigators would be able to analyze.
In order to test the conceptual model, the scales utilized in the survey instrument were adapted from extant empirical literatures in stakeholder theory, institutional theory, contingency theory, social learning theory, and organizational theory. Thus, the scales have been previously assessed for validity and reliability by scholars in these various fields. Table 3 below provides a summary of the constructs examined, their origins in the literature, and the journals in which they have been published.

**Table 3: Construct Measures and Origins**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Origin</th>
<th>Journal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apology</td>
<td>Garrett et al., 1989</td>
<td>Journal of Business Ethics</td>
</tr>
<tr>
<td>Disclosure</td>
<td>Morgan and Hunt 1994</td>
<td>Journal of Marketing</td>
</tr>
<tr>
<td>Corrective Action</td>
<td>Coombs and Schmidt, 2000</td>
<td>Journal of Public Relations Research</td>
</tr>
<tr>
<td>Evasion</td>
<td>Coombs, 2007</td>
<td>Journal of Public Relations Research</td>
</tr>
<tr>
<td>Excuse</td>
<td>Tedeschi and Riess, 1981</td>
<td>Journal of Applied Psychology</td>
</tr>
<tr>
<td>Justification</td>
<td>Schlenker, 1982</td>
<td>Journal of Experimental Psychology</td>
</tr>
<tr>
<td>Timeliness</td>
<td>Hitt et al., 2004</td>
<td>Academy of Management</td>
</tr>
<tr>
<td>Adequacy</td>
<td>Bies and Shapiro, 1987</td>
<td>Social Justice Review</td>
</tr>
<tr>
<td>Sincerity</td>
<td>Davison, 1999</td>
<td>Information and Management</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Garbarino and Johnson, 1999</td>
<td>Journal of Marketing</td>
</tr>
<tr>
<td>Trust</td>
<td>Moorman, Deshpande, and Zaltman, 1993</td>
<td>Journal of Marketing</td>
</tr>
<tr>
<td>Helping Behavior</td>
<td>Ahearne, Gruen, and Bhattacharya 2005</td>
<td>Journal of Applied Psychology</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Oliver, 1993</td>
<td>Journal of Consumer Research</td>
</tr>
<tr>
<td>Organizational Reputation</td>
<td>Herbig and Milewicz, 1995</td>
<td>Journal of Consumer Marketing</td>
</tr>
</tbody>
</table>

In order to gain knowledge of stakeholder perceptions of managerial responses and their evaluations, the critical incident methodology was utilized for this study (Andersson and Nilsson, 1964). Respondents were asked to focus on a single event in their organization’s history and then answer questions related to that event. Such a methodology has been recognized in stakeholder literature to be an effect means of evaluating stakeholder reactions (Collins and Pieterse, 2007; Nijhof et al., 2003; De Saram et al., 2004). The goal of using the critical incident methodology was to have the respondents focus on the incident surrounding the appointment of a new organizational leader, which, in the context of this study, was a college president. Each respondent was given a fact pattern to read surrounding the events leading up to the firing or stepping down of a former college president. The fact pattern was developed from news articles, university
reports, media coverage, social media posts, and other media outlets which were published around the time of the critical incident. From this fact pattern, the respondents would proceed to answer questions regarding the organization’s actions based on the established scales from the literature and those pre-tested in unison before launching the main survey.

Of the three institutions selected for sampling, 577 subjects participated in the survey by completing the online instrument in full. After excluding several cases for duplication, failed attention check, and patterned responses, the final useable sample size for the main study was 505. Table 4 below shows the distribution among stakeholder groups and selected institutions.

Table 4: Profile of Survey Respondents

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Number*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Group</td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>233 (46%)</td>
</tr>
<tr>
<td>Alumni</td>
<td>156 (31%)</td>
</tr>
<tr>
<td>Faculty</td>
<td>28 (5.5%)</td>
</tr>
<tr>
<td>Staff</td>
<td>32 (6.5%)</td>
</tr>
<tr>
<td>Administration</td>
<td>27 (5.5%)</td>
</tr>
<tr>
<td>Sports Fan</td>
<td>11 (2%)</td>
</tr>
<tr>
<td>Donor</td>
<td>7 (1.5%)</td>
</tr>
<tr>
<td>Other</td>
<td>11 (2%)</td>
</tr>
<tr>
<td>Institutional Affiliation</td>
<td></td>
</tr>
<tr>
<td>Saint Louis University</td>
<td>168 (33%)</td>
</tr>
<tr>
<td>King’s College</td>
<td>177 (35%)</td>
</tr>
<tr>
<td>Penn State University</td>
<td>160 (32%)</td>
</tr>
</tbody>
</table>

* Rounded to the nearest half percentage

The data collection survey instrument was active for six weeks from February of 2014 through March of 2014, in which time all 505 useable surveys were collected. The sampling distributions appear reasonable given the proportion of stakeholders within a collegiate environment. The majority of stakeholders identified themselves as students or alumni, which was anticipated given the percentage representations of these two groups in the higher education industry and the possibility of stakeholders having multiple relationships but identifying as alumni or students more saliently. In terms of representativeness of the sample populations, the three institutions elicited nearly identical percentage representations, resulting in almost precisely an even distribution among the three institutions.

