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Mission Statement

The mission of the *Journal of Multidisciplinary Research* is to promote excellence in leadership practice by providing a venue for academics, students, and practitioners to publish current and significant empirical and conceptual research in the arts, humanities, social sciences, and other areas that tests, extends, or builds leadership theory.

Journal of Multidisciplinary Research

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A warm welcome to the summer edition of the *Journal of Multidisciplinary Research.*

As we continue to strive to make each issue of the journal thought provoking and valuable to our readers and contributors, we are introducing in this edition our new "Life Forward" segment, featuring high achievers. Since much of life is about a good story, we will feature individuals with diverse entrepreneurial, business, or academic accomplishments who are living life in a perpetual motion forward. As President Clinton once said, "It is about giving people better stories."

This issue of the peer-reviewed *Journal of Multidisciplinary Research* contains six articles, three book reviews, and one student article in our "Student Corner." I was impressed with our student article, which represents the quality of students' submission and serves as a prelude to the significant research presented here from around the globe.

J. P. Morgan said "Go as far as you can see; when you get there, you'll be able to see farther." By bringing you thought-provoking, interesting research from around the world, I hope we provide a venue for the reader to "see farther."

All the best,

Hagai Gringarten

Editor-in-Chief

Brand Engagement in Self-Concept: A Psychometric and Demographic Analysis

Leisa Reinecke Flynn, Ronald E. Goldsmith, and Felipe Korzenny

Abstract

Brand Engagement in Self-Concept describes the consumer tendency to include important brands as part of one's self-concept. This individual difference variable is operationalized via a previously developed eight-item Likert scale. The purpose of the present study is to assess both the psychometric characteristics and differences in mean scores of the scale across different United States (U.S.) demographic groups. The analyses use data from a national survey of 2,399 adult U.S. consumers. The results show the scale is unidimensional and has high internal consistency across all the different groups: gender, age, ethnic group, income, and education. Mean brand engagement is unrelated to gender and to level of education, but decreases as age increases. Brand engagement increases as household income levels increase. Finally, Black and Asian consumers report higher brand engagement than both Non-Hispanic White consumers and Hispanic consumers who prefer to communicate in Spanish.

Keywords

marketing, branding, demographics, brand engagement.

Introduction

A new concept has appeared in the marketing and branding literature and along with it a new scale to measure it. *Brand Engagement in Self-Concept* (BESC) is "an individual difference measure representing consumers' propensity to include important brands as a part of how they view themselves" (Sprott, Czellar & Spangenberg, 2009, p. 92). The concept of brand engagement captures the importance of using brands to form and to express consumer self-concept and identity (Elliott, 2004). Where consumers see brands as relevant to their lives, a relationship or bond grows between the consumer and his or her brand (Fournier, 1998; Uncles, 2008). Sprott, Czellar, and Spangenberg (2009) conceptualize this construct as a fundamental tendency in consumers, an individual difference at the global marketplace, rather than the

domain or category specific level. To better understand the phenomenon of branding, researchers need to use such concepts. As Schmitt (2009) argues in the case of brand experience, ". . . we know very little about how consumers experience a brand: how we can measure brand experiences; and whether brand experiences are simply an epiphenomenon or whether they can influence consumer behaviour" (p. 418). While much of our understanding of consumers' relationships with and use of brands comes from a qualitative perspective (cf., Fournier, 1998; Levy, 2005), and even from a post modern point of view (cf., Genosko, 2001a; 2001b) the current study and Sprott, Czellar, and Spangenberg's (2009) original study take a more psychological and measurement focused stance. From the point of view of a business, brand engagement in self-concept is certainly important to makers of branded goods and branding researchers because it describes an important motivator for brand purchase and for brand loyalty.

Brand engagement potentially explains a great deal of consumer decision making, so researchers interested in why consumers select the brands that they do should employ it. Before a self-report scale can be used with confidence, however, its psychometric properties (dimensionality and internal consistency) should be carefully documented; and because demographic characteristics could influence the performance of the scale, psychometric evaluation and means comparison across a variety of demographic groups is advisable:

> The interval nature of most marketing and organizational behaviour measures makes the evaluation of mean scores problematic, particularly for new measures. As such, it is important that absolute scale values be interpreted cautiously and that means and standard deviations across studies and samples be recorded in efforts to assist in interpreting subsequent results from scale applications over time and by new researchers. (Netemeyer, Bearden, & Sharma, 2003, pp. 164-165)

Thus, the purpose of the present study was to promote the use of this concept and its corresponding scale by evaluating its psychometric properties across many demographic groups of consumers to determine whether the scale was stable enough for researchers to use with confidence. A secondary purpose was to report relationships between demographic variables and BESC scale scores in order to identify potential confounds that can be incorporated in future research. The present paper reports the findings of a survey that begins the process of describing the presence of BESC among culturally diverse groups within the general U.S. population. We feel the scale will be of great value to managers who apply it in real world scenarios. To that end, we develop and test a series of hypotheses about the how we expect the BESC is related to the demographic variables gender, age, level of education and income, and ethnic identification.

Background and Hypotheses

The Concept of Brand Engagement in Self-Concept

The idea of using brands to construct the self is grounded in an instrumental view of materialism, whereby people acquire things for a purpose (Csikszentmihalyi & Rochberg-Halton, 1981). However, BESC differs from materialism because its focus is not on amassing quantity of goods, but only on acquiring branded products because they shape and express self-concept. BESC is internally rather than behaviourally driven. BESC is measured with an eight-item scale

that was developed by Sprott, Czellar, and Spangenberg (2009) using standard psychometric procedures. Table I contains the items. In the scale development section of their paper, Sprott, Czellar, and Spangenberg (2009) report that BESC is strongly related to material values (Richins, 2004) and marginally related to relational-interdependent Self-Concept (Cross, Bacon, & Morris, 2000), but not to self esteem, life satisfaction, sex role, or self deception, to name a few. Sprott, Czellar, and Spangenberg (2009) test the concept in five studies and find that consumers scoring high on BESC have more accessible memories of favorite brands, feel stronger associations between themselves and those brands, are able to recall more currently owned brands, feel more brand meaning, and are more brand loyal than are low scorers (Sprott, Czellar, & Spangenberg, 2009). The original paper develops the content of the construct and demonstrates its applicability to a variety of marketing situations, but makes no attempt to assess its psychometric properties in the general U.S. population. As a marketplace level individual difference, brand engagement is expected to vary across different demographic segments of the market. Evidence for these variations can improve the use of the concept by managers, and theory-testing researchers can anticipate which demographic variables to include as control variables in their model tests.

Table 1
BESC Items

1. I have a special bond with the brands that I like.
2. I consider my favorite brands to be a part of myself.
3. I often feel a personal connection between my brands and me.
4. Part of me is defined by important brands in my life.
5. I feel as if I have a close personal connection with the brands I most prefer.
6. I can identify with important brands in my life.
7. There are links between the brands that I prefer and how I view myself.
8. My favorite brands are an important indication of who I am.

From a scale development point of view, it is important to continue the testing of a new scale. Nunnally (1978) calls for norming new scales; it is the last step in Churchill's (1979)scale development process. According to DeVellis (1991), the demonstration of validity is an ongoing process and is "not firmly established during scale development" (p. 113). This is even more important when the findings have some counterintuitive elements, which is the case in studies of materialism to which BESC is closely related. It is also important to see that the scale generalizes across populations (DeVellis, 1991). It is important to know if demographic groups vary in the extent to which they manifest brand engagement. In order to know if an individual or group has a relatively higher or lower score, we need to know if the groups systematically vary from the population score (Spector, 1992). The large, national sample in this study enables us to make such tests.

Theoretically speaking, there is some cleaning up to do as well. Again, when we look the closest relative of BESC, materialism, there are many examples of contradictory findings about how it plays out in the general population. It is not possible to understand the mechanism of a construct when the directions of its correlations with demographic variables switch signs with

every study. While the BESC shows stability and predictability in the first study, it has not been thoroughly tested for its relationships with population descriptors.

Managers use population descriptors to construct market segments and to describe customer cohorts. In the case of BESC, we have a scale/concept with great potential for segmentation use in the field. Developing a demographic based profile for the BESC should be of value to managers especially given the versatility the short scale demonstrates in the original paper (Sprott, Czellar, & Spangenberg, 2009).

BESC and Demographics

Because there is no history of testing or predicting levels of BESC in the population, we have to fall back to using related variables to develop hypotheses. In the original study, Sprott, Czellar, and Spangenberg (2009, p. 94) found that materialism, as measured by Richins's (2004) reduced scale, was the most closely related to the BESC scale ($r = .42$, $p < .01$). This makes sense. Constructing identity is an important task for modern consumers (Elliott, 2004). Logically, a consumer using branded goods to construct a self is somewhat akin to instrumental materialism whereby consumers accumulate goods to achieve goals (Csikszentmihalyi & Rochberg-Halton, 1981). It is probably fair to say that Richins's (2004) scale tends more towards instrumental than terminal materialism. For instance, one item in Richins's (2004) materialism scale reads, "My life would be better if I owned certain things I don't have" (p. 218). The tone of the questions in this scale is more about owning certain things rather than just having a lot of things.

Both materialism and BESC have internal, psychological characteristics, and potential external or behavioural characteristics. External characteristics might include status or 'visible consumption' (Charles, Hurst, & Roussanov, 2009). The internal might look more like greed or self-centeredness. It would be interesting to have more correlational information about the BESC, but we can use materialism as our primary surrogate for BESC in forming hypotheses about how the construct is distributed in the population.

Gender and BESC

There is no consistent evidence about how gender and materialism are related. Kamano (1999) found that gender predicted materialistic tendencies in a number of developed countries, with women more materialistic than men. Kamineni (2005) used other countries and found men more materialistic. Studies have found that men are more accepting of materialistic values (Beutel & Marini, 1995; Jiuan, Wirtz, Jung, & Keng, 2001) or score higher on the Richins and Dawson (1992) scale (Pepper, Jackson, & Uzzell, 2009). Still others find no relationship between materialism and gender (Eastman, Goldsmith, Campbell, Calvert, & Fredenberger, 1997; Jusoh Heaney, & Goldsmith, 2001; Richins & Dawson, 1992). Belk (1984) found women less envious in an early study and no gender differences in a later study (Ger & Belk, 1996). The Web appendix for Sprott, Czellar, and Spangenberg (2009) reports the BESC is free of gender bias. Still, despite the lack of consistent ties between materialism and gender and realizing materialism is a surrogate for BESC, we find enough studies that show some gender relationship to test that H1: BESC scores are related to gender.

Age and BESC

Age is another demographic variable that appears in a number of studies of materialism and materialistic values. Sprott, Czellar, and Spangenberg (2009) found no correlation between age and BESC in a sample of 430 undergraduates. This finding is probably not definitive due to the restricted range in the sample. Logically, BESC would decline with age in adults. Studies of how values change with age show that older people tend to become more modest and thrifty as they age (Goldsmith, Flynn, & Kim, 2001). The general consensus is that materialism declines sometime in adulthood (Belk, 1984; Pepper, Jackson, & Uzzell, 2009; Richins & Dawson, 1992). Belk (1984) found older consumers less envious but also more non-generous than younger consumers. Non-generosity may be a separate construct and related differently to materialism. Kamano (1999) found older people more materialistic than younger people across seven developed countries, showing disagreement in the literature on the age variable as well. His study, however, used a scale of his own device, and that scale is much different from either Belk's (1984) or Richins and Dawson's (1992). Kilsheimer (1993) found consuming for status declines with age. In a similar measure, Charles, Hurst, and Roussanov (2009) found that spending on 'visible goods' declines with age. Logically and anecdotally, we see that as people age they focus less on goods and more on the importance of interpersonal relationships. Given the vast majority of the evidence in materialism and in values, we propose that H2: BESC scores decline with age.

Ethnicity and BESC

It is commonly perceived that there are racial or ethnic differences in consumption of status items (Charles, Hurst, & Roussanov, 2009). Differences in materialism by ethnicity are vague in the literature. Crispell (1993) reports that African Americans are the most materialistic in their consumption behaviour and Asians the least. Korzenny, Korzenny, McGavock, and Inglessis (2006) find African Americans and Asians value wealth more than Hispanics and all three groups more than non-Hispanic Whites do. In a measure closer to the BESC, that same study reports that Asians have the strongest feelings of identification with brands followed by African Americans. Over all, it appears that in the U.S., minority groups express more concern with material goods than the majority does.

The most recent work in the area uses econometric methods along with income and other demographic data to conclude that variance in income explains all differences in materialism and pro-material attitudes and behaviours between ethnic groups. Charles, Hurst, and Roussanov (2009) found that when a measure of income dispersion of the reference group (by this they mean the range of incomes within an ethnic group in a specific geographic area) is added to a regression equation explaining status spending, that all racial or ethnic meaning is lost. Income dispersion, not ethnicity, of the reference group explains consuming for status (Charles, Hurst, & Roussanov, 2009). People who live mostly around others with the same income express less status consumption. This too is logical. Possessions and status items are gathered to express position within a social system. Position means more in diverse groups and less in homogeneous groups. When people are very similar in terms of wealth and status, there is less need for them to display wealth. In the diverse group, there is need to display goods so as not to be mistaken for a poorer person. Thus, we propose that H3: BESC scores do not vary by ethnic group.

Income and BESC

Income and materialism are hard to disentangle. If we measure materialistic tendencies as money spent on categories of objects, we will always see spending increasing absolutely as income increases (Charles, Hurst, & Roussanov, 2009). We are also likely to find that spending in discretionary categories as a percentage of income varies predictably with income. When materialism is measured as an individual difference variable, we should find it unrelated to income as psychological characteristics are independent of demographics. Kilsheimer (1993) found income uncorrelated with status consumption measured as an individual difference variable. Pepper, Jackson, and Uzzell (2009) found that materialism is not related to income. Nguyen, Vu, Moschis, and Shannon (2009) tested the relationship between adolescent socio-economic status and adult materialism and found no relationship for Thai consumers. The only evidence to the contrary we found was in a study that used materialism as a component of a measure of utility; Corfman, Lehman, and Narayanan (1991) found income having only a small direct effect on the utility measure. We will test, however, for BESC correlations with income as it is important to at least demonstrate that BESC is free from confounds of income level. Again, a good psychometric variable is not confounded with demographics. H4: BESC does not vary with income.

Education and Materialism

The general consensus is that more education is associated with less materialism. Singaporeans with less education were more materialistic than their more educated counterparts (Jiuan, Wirtz, Jung, & Keng, 2001). Moors (2003) found the same relationship among Europeans from nine countries. Others have found no significant relationship between education and materialist tendencies (Kilsheimer, 1993; Pepper, Jackson, & Uzzell, 2009). We were unable to find any research finding education to be positively related to materialistic tendencies. Education levels are known to be related positively to income, implying no correlation with materialism, but logically, or at least thinking along the lines of a hierarchy of motivation, à la Maslow, it might be expected that, as people achieve more monetary and educational success, they might become less driven by material desires. As success is achieved, there is less felt need to make material displays to others in the social system. That is essentially the position taken by Moors (2003). It is reasonable to think that might translate over to BESC. So we propose H5: BESC varies negatively with level of education.

Method

Survey Method

Data were collected via online surveys during March of 2009. A Center for Hispanic Marketing Communication at a large southeastern U.S. university conducted the survey. It was a part of an annual survey examining the behaviour of Hispanic consumers in the United Stated. Respondents were intercepted online, asked to complete a survey, and offered a small incentive. DMS Research Opinion Place was used for English speaking respondents. DMS Research *Tu Opinión Latina,* a Hispanic online panel, was used to recruit Spanish speakers. English speaking

respondents were originally sampled via the Opinion Place online 'river' methodology. This method also has been referred to as 'RDD for the Web' as it uses broadcast promotional intercepts to generate a flow of respondents to the Opinion Place site. Respondents are screened and assigned to surveys in real-time, and are not considered registered panellists since most do not return to the site for ongoing survey participation.

In addition, given the quota requirements for this study, a random sample of past respondents to the annual survey was selected based on their demographic characteristics and invited to participate in this survey via a custom e-mail invitation. They were chosen based on their willingness to respond in the past and to boost the number of Hispanic participants. Respondents completed the survey by clicking on a link in the e-mail invitation, which connected them with the online questionnaire. Respondents were required to be 18 years of age or older, and the final sample included 505 non-Hispanic whites, 541 English speaking Hispanics, 351 Spanish speaking Hispanics, 500 African Americans, and 502 Asians. The surveys took an average of 20 minutes for English speakers and 29 minutes for Spanish speakers to complete. The number of Spanish speakers is smaller due to the difficulty recruiting these subjects and is possibly compounded by the longer time it took Spanish speakers to complete the survey. The completion rate was 74.5% for English speakers and 64.4% for Spanish speakers.

Measures

BESC items were interspersed with other measures for a study unrelated to the present one. The response scale was six points from '1 = completely disagree' to '6 = completely agree.' The screening portion of the questionnaire asked participants to indicate their gender and ethnic identification (Caucasian/White, African American/Black, Asian or Pacific Islander, or Hispanic/ Latino/Spanish, or other). The Hispanic participants were further subdivided into primarily English-Speaking and Spanish-Speaking groups respectively. The final section of the interview asked participants to report their highest level of education completed (1 = elementary school to 6 = Graduate Degree) and their household income (1 = $19,999 or less to 12 = $150K or more) (see Table 2). Education and income were treated as interval level variables in the subsequent analyses.

Table 2
BESC Means by Group

Groups	n	BESC Mean	BESC SD	F	Df	p	Part η2
Whole sample	2207	27.31	10.4				
Gender							
Men	888	27.92	10.3				
Women	1319	26.90	10.5	5.0	1, 2205	.025	.002
Age							
18-24	233	30.98	9.5				
25-34	630	28.62	10.4				
35-44	498	27.86	10.2				
45-54	433	25.71	10.2				
55-64	310	24.95	10.4				
65+	103	22.16	10.3	19.1	5, 2201	<.001	.042
Ethnic Group							
White	479	24.00	9.9				
Black	459	28.94	10.2				
Asian	476	30.23	8.9				
Hispanic/English	503	27.87	10.8				
Hispanic/Spanish	291	24.44	11.1	31.8	4, 2202	<.001	.055
Income							
$19,999 and less	180	26.63	11.2				
$20,000 to $29,999	207	27.11	10.4				
$30,000 to $39,999	251	27.32	10.6				
$40,000 to $49,999	244	26.95	10.4				
$50,000 to $59,999	223	28.45	10.6				
$60,000 to $69,999	165	26.64	10.7				
$70,000 to $79,999	153	29.70	10.0				
$80,000 to $89,999	102	26.80	10.5				
$90,000 to $99,999	109	28.83	10.0				
$100,000 to $124,999	137	28.03	10.1				
$125,000 to $149,999	92	28.51	9.7				
$150,000 or more	94	28.67	9.9	1.5	11, 1945	.136	.008
Education							
Elementary School	5	31.6	15.6				
Middle School	20	18.6	8.0				
High School	315	25.7	10.6				
Some College	838	27.2	9.8				
College Grad	611	28.4	10.7				
Graduate School	398	27.8	10.4	6.1	5, 2181	<.001	.014

Note: Missing values accounts for differences in cell sizes. part η2 = partial eta squared.

Analyses

Psychometric Stability

In order to deepen the understanding of the functioning of the scale and to further test the relationship between BESC scores and demographics, we test its factor structure (dimensionality) and reliability (internal consistency) across the different population groups. Next, we assess the relationships between the demographics and BESC via regression.

An important aspect of scale construction is its factor structure (Nunnally, 1978; Spector, 1992). In the original article, Sprott, Czellar, and Spangenberg (2009) find a unidimensional structure in multiple administrations. However, it is useful to see if this structure holds across demographic groups (Packman, Brown, Englert, Sisarich, & Bauer, 2005; Rahim & Magner, 1996). We performed a series of Exploratory Factor Analyses (EFAs) to assess the expected, unidimensional factor stability across demographic groups. The results showed that the eight items formed a single factor in each analysis. The factors explained from 59.0 to 71.4 percent total variance in the items. This is impressive factor stability. The same approach was taken for internal consistency. Cronbach's alpha was computed for the same demographic subgroups. Alpha varied from .92 to .95. Again, this is solidly consistent and remarkably high.

Hypothesis Tests of Group Differences

The bivariate differences in mean BESC scores for the demographic groups appear in Table 2. These results support H1, H2, and H4. Men (M = 27.9) scored higher than women (M = 26.9); mean BESC scores declined with age, and they did not vary by income. Contrary to our hypotheses, the results showed significant differences in mean scores for ethnic group and for level of education. However, none of the differences were very large, and in the case of education, there was no directional difference, and the observed difference may not be reliable because of very small cell sizes for the two lowest education categories.

To assess the multivariate relationship between brand engagement and the demographic variables, we first mean-centered participant age and income so that interaction terms could be computed that would mitigate multicollinearity in the analysis. Next, we regressed the brand engagement scores across the variables gender, age, education, and income plus dummy variables representing the five ethnic categories for the 1951 participants for which we had complete data. In this first stage of the analysis, the results showed significant relationships ($_{adj} R^2 = .07$, $F_{(8, 1942)} = 20.5$, $p < .0001$). Standardized regression coefficients were significant ($p < .05$) only for age ($\beta = -.176$), income ($\beta = .054$), and the dummy variables standing for White ($\beta = -.114$), Hispanics who prefer Spanish ($\beta = -.076$), and Asian ($\beta = .054$). In the next stage of the analysis, we added interaction terms for age and gender, gender and income, and age and income, but the change in R^2 was not significant and none of the regression coefficients for these variables were significant. None of the Variance Inflation Factors (VIFs) for the independent variables were larger than 2.0, indicating freedom from multicollinearity. The residual statistics did not reveal any outlying observations. The residual plots confirmed that the regression analysis met the assumptions of linearity, homoscedasticity, independence of the residuals, and normality.

The multivariate analysis gives us additional insight into the hypotheses. With the effects of the other variables in the analysis, men and women showed no differences in BESC scores in

the regression. The significant, negative coefficient for age supports H2; BESC does seem to decline with age. Ethnicity was the subject of Hypothesis 3, which proposed no ethnic differences. However, there were significant differences for Whites, Blacks, English, and Spanish speaking Hispanics, and Asians. Hispanics who prefer Spanish had the lowest scores (negative) on the BESC and Asians the highest. H4 predicted no relationship between income and BESC. This hypothesis also was rejected as income showed a positive coefficient; BESC increased with income. H5 stated that BESC should vary negatively with education levels. We did not find education related to BESC, and thus that hypothesis also was rejected.

The regression results suggest that when several demographic variables were considered simultaneously, brand engagement is unrelated to gender and to level of education. There is a relationship, however, with age, such that as age increases, brand engagement decreases, suggesting that older consumers use brands less frequently to construct self-concept. Brand engagement also increases as household income levels increase. The results also showed that Black and Asian consumers express higher brand engagement than Non-Hispanic White consumers and Hispanics consumers who prefer Spanish. We will mention English speaking Hispanics in the next section.

While testing the psychometric properties of the BESC, we saw that mean scores varied with gender. However, this relationship failed to materialize in the regression. A follow-up, post hoc 2 X 4 between-groups analysis of variance comparing average brand engagement scores for men and women and for the five ethnic groups (Whites, Blacks, Asians, and English speaking and Spanish speaking Hispanics) showed a more complicated pattern of differences (see Figure 1).

Figure 1. Estimated marginal means of brand engagement by ethnicity.
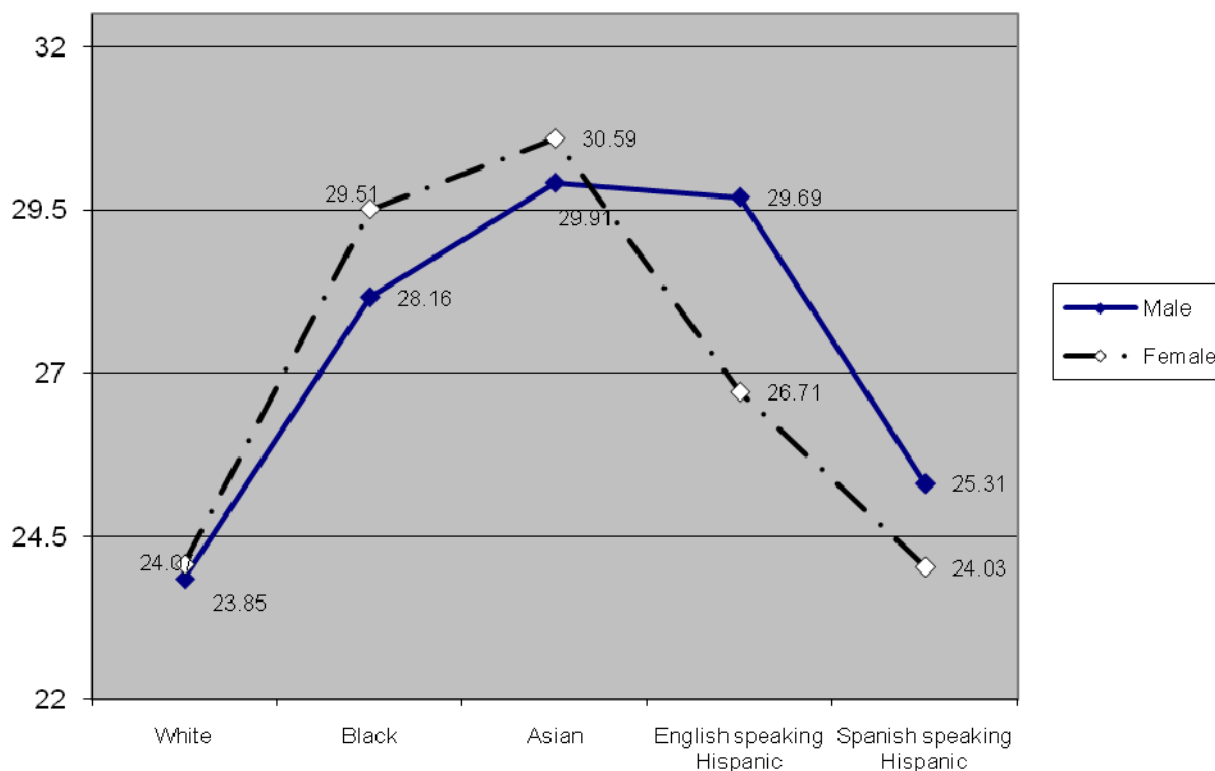
The main effect for gender was not significant, consistent with the regression results. The main effect for ethnic group also was consistent with the regression results; the mean brand engagement scores for Blacks, Asians, and English speaking Hispanics were significantly higher than the mean score for Whites and Hispanics who speak Spanish. However, a significant interaction term and plot of the mean scores showed that for Whites, Blacks, and Asians, the mean brand engagement scores for women were higher than for men (statistically significant for Whites and Blacks, but not for Asians), while the mean brand engagement scores for Hispanic men, both English and Spanish speaking (M = 29.7 and 25.3, SD = 10.1 for both groups) were higher than for both groups of Hispanic women respectively ($M_{(English)}$ = 26.7, SD = 11.1 and $M_{(Spanish)}$ = 24.0, SD = 11.1). Because age was a significant predictor in the regression equation, we tested it as a covariate in the ANOVA. We found, however, no effect for age as a covariate.

Discussion

The notion that consumers use brands to express who they are is an important concept dating from the early days of consumer theory (Levy, 1959) that has been incorporated into a variety of accounts of consumer brand behaviour ever since. McCracken (1988) promoted the notion that consumers use material goods to "construct notions of the self" (p. xi). Kapferer (2008) introduced the concept of the 'brand prism' in 1992 to describe the components that make up a brand's image. Among the elements is a facet identified as what the brand says about the user. Recent empirical research shows how consumers in the less industrialised countries eagerly adopt brands to express their status and personal identity (Ustuner & Holt, 2009). To more completely understand this phenomenon, however, researchers need reliable and valid tools. We believe that Sprott, Czellar, and Spangenberg's BESC scale provides one of these.

We conducted a large scale test of the new BESC scale. We found remarkably stable psychometric properties. The eight items of the scale showed stable, unidimensional, structure when the sample was sliced and diced. Different age, gender, racial/ethnic, income, and educational groups all exhibited the single factor structure. The same groups had high internal consistency scores. Never did a single item fail to contribute to alpha. This shows that across the population, this scale holds up psychometrically. It is unidimensional and internally consistent.

In order to understand how groups vary in their possession of the characteristic that is brand engagement with self-concept, we regressed BESC scores on demographic variables. The results give us valuable information about BESC. First, it is not the same as materialism, at least in as much as we can say anything consistent about who is or is not likely to be materialistic. The variation in BESC was not what might be expected from looking at the materialism literature. Only age was related as proposed. Second, the regression accomplishes more than a just a test of the hypotheses. We see that demographics do not define BESC. The R^2 was only .08. Demographic characteristics account for a very small part of the variation in BESC. This is good. If demographics were enough to define personality or individual difference variables, we would not need individual difference variables. Psychological measures vastly expand what we can say about consumers. They vastly expand how we can relate to consumers as well. Finally, the post hoc test showed us something unexpected. We found an interaction of gender and ethnicity. For White, Black, and Asian participants, women scored higher, either significantly or nominally, on BESC. It is possible that women in these groups are less cynical about brand communications in specific product categories. We investigated this further.

For both groups of Hispanic subjects, men scored higher, and in the case of English speaking Hispanic men, higher by a large margin, roughly 10 percent. It is a dramatic reversal. This is very interesting. One possible explanation is that Hispanic men, both English and Spanish speaking, are more acculturated than Hispanic women are and, therefore, more brand aware as well as brand engaged (Korzenny & Korzenny, 2005). This is a result of immigration patterns where the men arrive first to find work and the women follow later. The men are in the workforce, and many immigrant women stay home where they acculturate more slowly (Korzenny & Korzenny, 2005). Differences in brand engagement by ethnic groups and by gender in these groups may be explained by breaking down brand engagement by category. It is likely that different product categories behave differently in consumers' minds. When researchers have a reliable scale, they can look for just this type of consumer difference. The mean differences for groups really are different.

The findings lead us to conclude that the BESC measure is psychometrically sound and can be used with confidence by researchers interested in studying its effects. We also can conclude that researchers should have little concern for the confounding influences of demographic variables on its relationships. Consistent with Sprott, Czellar, and Spangenberg (2009), we found few consistent demographic relationships with BESC, and those we did detect were very small. For researchers interested in how demographic groups such as ethnic groups might differ, however, we did find interesting patterns that deserve further study.

As with most studies, ours is limited in generalizability to the sample and measures used. Other samples and additional measures might reveal different findings. However, the large national sample of survey participants does give us confidence that at least for the variables we measured, the findings are robust. Only replication with additional data can assess how robust they are. Future research into BESC could follow this path. In particular, ethnic differences in BESC might be of considerable interest to those studying non-White market segments. In addition, other demographic variables could be studied, such as marital status and country region. Cross-cultural research with BESC will have to be done to assess demographic influences in other countries. Provisionally, we feel that researchers in the U.S. can use the scale to reliably and validly study consumer brand relationships with confidence that demographic influences will not confound their findings.

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Critical Pedagogy in a Conflicted Society: Israel as a Case Study

Moshe Levy and Yair Galily

Abstract

The aim of this research is to examine how a different critical perspectives are being accepted by Israeli students from different groups and minorities (Jewish, Muslim, women, men, Ashkenazi, Mizrahi, middle class, and lower class) who attended sociology classes that took place in four different Israeli academic institutions. The social heterogeneity of the students in these geographically scattered institutions, together with the turbulent political and social times experienced by Israeli society during the process of data collection, enabled different comparisons that shed a new light on the role of the critical knowledge reproduced in the educational systems of conflicted societies. This research found that while the feminist and elite perspectives incurred overall positive reactions from most students, the remaining three perspectives (Post Colonialism, Marxism, and Pluralist Theory) provoked the students and frequently encountered antagonism. These reactions indicated that most students adopted a critical theory only when it promised to provide them with an advantage over competing groups. Accordingly, "critical" perspectives were rejected by students when they were perceived as endangering the interests and position of the groups to which they belonged. Thus, the findings of this research show that studying "critical" theories towards Israeli society does not develop universalistic points of view that perceive equality and freedom as rights to which all human beings are eligible.

Key Words

Israel, conflicted society, sociology, critical pedagogy, critical theories.

Introduction

Israeli anthropology and sociology have changed dramatically since the 1970s. This change included the abandonment of "conservative" theories and an overwhelming adoption of "critical" perspectives. Those perspectives introduce themselves as a vehicle that can promote social change and provide justice and equality to disadvantaged minorities in Israel. This paper aims to examine how the different critical perspectives are being accepted by Israeli students from

different groups and minorities (Jewish, Muslim, women, men, Ashkenazi, Mizrahi, middle class, and lower class) who attended sociology classes that took place in four different Israeli academic institutions. The social heterogeneity of the students in these geographically scattered institutions, together with the turbulent political and social times experienced by Israeli society during the process of data collection, enabled different comparisons that shed a new light on the role of the critical knowledge reproduced in the educational systems of conflicted societies.

Knowledge and the Reproduction of Structure

Different structural approaches view educational systems such as schools, colleges, and universities as tools that reproduce culture and knowledge and, by doing so, conserve social structures and hierarchies (Anderson, 1991; Billing, 1995; Bourdieu, 1977; Bowles and Gintis, 1977; Gellner, 1983; Walkerdine, 1986). These approaches have analyzed the reproduction of domination by looking, on the one hand, at the ways that educational institutions provide differential knowledge and cultural capital to different social groups. This differentiation leads to inequalities and stratification between those different social groups (ethnic, national, gender, class) (Bernstein, 1977; Bourdieu & Passeron, 1977). On the other hand, the knowledge reproduced in these institutions promotes a "hidden curriculum" (Apple, 1990) whereby students are socialized and behaviorally conditioned to accept hierarchical structures of power. The "authoritarian classrooms" (Shor, 1992) in these institutions, where students are conditioned to become passive, conformist, and obedient members of society, legitimize social order, state ideology, and power, and delegitimize any intention to promote social or cultural change (Apple, 1985; Braa & Callero, 2006; Poulantzas, 1978).

Whether in its Marxist or poststructuralist form, these reproduction approaches focus on the hegemonic system itself and the ways it works to reproduce social structures and bodies of knowledge. While doing so, they fail to understand the important rule of social agents in opposing, manipulating, and interpreting the knowledge being provided to them (Giroux, 1983).

This study would like to adopt the phenomenological resistance approach in order to explore the way social agents react to knowledge provided to them. For Giroux (1983), such an approach, that takes human agency seriously, leads to possibilities of oppositional pedagogy and meaningful interventions in schools. The main question presented in this paper is what happens when the knowledge being reproduced and provided is critical of the social order, hegemonic ideology, and inequalities in the distribution of power and other resources among social groups. How do students from different groups and minorities react to this knowledge being reproduced institutionally? These questions will be examined by analyzing the way different "critical" sociological theories were accepted by students from different Israeli groups and minorities that attended sociology classes that took place in four different Israeli academic institutions.

The Rise of "Critical" Sociology in Israel

Israeli sociology has changed dramatically since the 1970s. This change, which parallels similar changes in other fields of Israeli humanities and social sciences, includes an abandonment of "conservative" theories and an overwhelming adoption of "critical" perspectives. While the first are accused of providing academic legitimization of Zionist institutions and ideology, "critical" perspectives introduce themselves as a vehicle that can promote social change, and

provide justice and equality to disadvantaged minorities in Israel (Ram, 1995).

The paradigmatic change in Israeli sociology led to the rise of five major "critical" approaches: Elite theory (Shapiro, 1975, 1977, 1984, 1996), feminism (Azmon & Izraeli, 1993; Bernstein, 1992; Swirski & Safir, 1991, Sasson-Levy, 2006), Marxism (Swirski, 1995, 1999; Swirski & Bernstein, 1980), Pluralism (Sasson-Levy, 2008; Smooha, 1978, 1992; Yiftachel, 2010), and Colonialism (Azoulay & Ophir, 2008; Kimmerling, 1983, 2004; Sa'di, 2008; Shafir, 1989; Shenhav, 2010). Table 1 summarizes the main arguments of these approaches with their different critique of Israeli society as well as the social, political, economical, and cultural alternatives and solutions inspired by these bodies of work.

Table 1
Sociological Approaches

	Social criticism	Social alternatives/solutions
Feminism	Central institutions in Israeli society (army, family) and the Jewish patriarchal religion contribute to gendered inequality.	Changing cultural contents. Representation of women in different institutions. Opening the Army and the economy to women.
Elite Theory	Israel is not a real democracy. There are power elites who block democratization and violates human and civil rights.	Creating a constitution. Changing the voting system. Separation of authorities. Separation of religion and state.
Marxism	Israel was never a real socialist state. The State has a critical rule in creating classes and expanding the economical gaps between them.	Anti privatization policy. Supporting welfare mechanisms. Monetary regulation.
Pluralism	Different ethnic minorities (Mizrahi Jews, Arabs) and their culture are being excluded and considered inferior by Israeli mainstream culture.	Multicultural society.
Colonialism	Zionism is a settler-colonialist movement which aims to disinherit the native Palestinians from their lands and to serve the interests of the West in the Middle East. Israel is a militaristic society.	Two states solution/ Israel should not be a Jewish state.

Procedure

As noted above, the aim of this research was to examine how the different "critical" sociological perspectives were accepted by students from different Israeli groups and minorities. The data analyzed was gathered from students who participated in classes on the sociology of

Israeli society that took place in four Israeli academic institutions between 2000 and 2008: Bar Ilan University, Ariel University Center of Samaria, Achva College, and Dina Nursing School. The social heterogeneity of the students in these geographically scattered institutions, together with the turbulent political and social times experienced by Israeli society during the process of data collection, enabled different comparisons between the students' reactions. Although these reactions were not analyzed statistically and might not represent accurately all the students' views and sentiments, we believe they shed a new light on the role of critical thought in conflicted societies and of social agents in opposing, manipulating, and interpreting the knowledge provided to them. The following sections will present some of the students' typical reactions to each of the "critical" theories presented above. Since students were not informed their responses might be used outside the classroom, this paper will not provide the names of the students nor their academic affiliation.

Findings

Feminism

It seems that in each class introducing feminist ideas, this always leads to chauvinist remarks, usually by male students (who in many cases are in the minority): "What do you call the kitchen window? A woman's point of view" (2001). Despite these remarks, the overall reactions of students to feminist theories and research about Israeli society imply these ideas are accepted by the vast majority of students in all four institutions, leading to reactions such as: "Even without this table [data about gender stratification presented in the classroom – ML & YG], it is quite clear that women are discriminated against, and this is very sad" (female student, 2005). It must be noted that all students are familiar with some feminist thought from mandatory introduction courses, which might make it easier to understand and accept these concepts when presented again in courses on the sociology of Israeli society.

Despite this wide consensus, one group undermines some of the basic arguments of the feminist critique of Israeli society. This group consists mainly of female students from the national-religious sector. Their disapproval focuses on the feminist notion of women's roles in the Israeli Army (IDF) and in the Jewish family. According to these students, Israeli women should not seek equality in the IDF because such equality is not possible: "Do you want women to be raped in captivity?" (female student, 2006); "Can I perform the same tasks as male soldiers?" (female student, 2008); "I just can't lift the heavy load that a male solider can" (female student, 2010). These remarks show such students see the gendered inequality in the IDF as something deterministic based on gender differences, and not on gendered socialization and discrimination by men and state institutions.

While these claims are based on women's "nature" and "biology," when demonstrating their disapproval of the feminist quest for equality within the Jewish family, female students tend to base their arguments on free choice:

> Who says we want the same things as men? Who are you to decide that we [women – ML & YG] all want money and power? These are male standards and women should not be measured by them…I would rather be with my kids at home and take care of their

education. No one is forcing me. This is my prerogative, and that is why I choose to stay at home. (female student, 2003)

Despite and aside from the objections cited (which confront the core of feminist critique), these national-religious female students join the vast majority of their classmates in a demand for gender equality in Israeli society, projecting an overall impression that accepting feminist ideas is the right thing to do.

The Elite Theory

As with the feminist critique of Israeli society, Elite Theory too was found to be the most accepted and approved by students in all four academic institutions examined. However, while the first approach leads students to ask for social action and political solutions to the problem raised, in the case of the Elite Theory, students' conclusions are quite the opposite. Despite students' awareness of the flaws of Israeli democracy and of the destructive effect of some elites and interest groups, most students perceive the situation as incorrigible: "Nothing can be done. The state has always been and will always be corrupted" (2006). "I have voted Likud, I have voted Labor, I have voted NRP, each time I vote differently and nothing changes. So why bother?" (2006).

These and similar reactions do not encounter any counter remarks from the other students and imply most of the students take Israeli democracy and its flaws for granted. These flaws are perceived as a constant and inseparable part of the democratic system.

Marxism

The Marxist critique of Israeli society frequently is greeted with antagonism by students from various groups. Most students attend the classes after having been introduced to Marxist thought in previous courses but without an understanding of the Marxist interpretation of the social and economical processes that affect Israeli society. When the theoretical framework is presented, some students do not hesitate to remark: "We saw what happened in the Soviet Union" and "Communism failed."

The main objection is aimed at the Marxist theory of surplus value, which perceives employer profits as a product of worker exploitation: "The factory owner risks his money, so why shouldn't he be the one to profit? When he loses money no one will help him" (2005).

Students' fierce rejection of this theory fades when presented with the Israeli context. Marxist analysis of various economical processes such as privatization brings most students to the realization that the capitalist system they have embraced has its disadvantages, affecting the quality and quantity of health, education, and welfare services provided or not provided in Israel. Despite their slow and gradual acceptance of this critique, most students (usually in their 20s) react in a manner that implies they don't think this critique, whether right or wrong, has anything to do with their lives: "If I make enough of an effort I will succeed" (2003); "You can't stop the progress. If people don't work, it is their problem; if there are sick or old people, we should help them individually" (2005).

These remarks indicate many of these students, who lack significant experience in the workforce and are not dependent on state welfare services, partially accept the Marxist analysis of

Israeli society and regard it as suitable for some weak sectors of society but definitely not for them.

The students who are most persistent in their rejection of the Marxist paradigm in general, despite the data presented in the classroom, are those who immigrated to Israel from the former Soviet Union. Their familial and personal experience and socialization seem to lead them to the concept of the evils of socialism and the promise embodied by the Israeli capitalist system. In contrast, many students who show a relative acceptance of socialist ideas come from the Arab sector. It may be easier for this sector, from its place at the bottom of the Israeli economical hierarchy, to break free from the grasp of capitalist ideology. In addition, it seems some of the Arab students think that by endorsing these ideas they can bridge the ethnic, religious, and national gaps separating them from their Jewish classmates.

Pluralism

The main debate in this part of the course deals with the inequality of Ashkenazi Jews (of European origin) and Mizrahi Jews (whose families originated from the Muslim or Arab world). One of the theories presented in the classroom claims that Mizrahi Jews underwent a process of assimilation in which they were forced to erase their Arab culture and identity. During this debate, Mizrahi Jews are labeled "Arab Jews." This presentation encounters fierce opposition of the radical terminology by two groups within the classroom.

The first group rejecting the label of "Arab Jews" is comprised of orthodox religious Ashkenazi Jews: "How dare you compare Mizrahi Jews to Arabs? Arabs are a different people who 'happen to' want to destroy us" (2008). The recurring theme in students' arguments is the defense of Jewish solidarity by rejecting the concept of "Arab Jews," as it undermines their dichotomous perspective of all Jews as a unified group opposed to all Arabs.

Surprisingly, the second group rejecting claims of pluralism consists of middle-class Mizrahi Jews who insist that ethnic inequality among Jews in Israel has no racial roots: "Enough of this 'ethnic demon.' When I want to export my farm's merchandise, no one asks me what my ethnic origin is. When I invest in the stock market, my ethnic origin makes no difference" (2006). While these arguments try to portray Israeli stratification mechanisms as indifferent to ethnicity, other Mizrahi Jews blame their fellow Mizrahis for not succeeding to elevate themselves from the bottom of the socioeconomic hierarchy: "The truth should be proclaimed. You ["unsuccessful" Mizrahi Jews – ML & YG] are to blame for your situation. Nothing will be changed by more crying. Instead of having eight children you should begin thinking about caring for them and for their education like Ashkenazim" (2006).

However, Mizrahi Jews who have encountered racism or didn't enjoy substantial social mobility embrace the pluralist critique while providing examples of its validity from their own experience:

> This subject is very important. I thought that it was relevant in my mother's generation but I see it again and again. My daughter, an excellent student, was accepted to a prestigious course in the Air Force. She told me about the [racist – ML & YG] attitude she encountered from the other girls. (2008)

These students are mainly disturbed that their fellow Mizrahi students do not see the same picture and that, instead of blaming the racist system, they tend to blame the victims of this system: "Even Ashkenazim don't think like you do! You think like a Nazi!" (2006).

Colonialism

Of all "critical" perspectives presented in the classroom during the academic year, the colonialism perspective seems to encounter the most antagonism. Most of the Jewish students protest against the presentation of Israel as aiming to disinherit the Palestinians from their lands. The main concept of "occupation" presented in the classrooms meets with the objection of most students who do not perceive the sovereign territories of Israel as occupied land. Some of the students even make such claims regarding Judea, Samaria, and the Gaza strip, which in their opinion should be described as liberated and not occupied.

It was interesting to follow students' reactions to the colonialist critique over time, particularly during the period of the second Palestinian intifada in the early 2000s. Thus, for example, it was interesting to see the change in some students' attitudes toward the claim that Israel suffers from militarism. Traditionally, students with right wing views and those who live in the West Bank and Gaza would reject the criticism and present arguments supporting the IDF and its important role in Israeli society and culture. An e-mail one of us received after he gave an assignment to write a paper about Israeli militarism exemplifies the support of militaristic culture among some of the students:

> I read your instructions for the second assignment and I would like to change them so it will be possible for me to explain through my analysis why Israeli society is not militaristic….This way I will be more "comfortable" writing about something I believe in. As far as I understand, a militaristic society is a society which adopts and sometimes sees as holy, values such as organization, order, discipline, power and so on. I don't think this is the case in Israel, where everyone speaks about peace and no one dares to speak out in support of war. There is no order, culture and entertainment are flourishing, and no one is afraid of the military or the police. (2008)

While these kinds of statements, which mourn the decline of militaristic values in Israel, were voiced during the entire period of the research, the last two years have seen new criticism expressed by groups formerly supportive of the IDF. Students who live in Jewish settlements that experienced the disengagement from Gaza either directly or indirectly began to show some acceptance of the anti-militaristic critique of the colonialist perspective. Thus, some of them objected to using the army against civilian groups. Students from these same groups had previously supported such action when it was practiced exclusively against non-Jewish civilians, but their traumatic experience caused them to accept the same criticism rejected by their social sector several years earlier.

While this example proves the ability of the colonialist perspective to convince students, it does not succeed in its attempt to present the Israeli society as holding racists attitudes toward Israeli Arabs and Palestinians. It would be accurate to say an overwhelming majority of Israeli students reject this criticism and do not accept the demand for civil, political, and economical equality between Jews and Arabs in Israel: "All the data presented [concerning inequality

between Jews and Arabs – ML & YG] is not worth much. The Arabs do not pay taxes but are eligible for unemployment benefits. Believe me, no one should feel sorry for them" (2005). Similar arguments were voiced during the entire period examined, but as time went by and the second intifada began, these arguments became more stringent and even led to racist remarks that almost ended in physical altercations between Jews and Arabs in the classroom.

Conclusions

This research found that while the feminist and elite perspectives incurred overall positive reactions from most students, the remaining three perspectives (Post Colonialism, Marxism, and Pluralist Theory) provoked the students and frequently encountered antagonism. These reactions indicated most students adopted a critical theory only when it promised to provide them with an advantage over competing groups. Accordingly, "critical" perspectives were rejected by students when they were perceived as endangering the interests and position of the groups to which they belonged. Thus, the findings of this research show that studying "critical" theories toward Israeli society does not develop universalistic points of view that perceive equality and freedom as rights to which all human beings are eligible. Critical ideas are accepted in a manner conditioned by the students' social background as well as by immediate sociopolitical events.

If these theories merely serve as tools in conflicts between different social groups, one must ask what is the use of teaching critical thought in conflicted societies. The findings of this study seem to indicate that critical ideas have a very limited effect and that reproduction and resistance overlap, rather than oppose each other. While other researchers of Israeli society see a potential for change in this overlap (Erdrich et al., 2005), the present study implies that teaching "critical" theories might even further means of domination and preserve the power relations and animosity between social groups in conflicted societies. Other studies of marginal groups in educational systems have shown that when social agents resist knowledge presented to them institutionally, this often serves to reproduce power relations and social hierarchies (Erdrich et al., 2005; Fine 1982; McRobbie 1978; Willis 1978). The finding presented in this article suggests that even when the knowledge presented in the classroom is critical to the social order, it paradoxically might be interpreted, used, and accepted as a mean for the reproduction of dominance.

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Connecting Business Incubator Development with Human Resource Development

Chien-Chi Tseng

Abstract

This paper explores the literature of human resource development (HRD) that contributes to the relationship between business incubator management and development. It provides an overview of the role of HRD in transforming from incubator management into incubator development. The research also discusses the benefits and outcomes for incubator development with the perspective of HRD. Finally, recommendations are made to guide the practice and future study so that HRD can make effective contribution to the goal of developing entrepreneurs and start-up businesses.

Key Words

business incubator development, human resource development.

Introduction

Business incubators now are recognized in both developed and developing countries as important instruments for promoting entrepreneurship development and technological innovation at the small and medium enterprise level (Adegbite, 2001). Gilley and Maycunich (2000) pointed out that the primary role of HRD is to create an environment in which individuals are committed to the success of the enterprise that employs them. Thus, the business incubator is an innovative development tool of HRD used to foster growth and diversify the venture base. If business incubators are to deliver HRD benefits then more attention needs to be paid to promoting business growth among incubator clients. Consequently, a business incubator is a facility that houses new and growing businesses, giving them the management conditions that provide the HRD benefits to enable them better to achieve their objectives of organizational development, service promoting, profits growth, and employment satisfaction.

Understanding the determinants of HRD role for incubator is a critical step toward devising adequate HRD interventions that enable incubators to fulfill its goals. Accordingly, the objective of this study is to build a framework that analyzes the HRD role for contributing to the

relationship between business incubator management and business incubator development. In the past decades, researches rarely addressed the issue of relationship between HRD and incubator. Therefore, the framework proposed in this study would help in contributing to the HRD practices and incubator effectiveness promoting.

Problem Statement

Recent studies of incubators have prompted a combination between the role of incubation management and perceived client value (Albert, Bernasconi, & Gaynor, 2002; Hannon, 2003; Hannon & Chapin, 2001), and there has long been recognition that the role of manager, particularly within an incubator context, is complicated and sometimes contradictory (Bollingtøft & Ulhøi, 2005; Hannon, 1995).

To almost the same extent, much research on business incubators tends to take a rather descriptive and a theoretical approach, typically in the form of extensive documentation of the various services provided, e.g., monitoring the number of training programs carried out, keeping track of how many firms have left the incubator, reporting how many distinct services are available to clients, recording average incubation time, and providing networking activities (Allen & McCluskey, 1990; Campbell & Allen, 1987; Fry, 1987; Smiler & Gill, 1986).

However, not much literature has explored the relationship between HRD and incubators. Furthermore, not much research has focused on the role of HRD in improving an appropriate perspective of the way it is related to the development of business incubator centers. Although several studies have highlighted the positive effects of certain HRD practices and education system on entrepreneurial activity and incubator management (Gilley & Maycunich, 2000; Lalkaka, 2002; Smiler & Gill, 1986), the role and contribution of HRD in this connection with the development of an incubator center has not been considered fully. If such connection exists, it is obviously important to understand it.

Research Question

This research clarifies the role of HRD in the development of business incubators by exploring the following two questions:

1. What has the role of HRD shown with respect to the development of business incubator centers?
2. What evidence is there that relationship exists between the role of HRD and incubator development?

Significance of the Study

Considerable attention has been paid to the identification of HRD needs, both for initial and ongoing training of entrepreneurs in business incubator centers. HRD could play an important role of training and assistance to meet entrepreneur needs in business incubators with details as follow (Barker, 1998):

1. Exploring business opportunities, evaluating business ideas, and protecting ideas and intellectual property.
2. Business finance, equity financing, long term and short-term debt financing, and alternative sources of financing for tenants.
3. Planning fundamentals, preparing a cash flow forecast, and preparing a business plan.
4. Basic government regulations for getting started, taxes, becoming an employer and basic start-up tasks.

Therefore, two significant characteristics have received considerable attention in the literature. The first significance of this study is to provide a conceptual base from which to build an appropriate framework for supporting the role of HRD, development needs of HRD, and key elements of HRD practices across the incubator community. Second, the significance of this article is to demonstrate how such a framework can be applied to meet the education and multidisciplinary needs of incubators, and implications across practice and for future study.

Definitions of Key Terms

Definitions are provided for HRD, business incubator, incubator management, and incubator development as follow.