ANALYSIS

The theoretical model of stakeholder perception of organizational response that specifies causal relationships between the constructs of interest is tested with the technique of Partial Least Squares (PLS) modeling. PLS is a component based covariance structure modeling for analysis of systems of independent and response variables (Chin et al., 2003). This method is appropriate because it allows for the simultaneous testing of the structural paths within the model. Further, the PLS algorithm allows the variation of indicator’s contribution to the composite score of the latent variable (Chin et al., 2003). The hypothesized relationships were tested in Smart PLS 2.0 for Windows (Ringle et al., 2005).
In order to justify the items used to test the hypothesized relationships in the framework, a sequence of three tests were performed to evaluate the scale items used in the questionnaire. These tests include: reliability assessment, convergent validity, and discriminant validity. All constructs and items were assessed and accepted based on reliability thresholds used within the marketing literature. PLS was used to estimate the full structural model and assess the hypothesized relationships. Table 5 identifies the $\beta$ and significance levels of the hypothesized relationships.

Table 5: Structural Model Results

<table>
<thead>
<tr>
<th>Hypothesized Relationship</th>
<th>$\beta$</th>
<th>t-Value</th>
<th>Hypotheses Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Response Strategy $\rightarrow$ Response Perception</td>
<td>.584</td>
<td>14.695***</td>
<td>H1: S</td>
</tr>
<tr>
<td>Dysfunctional Response Strategy $\rightarrow$ Response Perception</td>
<td>-.055</td>
<td>1.074</td>
<td>H2: NS</td>
</tr>
<tr>
<td>Response Quality $\rightarrow$ Satisfaction</td>
<td>.289</td>
<td>5.757***</td>
<td>H3A: S</td>
</tr>
<tr>
<td>Response Quality $\rightarrow$ Trust</td>
<td>.344</td>
<td>5.595***</td>
<td>H3B: S</td>
</tr>
<tr>
<td>Response Quality $\rightarrow$ Loyalty</td>
<td>.007</td>
<td>.113</td>
<td>H3C: NS</td>
</tr>
<tr>
<td>Response Quality $\rightarrow$ Organizational Reputation</td>
<td>.023</td>
<td>.427</td>
<td>H4: NS</td>
</tr>
</tbody>
</table>

* significant at the 0.05 level (2-tailed)

*** significant at the 0.001 level (2-tailed)

Hypothesis 1 is focused on the relationship between managerial response to the crisis and the stakeholder’s perception of the response. The original hypothesis states that functional response strategies will positively affect managerial response perception. Consistent with Hypothesis 1, the relationship between functional response strategies and response perception is positive and highly significant ($\beta = .584$, p<.001). Thus, a conclusion can be made that Hypothesis 1 is supported. As initially predicted, if the organization makes a functional response strategy, it will be perceived positively by the stakeholder groups.

Hypothesis 2 also focused on the relationship between the managerial response to the crisis and the stakeholder’s perception of the response. This hypothesis, however, looks at the negative response strategies and their relationships with stakeholder perceptions. The hypothesis states that as perceived by the stakeholder, dysfunctional response strategies will negatively affect managerial response perception. The PLS analysis reveals that the relationship is indeed negative ($\beta = -.055$), but the $t$ value of 1.074 falls short of the critical $t$ for a two-tailed test of 1.645. Thus, the relationship between dysfunctional response strategies and response perception is negative but not significant, and a conclusion can be made that Hypothesis 2 is not supported.

Next, Hypothesis 3 (a-d) focused on the evaluation of the organizational response to the crisis by examining the relationship between response quality and relationship quality with components of satisfaction, trust, loyalty, and helping behavior. The first hypothesis (3a) which
proposes that response quality is positively related to satisfaction receives support through its positive and highly significant relationship ($\beta = .289$, $p<.001$). As initially predicted, response quality will have a significant impact on the satisfaction between the stakeholder and the organization. The second hypothesis in this series (3b) examines the outcome of trust with the organization during a time of crisis. Consistent with this hypothesis, the relationship between response quality and trust is also positive and highly significant ($\beta = .344$, $p<.001$). Thus, as predicted, response quality will have a significant impact on the trust between the stakeholder and the organization. Next, the third hypothesis (3c) contends that there is a relationship between response quality and loyalty between the stakeholder and the organization. While the relationship is in the correct direction (positive at $\beta = .007$), the $t$ value in insignificant, so the hypothesis is not supported in this PLS model. Finally, the component of helping behavior (Hypothesis 3d) was dropped during the convergent validity stage due to poor loading and hence, it is not evaluated in the PLS structural model.

In turn, Hypothesis 4 focuses on the outcome variable of organizational reputation and its relationship with response quality. In particular, the originally formulated hypothesis states that as perceived by stakeholders, response quality positively affects organizational reputation. Despite the fact that the associations between response quality and reputation exhibit positive directionality ($\beta = .023$), the magnitude of the associations is statistically insignificant. As such, Hypothesis 4 is not supported. Contrary to the proposed relationship between response quality and reputation, there is an insignificant effect on this outcome variable.