Human Resource Development (HRD)

Several definitions have been provided for HRD during the past few decades (Gilley & Eggland, 1989; Lee, 2003; McCracken & Wallace, 2000; McLean & McLean, 2001; Nadler, 1983; Nadler & Wiggs, 1986; Smith, 1988; Swanson, 1995). Three areas of professional practice including learning, performance, and organizational change generally are identified in the definitions of HRD.

For example, Swanson (1995) defined HRD as "a process of developing and unleashing human expertise through organization development and personal training and development for the purpose of improving performance" (p. 207). Nadler (1983) defined HRD as "organized learning experiences in a given period of time to bring about the possibility of performance change or general growth for the individual and the organization" (p. 1). Furthermore, McLean and McLean (2001) described HRD in a global perspective.

Human resource development is any process or activity that, either initially or over the long term, has the potential to develop…work-based knowledge, expertise, productivity and satisfaction, whether for personal or group/team gain, or for the benefit of an organization, community, nation or, ultimately, the whole of humanity. (p. 322)

Most definitions include, at minimum, the need for organizational efforts to result in performance improvement and organization development that enhance the organization's competitiveness and effectiveness.

Business Incubator

The current definition of "Business Incubator" adopted by the U.S. National Business Incubation Association (2003) is as follows.

A business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services. The goal of business incubator is to produce successful firms that will leave the program financially viable and freestanding. (http://www.nbia.org/resource_center/ best_practices/index.php)

It is interesting to note the use of the term "accelerate" in this definition. Some business incubators now describe themselves as "business accelerators" (The Allen Consulting Group, 2003). A business incubator may be defined as an organization that facilitates the process of creating successful new small enterprises by providing them with a comprehensive and integrated range of services, including (Adegbite, 2001) the following.

1. Incubator space in fully built-up factory buildings on flexible and affordable terms.
2. The provision of a comprehensive range of common services, including enterprise counseling and training, shared secretarial support, start up financing, and assistance with product development and marketing.
3. Strict admission and exit rules, which are designed to ensure that the incubator concentrates its efforts on helping innovative, fast-growth business start ups that are likely to have a significant impact on the local economy.
4. Professional management, which involves monitoring tenant businesses closely against their business plans, and ensuring that the incubator itself operates on becoming financially self-sustaining.
5. Hands-on assistance, including R&D advice and risk capital, usually through a network of external providers.

Another definition is provided by the UK Center for Strategy and Evaluation Services (2002):

A successful business incubator will generate a steady flow of new business with above average job and wealth creation potential. Differences in stakeholder objectives for incubators, admission and exit criteria, the knowledge intensity of projects, and the precise configuration of facilities and services, will distinguish one type of business incubator from another. (http://europa.eu.int/comm/enterprise/entrepreneurship/ support_measures/incubators/summary_benchmarking_bi_2002.pdf)

Incubator Management

The National Business Incubation Association (NBIA) had chosen to emphasize the non-real estate parameters of incubator management in its definition (National Business Incubation

Association, 1990). To be classed as an incubator in the eyes of the NBIA, Rice (1992) pointed out,

> a program must offer at least one of the following services: a) networking opportunities encouraged by incubator management; b) management or technical assistance through in-house expertise and/or a network of community support; c) assistance in obtaining financing; and d) service to business clients outside the incubator as well as to in-house tenants. (p. 43)

Across the incubator movement, the management problems of incubator clients are met with the delivery of a variety of value-added management services. The driving force in incubator programs is the supply of expertise, capital, and support that comes from assistance activities directed towards filling the voids in entrepreneurs' abilities (Allen & Weinberg, 1988).

Incubator Development

Incubator development is the net effect of incubators on entrepreneurial development that improves the probability of business start-up success (Allen & Rahman, 1985). The idea implicit in the incubator concept is to assist entrepreneurs during the early, and sometimes most difficult, stages of development by establishing a supportive environment. Therefore, the development of incubators is important to entrepreneurs.

In the vast majority of incubators, this means the development of a facility that, through its inherent advantages, provides that environment by which start-up and growing businesses can prosper (Hurley, 2002). Hurley (2002) pointed out the advantages offered by the development of facilities come from the surrounding sponsors and provided a brief description for the different development types of business incubators.

Technology-based incubators. A source of research and development to grow the next generation of businesses. These facilities quite often are found in a university-based environment and a high-technology business setting.

Geography-based incubators. Located where they are because of where they are. A geographical edge exists often because of transportation issues. The crossroads of interstate highways, a site just across from international boundaries, and the proximity to basic raw materials are just a few examples of why such facilities are located where they are.

Economy-based incubators. A very popular type of facility where low-cost (often government subsidized), flexible square footage is available with shared services such as secretarial and distribution services as the principal benefits.

Supply-chain incubators. Unique to large company settings, often an economic development organization will establish a multi-tenant facility nearby to a major employer with the hopes of capturing the need for just-in-time suppliers.

Components of HRD for Business Incubators

A successful business incubator center is able to adapt the best of the HRD approach so the training is effective and accepted in the new learning environment. Based on the point of

Culp (1990), seven components of the HRD role might need to be implemented if incubator development is to be successful.

1. Establish a working group: The working group will be responsible for establishing general goals to serve as a guideline to development. The group should divide research duties among the members who have expertise in each respective field. The Small Business Administration recommends the group be comprised of six to eight persons (U.S. Small Business Administration, 1984).

2. Assess small business support network: It is important to identify sources of help for small businesses because incubators complement and draw upon other small business support program. At the same time, this assessment helps determine if local businesses and public officials endorse the concept. School officials, bankers, and others should be contacted to identify potential support, financial, and otherwise.

3. Analyze level of entrepreneurial activity: The following procedures are recommended: (a) Determine the number of start-ups and failures of small businesses for the last several years; (b) Examine the percentage of professional and technical workers in the area using the Bureau of Census Labor Statistics (Culp, 1990); (c) Check the availability of and attendance records for local business seminars and similar organizations to determine what they need in regard to business support services; and (d) Ask local bankers and developers about inquiries regarding new business ventures and expansions.

4. Analyze the local market economy: An understanding of the economic base of the area is essential to help for targeting specific industries and determining the skills of the labor force. The analysis should focus on the local scale, as this will be the prime area from which entrepreneur originated. The incubator should rely primarily on the conventional business currently existing in the market.

5. Identify financing resources for tenants: Tenants need affordable financing for equipment and working capital. Incubators act as brokers between new businesses and investors, often by introducing lenders and venture capitalists to the businesses. Sometimes this process entails formulating proposals and packaging loans.

6. Plan for start-up: Six to nine months before opening the facility of incubator, the working group should set overall operational policies. The four policy elements below are usually considered: (a) Leasing agreements should be flexible; (b) Tenant screening and selection policies need to be established. A board of knowledgeable businesspersons may be appointed to screen prospective tenants; (c) Graduation policies should be set. Public firms tend to have explicit graduation policies, which average three years. Private firms generally do not detail graduation policies; and (d) Basic staff needs to be identified. Typically, the staff consists of a director, a clerical person, and a part-time maintenance person.

7. Evaluate and redefine goals: As the incubator begins operations, objective and goals will have to be reassessed. The key is to remain flexible to accommodate changes. Continue to evaluate development plans.

It should be noted that small businesses experience a high failure rate of nearly 50 percent within the first 5 years (Culp, 1990). Culp (1990) also pointed out that a national study conducted in 1985 revealed a favorable survival rate for incubator tenants. Therefore, this indicates that if the concept of incubator development applied correctly, it can be a potentially effective means of keeping off the high failure rates of small businesses. This has resulted in the need to consider HRD as an important part of the incubator development process. HRD is the

integrated use of training and development, organization development, and career development to improve individual, group, and organizational effectiveness (McLagan, 1989).

Conceptual Framework

The business incubator concept is more applicable to project and product ideas that have a high degree of uncertainty and complex relations with regard to success. We suggest there are several relationships among HRD, incubator management, and incubator development. We also discuss how these elements affect the development of business incubator. These relationships are shown in Figure 1 with descriptions that follow.

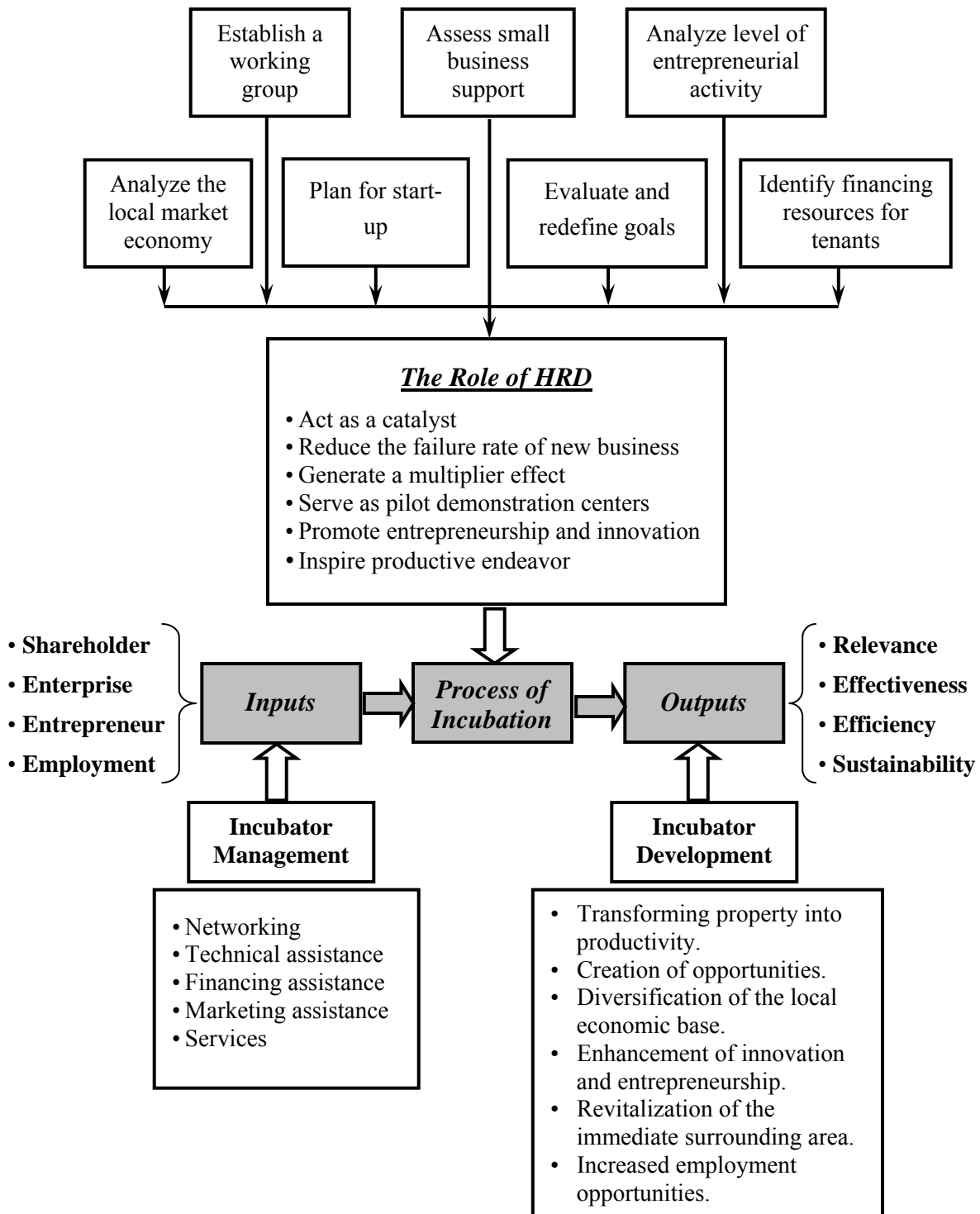*The Relationship between Incubator Management and the Role of HRD*

In order to provide all these facilities and to have the entrepreneur take care of the main business of developing a product and converting it into a sustainable and successful commercial venture, HRD plays a critical role in the process of incubation. Chandra, Srivastav, and Shah (2003) implied the role of incubators has been to create some kind of a forum whereby science and technology researchers as well as students and entrepreneurs come together to create an enterprise or create value out of their own efforts. Incubator management associated with HRD practices provides credibility to an effort.

In the framework in Figure 1, enterprises, entrepreneurs, shareholder, and employment are integrated into the inputs of a business incubator. The incubator offers management to inputs with its networking, technical, financing, marketing assistances, and services. Besides, the role of HRD is presented by seven components in the process of incubation. They include establishing a working group, assessing small business support network, analyzing level of entrepreneurial activity, analyzing the local market economy, identifying financing resources for tenants, planning for start-up, and evaluating and redefining goals.

From the inputs to the process of incubation, the incubator manager and other members of the incubator management team play an important role in assisting their clients to plan for start-up and analyze the level of entrepreneurship activity. It is typical for the incubator manager to know a great deal more than an incubator client about the entrepreneurial process (Duff, 2004). The incubator manager will have experienced the entrepreneurial process at close quarters on many occasions with a variety of business ventures. This experience is valuable, particularly early in the life of a client firm.

In addition to this, it is typical for the incubator manager to bring expertise in strategic planning for small enterprises, and to be well connected to small business resources and contacts in the business community, as links to information and advice. Further, the incubator manager may have established a business development network and is most often the access point to that network.

Figure 1. Framework for the role of HRD in business incubator.

| Establish a working group | Assess small business support | Analyze level of entrepreneurial activity |

| Analyze the local market economy | Plan for start-up | Evaluate and redefine goals | Identify financing resources for tenants |

The Role of HRD

• Act as a catalyst
• Reduce the failure rate of new business
• Generate a multiplier effect
• Serve as pilot demonstration centers
• Promote entrepreneurship and innovation
• Inspire productive endeavor

• **Shareholder**
• **Enterprise**
• **Entrepreneur**
• **Employment**

Inputs → *Process of Incubation* → *Outputs*

• **Relevance**
• **Effectiveness**
• **Efficiency**
• **Sustainability**

Incubator Management

• Networking
• Technical assistance
• Financing assistance
• Marketing assistance
• Services

Incubator Development

• Transforming property into productivity.
• Creation of opportunities.
• Diversification of the local economic base.
• Enhancement of innovation and entrepreneurship.
• Revitalization of the immediate surrounding area.
• Increased employment opportunities.

The Relationship between the Role of HRD and Incubator Development

An incubator adds value by assembling a comprehensive array of skills, identifying financing resources for tenants, planning for start-up, evaluating and redefining goals, and screening the participants in the network down to select individuals who can tailor most successfully their services to the needs of small growing firms. This process of incubation assembles a rich business development resource base with the role of HRD.

Participants in the framework gain from devoting their time and having what could be a rich source of growing clients made aware of their skills and expertise. The framework also indicates incubators that focus their resources on enterprise development add most economic value to their region, with job growth following the development and expansion of competitive growth businesses.

Further, this research establishes that best practice incubators develop an intimate understanding of each of their client business ventures, undertake regular review and analysis of clients against financial milestones, are highly selective in the placement of incubator resources, and match the development needs of their clients with people resources, derived in the main from highly cultivated business development networks.

Roles in the Development of Enterprises

Within the foregoing context, the business incubators are expected to perform the following roles and functions in accelerating the development of enterprises (Adegbite, 2001).

1. Act as a catalyst in promoting the emergence of an increasing number of small and medium scale establishments.

2. Reduce the failure rate of new business startups through the establishment of incubator centers where entrepreneurs are offered a superior base of operation in their formative years.

3. Generate a multiplier effect in the SME sector in general through outreach programs aimed at small-scale entrepreneurs beyond the confines of the incubator centers.

4. Serve as pilot demonstration centers, which will lead to the establishment of several business incubators all over the country.

5. Promote entrepreneurship development and technological innovation, especially at the grassroots.

6. Inspire the nation's abundant supply of human and material resources in productive endeavors through an increasing number of enterprises.

Benefits and Outcomes for Incubator Development with the Perspective of HRD

Clearly, incubators are targeted toward providing benefits of HRD for small businesses that are incapable of generating their own human resource, management, technical, financial, or administrative services (Kuratko & Sabatine, 1989). Thus, it is obvious that recently realized focus is the outcomes and benefits for incubator development with the perspective of HRD that can result from establishing an incubator.

Benefits for Incubator Development

The latest research (Allen & Nyrop, 1985; Lumpkin & Ireland, 1988; Mihailo & Campbell, 1984) lists the following as important benefits for incubator development with HRD:

- Transformation of underutilized property into a center of productivity.
- Creation of opportunities for public-private partnerships.
- Diversification of the local economic base.
- Enhancement of the locality's image as a center of innovation and entrepreneurship.
- Revitalization of the immediate surrounding area.
- Increased employment opportunities.

Because of these benefits, business incubators have become appealing not only to small business but also to community economic developers and organizations (Kuratko & Sabatine, 1989). Although an incubator facility may be small, its economic development potential is large.

Outcomes with the Perspective of HRD

From the conceptual framework, inputs and outputs are shown in the central part of Figure 1. The inputs for business incubator include shareholder, enterprise, entrepreneur, and employment. The best practice issues for the outputs, shown in the right side of the Figure are relevance, effectiveness, efficiency, and sustainability. In the business incubator context, these best practice issues can be linked through specific inputs and grouped under four outputs:

- From shareholder to relevance—the extent to which objectives and outcomes promote broader Government policy objectives.
- From enterprise to effectiveness—the extent to which the outcomes demonstrate that enterprise objectives are being achieved.
- From entrepreneur to efficiency—the relationship between financial inputs and outcomes, and value for money.
- From employment to sustainability—the sustainability of incubator operations and the durability of outcomes being achieved (e.g., incubator survival).

Above discussions lead to the outcomes of best practice issues as the following analysis (The Allen Consulting Group, 2003):

1. Relevance: Extent to which incubator tenant characteristics match definition of target market and admission criteria (qualitative).

2. Effectiveness: Extent to which incubator achieves targets with regard to enterprise and wider regional development impacts (e.g., job and wealth creation).

3. Efficiency: Cost effectiveness of outputs (e.g., cost per successful business start up, cost per gross/net job created).

4. Sustainability: Validity of incubator business strategy, diversity, and continuity of income sources, Graduation rates, retention of graduates in local area and extent to which incubators promote new startups in sectors of local economy with long-term job and wealth creation potential.

Conclusion

The role of HRD is important to the development of business incubators. There are seven key components of HRD practices in the process of incubation: establish a working group, assess small business support network, analyze level of entrepreneurial activity, analyze the local market economy, identify financing resources for tenants, plan for start-up, and evaluate and redefine goals.

This study found that HRD in business incubator centers plays six significant roles including the following: act as a catalyst in promoting the emergence of enterprises, reduce the failure rate of new business startups, generate a multiplier effect in the SME sector, serve as pilot demonstration centers, promote entrepreneurship development and technological innovation, and inspire the nation's productive endeavors through an increasing number of enterprises.

To summarize, the role of HRD has an important relationship with incubator management and incubator development. From the perspective of HRD, the managers or operators in the incubators learn how to develop incubator facilities, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company, and, furthermore, develop the integrated support of shareholder, enterprise, entrepreneur, and employment, including a resource network, that helps the incubation program's client companies and supports the incubator's mission and operations.

Recommendations for Practice

An observable fact about the sector of the business incubator is its continual evolution and development. The sector becomes more sophisticated as understandings, opportunities, and client demands change over time. This dynamic, uncertain, and complex incubation environment requires an entrepreneurial response with regard to its overall HRD practices, leadership, and management.

In addition, there is a need to have a coherent policy on ownership and sponsorship for incubator centers. In this regard, the role of stakeholder, enterprise, entrepreneur, and management should be clearly spelt out. It is recommended that the management should play the role of a facilitator and be responsible for broad policy matters and operational guidelines.

Furthermore, it is possible and cost-effective to track all incubates and graduates with the HRD context. The fact that business incubators take equity in the companies they assist and have shareholder agreements in place means they can be expected to know how to contact these companies and entrepreneurs and are in a position to encourage them to provide information of organization development, training and development, marketing, and financial development.

Finally, incubators and graduates who have participated in business training programs should be counted and reviewed separately. This distinction is necessary because the services provided to participants in business training programs are quantitatively and qualitatively different.

Recommendations for Future Research

Future research is suggested to verify and define the components and directions of the relationships in the incubator development model of this study. Another avenue for future research is to investigate the link among leadership, innovation, and organization development in business incubator centers in order to increase our understanding of the role of HRD and the embedding of HRD concepts that can develop the adoption of new ideas and technologies, and empower innovation in incubator center.

Besides, the researcher believes different types of incubators should have different HRD components. It is interesting to explore that what the different roles of HRD are needed in the different types of incubator centers including technology-based, geography-based, economy-based, and supply-chain incubators.

Finally, how to measure the performance of incubators would be an important topic for future research. The researcher believes that distinct aspects of inputs in the model have varied effects and performance of outcomes for incubators.

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Competitive Strategies and Exit Decisions in Oligopolies

Dror Parnes

Abstract

We examine corporate exit resolutions, including the decisions to merge, to be acquired, or to file for bankruptcy, as a result of the long-term deployment of generic competitive strategies among rival firms operating in an oligopolistic market. We construct a theory that forecasts diverse exit outcomes and demonstrate its predictions within the U.S. automotive industry. We find that, unless competitors split the market into separate niches, a clash between firms that utilize a single competitive strategy causes the less efficient ones to go bankrupt, and firms that utilize different competitive strategies throughout their various operational stages are generally more sustainable than those deploying only a single strategy.

Key Words

exit decisions, bankruptcy, merger, acquisition, Porter's competitive strategies, oligopoly, cost leadership, product differentiation, focus.

Introduction

Economists typically use a 'top-down approach' when analyzing public firms. This methodology first assesses the broad macroeconomic environment, then the relevant industry, and finally the underlying firm. The current multidisciplinary study aims to provide economists a tool to predict corporate exit resolutions, including the decisions to merge or to be acquired, and to file for bankruptcy, by exploring the competitive strategies deployed by rival firms within a shared oligopolistic industry. We have constructed a theory that predicts diverse exit outcomes for potential clashes among rival enterprises employing different types of generic competitive strategies. Our scheme utilizes both qualitative and quantitative analyses. We assembled a model through an examination of isoclines as well as more formal derivations. We have further authenticated the model's predictions in an oligopolistic sector that has experienced all of the above exit choices: the U.S. car manufacturing industry.

This research draws knowledge from various disciplines including business organization, industrial economics, and corporate finance. We explored these fields to establish an association between generic competitive strategies and corporate exit decisions. Our objective is to contribute to existing literature by deepening theoretical and practical understanding of the determinants of both unconstrained and obligated corporate exit resolutions. We have explored the competitive circumstances in which firms either ought to or voluntarily choose to merge, be acquired, or file for bankruptcy. We were motivated to link common competitive strategies to corporate exit decisions to improve economists' abilities to forecast likely industry dynamics and potential consolidation or corporate failures. We focused on the second and third stages of the top-down approach, of which the wide economy is explored first, then the industry is examined, and finally the underlying firm is inspected. We explored how firms fit into a given industry, and what corporate implications could arise from this assembly.

The theme of corporate competitive strategies is attributed mostly to Michael E. Porter. Porter's generic competitive strategies are considered the source for much of modern business strategy analysis. Porter's theory presents three generic business competitive strategies: (1) '*cost leadership*,' a broad-scope policy in which a firm tries to become the lowest-cost producer; (2) '*product differentiation*,' a broad-scope strategy in which a firm develops products or services viewed as being unique and often charge a premium price; and (3) '*focus*,' a narrow-scope policy to obtain either cost leadership or product differentiation within a niche segment of the industry.[1]

The first two alternative strategies are considered the key generic competitive business policies.[2] Product differentiation typically requires investment in research and development (R&D), recruitment, training, retaining of highly skilled workers, and marketing and advertising expenditures, which often are burdened with further costs. Although this is not a prerequisite, cost leadership could be associated with inferior quality products because of a use of low-skilled labor and lower investment in R&D.[3] Therefore, these competitive strategies are better understood as substitutes, rather than complement strategies.[4] In addition, Porter's theory defines a '*stuck-in-the-middle*' firm as one that tries to achieve simultaneously cost leadership and product differentiation, but fails at both. We direct attention toward the first two substitute competitive strategies, but further discuss the outcome of a stuck-in-the-middle firm and the narrow scope 'focus' generic competitive strategy.

We briefly review various studies of Porter's theory. In their pioneering research, Caves and Porter (1977) generalized the theory of competitive barriers to entering an industry into a theory of mobility dynamics and decision-making behavior of both emerging and already operational firms. Porter (1979) established the link between competitive forces and competitive

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[1] The term 'product' denotes any corporate output and thus refers to both tangible products and services.

[2] Dess and Picken (1999) report that 'cost leadership' and 'product differentiation' contribute far more than 'focus' to return on investment, although all three competitive strategies similarly benefit sales growth and gain in market share.

[3] Phillips, Chang, and Buzzell (1983) provide robust evidence on the effect of product quality on direct costs and business unit return on investment.

[4] We deliberately do not restrict our discussion by claiming cost leadership and product differentiation are perfect substitutes, so that they yield an isocline map of downward sloping linear lines. Instead, we classify these competitive strategies as substitutes, which allow the locus of input combinations to take a wider range of shapes.

strategies.[5] Porter (1980) discusses the competitive forces and the generic competitive strategies for emerging, mature, declining, and fragmented industries while considering entry and exit industry barriers. Porter (1985, 1998) provides an in-depth coverage of the theory of competitive forces and generic competitive strategies.

Bradburd and Ross (1989) test the relation between market share and profitability while authenticating Porter's argument that small firms can find and defend strategic niches protected by mobility barriers as a form of the 'focus' competitive strategy. Douglas and Rhee (1989) contrast Porter's generic competitive strategies among U.S. and European companies and identify some differences in corporate performance and business characteristics as well as markets' growth rates. Morrison and Roth (1993) categorize business competitive strategies and patterns of business cooperation, and evaluate them in global industries. Porter (1996) refutes some misconceptions about the generic competitive strategies and further discusses when a strategy is sustainable. Brandenburger (2002) highlights the influence on academic and practical work in business strategy made by Porter's theory of generic competitive strategies.

Khanna and Tice (2005) empirically relate competitive strategies to corporate exit decisions. The authors compare pricing and exit decisions of discounters across the business cycle. Particularly, they examine Wal-Mart's location decisions and show that low-debt firms strategically lower prices while in recessions to induce the exit of efficient but financially constrained competitors. They explain that any attempt to force a rival firm to exit the market is costly, as it requires lowering prices until the opponent is unable to compete. For such an action to be worthwhile, a rapid rival's exit should occur with high probability. The authors conclude that price cutting as a form of product differentiation competitive strategy often takes place during events that impact competitors differently.