**DISCUSSION AND CONTRIBUTION**

The conceptual model of stakeholder perception of organizational response that is theoretically developed and empirically tested in this study addresses a major deficiency in the crisis management and strategy literatures. Specifically, it identifies the role of perception and evaluation by the stakeholder in the crisis resolution process. It also provides support to the assertion that an organization in crisis can reestablish and possibly even strengthen its stakeholder relationships through functional response strategies which have relationship quality implications.

While perhaps more robust and direct support was anticipated from the data based on theory, there are several key implications which support the advancement of the new conceptual model for stakeholder perception to organizational crisis en route to sustained legitimacy. Additionally, a post hoc analysis is presented for the items in the model that passed validity and reliability checks, illustrating that additional contributions for the unsupported hypotheses exist when the second-order variables in the model are dropped and the first-order constructs dictate the strength of the relationships. Analysis was run on the structural model without the second order constructs of dysfunctional response strategies and response quality to see if there were significant relationships which were overshadowed by the composite scores of the first order factors in the model. The results of this analysis are presented in Table 6.
Table 6: Post Hoc Structural Model Results

<table>
<thead>
<tr>
<th>First-Order Relationships</th>
<th>β</th>
<th>t-Value</th>
<th>Supported (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evasion → Adequacy</td>
<td>-.161</td>
<td>2.704***</td>
<td>Y</td>
</tr>
<tr>
<td>Evasion → Sincerity</td>
<td>-.013</td>
<td>.266</td>
<td>N</td>
</tr>
<tr>
<td>Justification → Adequacy</td>
<td>-.080</td>
<td>1.604</td>
<td>N</td>
</tr>
<tr>
<td>Justification → Sincerity</td>
<td>-.159</td>
<td>3.336***</td>
<td>Y</td>
</tr>
<tr>
<td>Adequacy → Satisfaction</td>
<td>.162</td>
<td>3.097***</td>
<td>Y</td>
</tr>
<tr>
<td>Adequacy → Trust</td>
<td>.063</td>
<td>1.197</td>
<td>N</td>
</tr>
<tr>
<td>Adequacy → Loyalty</td>
<td>.131</td>
<td>2.484**</td>
<td>Y</td>
</tr>
<tr>
<td>Adequacy → Organizational Reputation</td>
<td>.007</td>
<td>.117</td>
<td>N</td>
</tr>
<tr>
<td>Sincerity → Satisfaction</td>
<td>.117</td>
<td>3.075**</td>
<td>Y</td>
</tr>
<tr>
<td>Sincerity → Trust</td>
<td>.343</td>
<td>5.764***</td>
<td>Y</td>
</tr>
<tr>
<td>Sincerity → Loyalty</td>
<td>-.079</td>
<td>1.269</td>
<td>N</td>
</tr>
<tr>
<td>Sincerity → Organizational Reputation</td>
<td>.026</td>
<td>.416</td>
<td>N</td>
</tr>
</tbody>
</table>

* significant at the 0.05 level (2-tailed)
** significant at the 0.01 level (2-tailed)
*** significant at the 0.001 level (2-tailed)

Based on the results of this analysis, several additional contributions can be stated. First, when taking out the second-order construct of dysfunctional response quality, significant loadings are realized between evasion and adequacy as well as justification and sincerity. Thus, a direct relationship can be concluded between the first-order factors of dysfunctional response strategies and evaluations of responses via adequacy and sincerity. In addition to the functional response strategy hypothesis which was supported in the original structural model, this new finding also substantiates the role of the stakeholders’ perception to the crisis event from a dysfunctional perspective as both relationships are negative and highly significant (β = -.161 and -.159, p<.001). As such, secondary support for Hypothesis 2 can be concluded when the second-order factors for dysfunctional response strategies are broken down into their first order constructs.

An additional observation can be made in noting that the first-order relationship between adequacy and trust is not supported in the post hoc analysis. This is likely associated with the fact that the relationship between sincerity and trust is highly significant (β = .343, p<.001). As such, it can be concluded that sincerity in a response can be ranked as the top predictor in terms of having an effect on the trust element of the relationship between stakeholders and organizations. On the other hand, when it comes to loyalty in a relationship, the post hoc analysis reveals a significant and positive relationship with adequacy (β = .131, p<.01). Thus, when considering loyalty in a relationship, adequacy of the response is the top predictor, and sincerity is insignificant. These
findings advance that the power of this new framework yields more specific and rich results when the constructs are broken down from second-order constructs to first-order constructs.

After examining the main structural analysis and the post hoc analysis, this study finds support for most of the relationships in the conceptual model, such that there is support at each of the three main sections of the model. To summarize, there is a positive relationship between functional response strategies and response quality; a negative relationships between dysfunctional response strategies and response quality; and a positive relationship between response quality and satisfaction, trust, and loyalty.

**IMPLICATIONS AND FUTURE RESEARCH**

The idea that an organization’s functional response strategy is related to overall response quality is a critical contribution to the stakeholder literature. What this finding substantiates is the role of the stakeholders’ perception of the communication response to the crisis event. In other words, in finding empirical support for the assertion that functional response strategies positively affect response quality in the eyes of stakeholder (Hypothesis 1), this study makes a significant contribution by illustrating initial support that a stakeholder’s perception is critically important in crisis resolution. As such, literature on crisis management should consider the way in which crisis communication is perceived, rather than focusing on precisely what the organization said and did. As mentioned at the very beginning of this article, reality is not reality; perception is reality, so it is important to focus on the impressions that communication strategies actually make on interested groups (Bettman et al., 1998).

Another interesting observation from the empirical analysis of this study is the overall quality of managerial responses to crises perceived by organizational stakeholders. This project examined higher education institutions that had recently gone through major changes in their leadership; namely, the replacement of a college president. Specifically, two of the three institutions had presidency changes surrounded by either internal or external conflict, and thus, it was anticipated that dysfunctional response strategies might emerge as more commonplace among the respondents than functional strategies, namely for the two institutions where the president of the school was either fired or encouraged out of his position of authority. What the data showed, however, was that the mean scores for functional response strategies were nearly an entire point higher than those for dysfunctional response strategies (4.244 v. 3.404), despite the majority of the crisis situations in the study being surrounded by a certain level of negative controversy. This potentially is an indicator that stakeholders exhibit a willingness to forgive or give the benefit of the doubt to organizations which they have vested relationships. Perhaps this is a function of the specific industry which was examined, so future research may address this possible deficiency. Other future research opportunities and limitations will be discussed in a forthcoming section.

Next, this paper contributes to the strategy literature via the supported hypotheses in the second half of the framework, by substantiating the significant relationships between response quality and satisfaction as well as response quality and trust (Hypotheses 3a and 3b). This finding allows the connection to be made between response evaluation by a stakeholder and relationship quality with the organization, a performance outcome. Thus, if stakeholders are satisfied with and trust the organizations that they have relationships with, they will be more prone to continue their relationships, even throughout times of crisis (Maxham and Netemeyer, 2002; Morgan and Hunt, 1994). Further, despite the loyalty and helping behavior hypotheses not receiving significant support in their relationship with response quality, satisfaction and trust are factors which can lead to helping behaviors or increased loyalty in a relationship (Flavián et al. 2006).
This work is merely a stepping-stone to higher-level findings to support the framework presented in this paper. Taking cases from just three institutions in one industry restricts the generalizability of this study. However, significant results did emerge from valid scales and thus, there is reason to dig deeper into the relationships presented. Further, this study restricts itself to focusing on legitimacy outcome variables, but future research should seek to incorporate financial performance outcomes along with legitimacy to tell a more comprehensive story of the performance of organizations in the dawn of a crisis.

The next opportunity for future research in this area of study involves examining the relationship strength among stakeholders of an organization. While the empirical investigation in this study asks the stakeholders to categorize themselves according to the stakeholder groups to define their relationship, there is more to a relationship than merely a stakeholder categorization (Grégoire et al., 2009). Moderating variables such as length of relationship, stage of relationship, closeness / proximity to organization, and participation in organizational events, just to name a few, would be interesting to investigate from a qualitative perspective. Thus, examining organizational stakeholders from an ethnographic approach would be a fruitful area for future research with the goal of gaining a more in-depth understanding of the process for crisis resolution from the perspective of multiple stakeholder groups involved during a time of crisis. As such, future research could identify an organizational crisis as a case study, conduct interviews with representatives from the primary stakeholder groups, and gain a better understanding of the group differences among specific stakeholders.

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WORKING PAPER:

NICHIZATION IN DIGITIZATION ERA: IMPLICATIONS FOR FINANCIAL SERVICES

Tevfik Dalgic
University of Texas at Dallas
Naveen Jindal School of Management

DOI: http://dx.doi.org/10.21607/jmsm.2018.007

Introduction

The ever increasing diversity in consumer tastes and habits as well as changing needs of business and organisational markets, coupled with cut throat competition, structural changes in markets, continuous advancement in information and production technologies are not only creating new marketing approaches and methods but also threaten large companies and questioning the validity of their traditional marketing methods and practices. Financial services are not immune to these changes.

Niche marketing and relationship marketing are among the most frequently mentioned marketing methods in the business press and the marketing literature within last 3 decades. (See: Forbes issues in 1991-97, Wall Street Journal 1996-1997, Marketing News 1991-1997 and Journal of Academy of Marketing 1994-1997) and Google search yielded 3,080,000 results (0.54 seconds) in April 2016 for Niche Marketing. One method may need the other one in order to be successful. Especially, the niche marketers are applying relationship marketing concept which requires one-to-one marketing. Recently a new term has been used by practitioners: “Nichization”. It corresponds to development of products, services and ideas on the market based customer preferences.

http://www.ondrugdelivery.com/publications/Pulmonary%20Nasal%20November%202012/Aptar.pdf

Although as early as 1977 “narrower product lines and narrower market segments were found preferable by many successful companies” (Biggadike 1977), operationalization of niche marketing had not been made and no comprehensive study, covering both conceptual and empirical studies was published until 1994 (Dalgic and Leuw). Clifford and Cavanagh (1985) empirically found that successful mid-sized companies that their success was directly attributable to the way in which they niched within a large market rather than trying to go after the whole market. Relationship marketing which supports close links with the customers and detailed customer information usage is also becoming a new marketing tool for big corporations recently. Studies of International Marketing and Purchasing Group (IMP) of Europe empirically have proven that, some European industrial marketers in some selected sectors had developed long term continues relationships with their customers (Thurnbull and Valla 1986). Relationship marketing which may be defined as; “a marketing strategy that seeks to establish an ongoing...
business relationship with customers whereby the product becomes the total relationship" (Keegan, Moriarty and Duncan 1992). In today’s cut throat competitive environment not only the product but the total marketing management becomes management of relationships. Gronroos (1989) suggested that marketing evolved into "a market oriented management rather than a separate function of business" as originally foreseen by Drucker (1955). For a market oriented management, long-term, strong relationships are the key. In order to develop them, companies may need to practice this approach. In this approach they try to build a relationship for the mutual benefit of both parties. Through this win/win situation a company may build a barrier to deter potential competitors and sustain long term profitability as well as customer retention and supplier relationships (Davis and Davidson 1991).