Corporate exit decisions can take different forms. Bankruptcy, merger, and acquisition are among the most prevalent avenues.[6] Yet, partial plant-closing or other business unit-terminations, significant downsizings, leveraged buyouts, voluntary liquidations, production relocations, and a major diversion of business focus also are considered legitimate corporate exit resolutions. We have concentrated on the three most prevalent corporate exit choices and their determinants.

Our findings include several key inferences for the long-term behavior of an oligopolistic industry. A stuck-in-the-middle firm is forced to exit the market in the form of bankruptcy. Unless rival firms split the market into separate 'focus' niches, a clash between firms that utilize only a single competitive strategy forces the less efficient ones to file for bankruptcy. Firms that exercise different competitive strategies throughout their business development can coincide only when holding a competitive advantage in different operational stages, or if each competitor is limited and somewhat inefficient in its deployment of competitive strategies. Furthermore, firms that utilize different competitive strategies during their operational phases are generally more sustainable than those deploying only a single strategy. This competitive advantage by itself drives the single strategy firms to diversify their competitive approach.

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[5] Porter defines the five competitive forces as threat of new entrants, threat of substitute goods, bargaining power of buyers, bargaining power of suppliers, and rivalry among existing competitors.

[6] In a merger, the two joining firms create a new entity. In an acquisition, however, the acquirer purchases the assets or shares of the acquired firm, and the latter commonly becomes a subsidiary of the former.

We substantiate these conclusions with empirical evidence from the United States (U.S.) automotive industry hereafter and present the theoretical model as an Appendix.

The U.S. Car Manufacturing Industry

We choose to illustrate the model's conclusions with the U.S. automotive industry for two main reasons: This sector has experienced a large spectrum of corporate exit decisions, and the progress of competitive strategies among car manufactures within this geographic location is relatively accessible. We begin by tracing major milestones among some of the most prominent automakers in the U.S.

The Automobile Industry in the U.S.

Ford Motor Company was founded in 1903 as the pioneer vehicles manufacturer. Being the first in the industry, it benefited from a product differentiation strategy, an advantage commonly called "the first mover." However, shortly after its origination, new opponents entered the market, and the company quickly adopted a cost leadership strategy by implementing an automatic moving production line and standardizing its products around the "model T."[7] The objective was to provide middle class customers with affordable cars. Implementation had three main tactics: (1) mass production, which created economies of scale and thus reduced marginal production costs; (2) vertical integration, which assembled the production line machines within the company itself; and (3) employment of low-skilled low-cost workers. In the following years, Ford ignored the demand for innovation and began to lose market share to its competitors. Nevertheless, when Ford had matured, it turned more toward a product differentiation model by acquiring numerous brands like Lincoln (1922), Mercury (mid 1950s), Mazda (1979), Aston Martin (bought in 1989, sold in 2007), Jaguar (bought in 1989, sold in 2008), Volvo (1999), and Land Rover (bought in 2000, sold in 2008).[8] In addition, over the years, Ford established organizations for finance, parts and services, and car rentals (Hertz Corporation in 1994). Ford's views to the future include a production of more fuel-efficient and hybrid cars. Similar to other car manufacturers in the U.S., Ford is not a cost leader in the automobile industry due to rising employment costs including wages, taxes, and health care costs.

General Motors Company (GM) was formed in 1908 as Buick Motor Company. From 1908 to 1911, the firm acquired several car manufactures including GMC Truck (1901), Oldsmobile, Pontiac (previously called Oakland), and Cadillac. In 1915, a key consolidation occurred with the acquisition of Chevrolet. In the later years, GM also included more brand names like Opel (1929), Saturn (bought in 1985, sold in 2009), Saab (1989), Hummer (bought in 1999, sold in 2009), and Daewoo (2002). Throughout the early years, it seemed GM had no clear vision, but in the early 1920s, new management directed GM to take the product differentiation competitive strategy consisting of two elements. The first part channeled

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[7] Another expression for this product standardization appears in the legendary phrase of Henry Ford: "Any customer can have a car painted any color that he wants so long as it is black."

[8] Flagg (1957) identifies the year 1923 as the point of maturity in the automobile industry due to a significant change in production designed for exporting sales and a novel emphasis on product differentiation and advertising from that year.

Chevrolet to compete directly with Ford's model T, thus to gain market share and challenge Ford's leadership, and the second part guided the other divisions to diversify their products by targeting wide customers' design preferences and prices. In recent years, however, GM had lost its competitive advantage; it filed for bankruptcy in 2009 and is currently restructuring into a more viable company—the "New GM." This reorganization aims for cost leadership, and it includes a major layoff; the closure of numerous dealerships; the shedding of Pontiac, Saturn, Hummer, and Saab brands; and a production strategy toward smaller and more fuel efficient cars.

Chrysler Corporation has manufactured automobiles since 1925. Daimler Chrysler was formed in 1998 as a "merger of equals" on both sides of the Atlantic Ocean between two prominent car manufacturers: Daimler-Benz AG (formed in 1926) and Chrysler Corporation. The result of this merger consisted of many brands including Chrysler, Jeep, Dodge, Mercedes-Benz, Mitsubishi, Setra, Maybach, Smart, Freightliner, and several others. The group also provides financial services and owned major stakes in an aerospace company EADS (a parent company of Airbus), in Automotive Fuel Cell Cooperation (AFCC) in Canada, and several more holdings. A failure to deploy an efficient product differentiation strategy, the group sold Chrysler to Cerberus Capital Management of New York in 2007. Further deterioration of Chrysler's financial position, mainly resulting from unionized labor that increased operational costs, led the firm to file for bankruptcy in 2009. Immediately thereafter, the Italian automaker Fiat finalized the acquisition of Chrysler.

Foreign Competitors

Toyota became a public company in 1937 and entered the U.S. market in 1957. The firm made its major breakthroughs in 1965 and 1967 with the introductions of Corona and Corolla, respectively. Unlike other automakers, the group carries only four brands: Toyota, Lexus, Scion, and Hino. It also has a majority interest in Daihatsu. Although Toyota recently has diversified its products, the firm maintains a highly efficient cost leadership strategy. The 2005 Harbour Report estimated that Toyota's lead in labor productivity amounted to a cost advantage of $350 to $500 per vehicle over U.S. manufacturers. In 2008, CBC News reported Japanese automakers continue to enjoy an apparent cost advantage due to a non-unionized and younger workforce than that of the North American car makers.[9]

Honda Motor Corporation was formed in 1946 but began producing cars only in 1972. It has only two brands, Honda and Acura, with fairly little selection of vehicle models based on the highly successful Civic and Accord, although other models exist. Honda has achieved wide customer recognition as a leading manufacturer of low-maintenance low-emission vehicles. In 1977 and 1983, the Civic models were ranked first in U.S. fuel-efficiency tests. In recent years, however, more automakers have turned to producing fuel-efficient cars, and Honda's main competitive advantage appears to be its low production costs.

To portray a more comprehensive view of the automotive industry in the U.S., we collected data from White (1971), Train and Winston (2007), various years of the Automotive News Market Data Book, Money.CNN.com, and Forbes. In Table 1, we present trends in market share values for the previously discussed car manufacturers in the U.S. from 1913 to 2005.[10]

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[9] "The Not-So-Big Three" broadcast by CBC News, June 3rd, 2008.
[10] Some automakers entered the U.S. market at different years as authorized by the theory.

Those values are based on revenues from the sales of cars and trucks combined. Table 2 demonstrates how the cost leadership of the Japanese carmakers is established: chiefly by employing an inexpensive work force.[11]

Table 1
Automotive Industry Market Share Analysis in the U.S.

Year	Ford	GM	Chrysler	Toyota	Honda	All Others
1913	40%	12%	-	-	-	48%
1923	46%	20%	2%	-	-	32%
1933	21%	41%	25%	-	-	13%
1646-55	24%	45%	18%	0%	-	13%
1956-65	29%	51%	14%	0%	-	6%
1970	28%	40%	15%	2%	0%	15%
1975	25%	43%	12%	3%	1%	16%
1980	20%	45%	9%	6%	3%	17%
1985	21%	41%	12%	6%	4%	16%
1990	24%	35%	11%	8%	6%	16%
1995	26%	31%	12%	7%	5%	19%
2000	23%	28%	12%	9%	7%	21%
2005	19%	26%	14%	13%	9%	19%

Table 2
Recent Cost Variables among Automakers in the U.S.

	Ford	GM	Chrysler	Toyota	Honda
Total Hourly Labor Cost per Worker	$70.51	$73.26	$75.86	$48.00	$48.00
Total Labor Cost per Year per Worker	$141,02	$146,52	$151,72	$96,00	$96,00
No. of Hourly Workers in the U.S. (2008)	42,000	54,000	26,801	36,000	40,000
No. of Hourly Workers at Peak in the U.S.	104,000 (1997)	511,000 (1978-9)	75,896 (2000)	N/A	N/A
U.S. Retirees Receiving Benefits (2008)	335,000	453,000	65,175	N/A	N/A

The Model's Predictions in Practice

In reality, the deployment of competitive strategies can be somewhat ambiguous, and there is no clear perimeter around business policies such as cost leadership or product differentiation—when, exactly, one starts and the other ends. However, from the major historic milestones, the dynamics of market shares in the U.S. automotive industry, and the cost variables of each car manufacturer, we were able to categorize each automaker based on the key strategy employed during its "seed" and "mature" operational stages. These classifications and the nature of pair-competitions are summarized in Table 3.

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[11] Information regarding the number of employees and retirees at peak solely in the U.S. market is not available for the two Japanese carmakers, Toyota and Honda.

Table 3

Classification of Automakers in the U.S. Market

	Ford	GM	Chrysler	Toyota	Honda
Seed Level	Cost Leadership 1903 – 1923 Strong entry and capturing high market share	Product Differentiation 1908 – 1965 Gradually increasing market share	Product Differentiation 1925 – 1933 Gradually increasing market share	Cost Leadership 1957 – 1967 Slowly gaining market share	Product Differentiation 1972 – 1983 Slowly gaining market share
Mature Level	Product Differentiation 1923 – 2009 Losing and then stabilizing market share	Product Differentiation 1965 – 2009 Gradually losing market share	Product Differentiation 1933 – 2009 Losing and then stabilizing market share	Cost Leadership 1967 – 2009 Continue to gain market share	Cost Leadership 1983 – 2009 Continue to gain market share
Competition with GM	Mixed vs. Pure Competitive Strategies (Right Diagram, Panel D, Fig. 1)	-	-	-	-
Competition with Chrysler	Mixed vs. Pure Competitive Strategies (Right Diagram, Panel D, Fig. 1)	Pure vs. Pure Competitive Strategies (Left Diagram, panel B, Fig. 1)	-	-	-
Competition with Toyota	Mixed vs. Pure Competitive Strategies (Left Diagram, Panel D, Fig. 1)	Pure vs. Pure Competitive Strategies (Right Diagram, Panel B, Fig. 1)	Pure vs. Pure Competitive Strategies (Right Diagram, Panel B, Fig. 1)	-	-
Competition with Honda	Mixed vs. Reversed Mixed Competitive Strategies (Right Diagram, Panel C, Fig. 1)	Pure vs. Mixed Competitive Strategies (Left Diagram, Panel D, Fig. 1)	Pure vs. Mixed Competitive Strategies (Left Diagram, Panel D, Fig. 1)	Pure vs. Mixed Competitive Strategies (Right Diagram, Panel D, Fig. 1)	-

As predicted by the theoretical model, a pure competitive strategy competition, such as the product differentiation policy deployed by both GM and Chrysler, causes the less efficient firm to exit the market in the form of bankruptcy during its mature operational stage. Also forecasted by the theory, when rival firms exercise mixed competitive strategies throughout their business development, such as Ford and Honda, these opponents have escaped unnecessary exit decisions since both hold competitive advantages in different operational stages. Furthermore, the model suggests that firms utilizing mixed competitive strategies are generally more sustainable in the long run than those holding a pure strategy. This is the case of Ford's and Honda's superior competitiveness over GM and Chrysler, which eventually caused the latter automakers to go

bankrupt. However, when a pure competitive strategy firm is highly competent in its single business policy, such as Toyota within its cost leadership approach, it can thrive and avoid corporate exit decisions, even when battling with mixed strategies firms that have entered the U.S. market at a much earlier point, like Ford.

The model further suggests firms that utilize mixed competitive strategies during their operational stages are better competitors than those deploying a pure strategy, and this competitive advantage by itself drives the single strategy firms to diversify their competitive means, as in the case of the New GM, which now turns more toward a cost leadership strategy. Moreover, the model predicts a merger to occur when two firms of the same type compete while employing the same competitive strategy and when corporate exit is not necessary. This is the case of the merger of equals between the two mature firms Daimler-Benz and Chrysler.[12] In addition, it is not feasible to classify all prior automakers that were acquired in the automotive industry as pure or mixed strategies firms, yet they all share common characteristics of being acquired while in their seed stages by mature car manufacturers, which agrees with the model.

Summary and Conclusions

This multidisciplinary study draws knowledge from different disciplines including business organization, industrial economics, and corporate finance. The research examined various corporate exit resolutions, including decisions to merge, to be acquired, or to file for bankruptcy as a result of long-term deployment of competitive strategies among rival firms within an oligopolistic industry. We constructed a theoretical model that predicts diverse exit outcomes for potential conflicts between rival firms holding different types of generic competitive strategies.

Our findings include several key inferences for the long-term behavior of an oligopolistic industry. A stuck-in-the-middle firm is forced to exit the market in the form of bankruptcy. Unless rival firms divide the market through 'focus' competitive strategies, a clash between firms that utilize only a single competitive strategy causes the less efficient ones to undertake inevitable corporate exit decisions and file for bankruptcy. Firms that exercise different competitive strategies throughout their business development can coincide in a shared industry only when holding competitive advantages in different operational stages, or if each competitor is limited and somewhat inefficient in its deployment of competitive strategies. Firms that utilize different competitive strategies during their operational phases are generally more sustainable than those deploying only a single strategy, while this competitive advantage by itself drives the firms to diversify their competitive approaches.

We have corroborated the hypothetical presumptions with specific evidence from the U.S. automotive industry, a sector that has experienced various types of exit decisions and different practices of competitive strategies in the past century. We realize the bankruptcies of GM and Chrysler are associated with their long-term pure competitive strategy of product differentiation. We also identify the enhanced competitiveness of Ford and Honda as directly related to their usage of mixed competitive strategies over the years. We further recognize the

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[12] One can find a similar example outside the U.S. within the alliance between Nissan and Renault. These two far-from-being-forced to exit the market mature firms established a unique commercial partnership in 1999. As a result, Renault holds 44% stake in Nissan, while the latter holds 15% of the former.

competitive advantage of Toyota by using a highly efficient, pure, cost leadership policy. The model explains why the New GM is trying to become more cost efficient as well. We also were able to clarify some of the mergers and acquisitions in the U.S. car manufacturing industry through the proposed model.

As for future lines of investigation, we recommend examining the theory at hand with other oligopolistic markets such as the airline industry. We suspect all airlines essentially provide the exact same service, therefore, deploy a pure competitive strategy of 'cost leadership.' According to our theory, this fact must lead to mergers and bankruptcies. Also, it would be of particular interest to explore different outcomes of a non-exiting firm upon an exit of a competitor, to what extent one gains from a failure of its rival, and whether any of the competitive strategies are associated with better or worse corporate results upon an exit event.

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Appendix – The Theoretical Model

Our theory is most suitable for an oligopolistic market with a small number of rival firms, interdependence among competitors, and significant barriers of entry. To project potential conflict resolutions between rival firms, we have designed a theoretical model that considers two phases for each firm in this oligopolistic market: seed (S) and mature (M). Seed companies represent the stage at which a firm initially enters a specific market and then gradually grows during the subsequent time units.[13] Different seed companies grow at different rates, and unless they are forced to exit the market, they eventually become mature firms with an average number of mature firms per seed company per one time unit, δ. In contrast, a mature firm is one that already has captured a significant market share, thus until the point when it is obligated to exit the market, it affects its operational industry by fulfilling demand, generating a need for merchandise derivatives or complement goods and services, and further expanding the industry through by-products. Thus, a mature firm attracts more seed companies to enter the market at an average number of seed companies per mature firm per one time unit, π.[14] In addition, we assign the likelihoods ω and η as the mean exit probabilities for seed and mature firms per one time unit, respectively. In this setting, $1-\omega$ and $1-\eta$ represent the corresponding proportions of seed and mature firms that remain operational in the underlying oligopolistic market.[15]

In our analysis, we cover three key corporate exit resolutions: bankruptcy, merger, and acquisition. It seems equitable to assume that whenever a mature firm reaches a point where it no longer can remain operational and competitive forces obligate it to exit the market, it will file for bankruptcy. However, when a seed company is compelled to take an exit route, it may choose to be acquired as its first alternative. The differences between these two enterprises lie within their levels of development, corporate masses, and thus their flexibility to integrate into other firms. Furthermore, it seems viable to presume that when corporate exit is not a necessity, but merely an optional resolution of industry dynamics, whenever two of the same types of firms collide, such as seed and seed, or mature and mature, besides coexistence, a corporate merger is a natural exit choice for both enterprises. Yet, when a seed company battles with a mature firm, and it is not obligated to take a corporate exit, occasionally it prefers to be acquired, rather than continuing

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[13] The term 'seed company' in our context does not necessarily denote an early-stage fast-growing start-up enterprise. It could also represent a firm developing slowly over many years, depending on the specific industry and the nature of competition within.

[14] For example, a mature company such as Microsoft continuously attracts new start-ups to enter the software industry by developing complement products to its well-established tools.

[15] We do not assume that rival firms enter the industry at the exact same time. Quite the opposite, our model allows rival firms to confront each other while operating at different going-concern stages.

alone. The differences between these two avenues lie within the dissimilarities in the corporate sizes of seed and mature firms and their accessible funds for closing a merger. These three exit decisions and their general circumstances guide us in the coming analyses.

We further consider that each firm in the underlying industry exercises a single competitive strategy (CS) at a time. Any attempt to simultaneously deploy the two main competitive strategies, cost leadership and product differentiation, would result in a stuck-in-the-middle firm, which is then forced to exit the market. Moreover, it would be prudent to assume that corporate entry, growth, and exit decisions are functions of the accessible competitive strategies taken by the relevant firms.[16] In this case, the entry function π becomes $\pi(CS_M)$, the growth function δ turns into $\delta(CS_S)$, and the exit functions ω and η are better expressed as $\omega(CS_S)$ and $\eta(CS_M)$. We use the sub-notation t to represent a specific time unit and portray the market dynamics through the following simultaneous equations:

$$\begin{cases} S_{t+1} = [1 - \omega(CS_{S,t})]S_t + \pi(CS_{M,t})M_t \\ M_{t+1} = [1 - \eta(CS_{M,t})]M_t + \delta(CS_{S,t})S_t \end{cases} \quad \begin{matrix} (1) \\ (2) \end{matrix}$$

We can take a snapshot at time t of the number of competitive firms at both corporate phases within a given industry and group them into a single column vector as

$$\Psi_t \equiv \begin{bmatrix} S_t \\ M_t \end{bmatrix}, \quad (3)$$

and further define the corporate transition matrix within an industry as[17]

$$\Phi_t \equiv \begin{bmatrix} -\omega_t & \pi_t \\ \delta_t & -\eta_t \end{bmatrix}, \quad (4)$$

so the market structure is compressed into a single equation:

$$\Delta\Psi \equiv \Psi_{t+1} - \Psi_t = \Phi_t \Psi_t. \quad (5)$$

Thus far, we have not restricted the entry, growth, and exit functions. Nevertheless, to portray a genuine oligopolistic market, we assume the functions of the different exit forms out of the market ω and η decrease with available competitive strategies to their corresponding firms, while the entry and growth functions increase with available competitive strategies.[18] We, therefore, presume the following set of constraints:

$$\left\{ \frac{\partial\omega}{\partial CS_S} \leq 0; \quad \frac{\partial\eta}{\partial CS_M} \leq 0; \quad \frac{\partial\delta}{\partial CS_S} \geq 0; \quad \frac{\partial\pi}{\partial CS_M} \geq 0 \right\}. \quad (6)$$

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[16] In our setting, firms encourage entry, stimulate growth, or decide to exit the market because of their own available competitive strategies. Evidently, in an oligopolistic market, these policies are tightly correlated to competitive strategies undertaken by rival firms, yet for the purpose of model tractability, we consider corporate actions as functions of competitive strategies of the same firms that initiate them.

[17] This form of presentation later assists us to obtain different industry dependencies.

[18] We define the entry, growth, and exit functions as decreasing or increasing with available competitive strategies, but not as monotonically decreasing or monotonically increasing functions. We allow them to be periodic constants due to market imperfections that cause competitive forces to be density-independent.

Since the use of either cost leadership or product differentiation is limited in most oligopolistic industries, and the success of deploying a generic strategy often depends on specific sector characteristics, we further consider each competitive business strategy as a one-to-one function f of the firms' distribution in the market as follows:[19]

$$CS_{\Psi,t} = f_\Psi\left(S_t, M_t\right) \quad \text{where} \quad \Psi \in \{S, M\}. \tag{7}$$

When an underlying industry is completely vacant and ready to be occu_ (7) by new entrants, the level of available competitive strategies is at its highest peak. When a market is already conquered by numerous rival firms, the value of competitive strategies typically hits its lowest level. As more competing enterprises join a business segment, the effectiveness of deploying competitive strategies diminishes. We, therefore, scale the function f so a competitive strategy in the absence of firms is equal to one, but with infinite number of rival firms sharing the same industry is equal to zero. We further assume function f is monotonically decreasing within this domain. Therefore,

$$\left\{ f_\Psi(0,0) = 1; \quad f_\Psi(\infty,\infty) = 0; \quad \frac{\partial f_\Psi}{\partial \Psi} < 0 \right\}. \tag{8}$$

In essence, our setting specifies that entry, growth, and corporate exit decisions depend upon available competitive strategies, which are bounded by the structure of the industry. However, we must differentiate between a 'pure strategy' firm, a 'mixed strategies' firm, and a 'stuck-in-the-middle' firm with respect to each one's utilization of competitive strategies along its two operational stages, seed and mature. Without loss of generality (LOG), we define a 'pure strategy' firm as one that deploys only a single competitive strategy, either cost leadership or product differentiation, in both corporate phases, while it completely evades the other business policy. Without LOG, we classify a 'mixed strategies' firm as one that exercises one competitive strategy in its seed phase but the other business strategy in the mature phase. We also identify a 'stuck-in-the-middle' firm as one that simultaneously employs both strategies in either operational stages, yet fails at both.

Figure 1 – Panel A illustrates these three feasible scenarios. The left diagram presents a pure strategy firm where $CS_S = CS_M = CS_1$. The middle diagram describes a mixed strategies firm with $CS_S = CS_1$, $CS_M = CS_2$ and $CS_1 \cap CS_2 = \varnothing$. The right diagram shows a stuck-in-the-middle firm where $CS_S = CS_M = CS_1 \cup CS_2$. The horizontal arrows represent the impact of firms on their counterparts to either enter into or grow within a given industry. The vertical dashed lines depict a theoretical boundary between the two main substitute generic competitive strategies.

In the following subsections, we explore corporate exit outcomes due to different interfaces between rival firms holding competitive strategies throughout their distinct operational stages. However, we first visualize an equilibrium state within an industry. This preliminary discussion has valuable insights toward the later investigations.

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[19] We assume that f is a one-to-one revertible function, so we can later exploit its inverse function.

General Equilibrium Analysis

When two-stage rival firms within a single stable 1ndustry deploy specific competitive strategies $\left\{ CS_S^{eq}, CS_M^{eq} \right\}$, a market equilibrium $\left\{ S^{eq}, M^{eq} \right\}$ is established by setting $\Delta\Psi^{eq} = 0$, or $\Psi_{t+1} = \Psi_t$ in equation (5).[20] In this case,

$$\begin{cases} \delta\left(CS_S^{eq}\right)S^{eq} = \eta\left(CS_M^{eq}\right)M^{eq} & (9) \\ \omega\left(CS_S^{eq}\right)S^{eq} = \pi\left(CS_M^{eq}\right)M^{eq} & (10) \end{cases}$$

These two conditions lead to a periodic equilibrium if and only if[21]

$$g\left(CS_S^{eq}, CS_M^{eq}\right) \equiv \frac{\delta\left(CS_S^{eq}\right)\pi\left(CS_M^{eq}\right)}{\omega\left(CS_S^{eq}\right)\eta\left(CS_M^{eq}\right)} = 1. \qquad (11)$$

The one-to-one function g represents the combined magnitude of both competitive strategies available in an underlying industry. Since $\pi\left(CS_{M,t}\right)$ is the average number of seed companies entering the market per one mature firm per one time unit, and because $1/\eta\left(CS_{M,t}\right)$ is the expected number of time units a mature firm remains in the market under the existing conditions as observed at time t, the ratio $\pi\left(CS_{M,t}\right)/\eta\left(CS_{M,t}\right)$ captures the average number of seed companies to enter the market per a single mature firm over its active mature operational span. Similarly, because $\delta\left(CS_{S,t}\right)$ represents the average number of mature firms developed from one seed company per one time unit, and since $1/\omega\left(CS_{S,t}\right)$ signifies the expected number of time units a seed company remains in the industry under economic circumstances prevailing at time t, the quantity $\delta\left(CS_{S,t}\right)/\omega\left(CS_{S,t}\right)$ symbolizes the average number of mature firms created during a seed company's operational term. Therefore, equation (11) expresses the total number of seed companies to enter an industry during a complete operational stage of an average firm; it must be equal to one for a reconciliation of a periodic equilibrium.

The set of conditions described in (6) dictate that the quantity g in (11) increases with CS_S and CS_M, and since both competitive strategies are monotonically decreasing functions of market density, as described in (7) and (8), we can infer that $g > 1$ implies the market density is below equilibrium level, while $g < 1$ suggests the industry is currently over-populated with competitive firms. Another way to observe this property is by realizing that $g > 1$ means $\delta\pi > \omega\eta$, thus more firms enter into and grow within than exit from the industry; therefore, the sector is under its periodic equilibrium point of density. Conversely, if $g < 1$ then $\delta\pi < \omega\eta$, so firms tend to exit the market faster than they join it; therefore, the industry is above its periodic equilibrium level.

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[20] Equilibrium in this context denotes a steady number of firms within each class, seed and mature, although firms may continuously enter, grow, and exit the market.

[21] We use the term periodic equilibrium, as opposed to stable or instantaneous equilibrium, since continuously changing macroeconomic conditions could divert an industry from its steady state, yet financial circumstances that trigger entry, growth, and exit decisions usually do not vary so rapidly. Jovanovic and MacDonald (1994) explain the nonmonotonicity of a competitive market through an equilibrium model and further illustrate it within the U.S. automobile tire industry.