**Niche Marketing**

Niche marketing strategy also requires establishing long-term, if possible one-to-one relationship with the customers (Dalgic and Leuw 1994) and adopting a customer focus. In niche marketing, long term, strong relationships are the key success factors.

Kotler (1996) defines a niche as “a more narrowly defined group, typically a small market whose needs are not being well served”. As McKenna (1988) points out; "an essential requirement for approaching markets however is for the company to focus on the fragmented, ever evolving customer base as if it were part of the own organization". In a 75 percent response survey conducted by Stanton and Linneman (1991), among all Fortune 1000 firms, the results showed that almost all of these firms have in some way started to serve smaller market segments to be closer to their customers.

If companies, who want to survive, grow and be profitable, they have to find markets that have:

- sufficient size to be potentially profitable,
- no real competitors exist or have been ignored by other companies,
- growth potential,
- sufficient purchasing ability of customers,
- a need exists for special treatment of customers,
- customer goodwill towards the product or the company,
- opportunities exist for a new entrance company to exercise its superior competence (Kotler 1996, Leeflang 1990).

These characteristics may also be termed as the characteristics of niche markets. Another characteristics of niche markets is that they are relatively small. Keegan, Moriarty and

Duncan (1992) defined a niche as " a small market that is not served by competing products". According to McKenna " most large markets evolve from niche markets"(1988). Dalgic and Leuw (1994) define a niche as “a small market consisting out of an individual customer or a small group of customers with similar characteristics or needs”. A more general definition of niche marketing is provided by Stanton, Etzel and Walker (1991) as" a method to meet customer needs through tailoring goods and services for small markets". Wilson, Gilligan and Pearson
(1995) defined the niche marketing with the following words: “Although niching is typically associated with small companies, it is in practice a strategy that is also adopted by divisions of larger companies in industries in which competition is intense and the costs of achieving a prominent position are disproportionally high. The advantages of niching can therefore be considerable, since if properly done it is not only profitable, but also avoids confrontation and competition”. Porter’s Focus strategy may be seen as a niche marketing strategy in general. This can be achieved by focusing on a particular buyer group, segment of the product line or geographic market (Porter 1980). Perhaps a shorter definition for a niche market could be made as any of the following; a segment of a segment or a slice of a segment or a pocket in a segment. An a niche has the following characteristics:

- A niche is usually smaller in size compared to the size of a segment,
- A niche focuses on individual; a segment focuses on a homogenous group,
- A niche is specific in fulfilling a specific need in contrast to a segment where the emphasis is on being a manageable part of the market.
- A niche is a segment within a segment.

These specialisation leads to the distinctive competencies a firm needs to poses to pursue niche markets. These definitions addresses seven essential elements of niche marketing:

- positioning,
- profitability,
- distinctive competencies,
- small market segments; segments of segments, or small pockets within segments,
- adherence to the marketing concept,
- relationship marketing practices,
- building company reputation based on long-term mutual benefit with its customers.

What is a Niche?

Webster's Collegiate Dictionary (1992) describes a niche as “a recessed space or hollow; specifically a recess in a wall for a statue or the like, a place, employment or activity for which a person is best fitted, a habitat supplying the factors necessary for the existence of an organism or species”.

According to the Penguin Dictionary of Biology (Crambie, Hickman and Jonson 1978) an ecological niche has the following meanings:

"A particular role or set of relationships of organisms, in an eco system which may be filled by different species in different geographical areas”. Originally, niche’ is a French word and has been used for “dog house”.

Digitization

When you hear the word “digital,” you may think of consumer product companies like Apple and Amazon, or social media channels like Facebook and Twitter because they are early adopters
of this technology. Digitization is a technological development and refers to the process of converting information into a digital format. In this format, “information is organized into discrete units of data (called bites) that can be separately addressed (usually in multiple-bit groups called byte s). This is the binary data that computers and many devices with computing capacity (such as digital cameras and digital hearing aids) can process. Text and images can be digitized similarly: a scanner captures an image (which may be an image of text) and converts it to an image file, such as a bitmap as explained by Margaret Rouse in the technological web site: http://whatis.techtarget.com/definition/digitization

She further explains: “digitizing information makes it easier to preserve, access, and share. For example, an original historical document may only be accessible to people who visit its physical location, but if the document content is digitized, it can be made available to people worldwide. There is a growing trend towards digitization of historically and culturally significant data”

Two other researchers from McKinsey; Markovitch and Wilmott (2016) observe “digitization often enables a process to be fundamentally reconfigured; for example, combining automated decision making with self-service can eliminate manual processes. Successful digitization efforts start by designing the future state for each process without regard for current constraints—say, shortening a process turnaround time from days to minutes. Once a compelling future state has been described, constraints (for instance, legally required checks) can be reintroduced. In this ever changing external and technological environment customers want a quick and seamless digital experience, and they want it now.”