Proposition 1: The sign of $(g-1)$ exclusively determines the direction in which the industry is heading.

Proof: We analyze the market transition matrix in (4) and its eigenvalues, which utterly govern the dynamics of firms. We identify the determinant $Det(\Phi) = \omega\eta - \pi\delta$ and the trace $Tr(\Phi) = -\omega - \eta$, so the two eigenvalues become

$$\lambda_{1,2} \equiv \frac{Tr(\Phi) \pm \sqrt{Tr^2(\Phi) - 4Det(\Phi)}}{2} = \frac{-\omega - \eta \pm \sqrt{(\omega+\eta)^2 - 4(\omega\eta - \pi\delta)}}{2}. \quad (12)$$

Since $Tr(\Phi) = -\omega - \eta < 0$, the second root λ_2 that uses the minus sign in the numerator is always negative. Thus, the market direction is determined solely by the sign of the dominant eigenvalue λ_1, which has the reversed sign of $Det(\Phi) = \omega\eta(1-g)$. Because $\omega\eta > 0$, the direction of the market's density is governed by the sign of $(g-1)$.

In the following subsections, we examine the isoclines $g(CS_S, CS_M) = 1$, which divide the $[0 \le CS_S \le 1, 0 \le CS_M \le 1]$ unit-square into two parts: the area above the isocline that represents $g > 1$, thus an under-equilibrium market density, and the zone below the isocline that denotes $g < 1$, therefore, an over-equilibrium level. Due to the relatively non-restricted nature of business competitive strategies, these isoclines can take a wide spectrum of profiles in a two-dimension plane, yet for our purpose, it is sufficient to consider the fairly naïve instances of vertical and monotonic decreasing convex curves. Throughout our analyses, an equilibrium solution based on a lower (higher) utilization of the first competitive strategy along the horizontal axis, suggests the need to be less (more) aggressive to outcompete the rival firms, thus shifts the strategy allocation on the isocline to the left (right) and further implies a greater (smaller) competitive advantage and a higher (lower) competitive business efficiency.

Different Types of Competitions

We now turn to examine the outcomes of potential clashes between rival firms within a shared industry and their likely corporate exit decisions. From our prior definitions, there could be five distinct types of firms: (1) one that holds at both operational stages a pure competitive strategy – cost leadership, (2) one that utilizes at both operational stages a pure competitive strategy – product differentiation, (3) one that uses mixed strategies – cost leadership at the seed level and then product differentiation at the mature stage, (4) one that employs reversed mixed strategies – product differentiation at the seed phase but then cost leadership at the mature leg, and (5) one that is a stuck-in-the-middle firm, which attempts to deploy the two strategies together, but fails at both. We, therefore, add two subscripts to the previous scheme, α and β, to identify each time the different types of firms that hold independent competitive strategies.[22]

As illustrated in Figure 1 – Panels B, C, and D, correspondingly, we distinguish between three feasible types of conflicts: a pure strategy competition, a mixed strategies competition, and a pure versus mixed strategies competition. Without LOG, the left diagram of Panel B presents a

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[22] We try not to overcomplicate the notations, thus when rival firms clash over the same competitive strategy at the equivalent going-concern stage, the subscripts α and β represent different firms.

pure strategy competition between rival firms holding the same competitive strategy, whether it is a cost leadership or a product differentiation, during both operational stages. The right diagram of Panel B shows firms holding distinct but pure competitive strategies during their operational spans with no direct collision. Panel C provides two options for mixed strategies competition, where in the first example the rival firms compete over the same strategy at the same operational phase, but in the second example, the opponents compete over different strategies while in the same stages of their business progression. Panel D illustrates two alternatives for a pure versus mixed strategies competition. The diagram on the left intersects firms during the seed stage of the enterprises that deploy mixed strategies, and the diagram on the right confronts firms only at the mature stage of the companies that use mixed strategies. We explore these scenarios hereafter, while at this point, we exclude a rivalry with a stuck-in-the-middle firm because in our setting any other type of business should prevail, and this mode of operation leads to an unavoidable market exit in the form of bankruptcy.

Pure Strategy Competition

When rival firms defy each other over the same pure competitive strategy during both operational stages, as illustrated in the left diagram of Figure 1 – Panel B, without LOG, the industry dynamic becomes

$$CS_{\alpha,S,t} = CS_{\alpha,M,t} = CS_{\beta,S,t} = CS_{\beta,M,t} \equiv CS_{1,t} = f_1\left(S_{\alpha,t}, M_{\alpha,t}, S_{\beta,t}, M_{\beta,t}\right). \quad (13)$$

In this case, all rival firms in a given industry utilize a uniform competitive strategy, whether it is a cost leadership or a product differentiation, and market density equilibrium is established by satisfying condition (11) so that

$$CS_{1,\Psi}^{eq} = f_1\left(\Psi_1^{eq}\right) = g_\Psi^{-1}(1), \quad (14)$$

where $\Psi \in \{S, M\}$, and the superscript *-1* denotes the inverse of the one-to-one function *g*. It is practically impossible that all firms in a given industry demonstrate the exact same efficiency over a pure competitive strategy, and, therefore, (14) leads to a separating equilibrium where rival firms exhibit distinct vertical isoclines as in Figure 2 – Panel A. Over a long period of time, it is virtually certain those firms having advanced pure strategy of either cost leadership or product differentiation, such as α in this diagram, will defeat the other competitors (β) having lower efficiency of the same competitive strategy. In essence, market imperfections cause the pooling equilibrium to become unstable and promote this separating equilibrium. These discrete $g_\Psi\left(CS_{\alpha,\Psi}, CS_{\beta,\Psi}\right) = 1$ vertical isoclines trigger unique separating market equilibrium, precisely where the arrow is pointing in this drawing. As a result, the less efficient firms must exit the industry in the form of bankruptcy.

However, when rival firms divide the industry into separate niches, as illustrated in the right drawing of Figure 1 – Panel B, an oligopolistic market can support the coexistence of various types of firms. In essence, this is the third type of Porter's competitive strategies called 'focus.' In this case, no obligated corporate exit decisions are undertaken, unless the regulator permits either a merger between two of the same-stage firms or an acquisition of a seed company by a mature firm.

Mixed Strategies Competition

When rival firms clash over mixed competitive strategies during their operational stages, there could be two distinctive scenarios, as depicted in the left and the right diagrams of Figure 1 – Panel C. If the opponents compete over the same strategy at the same operational stage, as in the left drawing, the market dynamic becomes

$$\begin{cases} CS_{\alpha,S,t} = CS_{\beta,S,t} \equiv CS_{1,t} = f_1\left(S_{\alpha,t}, S_{\beta,t}\right) & (15) \\ CS_{\alpha,M,t} = CS_{\beta,M,t} \equiv CS_{2,t} = f_2\left(M_{\alpha,t}, M_{\beta,t}\right) & (16) \end{cases}$$

However, when firms battle over different competitive strategies while in the same stages of their business progression, as in the right drawing, the market dynamic turns into

$$\begin{cases} CS_{\alpha,S,t} = CS_{\beta,M,t} \equiv CS_{1,t} = f_1\left(S_{\alpha,t}, M_{\beta,t}\right) & (17) \\ CS_{\alpha,M,t} = CS_{\beta,S,t} \equiv CS_{2,t} = f_2\left(M_{\alpha,t}, S_{\beta,t}\right) & (18) \end{cases}$$

Nevertheless, these two scenarios are economically identical in terms of their likelihoods to yield corporate exit decisions. Thus, we concentrate on the first case only. However, the specific exit decisions undertaken are often different across the operational stages and between the various types of clashes; therefore, we emphasize the differences in the explicit corporate exit decisions later.

This type of mixed strategies competition could cause four qualitatively different market resolutions, as portrayed in Figure 2 – Panel B. For this kind of rivalry, the isoclines are no longer vertical, since they depend upon both competitive strategies, thus they become downward sloping convex curves. With parallel arguments to the pure strategy competition, when these isoclines do not intersect, the more strategically efficient firms, such as α in the left diagram, overcome the others (β) and force them to exit the market, hence create a separating equilibrium. A pooling equilibrium is feasible when rival firms position their optimal allocations of competitive strategies at their less efficient sections of the isoclines' intersection point. The market competitive forces then would require these firms to improve and move toward a joint optimal allocation of competitive strategies at the intersection point of the isoclines, as depicted in the drawing second from the left.

There are two additional types of separating equilibria. When feasible allocations of competitive strategies lie on the same side of the isoclines' intersection point, the more efficient firms (α) thrive, while the others (β) must take an exit decision, as described without LOG in the second right diagram. However, when each optimal allocation of competitive strategies lies on its own efficient side of the isoclines' intersection point, another separating equilibrium is plausible, where no firm is necessarily forced to exit the industry, as illustrated in the far right drawing.

With direct analogy to (9) and (10), we can further describe the equilibrium solutions evolving from (15) and (16) through their competitive functions and the corresponding inverse functions as

$$\begin{cases} \delta_\Sigma\left(CS_{1,\Sigma}^{eq}\right) f_1^{-1}\left(CS_{1,\Sigma}^{eq}\right) = \eta_\Sigma\left(CS_{2,\Sigma}^{eq}\right) f_2^{-1}\left(CS_{2,\Sigma}^{eq}\right) & (19) \\ \omega_\Sigma\left(CS_{1,\Sigma}^{eq}\right) f_1^{-1}\left(CS_{1,\Sigma}^{eq}\right) = \pi_\Sigma\left(CS_{2,\Sigma}^{eq}\right) f_2^{-1}\left(CS_{2,\Sigma}^{eq}\right) & (20) \end{cases} \text{ where } \Sigma \in \{\alpha, \beta\}.$$

From the set of conditions in (6) we can postulate specific derivations for the entry, growth, and exit functions. For simplicity, we assume the two corporate exit functions, ω and η,

are market–density–independent at both operational stages and within all types of firms; thus, we assign constant exit likelihoods as

$$\begin{cases} \eta_\Sigma(CS_M) = \mu_\Sigma \\ \omega_\Sigma(CS_S) = \nu_\Sigma \end{cases} \quad \text{where} \quad \Sigma \in \{\alpha, \beta\}. \quad \begin{matrix} (21) \\ (22) \end{matrix}$$

In contrast, because the growth and the entry increasing functions δ and π are often bounded by macroeconomic circumstances, and they typically exhibit a diminishing return characteristic, we describe these functions as binding isotherms:[23]

$$\begin{cases} \delta_\Sigma(CS_1) \equiv \dfrac{\overline{\delta}_\Sigma CS_1}{\varepsilon_\Sigma + CS_1} \\ \pi_\Sigma(CS_2) \equiv \dfrac{\overline{\pi}_\Sigma CS_2}{\sigma_\Sigma + CS_2} \end{cases} \quad \text{where} \quad \Sigma \in \{\alpha, \beta\}, \quad \begin{matrix} (23) \\ \\ (24) \end{matrix}$$

where $\overline{\delta}$ and $\overline{\pi}$ denote the maximum feasible growth and entry rates within a given industry, and ε_Σ and σ_Σ represent common scaling parameters. From (11), we obtain[24]

$$g_\Sigma(CS_1, CS_2) = \frac{\overline{\delta}_\Sigma \overline{\pi}_\Sigma CS_1 CS_2}{\nu_\Sigma \mu_\Sigma (\varepsilon_\Sigma + CS_1)(\sigma_\Sigma + CS_2)}, \quad (25)$$

and a maximum utilization of generic competitive strategies as

$$\hat{g}_\Sigma \equiv g_\Sigma(1,1) = \frac{\overline{\delta}_\Sigma \overline{\pi}_\Sigma}{\nu_\Sigma \mu_\Sigma (\varepsilon_\Sigma + 1)(\sigma_\Sigma + 1)}. \quad (26)$$

Proposition 2: The more different the maximum utilization $\hat{g}$ between rival firms, the greater the chances for these competitors to undertake corporate exit decisions.

Proof: Without LOG, we assume the common scaling parameters ε_Σ and σ_Σ, which in our context describe one-half of the maximum potential intensity of the competitive strategy enforced, are equal across rival firms, thus $\varepsilon_\alpha = \varepsilon_\beta \equiv \varepsilon$ and $\sigma_\alpha = \sigma_\beta \equiv \sigma$. In this case, we can infer the complete behavior of isoclines from a genuine periodic equilibrium stems from $g_\Sigma = 1$ in equation (25), and use the fact that $(\overline{\delta}_\Sigma \overline{\pi}_\Sigma)/(\nu_\Sigma \mu_\Sigma) = (\varepsilon + CS_1)(\sigma + CS_2)/(CS_1 CS_2)$ while simplifying (26). Therefore, all isoclines for all types of firms having optimal allocation of mixed competitive strategies within a given industry sustain a single equation, as follows:

$$\hat{g}_\Sigma^{eq} = \frac{(\varepsilon + CS_1)(\sigma + CS_2)}{CS_1 CS_2 (\varepsilon + 1)(\sigma + 1)}. \quad (27)$$

These isoclines never intersect, but they do vary across firms because $\hat{g}_\alpha^{eq} \neq \hat{g}_\beta^{eq}$. Those firms with more efficient competitive strategies overpower the others, as illustrated in the left diagram of Figure 2 – Panel B. This outcome forces the less efficient firms to exit the market over a long course of rivalry. If these lower efficiency firms are at their mature phase, it is reasonable to

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[23] Parnes (2009) explains more on the use of binding isotherms.
[24] Although in (11) the function g signifies a complete market level quantity, in (25) and (26) there are two types of g since there are two types of firms, α and β, hence there are different levels of entry, growth, and exit rates for these rival firms within the same industry, as depicted in (21), (22), (23), and (24).

assume they would file for bankruptcy. If, however, they are at the seed stage, we presume they would try first to be acquired.

Equation (27) demonstrates that when $\varepsilon_\alpha = \varepsilon_\beta$ and $\sigma_\alpha = \sigma_\beta$, the market dynamic converges to $\hat{g}_\alpha^{eq} \neq \hat{g}_\beta^{eq}$, thus the isoclines are parallel, and some competitive firms must exit the industry, depending on their current operational stage: an acquisition among seed companies and a bankruptcy among mature firms. Therefore, corporate coexistence in an oligopolistic market is feasible only when $\hat{g}_\alpha^{eq} = \hat{g}_\beta^{eq} = \hat{g}$. This is a necessary condition but not a sufficient one. As presented in Figure 2 – Panel B, there could be three forms of intersection: The diagram second from the left presents a pooling equilibrium with no obligated corporate exit, the second right sketch depicts a separating equilibrium with required market exit, and the far right drawing demonstrates a separating equilibrium without any forced exit choices. Without LOG, all of these three options require the isocline of type α firms touches the upper limit $CS_2 = 1$ at a lower value of CS_1 and approaches the upper boundary $CS_1 = 1$ at a higher value of CS_2 than the isocline of type β firms. When $\hat{g}_\alpha^{eq} = \hat{g}_\beta^{eq}$, we hold everything else constant in (25) and express these alternatives as

$$\{\varepsilon_\alpha < \varepsilon_\beta \quad \text{and} \quad \sigma_\alpha > \sigma_\beta\}. \tag{28}$$

Without LOG, this set of conditions suggests type α firms are more efficient with a low usage of their strategy while in the seed phase, but the type β firms are more competent with a low utilization of their competitive strategy at the mature stage. Because the market equilibrium is settled by equations (19) and (20), we identify now f_1 and f_2 as monotonic decreasing one-to-one functions within their feasible domain $(0,1]$, previously characterized in (8). For simplicity, we define two independent formulas for both types of firms that maintain all of the above properties as[25]

$$f_1(S_{\Sigma,t}) = CS_{1,t} = \frac{1}{S_{\Sigma,t}+1} \Rightarrow f_1^{-1}(CS_{1,t}) = \frac{1-S_{\Sigma,t}}{S_{\Sigma,t}} \equiv \frac{2CS_1-1}{1-CS_1} \tag{29}$$

$$f_2(M_{\Sigma,t}) = CS_{2,t} = \frac{1}{M_{\Sigma,t}+1} \Rightarrow f_2^{-1}(CS_{2,t}) = \frac{1-M_{\Sigma,t}}{M_{\Sigma,t}} \equiv \frac{2CS_2-1}{1-CS_2} \tag{30}$$

We embed equations (21), (23), (29), and (30) into (19) and equations (22), (24), (29), and (30) into (20) and determine that an equilibrium solution must abide:

$$\begin{cases} \dfrac{2CS_2-1}{1-CS_2} = \dfrac{\bar{\delta}_\Sigma CS_1(2CS_1-1)}{\mu_\Sigma(\varepsilon_\Sigma+CS_1)(1-CS_1)} & \tag{31} \\[4mm] \dfrac{2CS_1-1}{1-CS_1} = \dfrac{\bar{\pi}_\Sigma CS_2(2CS_2-1)}{\nu_\Sigma(\sigma_\Sigma+CS_2)(1-CS_2)} & \tag{32} \end{cases}$$

We reduce this set of conditions to several points of interest, which can classify necessary clauses for equilibrium solutions along the isoclines: $\{CS_1=0, CS_2=0.5\}$, $\{CS_1=0.5, CS_2=0.5\}$,

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[25] Other functions that obey the same restrictions should yield consistent conclusions.

and $\{CS_1 \rightarrow 1, CS_2 \rightarrow 1\}$.[26] We, therefore, deduce that although optimal allocation of competitive strategies can be stochastic, it tends to remain within the upper half of the $[0 \le CS_1 \le 1, 0 \le CS_2 \le 1]$ feasible domain. Thus, unless both isoclines recline with high proximity to the upper-right corner of this unit-square, among all three feasible equilibrium solutions with $\hat{g}_\alpha^{eq} = \hat{g}_\beta^{eq}$, a separating equilibrium that forces corporate exit, as in the second right diagram of Figure 2 – Panel B, is more likely than a pooling equilibrium as in the second left drawing, or a separating equilibrium, which does not compel exit, as in the far right sketch. We conclude that when the quantity $\hat{g}$ is different between rival firms, corporate exit is inevitable, but when $\hat{g}_\alpha^{eq} = \hat{g}_\beta^{eq}$, corporate exit is still probable.

The different scenarios presented in the two diagrams of Figure 1 – Panel C, dictate the particular exit outcomes upon a conflict of strategies. In the left drawing, the firms intersect at the same operational stages, thus optional exit choices are limited to merger. In contrast, in the right diagram the firms intersect at the opposite business phases, thus non-obligated exit choices are limited to acquisition.

Pure versus Mixed Strategies Competition

When a pure strategy firm competes with a mixed strategies company, the latter benefits from engaging one of the competitive strategies alone, thus operating without a direct rivalry. In contrast, once a mixed strategies firm escapes direct competition, it essentially abandons the other competitive strategy for the hegemony of the pure strategy firm. In the following analysis, we investigate which strategy gains the upper hand and under what circumstances.

Like before, there could be two comparable scenarios: when the mixed strategies firm evades direct competition at the mature stage, as illustrated in the left diagram of Figure 1 – Panel D, or when the mixed strategies company eludes direct rivalry at the seed stage, as depicted in the corresponding right drawing. In the first option,

$$CS_{\alpha,S,t} = CS_{\beta,S,t} = CS_{\beta,M,t} \equiv CS_{1,t} = f_1\left(S_{\alpha,t}, S_{\beta,t}, M_{\beta,t}\right) \qquad (33)$$
$$CS_{\alpha,M,t} \equiv CS_{2,t} = f_2\left(M_{\alpha,t}\right) \qquad\qquad (34)$$

but in the second case,

$$CS_{\alpha,S,t} \equiv CS_{1,t} = f_1\left(S_{\alpha,t}\right) \qquad\qquad (35)$$
$$CS_{\alpha,M,t} = CS_{\beta,S,t} = CS_{\beta,M,t} \equiv CS_{2,t} = f_2\left(M_{\alpha,t}, S_{\beta,t}, M_{\beta,t}\right) \qquad (36)$$

Since the analyses of exit probabilities are economically parallel under both situations, we derive our conclusions from the first alternative, yet we emphasize the discrepancies in specific exit decisions. The pure competitive strategy firms exhibit a vertical isocline, but the mixed competitive strategies companies display a downward sloping convex isocline. Therefore, there could be three possible outcomes from this type of conflict. When pure strategy firms (β) are far more efficient at their single competitive strategy, whether it is a cost leadership or a product differentiation, their isocline reclines to the left of their competitors' (α) bended isocline, as

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[26] These equilibrium solutions refer to (31), while (32) generates equivalent points when we describe the system with CS_1 on the vertical axis and CS_2 along the horizontal axis of the unit square domain.

portrayed in the left sketch of Figure 2 – Panel C. In this case, type β defeat type α firms, leaving them no other choice but to exit the market. The gray arrow points to a separating equilibrium with a forced exit. Since type α firms are compelled to exit, if they are currently at the seed (mature) level, as illustrated in the left (right) diagram of Figure 1 – Panel D, then those firms would rather be acquired (bankrupt).

Nevertheless, when mixed strategies firms α demonstrate a lower efficiency at the operational stage that evades direct competition, yet a higher competitive efficiency within the operational span at which both types of firms confront each other, hence a specific allocation by type α firms of competitive strategy to the left of the intersection point, the pure strategy firms β are compelled to exit the industry, as illustrated in the middle drawing of Figure 2 – Panel C. Here, the gray arrow points to a separating equilibrium but with the opposite exit outcome. Clearly, if α firms are more efficient at both operational stages, we obtain the same result: They overpower the pure strategy firms and drive them to exit the market in a form conditional on the current operational stage.

In addition, when the mixed strategies firms α are less efficient at the corporate phase, where both types of companies defy each other, but are more efficient at the other operational stage, where they avoid direct competition with the pure strategy firms β, coexistence is plausible, and there are no obligated exit decisions, only voluntary mergers or acquisitions when regulatory constraints permit. This scenario is portrayed in the right diagram of Figure 2 – Panel C. This pooling equilibrium is created by a specific allocation of CS_1 to the right of the intersection point for type α firms.

We notice that, unless the curved isocline is very close to the upper-right corner of the feasible unit square domain because one isocline is vertical and the other is a downward sloping convex curve, an intersection is highly probable. The only precondition for an intersection of isoclines requires that the mixed strategies firms are not entirely inefficient at both operational stages hence at both competitive strategies. Therefore, we conclude that, unless the pure strategy firms are far more competitively efficient than the mixed strategies firms, the latter business form is superior because it allows corporations to escape unnecessary exit decisions and to remain operational in the market under a wider array of competitive choices.

We continue this qualitative examination with a more quantitative analysis by assigning specific functions to the entry, growth, and exit rates. We assume the two corporate exit functions, ω and η, are market–density-independent at both operational stages and within all types of firms, and we assign constant exit likelihoods as[27]

$$\omega_\Sigma(CS_1) = v_\Sigma \tag{37}$$
$$\eta_\Sigma(CS_i) = \mu_\Sigma, \tag{38}$$

where $\Sigma \in \{\alpha, \beta\}$ and $i \in \{1,2\}$. For simplicity, we further consider that growth and entry rates, δ and π, are merely proportional to available competitive strategies as:

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[27] We follow the left diagram of Figure 1, Panel D, thus exit probability at the mature stage η could be a function of either competitive strategies, but exit likelihood at the seed stage ω must be a function of only the first competitive strategy in (37) and (38). Similar arguments hold for π and δ in (39) and (40).

$$\delta_\Sigma\left(CS_1\right) = \gamma_\Sigma CS_1 \tag{39}$$

$$\pi_\Sigma\left(CS_i\right) = \tau_\Sigma CS_i, \tag{40}$$

where γ and τ are the matching proportions. Thus, we obtain the following isoclines:

$$\hat{g}_\Sigma = g_\Sigma\left(1,1\right) = \frac{\gamma_\Sigma \tau_\Sigma}{\mu_\Sigma \nu_\Sigma} \tag{41}$$

$$g_\alpha\left(CS_1, CS_2\right) = \hat{g}_\alpha CS_1 CS_2 . \tag{42}$$

$$g_\beta\left(CS_1\right) = \hat{g}_\beta CS_1^2 \tag{43}$$

A necessary and sufficient condition for the isoclines to intersect specifies that the isocline of the mixed strategies firms touches the upper limit $CS_2 = 1$ at a lower value of CS_1 than does the isocline of the pure strategy rivals. We substitute this clause by using (42) and (43) and obtain

$$\hat{g}_\alpha > \sqrt{\hat{g}_\beta} . \tag{44}$$

When this condition is satisfied and the two isoclines intersect, there are two alternatives: a separating equilibrium that forces corporate exit, or a pooling equilibrium that permits coexistence but still allows an exit decision such as a merger or an acquisition. The result depends on the specific allocation of the first competitive strategy for type α firms. For the pooling equilibrium to evolve, we require type α firms allocate CS_1 to the right of the intersection point, and for the separating equilibrium, we demand type α firms allocate CS_1 to the left of the intersection point, as follows:

$$\left\{ CS_{\alpha,1}^{Pooling} \geq \frac{1}{\sqrt{\hat{g}_\beta}}; \quad CS_{\alpha,1}^{Separating} < \frac{1}{\sqrt{\hat{g}_\beta}} \right\}. \tag{45}$$

We, therefore, conclude that for the mixed competitive strategies type α firms to escape undesired corporate exit choices, it is enough to require $\hat{g}_\alpha > \sqrt{\hat{g}_\beta}$, as in (44). However, for the pure competitive strategy type β firms to escape unwanted corporate exit decisions, we demand

$$\hat{g}_\beta \geq Min\left\{ \hat{g}_\alpha^2, \frac{1}{CS_{\alpha,1}^2} \right\}. \tag{46}$$
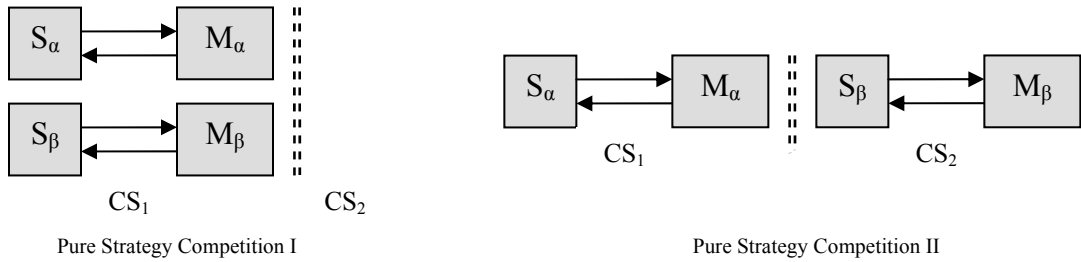
This is a more rigorous clause than (44) because it essentially requires that either the mixed competitive strategies type α firms are far less efficient than the pure competitive strategy type β firms at both operational stages, or if type α firms exhibit reasonable efficiency with low enough $0 \leq CS_1 \leq 1$, since $\hat{g}_\beta = \gamma_\beta \tau_\beta / \mu_\beta \nu_\beta$ the industry must expand at an exceptionally high pace over a long period of time without actually reaching a stable equilibrium. This discrepancy in the conditions to evade undesired corporate exit choices authenticates the competitive advantage of firms using mixed versus pure competitive strategies. We can conclude further that the rivalry itself between pure and mixed strategies firms drives the inferior type to become more resilient and to seek a further deployment of mixed competitive strategies. In the article (above), we empirically examined these theoretical inferences.