“They now expect every organization to deliver products and services swiftly, with a seamless user experience…. They expect to buy a phone from their telecommunications provider and have it activated and set up immediately out of the box. They want bank loans to be preapproved or approved in minutes. They wonder why a bank needs their salary slips as proof of income when their money is being deposited directly into the bank every month by their employer... Digitization “benefits are huge: by digitizing information-intensive processes, costs can be cut by up to 90 percent and turnaround times improved by several orders of magnitude. Examples span multiple industries: one bank digitized its mortgage-application and decision process, cutting the cost per new mortgage by 70 percent and slashing time to preliminary approval from several days to just one minute.... www.mckinsey.com/business-functions/business-technology/our-insights/accelerating-the-digitization-of-business-processes.

**Digitization in Financial Sector**

Data is critical to the operations of any financial institution. The wide range of operations and massive customer base generate huge numbers of transactions per day. The major challenges faced are listed below:

- **Storage-** Paper documents are stored in files which occupy floor space. The papers for internal and external communication need to be stored and maintained separately in specific categories.

- **Retrieval-** Retrieval becomes difficult as clerks need to search through drawers of folders and papers before they can find the right document.
• **Maintenance** - Maintenance of these records year after year becomes difficult as they need to be handled carefully because of their perishable nature.

• **Mobility** - Moving these files from desk to cabinet is a tedious job and introduces the possibility of lost documents.

• **Manpower** - There is a major investment in manpower to handle and maintain these folders and documents.

• **Privacy and Security issues**.

All of these activities require a one-to-one relationship in a private and secure environment. If we look at the essential processes in financial sector we see the following:

- **Knowledge Management** - Creating, distributing and maintaining knowledge, then reusing it many times as and when required.

- **Forms Processing** - Designing forms, defining templates and fields, extracting data from filled in forms, data entry, verification and preparing reports. Retrieving forms in the course of time when required.

- **Application Approval Process** - The application needs to pass through predesignated paths for approval to specified people with security on annotations, notes etc. made by authorized users. They are used in customer new accounts, loan processing and check storage/archive activities. [http://www.strategy-business.com/blog/The-Digitization-of-Financial-Services?gko=e7216](http://www.strategy-business.com/blog/The-Digitization-of-Financial-Services?gko=e7216)

Financial globalization has been forcing the finance sector to be more digitalized at a rapid pace in the past few decades. Higher demand for products and solutions, and an increasingly complex economic system mean that financial institutions need to offer a wider array of investment strategies and instruments to a global client base. Serving to clients around the world in turn necessitates the capacity to handle large transaction volumes.

Additionally, the same dedicated strategy web site observed;” since the 2008 economic crisis, financial services have been subject to stringent reform programs. Collectively, the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States and the MiFID II, Solvency II, and Basel III resolutions in Europe seek to strengthen the world’s monetary systems by addressing today’s highly leveraged, opaque, and excessively interconnected financial transactions and high liquidity risk. Reform imposes strict compliance requirements for transparency, monitoring, risk controls, and bans on highly profitable (but risky) activities such as proprietary” [http://www.strategy-business.com/blog/The-Digitization-of-Financial-Services?gko=e7216](http://www.strategy-business.com/blog/The-Digitization-of-Financial-Services?gko=e7216)

The same web site authors concluded: “financial firms are thinking about doing more than just reacting to regulatory reform, and are investing in digital capabilities as a sustainable solution to meet both compliance and strategic initiatives. As traditional revenue streams struggle to remain profitable, firms are turning toward digitization, not only as a means to increase cost-effectiveness and efficiency in operations, but also as a platform to develop additional high-margin products and services. These market trends are predicated on a paradigm shift in analytics from a model-driven approach to real-time self-serve analysis, implying that information is always current and available, especially in areas of customer service and engagement, cross-selling, fraud detection, and risk management. Firms on the leading edge of the digitized trend, therefore, have reaped benefits in greater customer insight and reach, higher productivity, and the
creation of new business models”.


In reality digitization is not only automation: It includes new ways of acquiring, processing, and acting on vast amounts of data about consumer and business markets. Additionally, securities servicers, market vendors, and utilities require access to larger data sets to help uncover new market opportunities, customer trends, and product possibilities. Servicer, but would also present a better and more consistent value proposition for the firm’s clients, resulting in a win for both.”