Figure 1. Pure and Mixed Strategies and Potential Competitions.

Panel A:

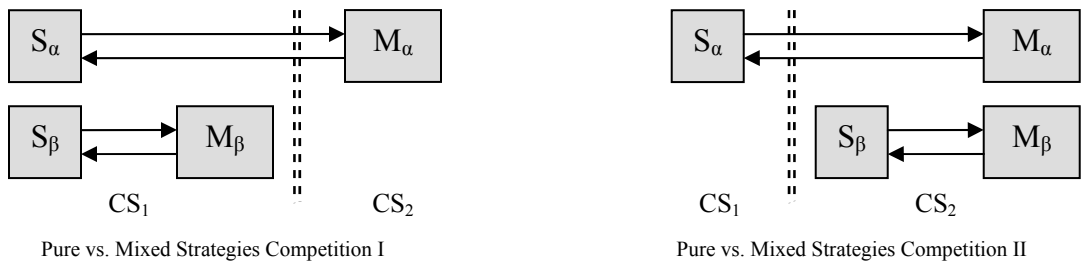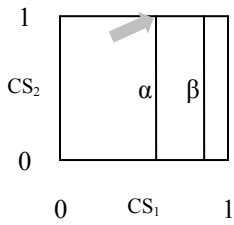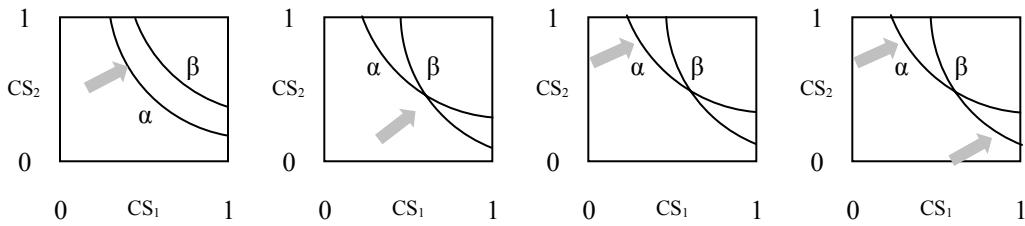| S	→ ←	M	┊

CS_1 CS_2

Pure Strategy

S	┊ → ←	M

CS_1 CS_2

Mixed Strategies

S	→ ←	M

CS_1 & CS_2

Stuck-in-the-Middle

Panel B:

S_α	→ ←	M_α	┊
S_β	→ ←	M_β	┊

CS_1 CS_2

Pure Strategy Competition I

S_α	→ ←	M_α	┊	S_β	→ ←	M_β

CS_1 CS_2

Pure Strategy Competition II

Panel C:

S_α	┊ → ←	M_α
S_β	┊ → ←	M_β

CS_1 CS_2

Mixed Strategies Competition I

S_α	┊ → ←	M_α
M_β	┊ → ←	S_β

CS_1 CS_2

Mixed Strategies Competition II

Panel D:

S_α	← →	┊	M_α
S_β	→ ←	M_β	┊

CS_1 CS_2

Pure vs. Mixed Strategies Competition I

S_α	← →	┊	M_α
	┊	S_β	→ ←	M_β

CS_1 CS_2

Pure vs. Mixed Strategies Competition II

Figure 2. Isoclines Analyses.

Panel A:

Panel B:

Panel C:
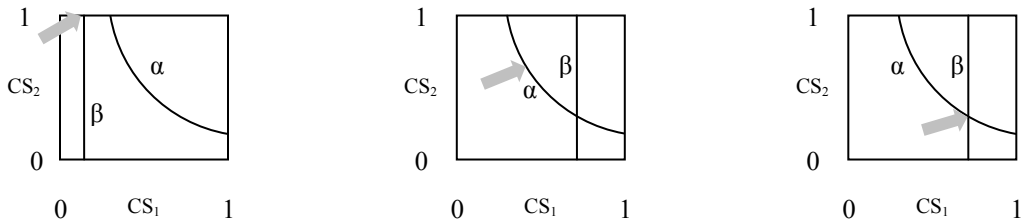
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Active Learning and Law School Performance

Patricia W. Hatamyar and Todd P. Sullivan

Abstract

"Active learning" (AL) recently has become a cornerstone of the calls for reform in legal education in the United States. This article studies three years of data on a comprehensive AL program for first-year law students at St. Thomas University School of Law in Miami, Florida, in order to evaluate whether a student's attendance at AL sessions improves his or her law school grades. Holding all other factors constant (such as undergraduate grade point average and Law School Admission Test score), we found that a student who attended all the AL sessions was expected to earn a cumulative first-year law school grade point average that is 0.47 grade points (on a 4.00 scale) higher than a student who attended none of the sessions. These results and similar statistical analyses of the database are presented.

Keywords

legal education, graduate education, active learning, academic support, grades, academic performance, student instructors.

Introduction

The theory of active learning (AL) is that students learn better as active, self-reflective participants in the learning process, rather than passive recipients of information (Hess, 1999). AL has been discussed and applied for decades in the undergraduate context (Bonwell & Eison, 1991). American law schools were slower to catch on. Most of the conscious use of AL approaches in law schools has been in the context of academic support programs (ASPs), which were introduced in the legal academy mostly as efforts to help minority and other "at risk" students (Bloch, 2009; Suni, 2004).

More recently, two influential critiques of U.S. legal education advocate the wider use of AL in furtherance of law schools' core mission – to help students pass the bar examination and become competent, ethical lawyers (Stuckey, 2007; Sullivan, Colby, Wegner, Bond, & Shulman, 2007). Still, enthusiasm for AL in the U.S. legal academy largely is confined to legal research teachers and academic support professionals (Boyle, 2003; Campbell, 2010; Christensen, 2007; Valentine, 2010).

Nonetheless, there is a growing body of empirical research examining the effectiveness of law school ASPs, many of which use AL techniques (Jellum & Reeves, 2006; Garfield & Levi, 2004; Schmidt & Iijima, 2006; Knapland & Sander, 1995). Here, we contribute to that research, and suggest these studies of the effectiveness of AL techniques have broader implications for all law school teaching.

Academic support at St. Thomas University School of Law includes an extensive AL program in the first year. In this article, we describe St. Thomas' AL program and the range of statistical tests we used to evaluate it. Our statistical study of three years of data indicates a significant positive relationship between a first-year student's attendance at AL sessions and her law school grades. We offer the AL model not just to ASPs at appropriate law schools, but as further evidence of the pedagogical benefits of AL techniques.

The St. Thomas AL Program

St. Thomas is a private, Catholic law school founded in 1984. Located in the Miami, Florida, metropolitan area, it draws an exceptionally diverse student population. Major characteristics of St. Thomas students in the database for our study are summarized below.

In 2000, the U.S. Law School Admissions Council (LSAC) published recommendations that U.S. law schools adopt various components of ASPs as appropriate to the particular institution (LSAC, 2000). The LSAC reviewed learning and cognitive theory, and emphasized the effectiveness of AL. St. Thomas' AL program generally follows LSAC's recommended model.

The primary goal of St. Thomas' AL program is to teach skills essential to excelling in law school to all first-year students. The program's main intended quantifiable benefit is improvement in students' grades, which leads to increased academic retention, eligibility for prestigious activities like law review or moot court, and enhanced employment opportunities.

The AL program consists of biweekly sessions for each of the students' four required doctrinal courses (Civil Procedure, Contracts, Property, and Torts). The sessions are led by student AL Instructors (ALIs), who are supervised by the professors, the Director and Coordinator of Academic Support, and third-year student team leaders.

Attendance at the AL sessions is optional and open to all first-year law students. Each first-year student has four ALIs, one for each doctrinal course. Sessions for each course are held approximately 5 times per semester, for a total of approximately 20 AL sessions per semester or 40 for the entire first year.

Selection and Training of ALIs

Any second- or third-year law student may apply to become an ALI. The characteristics of a successful applicant include strong academic performance, work ethic, sense of responsibility, professionalism, personality, approachability, and desire to mentor other students.

The Director and the Coordinator of the program interview every applicant, exploring the student's character and reasons for seeking the position. The Director and Coordinator then select the top candidates, who then are asked to interview with a particular professor. Finally, the Director selects the ALIs to be hired, attempting when possible to match each student with his or her preferred subject and professor.

Each year, the Director and the Coordinator conduct an initial training session, providing detailed written instructions on constructing lesson plans and exercises, writing self-evaluations, keeping time records (for compensation), and maintaining regular contact with the supervisors. Experienced ALIs also participate in the training session.

Lesson Plans and Exercises for AL Sessions

Each ALI prepares a written lesson plan and exercises for each session. As a resource for the ALIs, the program maintains a TWEN site (The West Educational Network, available through Westlaw), which includes a bank of previously-approved exercises, lesson plans, answer keys, and evaluations.

The doctrinal professors review in advance all materials the ALI prepares, ensuring substantive accuracy. This keeps the faculty actively engaged in the academic support program, while minimizing the faculty's time commitment (Marlow, 2008).

After the professor approves the materials, they are reviewed by an ALI "team leader," a third-year student who was an ALI during his or her second year. The team leaders coordinate the ALIs' activities, in part to minimize overlap in coverage of certain skills.

The sessions are tied to the substantive law, but the emphasis is on teaching skills that will enable the students to become more effective learners generally. Such study skills include briefing cases, effectively managing time, reading statutes, writing answers to short essay questions, choosing the correct answers in multiple-choice problems, and outlining.

Case briefing. Many students enter law school with mediocre writing skills. Typically, the ALI shows the students a brief he or she wrote at the beginning of law school and compares it to a brief he or she prepared for the same case a year later. The ALI explains how he or she improved the brief, thus providing a model brief while confirming that brief-writing skills develop over time.

The ALI also conducts an AL exercise with the class to demonstrate the best way to brief a case. Some ALIs break the students into groups, each of which work on a brief and then present it to the class; the ALI chooses the best parts of each. Other ALIs assign individual paragraphs of a case to different student groups for critical reading and then ask the groups to present their interpretation. This exercise heightens the students' awareness of close reading and critical thinking skills (Christensen, 2007).

Time management. Small groups (up to five students) meet with an ALI, who distributes sample study schedules developed for that group's class schedule. The ALI presents different sample schedules so a student can identify with at least one sample. The sample schedules contain blocks of time to study for each class, to work on legal writing or other large projects, and to enjoy leisure activities to avoid burnout. The students also may meet individually with any of their ALIs to discuss their unique schedule.

Reading statutes. Many first-year law professors teach statutory construction, but in the AL sessions, the analysis is extremely basic. An example of an AL exercise here might be to prepare a handout to "break down" a Federal Rule of Civil Procedure. The handout may contain numbered blank lines requiring the students to fill in the requirements of a particular rule and then pose a series of simple questions requiring application of the rule.

Essay writing. This process is taught strategically over several weeks among the different AL sessions for individual courses. The ALIs distribute essay fact patterns on materials the

students already have covered in class. The students learn to spot issues by searching the fact pattern for important words or phrases. After the students discern the appropriate legal issues, the ALI provides a statement of the legal rules involved (because most students have not memorized the law at this point in the semester). The students then identify and discuss the facts relevant to the legal rule.

In a following session, the ALI may provide another fact pattern that already identifies the issues and rules, and may require each student to write an analysis. The answer to each issue then is discussed as a group. In addition, the ALIs usually will distribute essay questions for students to have the option of submitting written answers for prompt written feedback.

Multiple-choice questions. Multiple-choice questions comprise a portion of many law school examinations and ultimately constitute up to half of U.S. bar examinations. To teach this important skill, the ALIs carefully select questions used in past years, or draft new questions, to demonstrate different types of multiple-choice questions. The ALIs deconstruct each question before the session and then show the students to spot the issue, actively think about the law that applies, and apply the law to the facts to arrive at the correct answer. The ALIs encourage the students to circle or underline the key words and phrases and to write notes in the margins so the students learn the skill of reading the questions critically, rather than passively.

The "i-clicker" classroom response system is also a valuable tool in teaching how to answer multiple-choice questions. The students use clickers to register their answers to a question, and then the ALI will reveal a graph depicting the distribution of the answers chosen by the group. The graph provides the basis for discussing the reasons for the correct and incorrect answers.

Outlining. To combat new students' tendency to rush to collect prior students' outlines and commercial outlines, the ALIs expose the students to outlining for their classes fairly early in the first semester. The ALIs strongly encourage the students to create their own outlines, explaining that the process of creating an outline (an AL process) is a far more effective way to master the material than simply to obtain someone else's outline or a commercial outline (a passive learning process).

The ALIs then teach how to outline. They are prohibited from distributing their outlines to the first-year students, but they may show excerpts for illustrative purposes. To build incrementally the outline, the ALIs teach students that reviewing the material immediately before class and soon after class with their class notes is an effective way of learning and retaining the material.

Overall Benefits of the AL Sessions

Several features of St. Thomas' program follow successful strategies used in other ASPs and recommended by LSAC. First, ASPs that rely heavily on peer or student instruction have been found to be more successful than those relying on professional counselors (Mencer, 2003; Wangerin, 1989). It is probably easier to arrange frequent contact and the first-year students usually identify more closely with their second-year student ALIs than with their professors (Blaustone, 2006).

Second, successful ASPs often involve "multiple learning systems" using "different approaches at different times with the students" to account for diverse learning styles (DeGroff & McKee, 2006; LSAC, 2000; Wangerin, 1989). The different types of AL sessions allow

opportunities for students with different learning styles to find what learning strategies work best for them.

Perhaps more importantly, the AL sessions provide repeated feedback to students on their understanding of course materials before the final examination, while there is still an opportunity to remedy any weaknesses. The lack of meaningful feedback to students before the final exam has been identified as one of the key deficiencies in current U.S. legal education (Stuckey, 2007; Sullivan, Colby, Wegner, Bond, & Shulman, 2007).

Research Method

Our primary research question was whether attendance at AL sessions in the first year had a positive relationship to law school grades. To study this, we compiled a database containing individual students' first-semester, second-semester, and cumulative first-year Law Grade Point Average (LGPA), as well as attendance at the AL sessions. To isolate the possible relationship of AL attendance to LGPA, we also included in the database other quantifiable factors (for which we had records) that might bear on a student's grades:

- Law School Admission Test (LSAT) score;
- Undergraduate grade point average (UGPA) (on a 4.0 scale);
- Age;
- Gender;
- Ethnicity;
- Undergraduate major;
- Undergraduate degree;
- Type of undergraduate institution attended, as categorized by *U.S. News & World Report*: National Universities, Liberal Arts Colleges, Universities-Master's, and Baccalaureate Colleges;
- Tier of degree-awarding undergraduate institution, as ranked by *U.S. News & World Report*;
- State of student's permanent residence;
- Whether the student was a summer conditional admittee (students who are admitted after scoring well in a three-week preliminary evaluation period over the summer);
- Number of female doctrinal professors; and
- Number of practicum courses (courses that include intensive writing requirements) the student was required to take.

Ideally, for statistical purposes, we would have randomly assigned half the students to a control group that did not participate in any AL sessions and the other half to a "treatment" group offered full participation in the AL sessions (Gelman & Hill, 2007). This is unfeasible in a real-world U.S. law school (LSAC, 2000; Entin, 1998).

All analyses and graphs of the data were performed using Stata software.

Results

Characteristics of Students in the Database

There are 806 students in the database. This includes the six groups of entering students at St. Thomas (fall and spring entering classes) from Fall 2007 to Spring 2010. We began with Fall 2007 because this is the first class that participated in the redesigned AL program and the first class for which detailed attendance records for the AL sessions were kept.

Most of the students (88%) entered law school in the fall; 12% entered in the spring. Only 11% were admitted through the Summer Conditional Program.

Fifty-two percent were male and 48% were female. The students' median age was 24. Students who self-identified as "White" comprised 50% of the database; 32% were "Hispanic" (including all students who self-identified as Hispanic, Puerto Rican, Chicano, or Mexican); 8% self-identified as "Black" (including both U.S. and non-U.S. students); 4% were Asian; and 5% were either unknown or some other ethnicity.

The students' LSAT scores and UGPAs were relatively compressed around the mean. Fifty percent of the students had an LSAT between 147 and 151. Fifty percent had a UGPA between 2.65 and 3.28 (on a 4.0-point scale).

The majority (83%) of the students in the database attended what *U.S. News & World Report* classifies as a "National University." Within that category, the largest percentage of students (36%) had attended a National University in Tier 4 (the lowest tier).

A review of the LSAC reports for our students revealed that there is no uniform method for U.S. colleges to label undergraduate majors or even to link particular undergraduate majors to particular degrees. We used the exact degree designated in the LSAC reports as the degree reported for that student in the database. However, we recategorized the undergraduate majors into seven broad categories: pre-law, liberal arts, business, English, communications, science-math, and other. Based on our reclassification, the students' most prevalent undergraduate major was pre-law (35%), followed by liberal arts (26%) and business (18%).

Overall Attendance at AL Sessions during the Three Years Studied

The overall first-semester attendance rate at the AL sessions during the three years studied was 59%. Attendance was lowest during the first year of the program's operation (Fall 2007 to Spring 2008), partly due to unfamiliarity with both the newly-structured program and its new director. As word of mouth about the benefits of the program spread, attendance increased.

The average student now attends about 68% of the first-semester sessions. This amounts to about 17 extra classroom hours of instruction.

Overall attendance at the sessions falls off during the second semester. The average student now attends about 37% of the second-semester sessions. This amounts to about nine extra classroom hours of instruction.

Note that spring entrants are not included in any second-semester calculations. This is because the second semester for the spring entrants occurs over the summer, and the course load for fall entrants and spring entrants is materially different in the second semester.

AL attendance does not significantly differ by race (one-sample *t*-test yielded no differences at the 95% confidence level), although Black students in our database attended the

AL sessions less frequently than either White or Hispanic students, both semesters. (A relatively small number of Black students (63) are in the database.)

Female students' first-semester attendance, though, was significantly (at the 95% confidence level) higher than that of male students. In the second semester, female students still attended the sessions at a higher rate than male students, but the difference was not statistically significant.

Relationship between AL Attendance and First-Year LGPA

We now turn to our research question: Is there a positive relationship between AL attendance and the students' first-year grades? We found that, by every statistical method we used, the answer is yes.

Two important caveats should be made. First, as was true in other evaluations of ASPs (Jellum & Reeves, 2005), our study lacks the statistical ideal of a randomized control group. Highly motivated students may (and probably do) self-select to attend more AL sessions than unmotivated students, and the motivated students might have performed better than the unmotivated students without the AL sessions. Thus, self-selection may overstate the effect of the AL program.

Second, St. Thomas has a mandatory grading curve on a four-point scale. In each first-year class, the mean grade must fall between 2.25 and 2.50 (between a C and a C+). In addition, 15% of the grades must fall below a C, and 15% must be higher than C+. Legal Writing grades are not subject to the mandatory curve.

Comparison of means of LGPA based on level of AL attendance. The positive relationship between AL attendance and LGPA can be seen graphically in Figure 1 by comparing the mean LGPA for groups of students based on their AL attendance. We categorized the students in the database into three groups: those who attended less than 33% of the AL sessions, those who attended between 33% and 66% of the sessions, and those who attended more than 66% of the sessions.

Figure 1. Comparison of means of Law Grade Point Average by level of attendance at Active Learning sessions.
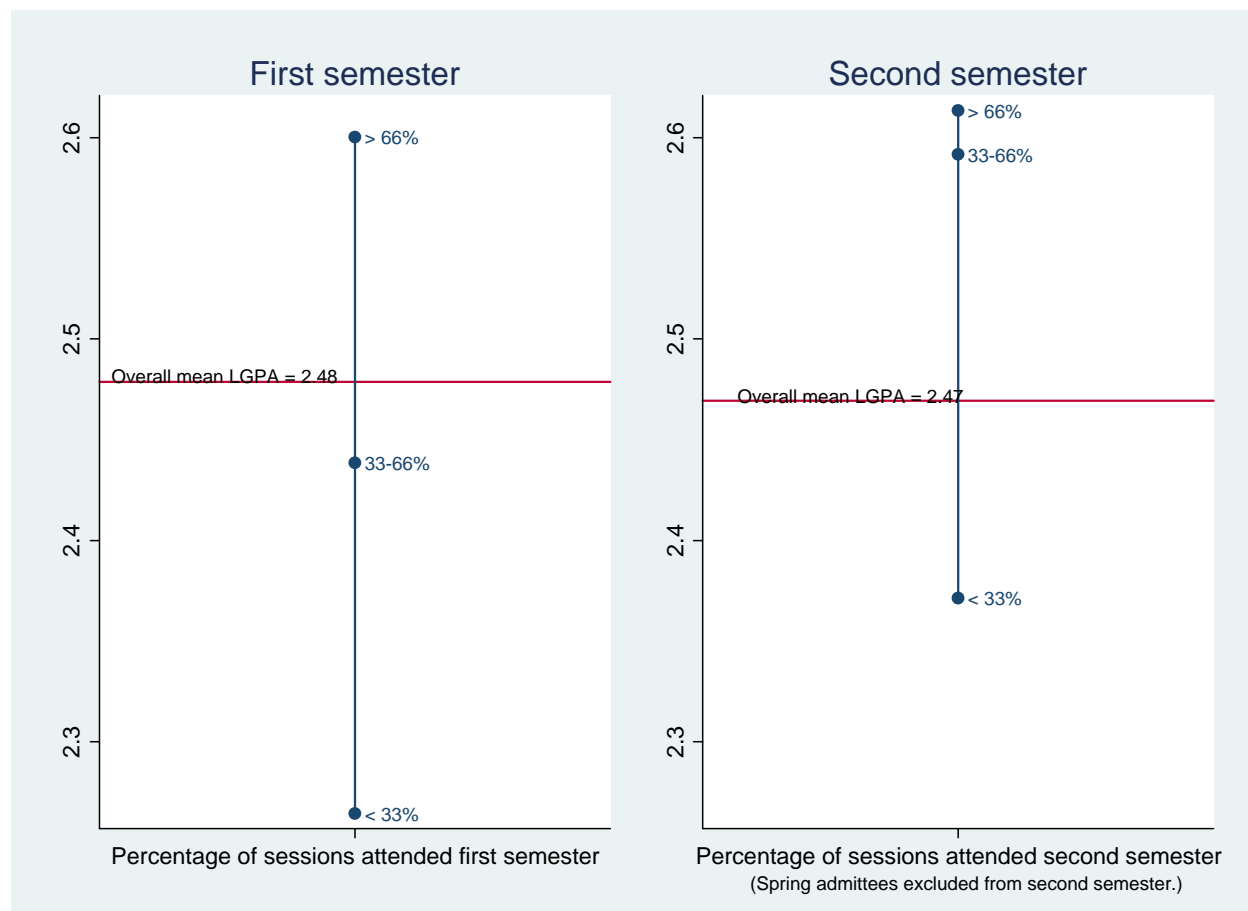
For each semester, the mean LGPA for the group of students who attended more than 66% of the AL sessions is higher than the overall mean LGPA. Further, the mean LGPA for the group of students who attended less than 33% of the sessions is less than the overall mean LGPA.

All but one of the differences in means shown in Figure 1 are significant at the 95% confidence level, using a one-sample t-test. Only the difference in first-semester mean LGPA of the 33-66% attendance group was not significant.

Note these differences in mean LGPA by attendance group occurred even though the mean LSAT score and mean UGPA were about the same across all three groups. For first semester, the mean LSAT score ranged only from 149.33 to 149.53 across the three attendance groups, and the mean UGPA ranged only from 2.94 to 2.99. For second semester, the mean LSAT score ranged from 149.16 to 149.49 across the three attendance groups, and the mean UGPA ranged from 2.98 to 3.02.

Linear regression using AL attendance as only independent variable. We performed both simple and multivariate linear regressions using LGPA as the dependent (outcome) variable. The simple linear regression model analyzed only the relationship between LGPA and AL attendance, without considering the possible effect on LGPA of any other variable (such as LSAT score, UGPA, gender, and the like).

Figure 2 shows the fitted regression line over a scatterplot of the data points for the first semester.

Figure 2. Scatterplot of first-semester grades and AL attendance, with fitted regression line. N = 805.
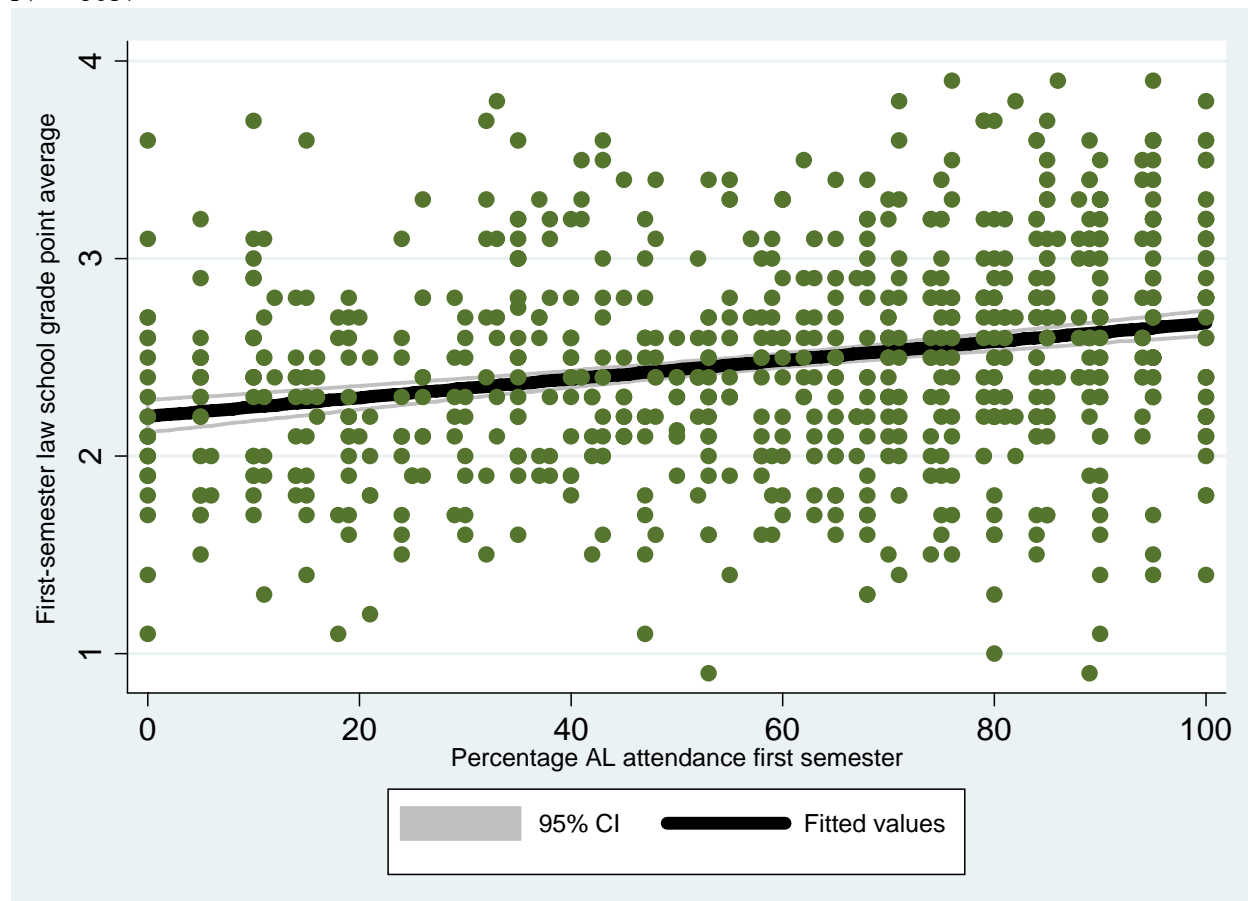
Figure 2 reflects only the relationship between a student's attendance at AL sessions in the first semester and his or her first-semester LGPA. The points on Figure 2 are data plots of each student in the database, showing his or her LGPA and percentage of AL attendance for the first semester. As can be seen from the upward-sloping fitted regression line, the predicted values of first-semester LGPA increase as the percentage of AL sessions attended increases. Moving from 0% to 100% attendance, LGPA is expected to increase by about 0.47 points (nearly half a grade point on a four-point scale). A student with 0% AL attendance would be predicted to earn a 2.20 LGPA in the first semester, while a student with 100% AL attendance would be predicted to earn a 2.67 LGPA. At a 95% confidence interval, this increase could be as low as 0.35 grade points (resulting in a 2.55 LGPA) or as high as 0.59 grade points (resulting in a 2.79 LGPA).

Multiple Regressions

The multiple regression models analyze the effect of numerous factors on LGPA, in addition to AL attendance.

  Multiple regressions on entire database. We ran multiple regressions on the entire database for each semester and for the entire first year, using the independent variables listed above in Research Method. In each of these regressions, the percent attendance in AL sessions was statistically significant at the 99.99% level and was positively related to LGPA.

  Table 1 presents the results of the first-semester regression. It shows how the predicted values of first-semester LGPA vary as a function of the percentage of first-semester AL sessions attended, holding all other variables constant. Table 1 also includes other factors with a statistically significant relationship to LGPA.

Table 1
Multiple regression on first-semester Law Grade Point Average. Only lists variables with significance of at least 95%; other variables used in this regression were gender, ethnicity, degree type, tier of undergraduate institution, summer admit status, state of residence, number of practicum courses in year, and number of doctrinal female professors in year.

Variable	B	SE	t	p
(Constant)	-5.29	1.01		
Percentage of AL sessions attended	.53	.07	8.03	<.01
UGPA	.31	.05	6.02	<.01
LSAT	.05	.01	7.15	<.01
Age	-.01	<.01	-2.02	.04
Master's University as compared to National University	-.18	.06	-2.84	<.01
Number of practicum courses	-.08	.03	-2.60	<.01

$N = 693$
$F = 8.32$ $df = 30$ $p < .001$ $R^2 = .226$

  Moving from 0% to 100% attendance at AL sessions, first-semester LGPA is expected to increase by about 0.53. For example, a student with 0% AL attendance who would otherwise earn a 2.20 LGPA is expected to earn a 2.73 LGPA with 100% AL attendance, holding all other variables constant.

  Undergraduate grades and LSAT scores also show a significant positive relationship to first-semester law school grades, but of a weaker magnitude than AL attendance. The factors we included in the model that were **not** found to be statistically significant predictors of first-semester law school grades were gender, ethnicity, summer alternate admittee status, geographical region, undergraduate major, college tier, degree type, and number of doctrinal female professors. Earlier studies have not accounted, to our knowledge, for so many independent variables, although some smaller studies have diverged on whether a student's undergraduate major can predict a student's LGPA (Thomas, 2003; Kinsler, 2001; Graham & Adamson, 2001).

  Multiple regressions by each entering class (fall entrants only). The regression in Table 1 was performed using all students in the three years covered in the study. To isolate any differences there may have been between entering classes, we also performed similar multiple regressions on each entering class separately. Table 2 presents the results.

Table 2
Multiple regressions results by entering class; dependent variable is cumulative first-year Law Grade Point Average (only lists independent variables with significance of at least 95%).

Fall 2007 Entering Class

Variable	B	SE	t	p
(Constant)	-3.90	2.05		
AL Attendance	.69	.14	5.10	<.01
UGPA	.39	.09	4.15	<.01
LSAT	.03	.01	2.64	.01

N = 184
$F = 4.18$ $df = 25$ $p < .001$ $R^2 = .328$

Fall 2008 Entering Class

Variable	B	SE	t	p
(Constant)	-3.63	2.06		
AL Attendance	.51	.14	3.65	<.01
LSAT	.04	.01	2.95	<.01
Tier 3 College*	-.31	.11	-2.82	.01
Master's University**	-.28	.13	-2.13	.04
Business Major***	.19	.10	1.99	.05

N = 188
$F = 2.30$ $df = 26$ $p = .001$ $R^2 = .260$
*As compared to Tier 1 college.
**As compared to National University.
***As compared to pre-law major.

Fall 2009 Entering Class

Variable	B	SE	t	p
(Constant)	-5.14	1.77		
AL Attendance	.45	.12	3.61	<.01
UGPA	.25	.08	2.98	<.01
LSAT	.05	.01	4.17	<.01
Age	-.01	.01	-2.21	.03
Summer Admit	.32	.12	2.74	.01
"Other" Major*	.25	.12	2.19	.03

N = 206
$F = 2.92$ $df = 26$ $p < .001$ $R^2 = .298$
*As compared to pre-law major.

AL attendance had the strongest relationship to first-year LGPA for the entering classes of Fall 2007 and Fall 2008. Moving from 0% AL attendance to 100% AL attendance, students in those entering classes were expected to raise their first-year LGPA by about 0.69 grade points for Fall 2007 and 0.51 for Fall 2008. The expected increase for Fall 2009 students was 0.45 grade

points. One reason for the decline may be attendance at the sessions has increased over the years. When attendance was relatively low, the advantage to an individual student in attending may have been enhanced. Nonetheless, the relationship of AL attendance to first-year LGPA was statistically significant for each entering class alone.

Does the Positive Relationship of AL Attendance to LGPA Continue Over Time?

The theory of AL postulates that as the students reflect on their own learning process, they acquire learning skills that help them become independent learners. In addition, they gradually develop a framework within which to place new information. In theory, then, the skills developed through AL should persist over time.

For our Fall 2007 entering class, we have three years of cumulative LGPAs. We performed a simple linear regression of these students' first-year AL attendance on their third-year cumulative LGPA. Figure 3 graphs a fitted regression line over a scatterplot of the data.

Figure 3. Scatterplot of third-year cumulative grades and first-year AL attendance, with fitted regression line.
N = 138. Includes only students who began Fall 2007 and had cumulative LGPA in Spring 2010.
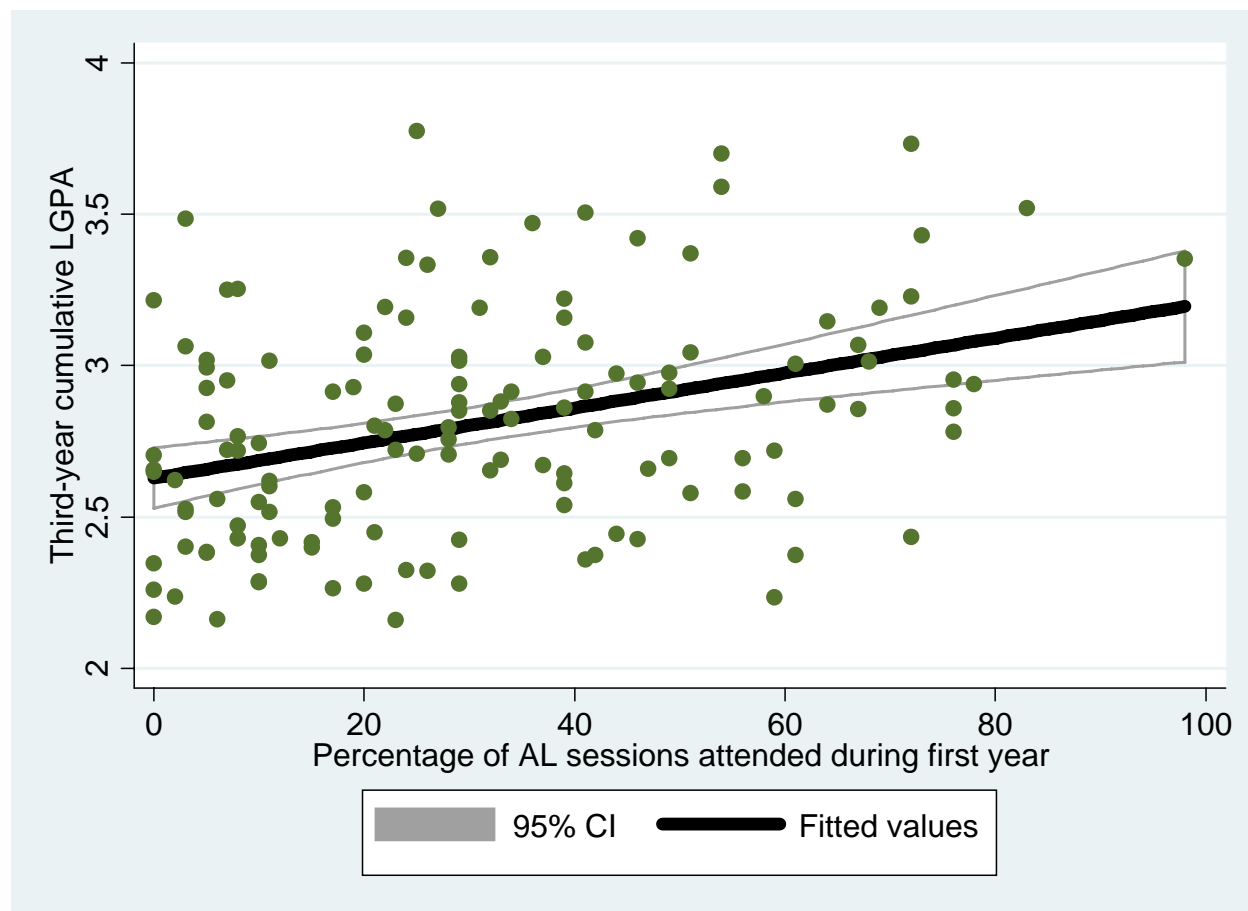
As can be seen from the upward-sloping regression line in Figure 3, the expected third-year cumulative LGPA for this class still is expected to increase as first-year AL attendance increases. Moving from 0% to 100% AL attendance in the first year, third-year cumulative LGPA is expected to increase by 0.58 grade points. At a 95% confidence level, this increase could be as low as 0.32 grade points or as high as 0.84 grade points.

We also performed a multiple regression on the cumulative third-year LGPA, using as independent variables the percentage of first-year AL sessions attended, UGPA, LSAT, age, gender, ethnicity, college type, and college tier. For the multiple regression, the number of observations was 125. Still, moving from 0% to 100% AL attendance in the first year, third-year cumulative LGPA is expected to increase by 0.59 grade points, holding all other variables constant. At a 95% confidence level, this increase could be as low as 0.32 or as high as 0.86.

LSAT and UGPA also continue to be significant predictors of third-year cumulative LGPA. (Coefficient for UGPA = 0.2403; $P > |t| = 0.006$. Coefficient for LSAT = 0.0239; $P > |t| = 0.012$.) No other independent variable used in the regression had a statistically significant relationship to third-year LGPA.

Conclusion

Inferences from our findings should be made, if at all, with caution. This is a study of one law school over three years. It was not possible to create a randomized control group of students who did not participate in the AL program to compare to the students who did participate. Moreover, there are undoubtedly numerous factors contributing to a student's grades that we could not quantify here.

We did, however, include every quantifiable factor for which we had records. By each statistical method used, we found that a student's attendance at AL sessions was positively and significantly related to first-year grades. Moreover, it appears this positive relationship continued through the third year of law school.

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Are There Differences in the Organizational Structure and Pedagogical Approach of Virtual and Brick-and-Mortar Schools?

Donovan A. McFarlane

Abstract

This paper builds upon, integrates, and discusses two constructs previously researched by its author: organizational structure and pedagogy (pedagogical approach) as related to schools. In relating these constructs, the author examines an important philosophical question that possibly could provide some answers to and insights into the issues and perceptions of quality and value concerning virtual schools versus their brick-and-mortar counterparts. From this discussion, educational leaders, policy makers, and teachers possibly could devise strategies and ideas for improving perceptions of education in both the traditional and non-traditional contexts, potentially recognizing that education's function does not change with modality or method, and thus, conclude that organizational structure and pedagogical approach are as essential in virtual schools as they have been in brick-and-mortar schools, or perhaps, recognize where the alteration of time and location provides or creates incentives and rationale for flexibility in these two factors, or the need for unique and distinct structure and approach to teaching and learning. The author differentiates distance learning, online learning, virtual learning, and brick-and-mortar learning interactions and concepts such as asynchronous and synchronous interactions before deliberating on organizational structure and pedagogical approach between the extreme school typologies – virtual and brick-and-mortar. The benefits and drawbacks of both virtual and brick-and-mortar schools are examined. Several important theories and concepts are explored and discussed. The author presents an educated response to the major question of inquiry in this paper after sufficient literary survey, and finally, discusses the implications for teaching and learning.

Key Words

organizational structure, pedagogical approach, virtual schools, brick-and-mortar, distance learning, online learning, virtual learning, synchronous, asynchronous, virtual learning environment (VLE), managed learning environment (MLE), curriculum mapping, electronic

communication, autopoietic systems theory, structural contingency theory, configurational approach, recursivity-based theory, learning organization.

Introduction

Technology's Impact on Educational Transformation and Meaning

Technology has revolutionized almost every aspect of life and living—from the way we communicate and socialize, the way we work and play, teach and learn, down to the very ways in which we think and respond to each other on even very intimate levels (McFarlane, 2011). Given this pervasive impact, McFarlane (2011) describes our present society as the "technology civilization" (p. 1), while recognizing the fact that previous societies and peoples had amassed technological know-how before us, but on a less significant and less pervasive level. Most importantly, he adds, "The impact on teaching and learning in formalized settings has been the all-inclusive propagator of change which affects the analytical and problem solving methods that propel the inventions and creations we conjure up to adapt to modern change and face the reality of an uncertain future" (p. 3). Education as an indispensable requirement, and process is now more broadly recognized than in the past owing to the same technology that has transformed its methods and processes: teaching and learning, quality assessment and standard definition, and determination (McFarlane, 2011). Education is such a vital instrument in the development of an individual and society that it is cherished and fostered in every age and culture (Okeke, 2010). Education has an immense impact on the human society (Goel, 2007), and this impact has become more powerfully apparent in the development and growth of virtual schools and schooling modalities.

Education in terms of formal learning institutions is one of the most fundamental processes in our society; it teaches culture and transmits values across all subfields of learning from one generation to the next, enabling both survival and continuance (McFarlane, 2011). According to the United Nations Educational, Scientific, and Cultural Organization (UNESCO, 2010), education is a means to empower children and adults alike to become active participants in the transformation of their societies, and a society where technology has transformed and is transforming depends highly on education to pass along knowledge, understanding, and know-how of the technology that leads to transformation. Education is much valued in society because it is a vehicle for imparting knowledge and skills (Okeke, 2010). The transformation that has taken place in our methods and definitions of schools to include impersonal environments and delivery modes characteristics of distance education, virtual schooling, online, and a combination of these have expanded our views of teaching and learning, and in so doing, have pushed us to create new standards and criteria for measuring and assessing learning, schools, graduates, and educational quality (McFarlane, 2011).

According to McFarlane (2011), while we have been wholly accommodating and technology-friendly as a society, there are still many controversial debates and philosophical contemplations and questions that emerge. These controversies stem from misconceptions that students who attend virtual schools lose their ability to engage in social interactions and build social skills, that the curriculum in virtual schools is not as challenging as it would be in traditional brick-and-mortar schools (Greenleaf, 2009), and that virtual schools have poor quality and lower standards. In addition, McFarlane (2011) believes many have failed to see virtual

schools as complements as well as alternatives to traditional schools, rather than replacement, and this fuels opposition and negative perceptions of virtual schools. One of these questions is that concerning the organizational structure and pedagogical approach of virtual schools based on quality perception gaps with regard to virtual schools and their brick-and-mortar counterparts—the principal subject of this paper.

Educational Technology and Virtual School Terminology

It is extremely important that technology educators, educators using technology, and those in the business of education and learning using technology understand the definition of educational, or teaching and learning modalities that make use of technological tools (McFarlane, 2011). There is often a lack of understanding and much confusion when it comes to concepts such as distance education, online learning, and virtual learning (Freeman, 2010). The computer is the major and indispensable tool that facilitates these teaching-learning modalities, and thus, the *Journal of Educators Online* (2010) collectively describes these as "Computer Mediated Learning (CML)," which it describes as occurring "when an individual interactively learns (formally or informally, synchronously or asynchronously) about material via computer means where the learning materials and pedagogy are developed to take advantage of the available technologies" (p. 1), and include distance, online, electronic, virtual, distributed, blended, and mobile learning. Blended learning is part of online education in which instructors combine face-to-face instruction with online learning and reduced classroom contact hours, while electronic and mobile learning are emulative of the same concept of learning defined in time and space (Freeman, 2010).

According to Freeman (2010), distance learning is an educational situation in which the instructor and the students are separated by time, location, or both, and it can be either *synchronous* (real-time, instructor-led event in which all participants are virtually "in class" at the same time) or *asynchronous* (interaction between instructors and students occurs intermittently with a time delay) using a variety of distribution methods including technology. Freeman (2010) describes online education as a separation of the teacher and the learner where a computer network is used to present or distribute educational content with two-way communication via the network so that students may communicate with instructors and each other. According to the Office of the Superintendent of Public Instruction (OSPI) (2010), "Virtual learning is a term frequently used interchangeably with distance learning, online learning, e-learning, or Web-based learning" (p. 1). Thus, virtual learning encompasses both online and distance learning, while Freeman (2010) notes that "distance learning is broader and inclusive of the definition of online learning" (p. 51). Distance education does not have to make use of technology to distribute learning, and this is evident in the history of distance education with pioneers such as the International Correspondence Schools (ICS), which operated out of Scranton, Pennsylvania, and several other early pioneers of distance education, which used postal mail for decades before the birth of online education and virtual schools (McFarlane, 2011). Freeman (2010), providing us with further distinction, argues that online education does not necessarily need to be completely "distance" but can include a combination of modalities, which include on-campus or brick-mortar sessions.

McFarlane (2011) defines virtual schools as "schools that have no physical location and which depend solely on computers and the Internet to facilitate the teaching and learning

process or deliver instructions and learning materials to students" (p. 6). Brick-and-mortar schools, in contrast, refer to traditional schools with established physical location where the essential factors of time and place are vital in determining contact between teachers and students, and where students and teachers meet face-to-face in social communication to facilitate exchange in the teaching and learning process (McFarlane, 2011). Despite the differences existing between virtual schools and brick-and-mortar schools, schools, regardless of modalities, have one universal function: the education of individuals for self and societal growth and well-being, progress, and survival. Thus, schools fulfill a categorical imperative, which makes them indistinguishable in terms of generalized functions and purpose. The Virtual Learning Academy Charter School (2008) supports this belief by stating the following: "Virtual schools have the same goal as traditional, brick-and-mortar schools: to graduate students" (p. 1). This should be true of any school regardless of level and type.

The Differences Between Virtual and Brick-and-Mortar Schools

Virtual schools have not been around for a long time. In fact, total virtual schools are merely two decades in the making, even though the pace of technological growth makes it seems as if they have been around much longer (McFarlane, 2011). According to Greenleaf (2009), the mid-1990s saw the birth of Internet education, and hence potential for the development of what today are absolute virtual schools, schools with no physical existence in terms of classrooms and physical libraries, etc. Before the advent of virtual schools, distance education was a reality made possible through radio, television, and mail. Virtual schools are defined as educational facilities that are not a physical location, but rather are located on the Internet (Greenleaf, 2009, p. 1) and that depend highly on the existence of a virtual learning environment (VLE) to facilitate teaching and learning. The virtual learning environment is also called a managed learning environment (MLE). According to TechTarget.com (2008), "a virtual learning environment (VLE) is a set of teaching and learning tools designed to enhance a student's learning experience by including computers and the Internet in the learning process" (p. 1). Dillenbourg (2000) defines a VLE as "a designed information space" (p. 3). In a VLE, the principal components of such a system include *curriculum mapping* (breaking curriculum into sections that can be assigned and assessed), student tracking, online support for both teacher and student, *electronic communication* (e-mail, threaded discussions, chat, Web publishing), and Internet links to outside curriculum resources. In most cases, VLE users are assigned either a teacher ID or a student ID. The teacher sees what a student sees, and has additional user rights to create or modify curriculum content and track students' performance. Some examples of VLE software packages in use today include Blackboard, WebCT, Lotus LearningSpace, Moodle, and COSE.

Brick-and-mortar schools are intimate and indispensable to our evolvement as a species, and McFarlane (2011) contends that brick-and-mortar schools have been around from the dawn of humanity's fascination with learning and the need to create a safe, sheltered, and special environment where learning could become an intimated social process between teachers and students in an environment exclusive to teaching and learning and unconnected to the more non-systematic social environment, and which was seen as the "ideal temple" for cultivating minds. According to Greenleaf (2009), "The primary difference between a virtual school and a stand-alone brick and mortar school is the latter's physical interactions among teachers, staff and students" (p. 1). Unlike traditional schools, virtual schools are Internet based and available 24-7

to provide students the flexibility of any time, anywhere access to rigorous, personalized education. Furthermore, in the virtual classroom, every student is in the front row because he or she has one-to-one interaction with the teacher and is directly accountable for every query, question, or exercise (Virtual Learning Academy Charter School, 2008). Many individuals will not agree with the "one-to-one interaction" portion of this since the virtual classroom is not "personal" enough. Greenleaf (2009) provides us with some benefits of virtual schools.

> Students and parents are able to work at their own pace throughout the day. Academic policies, rules, regulations, schedules, curricula, syllabi, among other components, are always available; they are linked to the virtual school's website for easy reference to avoid confusion and help keep everyone on task. Students' work is posted directly online to their virtual classroom. Not only does this help provide proof to parents as to its completion and when it was turned in, but it also allows for quicker grading by teachers. Parents are able to be actively involved in their child's education by having access to their completed work, grades, assignments, announcements, news, calendars and other pertinent information at all times (p. 1).

Another point that can be made about the benefits of virtual schools is that they eliminate and reduce the potential for, and occurrence of, social discrimination stemming from race, culture, and other factors that are more predominant in the brick-and-mortar setting, which is mainly a traditional, face-to-face approach to learning. In addition, virtual schools can result in great economic benefits in terms of cost savings that would otherwise be incurred in brick-and-mortar schools through such things as transportation costs, increased opportunity costs, overcrowding, and sometimes "negative sharing," which results from a kind of externality incurred from learning differences where high and low achievers are trapped in the same physical environment that can create hostility and resentment (McFarlane, 2011).

Virtual schools do have certain drawbacks that have become obstacles to equal recognition with their long existing brick-and-mortar counterparts (McFarlane, 2011). Greenleaf (2009) provides us with some of the disadvantages of virtual schools.

> If students are working with a study group or partner, it is more difficult to communicate in order to ensure they are keeping up with their portion of their assignments. Slow Internet connections make downloading or viewing class materials, such as diagrams, charts and videos, time consuming and difficult. In the case of chat room participation, those who can type faster tend to monopolize the conversation. If students are located in different time zones, arranging schedules for chat room or study group participation is difficult and sometimes overwhelming (p. 1).

McFarlane (2011) believes the following.

> These are not the only technical and social issues that affect virtual learning or virtual schools and schooling. Some students can develop feelings of isolation as they recognize the real social gap in terms of physical distance which exists between them and their teachers and classmates, and the need for friendship and association goes unmet (p. 10).

The virtual school learning environment or virtual learning environment (VLE) also can stifle individuals' creativity and capacity for social growth and emotional intelligence as the mechanistic process of the work or learning dominates the social-humanistic side. Some students can become potentially caught up in distractions such as video games and "uncontrolled" tendency to relax because they are in a very personal environment that pulls them into activity norms such as eating and sleeping, watching television, and the like (McFarlane, 2011).

Brick-and-mortar, or traditional schools and classrooms, are referenced especially in comparison to virtual schools for their greater sociality (Greenleaf, 2009; Virtual Learning Academy Charter School, 2008). This might hold true considering how much human interaction on a person level matters in the socialization and personal development process (Lenski & Lenski, 1974), which takes a lifetime of social experience and learning. Brick-and-mortar or traditional schools are able to better and more accurately model the real world in which we must live; they are designed to represent and model the larger macro-system and to provide us with a mirror where we can magnify those experiences we gain from such a social environment into what Lenski and Lenski (1974) describe as a "macrosociology" perspective that helps us to better understand and adjust to living in society as functional and civilized individuals. McFarlane (2011) believes that brick-and-mortar schools allow individuals to build better bonds of friendship and genuine likeness as they are able to understand others better in face-to-face encounters and conversations. The greatest drawback to brick-and-mortar schools might be the expense. These schools are in majority more expensive than their virtual counterparts, and in some fields and areas have much longer periods of study and much more work for students. However, brick-and-mortar seems to imply a certain rigor and quality, which, because of the limitation on human sociality and communicative personage, might be less visible in virtual school settings.