As Davis Well observed in Harvard Business School website: “Throughout the Digital Innovation course and Digital Summit, we have seen examples in almost every industry of “software eating the world.”…and Fin-tech start-ups have created lower-cost, highly automated software-based financial service products that offer a much cheaper alternative to traditional banking products that have existed for hundreds of years. Asset management, brokerage accounts, peer-to-peer lending, and digital currencies now exist as fully functioning alternatives to many traditional banking products. In all of these cases, the management fees and/or transaction costs associated with the products have been driven to mere basis points charged to the customer – a monumental shift from high fee mutual funds or 2% fee / 20% carry structure of alternative asset classes (VC/PE/Hedge Funds). https://openforum.hbs.org/challenge/understand-digital-transformation-of-business/summit/how-far-will-digitization-of-the-financial-services-industry-really-go

Nichization and Digitalization

Regulators’ in the financial services brought new and more stringent rules which require strong analytics in areas of pattern matching and correlation and data mining to uncover ignored or unmet market demand and existing customer needs. This requirement brings the nichization strategy into the picture thus making digitization as a delivery mechanism for the strategies to adopt these stringent rules and regulations to deliver on the services to ignored customers or existing customers’ unmet needs.

Financial services firms “must have a digital interface (input, outputs) that can interact with external stakeholders (including clients, regulatory bodies, vendors, external service providers and the market) with minimal human support.

As some researchers observed “by the year 2020, an entire generation, Generation C (for “connected”), will have grown up in a primarily digital world. Computers, the Internet, mobile phones, texting, social networking — all are second nature to members of this group. And their familiarity with technology, reliance on mobile communications, and desire to remain in contact with large networks of family members, friends, and business contacts will transform how we work and how we consume. The phenomenon of digitization is reaching an inflection point. The effects of an increasingly digitized world are now reaching into every corner of our lives because three forces are powerfully reinforcing one another:

**Consumer pull:** Consumers, and particularly Generation C, are already fully adapted to the digital environment. They naturally expect to be always connected, are willing to share personal data, and are more likely to trust referrals from their closest friends than well-known brands.
**Technology push:** Digital technology continues to expand its influence. The infrastructure backbone of the digital world is bringing affordable broadband to billions of consumers. In parallel, low-cost connected devices are being deployed in every industry, and cloud computing, and the vast information-processing machinery it requires, is developing quickly.

**Economic benefits:** The economic benefits to be captured through digitization are real. A wave of capital has poured into the new digitization technologies and companies, and the public markets reward early movers with unprecedented valuations.”

http://www.strategyand.pwc.com/global/home/what-we-think/digitization/megatrend

**THE CASE OF RETAIL BANKING**

Due to several financial service company bankruptcies around the globe, average customer has become hesitant to trust the financial services in general, banks in particular. As a consequence banking industry was forced to shift toward simple, less complex and lower-margin products.

Additionally, social media have enabled consumers to share personal experiences and negative opinions about financial institutions more frequently and with greater impact than never seen before. Also online channel makes it easier for consumers to compare banks and look for better products and services. The erosion of customer trust as we mentioned before, the slow economic recovery, and margin pressure stemming from a variety of sources are among the many factors that account for the current difficulties.

In search of growth opportunities in this environment, many banks are focusing on deepening their share of wallet with existing customers. Boston Consultancy Group observed that: “In addition, low-growth markets are leading to tighter competition as multiple banks vie for the same customer base. Some regulatory measures have brought consumer protection and product transparency to the fore, while others, such as Basel III, have put pressure on margins—making deep client relationships more important for retail banks. To differentiate themselves and be able to both keep and attract high-value customers in such a climate, retail banks can benefit by placing a laser like focus on their customers”

https://www.bcgperspectives.com/content/articles/financial_institutions_consumer_insight_customer_centricity_in_retail_banking/

All of these factors have forced financial services to adopt more customer-oriented niche strategies. Recently financial services media started to use a new term:” Customer-Centric for the marketing term customer-orientation or market-orientation. They define the new term as follows:

“A way of banking based on trust and fairness that uses knowledge of customers to meet their needs and achieve sustainable, valuable, long-term relationships.”

https://www.bcgperspectives.com/content/articles/financial_institutions_consumer_insight_cus
to mer_centricity_in_retail_banking/

This is what the marketers have been preaching for years as customer (market-)orientation and relationship marketing, thus niche marketing at individual level.

Boston Consultancy Group further explained the customer-centricity concept as “by
exploring customer motivations at what we call “moments of value.” What are the principal factors that influence people to leave their current bank? To join a new bank? To purchase additional products at a bank?

To explore such questions, BCG surveyed banking customers in a number of markets, including Canada. Using the Canadian research to illustrate overall trends, it is clear that customer-centricity plays a major role in the decisions people make regarding their banking relationships.

**The Decision to Switch Banks.** Roughly 50 percent of our survey participants in Canada said that customer-centric reasons—as defined by the four customer-facing dimensions in our framework—were behind their decision to switch banks.

For customers who switched, the anticipation of better overall service—characterized both by “hard” skills such as deep product knowledge and error-free execution, and by “soft” skills such as friendliness and helpfulness—was cited as most important.

**The Decision to Buy More Products.** Our research showed that the decision to buy more products at any one bank depended more on pure convenience—often driven by a desire to consolidate business and accounts at one institution—than on customer-centricity per se.**

**The Role of Advocacy.** According to our survey, customer-centric dimensions are also key to advocacy, with roughly 50 percent of decisions to join (or to avoid) a specific bank influenced by recommendations from family, friends, acquaintances, or online public forums.

**Potential Differences Among Markets.** In our view, the results of our research in a number of markets, including Canada, are largely representative of consumer sentiment about customer-centricity in most markets—with a few potential qualitative differences.

**Marketing and Communication.** Retail banks should foster a dialogue centered on individual customers’ personal financial needs, making explicit commitments—rather than communicate through mass media with high-volume, standardized advertising campaigns.
Sales and Service. Selling efforts should be highly targeted and proactive, based on deep knowledge of the customer’s needs and risk profile, and clear in explaining alternative (and potentially lower-priced) solutions—as opposed to being driven purely by sales volume or profit goals.

Products and Pricing. Value propositions should be tailored to meet customer needs, be clearly explained, and contain easy-to-understand features and alternatives; they should not be complex and difficult to grasp, with all the details coming in the fine print.

The Customer Experience. Knowledge of the customer should be used to define and deliver what is expected, allowing for “overdelivery” (through speed of execution or higher service levels) at key moments.”

In their research they found four additional, enabling dimensions of customer-centricity on the internal side.

Customer Intelligence and IT Landscape. Retail banks should adopt a disciplined approach to collecting data on customer behavior and sentiment across multiple interactions, then use those data to gain a deep understanding of current and predicted customer needs—as opposed to relying mainly on customer data that is “siloed” around specific products or channels.

Processes. End-to-end processes should be built in response to customer needs, with the most critical processes designed for speed as well as accuracy.

Governance. The customer perspective should be a key factor in organization design, both through hardwiring customer satisfaction into incentives and through clear definition of customer segments—as opposed to governance that is centered solely on financial performance and built around single products or channels.

DNA. Thinking and acting in the customer’s best interests should become an integral,
pervasive part of the bank’s strategy, culture, and capabilities, supported by strong executive commitment and enabled by training and recruiting—as opposed to having a silo-based organization with fragmented cultures in each product group and channel.”

Boston Consultancy Group has found three fairly common patterns of customer-centric banking are emerging across regions and across specific banks. These patterns are not rigidly defined or “set in stone” by any means. They are: Retail, Guardian, Convenience.

These 3 emerging patterns among surveyed banks are depicted in the following exhibit:

In all regions—the Americas, Europe, and Asia-Pacific—financial institutions have launched marketing campaigns with slogans such as Reinventing Banking, Restoring Trust, and Deepening Customer Relationships. The goal is to make customers feel that their banking needs are being well looked after—to become, in a nutshell, more “customer centric.”

“Yet to make those two words more than just a catchy phrase, banks that choose customer-centricity as a strategy must figure out how to transform their vision into actions that deliver on promises. Banks also need to understand the customer-value equation—not overinvesting in customers who are not likely to respond to new initiatives or whose long-term value to the bank is relatively low.”

Boston Consulting Group argued that, for retail banks, a focus on customer-centricity—defined as a way of operating “based on trust and fairness that uses knowledge of customers to meet their needs and achieve sustainable, valuable, long-term relationships”—is becoming an increasingly important differentiator in the marketplace. The same holds, we believe, for financial services companies broadly. Tomorrow’s winning players, we expect, will be the sector’s most customer-centric companies. They will have developed a truly deep understanding of their customers and will be able to satisfy their wants and needs in a manner that meets, if not exceeds,
expectations in all critical areas, including product selection and availability, interaction experience, service quality, channel accessibility, and communications.

Rapidly evolving digital capabilities—particularly mobile, social-media, big-data, and cloud technologies—offer financial services companies entirely new opportunities for understanding, serving, and engaging customers. These capabilities will be powerful allies in the pursuit of greater customer-centricity. Many companies recognize this but—given the range of possibilities and the speed with which the technology is advancing—are uncertain about how to proceed. Yet time to think things through fully and at an unhurried pace is a luxury that many businesses might not have. Customers’ expectations regarding what is possible in today’s digital landscape continue to rise—as does the ease with which a customer can identify a competitor that outdelivers and move his or her business.

Whether by carrot, stick, or a combination of the two, then, most financial-services companies will be propelled further into the digital space as they strive for greater customer-centricity. Our advice: be bold and proactive—even if it means making mistakes. For those that move quickly, there is high potential for sizable early-mover advantages. Indeed, a handful of companies are already pushing the envelope aggressively on this front and reaping rewards.

The Digital Edge

Today’s evolving digital capabilities can help financial services companies achieve greater customer-centricity by breaking some of the key compromises the industry has had to wrestle with historically. In the past, the form, frequency, and caliber of companies’ interactions with customers have been governed to a great extent by operational limitations. Legacy systems and back-office restrictions (for example, independent computer systems and data centers that are siloed by business line) have curtailed companies’ options regarding product design and delivery, targeting, communications, and service levels in general. The notion of being able to serve customers when, where, and how they want to be served, with products that meet their specific needs, has remained more a vision than reality.

But available digital capabilities can change the game. They can liberate financial services companies from these constraints by enabling the delinking, and subsequent loose rejoining, of content (that is, what is consumed), experience (how it is consumed), and platform (how it is delivered). (See the exhibit below.) The resulting ability to modularize, package, and deliver content (including products, services, and information) in new ways—supported by ubiquitous mobile Internet access through, for example, smart devices, cloud technologies, and service-oriented architecture—opens up a wide range of new options for greater customer-centricity. www.bcgperspectives.com/content/articles/information_technology_strategy_digital_economy_customer_centricity_financial_services_goes_digital/

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