There are several other factors that contribute to the differences—or rather "perceived differences"—in the organizational structure and pedagogical approach of virtual and brick-and-mortar schools. According to McFarlane (2011), these factors include location, class size, program offerings, time, levels and types of interactions, technology dependency, costs, communication and delivery modes and methods, the number of faculty present, the convenience each affords, and the degree of feedback present within their instructional models. Virtual schools are called "virtual" because of their cyberspace location, while brick-and-mortar have physical location and are defined in much part by geography. Virtual schools are characterized by time and convenience that are simultaneous advantages to this model because individuals do not have to be bound to rigorous schedules for registration, matriculation, completion, and graduation. Virtual schools can have extremely large size because classrooms are located in cyberspace, unlike traditional or brick-and-mortar schools that often are limited by student-faculty ratios. The impersonal and personal levels of interaction are factors that distinguish virtual and brick-and-mortar schools. Much communication in virtual schools is impersonal because while technology facilitates convenience and spans time and distance, it can be a barrier and substitute for the person-to-person socialization to which many are accustomed. The amount of feedback, time of feedback, and effectiveness of feedback serve as distinguishing factors in the pedagogy and communication-interaction in virtual and tradition schools. In virtual schools, feedback can be delayed because of the ability to store/save and retrieve information. In brick-and-mortar or traditional schools, feedback can be more immediate and progressive (McFarlane, 2011).

Apart from class size and other factors discussed above, virtual schools sometimes have narrower curriculum focus than traditional or brick-and-mortar schools. Many virtual schools are specialized learning entities, while many traditional schools based in the historical liberal arts and philosophical foundations offer a variety of disciplines or studies. The most defining characteristic or factor distinguishing the two is technology dependency. We are living in a technology-dependent society, what McFarlane (2011) describes above as a "technology civilization." Virtual schools, more than their brick-and-mortar counterparts, are totally dependent on technology and came into being because of technology, and they in fact develop alongside technological discovery and advancement. Their mission, vision, objectives, and total success depend on their technological platforms, unlike brick-and-mortar schools that have predated our age of technology as our first educational institutional models. In addition to technology dependence, cost is a factor that serves to create perceived differences between virtual and brick-and-mortar schools. Many virtual schools, because of the efficient operation and the fact that students often must engage in independent study and bear more responsibility for their learning and education, often are less expensive than traditional schools when it comes to per credit hour and overall tuition and associated costs. This is, however, not always true. Finally, virtual schools, unlike brick-and-mortar schools, are able to use fewer faculty members because many often have smaller curriculum with few subject offerings. Table 1 below summarizes some of the major differences between virtual and brick-and-mortar schools as discussed above.

Table 1

Factors of Perceived Differences between Virtual and Brick-and-Mortar Schools (McFarlane, 2011, 22)

School Difference Factor	Virtual	Brick-and-Mortar
Location	Virtual or cyberspace; anywhere, anyplace	Physically or geographically confined to place
Class Size	Extremely large	Small or limited by physical space
Program Offerings	Few/limited and often specialized	Broad curriculum with many different programs
Time	Varies with ongoing enrollment and completion; shorter duration	Established schedule for enrollment, graduation, program completion, and class attendance
Level/Type of Interaction	Impersonal; limited personal communication in some cases	Personal (Face-to-face); limited impersonal communication
Technology Dependency	Highly dependent	Moderately dependent
Cost	More affordable; less expensive	Expensive; less affordable
Communication/Delivery	Electronic (Internet and Computer-based); limited personal communication	Chiefly face-to-face (personal communication), with limited electronic communication
Number of Faculty	Usually small; varies from school to school	Usually large number of faculty; varies from school to school
Convenience	Very convenient	Affords little convenience
Feedback	Sometimes delayed	Immediate in face-to-face contact

Virtual schools, unlike their brick-and-mortar counterparts, have what Aaker (1995) calls a "Borderless Culture" that "break[s] down the horizontal barriers between functional and the vertical borders between organizational layers" (p. 324). These barriers are often drawbacks to dynamic growth and innovation in brick-and-mortar schools. Another point on which brick-and-mortar and virtual schools seem to differ is potentially the degree of centralization and decentralization inherent in them or their "natural structures." Brick-and-mortar schools generally have what Aaker (1995) calls "specialized groups" (p. 323), while virtual schools have more "autonomous business units" (p. 323) based in individual or virtual roles and functions. The strategic resource base of virtual and brick-and-mortar schools also are factors that seem to distinguish them on several levels. An organization's strategic resource base consists of its physical, financial, human resource, and organizational assets (de Kluyver & Pearce II, 2009). Virtual schools sometimes, and often, do have fewer physical assets than brick-and-mortar schools owing to the fact that they exist in cyberspace. Sometimes their organizational and financial assets are smaller because they often have shorter history, differential support mechanisms, endorsements, and even students.

Role of Organizational Structure and Pedagogical Approach

Drucker, Collins, Kotler, Kouzes, Rodin, Rangan, and Hesselbein (2008) believe there are five very important questions that leaders should ask about their organizations. These five important questions are: *What is our mission? Who is our customer? What does the customer value? What are our results?* and *What is our plan?* These questions can effectively guide both newly established and existing school organizations in determining what are—and designing the most appropriate organizational structure and pedagogical models to meet—their teaching and learning goals and overall mission and vision.

While there is extensive research and literature on the organizational structure and pedagogical approach of traditional brick-and-mortar institutions including schools, there is a paucity of such information and knowledge when it comes to virtual schools (McFarlane, 2011). What is certain is that organizational structure has significant impact on overall success, leadership effectiveness, and competitiveness (George & Jones, 2009). Furthermore, pedagogical approach in teaching and learning does matter (McKenzie, 2003), especially as powerful outside forces in the global economy impose changes poorly grounded in theory, research, and practice on what were previously successful traditional methods of teaching in the classroom. Entz (2006) traces the term and process of pedagogy to Ancient Greece by stating that in Ancient Greece a *paidagogos* was a trusted slave who accompanied a child to his or her classes, ensured his or her good behavior in public, cared for his or her needs, and tutored him or her with his or her homework or assignments. McKenzie (2003) defines pedagogy as how teachers orchestrate classroom learning. The National Board for Professional Teaching Standards (NBPTS) (2010) defines pedagogy as teaching skills teachers use to impart the specialized knowledge or content of their subject areas to students. Entz (2006) defines pedagogy as the science of teaching.

According to Aaker (1995), four constructs describe organizations: structure, systems, people, and culture. The structure refers to the medium or mechanism in which the system, people, and culture coordinate and collaborate to create results by integrating energy, ideas, tasks, behavioral norms, and responsibilities. In reference to organizations, the word structure describes the way in which an organization divides its labor into distinct task and then achieves

coordination among them (Mintzberg, 1979). Organizational structure is the configuration of the hierarchical levels, and specialized units and positions within an organization, and the formal rules governing these arrangements (Rainey, 1997). According to Robbins and Coulter (2007), an organizational structure is a formal framework by which job tasks are divided, grouped, and coordinated. Organizational structures are sets of relations between the roles of an organization (Grossi, Royakkers, & Dignum, 2007). "Organizational structure defines the lines of authority and communication and specifies the mechanism by which organizational tasks and programs are accomplished" (Aaker, 1995, p. 323). Organizational structure will vary according to culture, leadership, the type of organization, among other factors.

The most useful model for viewing and understanding organizational structure is perhaps systems thinking or systems theory because organizations are an integrative whole where structure, systems, people, and culture function to achieve mission and vision. Systems theory views organizational structure as the established pattern of relationships among the parts of the organization (Kast & Rosenzweig, 1972; Walonick, 2010), and virtual schools like their brick-and-mortar counterparts are systems, systems affected by both the internal and external environments in which they exist. Therefore, a variety of factors in the macroenvironment and microenvironment of these institutions coordinate to affect their structure and pedagogy, and eventually their performance, success, and survival.

Dissanayake and Takahashi (2006) argue that the study of organizational structure traditionally has been linked to three major approaches. The first approach, they argue, is that of functionalist organizational theory, which addresses the need for order and integration in organizations based on the orderly and integrated patterns of work structures in organizations or equilibrium theories such as the bureaucratic theory of Weber and administrative process theory of Fayol (Dissanayake & Takahashi, 2006). Structural contingency theory and configurational approach are regarded by Dissanayake and Takahashi (2006) as later developments and decisively process theories which Hernes and Bakken (2003) contend assumed a more subjective orientation by focusing on the subjective actions of individuals that shape organizational structure through shared values, behaviors, and decisions (Gonzalez, Johnson, & Lundy, 2006; Grossi, Royakkers, & Dignum, 2007).

According to Dissanayake and Takahashi (2006), the third major approach centers on recursivity-based theories, which offer a non-extremist standpoint in which both structural stability and instability have been taken into consideration. Recursivity-based theories accommodates a view that both the structure and the process of organizations interact and change through mutual interactions, and the ongoing interactions of organizational actors or subunits recurrently processing resources and information, which occupy self-productive, self-organized spaces (McFarlane, 2011). This perspective advocates that self-maintained structures present a view that organizational structures are recursively organized (Hernes & Bakken, 2003). Dissanayake and Takahashi (2006) describe the latter as autopoietic systems theory, which analyzes systems as having a self-productive nature. In other words, such systems are self-organized and self-maintained systems. An autopoietic system is characterized by an open structure and a closed organization in which the structure becomes a component of its organization (Bausch, 2001; Dissanayake & Takahashi, 2006).

Organizational structure is particularly important for decision-making (Suttle, 2010). It is in the context of organizational culture that we make decisions and participate in the decision process relative to our roles and functions, authority, and responsibilities. DeCanio, Dibble, and

Amir-Atefi (2000) believe that organizational structure affects both the overall behavior of firms, and the situations of individuals and subunits within firms. Walonick (2010) contends that structural deficiencies in organizations can result in low motivation and morale, decisions that are lacking in timeliness or quality, lack of coordination and conflict, inefficient use of resources, and an inability to respond effectively to changes in the environment. This is supported by Thompson, Strickland III, and Gamble (2007) and Wheelen and Hunger (2008) who demonstrate that responsiveness to the external environment shapes and affects strategy implementation, strategic success, and competitive advantage.

DeCanio and colleagues argue that failure to recognize the importance of organizational structure on the performance of firms will lead to serious bias in estimation of the costs or benefits of a change in external circumstances (McFarlane, 2011). Many organizational theorists have emphasized this point in their writings (Porter, 1982; Wheelen & Hunger, 2008; de Kluyver & Pearce II, 2009—among others), and it should not be taken that there are no truly closed organizations, especially in today's globally competitive and macroscopically intrusive environment where factors filter in and out of organizations through various information systems, product and service interchange, and most importantly, attitudes and behaviors of organizational members who are constantly changing and shaping organizational culture.

The importance of organizational structure is particularly crucial for communication (Suttle, 2010), and this is supported by Walonick (2010) who argues that the relationship between an organization and its environment is characterized by a two-way flow of information and energy. This two-way flow of information defines and determines the level and effect of organizational communication on cultural values and performance. "Organizational structure enables the distribution of authority" (Suttle, 2010, p. 1), and this distribution is vital in facilitating processes such as delegation and collaboration across networks and continents where organizations must play their active part as one category of *dramatis personae* in the global economy. "Organizational structure is also important for evaluating employee performance, and it is employees' performances that determine success in terms of how much and how well; efficiency and effectiveness" (McFarlane, 2011, p. 13). Organizational structure is particularly important in achieving goals and results. According to DeCanio, Dibble, and Amir-Atefi (2000), organizational structure can have an effect on companywide measures of performance, such as profitability or speed in adapting productivity-enhancing innovations. This is especially significant in the case of virtual schools where their entire pedagogical systems and ability to educate depend on the ready adaption of emerging technological tools and concepts. DeCanio, Dibble, and Amir-Atefi (2000) also underscore the importance of organizational structure in affecting individuals or operating units that comprise the organization. Furthermore, they argue that the changes in the external environment can produce "dynamic adjustments in the firm's internal patterns of communication and connectedness" (p. 1285), which definitely will affect outcomes, or the value and quality created and offered to customers or clients. Organizational structure is critical to and helps determine strategy design and implementation (Olson, Slater, & Hult, 2004).

Organizational structure allows for the chain of command, and without a chain of command, virtual schools would lack the leadership, control, and coordination their brick-and-mortar counterparts have used successfully to maintain their competitive edge and become recognizable leaders in the education industry (McFarlane, 2011). Organizational structure fosters teamwork, where everyone in the department works toward a common goal. "A firm's

organizational structure determines the rights, responsibilities, and obligations of firm owners with respect to each other and to society in general" (Gonzalez, Johnson, & Lundy, 2006, p. 1). This also helps to shape the response of subordinates to superiors, or followers to leaders, and to determine the conduciveness of developing and developed organizational culture to success and survival. Organizational structure also enables companies to manage change better in the marketplace, including consumer needs, government regulation, and new technology. Concurring with DeCanio, Dibble, and Amir-Atefi (2000), Gonzalez, Johnson, and Lundy (2006) agree that organizational structure can have significant impact on performance because of the types of internal incentives that affect performance for teams and individuals. The fact that organizational structures have been conceptualized in social systems theory (Dissanayake & Takahashi, 2006) attests to the interrelated and intricate connections existing between organizational performance, outcomes, and their environments.

According to McFarlane (2011), pedagogical approach is important because virtual schools, like their brick-and-mortar counterparts, must understand both the social and technological aspects of teaching and learning. Most of all, they must understand that as learning organizations, they must increase their capacity for creating and delivering services by engaging in pedagogical and structural quality enhancement processes including change, reengineering, and other quality improvement processes. Learning organizations are organizations that are continually enhancing their capacity to create (Senge, 1990). The nature and quality of the social and emotional interactions between teacher and students are central to any discussion of quality education (McKenzie, 2003; Entz, 2006). This is why pedagogy matters (McKenzie, 2003). Teachers must interact with students on an emotional and social level in order to be truly effective. Virtual schools do detract from the depth and scope of "affective pedagogy" because computers and the Internet or technology cumulative can act as social distance barriers. They are not conducive to face-to-face, personal interaction, which many traditionalists believe, based on social learning theory and behaviorism is extremely important in shaping individuals as they develop socially and emotionally. The advent of emotional intelligence has added further to the recognition that personal and social environments developed between teachers and learners play a great role in learning outcomes and individual success (Goleman, 1997).

Just as organizational structure is important in the success of companies, including traditional schools, instructional structure plays an equally important role (McFarlane, 2011). According to Entz (2006), concrete teaching practices are important for all children and are essential for vulnerable learners, including those not privileged to experience face-to-face learning if they are to achieve positive learning outcomes. Entz (2006) argues that by focusing on pedagogical practices that work in the most challenging and vulnerable environments and with a diverse population of students with differing learning needs, regardless of modalities, it is possible to identify the critical elements of teaching that result in successful outcomes for all learners. McFarlane (2011) argues that, while many theorists will assert the importance of close social interaction, personable face-to-face interaction in early childhood teaching and learning experiences, many have not emphasized the importance of the same throughout life, especially as regards later years, and most obviously, in distant learning parameters or models. Entz (2006) argues that the role of a caring and more knowledgeable person in helping a child learn new skills and concepts does not diminish as the child matures. Thus, the need for care is still present in students of virtual schools as in brick-and-mortar counterparts. Entz (2006) argues that the critical role of the teacher engaged in the active process of teaching in the classroom may be

undervalued. This is true when we consider how much the prestige, and perceived value and respect regarding the teaching profession has declined over the past several decades. However, there should be a recognition that teachers and the methods they apply to impart knowledge in today's technology-driven global economy is vital in defining and creating quality learners (McFarlane, 2011).

Considerations for Teaching and Learning

Organizational structure has both objective and subjective elements and factors existing together, and this impacts the organization's decision and ability to develop and apply effective pedagogical approaches in communicating organizational shared values and ideas, especially in diverse learning environments where the influence of technology and policies shape decisions and outcomes (McFarlane, 2011). "Education is a dynamic process and an industry built on accommodation and technology has been a most generous and conducive enabler in affording more individuals the opportunities for learning" (p. 34). At the same time, value and quality perceptions have emerged as change brings both desirable and undesirable results to various stakeholders. McFarlane (2011) argues that virtual schools have emerged with increased and advancing technology to fill a gap where a large majority were—through an inherent, yet almost contentiously natural form of exclusivism—kept away from pursuing learning, especially with time and place or location as barriers or concerns. The virtual school has resolved this problem to a great degree, while the traditional brick-and-mortar has remained strong in balancing the social pedagogy of care with the technological pedagogical approach being used widely in modern society. The importance of creating a balance might be the ultimate testament of excellent teaching as teachers recognize both the "bright" and "dark" sides of technology as it influences how we learn and play.

Given the foregone analysis and discussion on structure and pedagogy, McFarlane (2011) believes that a prerequisite to understanding of the role of organizational structure on institutional performance or outcomes, success and survival gleaned above would imply that organizational construction should be both planned and deliberate. According to Dissanayake and Takahashi (2006) "Organizational construction includes the recognition of formal structural dimensions in an objective sense, while allowing at the same time, a conceptualization of structure as configured through time-bound and context-bound constructions, resulting in organizational actor-interaction processes at the interaction level" (p. 110). As such, the pedagogical or instructional structure (Entz, 2006) should be a part of the overall structure, which drives the organization, in this case, schools, in achieving their goals of educating their pupils or learners. Because educational institutions have similar functions and missions, their organizational structure should not naturally be significantly different even when their process-orientation models differ according to time and location or time and place issues. Thus, teaching and learning should emerge as the dominant feature of both virtual and brick-and-mortar schools as they seek to educate individuals for success and survival (McFarlane, 2011).

Conclusive Understanding on Structure and Pedagogy

There is no doubt that both organizational structure and pedagogical approach are important to, and define, schools, both virtual and brick-and-mortar, and also determine their

success, effectiveness in teaching and learning, and overall performance (DeCanio, Dibble, & Amir-Atefi; 2000; Olson, Slater, & Hult, 2004; Gonzalez, Johnson, & Lundy, 2006; Suttle, 2010; Walonick, 2010; Senge, 1990; Entz, 2006). "The degree to which both organizational structure and pedagogical approach differ among the two is, however, very uncertain, and there is a need for research to uncover any existing differences and the cause or causes of these differences" (McFarlane, 2011, p. 32). What is certain from the foregone exploration and analysis of the literature on organizational structure, pedagogy, and virtual schools and technological impact is that the differences in modalities require consideration as to what is more effective in one format than the other. Certainly, virtual schools must have and require sound organizational structure simply because they are organizations or systems of individuals, groups, parts, and concepts working together like their brick-and-mortar counterparts to achieve certain objectives—that is, designing and delivering superior educational value to their students. Furthermore, the delivery of education, or the teaching and learning process undertaken by each has the same end: the social, psychological, mental, conscious development of the individual and this, in response to a broader societal function of education, which is, producing a labor force of men and women equipped to respond to society's needs (McFarlane, 2011).

McFarlane (2011) argues that if we should accept that virtual schools have no different fundamental objective or moral obligations than their brick-and-mortar counterparts then we should be able to accept that their pedagogical approach should not be significantly different. Both virtual and brick-and-mortar schools must articulate desired outcomes, set benchmarks, and establish various types of standards as important steps in designing a quality educational program (Entz, 2006). Thus, both need to concentrate on and effectuate innovations in pedagogical consideration. "An organization is a deliberate arrangement of people to accomplish some specific purpose" (Robbins & Coulter, 2007, p. 17), and if it is a deliberate arrangement of people who through social interaction planned and designed it for specific purpose then it needs the constant and adaptive teaching and learning practices of those people to expand its capacity for greater creativity—learning organizational conception (Senge, 1990) in order to grow, respond effectively to change, and survive. Thus, pedagogical approach is instrumental in shaping and determining the drives toward outcomes. Given this, virtual schools must, like their traditional or brick-and-mortar counterparts, exercise in the discipline of pedagogy in order to maximize effectively value creation and delivery in the form of teaching inputs and learning outcomes (McFarlane, 2011). Thus, it is the tools that differ, rather than the pedagogical approach when it comes to examining virtual and brick-and-mortar schools. Regardless of educational and learning modalities, pedagogical approach matters and need not differ in the veritable art of teaching to educate with care, since mastery of content and curriculum, an appreciation of the various forms of standards, an awareness of assessment, and the ability to organize the lessons and enable students to engage in learning, and knowing students well enough to make appropriate instructional decisions—all require the art and science of pedagogy (Entz, 2006).

In order for education to be successful, teachers must teach and students must learn, regardless of modalities (McFarlane, 2011). Given this understanding, the differences between virtual and brick-and-mortar schools become subtle as educators and educational leaders become united in the quest to create better schools and more successful graduates to meet accountability standards and societal needs. Thus, an overriding implication is educational quality improvement, or improvements in the teaching and learning process that lead to higher quality education. This leaves both brick-and-mortar and virtual schools with the task and

responsibility—a moral imperative to better themselves for the good of their stakeholders by making their structure and pedagogy, in fact, their entire organization, more effective in doing what they do.

Bolman and Deal (1991) provide three major strategies for improving organizations that these schools could use to better themselves and the services they provide and offer as well as the results they obtain: management, consultation, and government intervention. Leadership and management must be the first factor for change that leads to improvement. Leaders and managers of virtual and brick-and-mortar schools must understand the fundamental roles and responsibilities of their organizations and must acquire the interpersonal, technical, and conceptual skills needed to achieve organizational goals, and think and plan strategically. Organizational problems and conflicts must be addressed effectively, and all types of problems and obstacles must be dealt with effectively from conflict to resistance, and consultants or experts in various fields including curriculum development, educational policy analysis, among other fields, can be used to resolve organizational problems and challenges. Finally, government interventions that include regulations, legislations, and policy making that seek to better organizational function and adherence to standards must be adapted where they further and legitimize organizational values and processes.

Both virtual and brick-and-mortar schools are experiencing rapid transformation, especially as the environment of business, technology, and societal values change. The most challenging task for both models today is to effectively manage, lead, and deal with change and uncertainty. As the future draws closer and our world changes, the face of schools as teaching and learning institutions will strive to keep pace. Virtual schools will find themselves more flexible in adapting to change due to their time-space advantage, while brick-and-mortar schools will have to reconsider much of their foundational philosophies and how to integrate these into a borderless and potentially chaotic future terrain. Only one thing is certain: Strategic responsiveness to a dynamic external environment will demand organizational change, regardless of structure and pedagogy (Spector, 2010).

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Student Corner

Litigation and Public Sector Reform: Accountability through the Courts and the Case of New Jersey's Division of Family and Youth Services

Ariel Alvarez

Abstract

As a tool for reform, the use of a litigation strategy has become increasingly popular. Using a litigation strategy to affect accountability can create a difficult situation for those in public administration who must deal with being accountable to the court as well as to legislative oversight. The purpose of this study was to evaluate whether litigation is an effective tool for reforming and enhancing the accountability of public sector agencies. The research focused on the response by New Jersey's child welfare services to the settlement agreement reached in the class action lawsuit of Charlie and Nadine H. v. McGreevey (2003) and implemented under the guidance of a five member expert panel.

A case study method using quantitative and qualitative measures was employed to assess whether the litigation improved the organizational efficiency, performance, and outcomes of child welfare in New Jersey and improved the state's accountability for services to children and families.

Findings suggest that under the guidance of the panel, the child welfare agency and the state underwent major changes that would not have occurred without the litigation.

Keywords

Public sector reform, litigation, child welfare, budget, settlement agreement, court, violation of children's civil rights, child abuse, child neglect.

Introduction

In the United States, the protection of children against abuse and neglect is primarily the responsibility of state child welfare agencies. The budget, staff, and guidelines under which these large bureaucratic agencies function can vary depending on leadership and funding availability.

This presents unique challenges to those who manage these systems, those who work within them, and the children and families who receive services from them.

In 2008, across the United States, 748,000 children were in foster care. Among these children, there were approximately 3,000 substantiated cases of maltreatment while in foster care (United States Department of Health and Human Services [USDHHS], 2010). During 2008, in New Jersey, there were 29 cases of child fatalities, and 7 deaths had some form of child protective services involvement within the previous five years (USDHHS, 2010).

In 1999, Children's Rights, a child advocacy group, brought a class action lawsuit against the New Jersey Department of Family and Youth Services on behalf of two children, Charlie and Nadine H., calling for major changes the structure, performance, and accountability of the New Jersey child welfare agency. The outcome of the litigation was two settlement agreements produced in 2003 and 2006. This case was only one of several high profile cases in which there was a failure of a child welfare agency to protect the children in the agency's care.

The purpose of this paper is to discuss how litigation was used to bring about substantial changes to the New Jersey child welfare agency. The first section of the paper will provide an overview of the use of litigation by advocacy groups of child welfare agencies. The second section of the paper will provide an overview of the Charlie and Nadine H. v. McGreevey class action lawsuit against the New Jersey child welfare agency as it relates to the use of litigation to implement reform. The third section of the paper will focus on criticism from those who oppose the use of litigation and those who support the use of litigation as a strategy for reform. Finally, the last section of the paper will provide a discussion about whether litigation is an effective approach to child welfare agency reform.

Overview of the Use of Litigation by Advocacy Groups

When the system breaks down, the children under agency protection do not receive adequate care resulting in demands for reform of the system. However, efforts at reform often are hampered by inadequate funding to instigate and sustain reform efforts, resistance to change within the system, shifting political climates, and legislative inaction. Additionally, policy-makers, the public, the media, and advocacy groups hold differing ideas about how to bring about reform (Borgersen & Shapiro, 1997a).

For example, within the New Jersey Division of Youth and Family Services (DYFS), the accountability environment as defined by Kearns (1996) involves several internal and external agencies including, but not limited to, the following: United States Department of Health and Human Services, federal and state legislative bodies, Citizen Review Panels, the federal court system, child advocacy groups, and individual citizens. These represent a cross section of bureaucratic, legal, professional, and political entities with different philosophies and expectations for accountability and reporting formats (Romzek & Dubnick, 1987). This lack of consensus on a course of action coupled with a lack of urgency from politicians, the providers of policy, and funding structures necessary to foster and sustain change often results in stagnation of the status quo.

Evidence of abuse, neglect, and even the death of children in protective care of the state increasingly have led many child advocate groups to resort to class-action lawsuits as an avenue for reform, especially in terms of decision-making processes and funding systems (Schoor, 2000; Waldfogel, 1998). As a tool for reform, the use of litigation has become increasingly popular. In

fact, in the past 30 years, several highly publicized cases of the injury or death of children while in the custody of state child welfare agencies have resulted in pressure by child advocacy groups, politicians, and concerned citizens to seek different avenues to force change in these bureaucratic structures (Newman, 1999).

Between 1995 and 2005, class-action lawsuits were brought against child welfare agencies in 32 states (Kosanovich, Joseph, & Hasbargen, 2005). Thirty of these lawsuits resulted in settlement agreements that described in detail the actions and responsibilities of the defendants and the oversight responsibilities of the plaintiffs to ensure the provisions of the agreement had been addressed. "Once approved by the court, the consent decree acts as a contract, binding the child welfare agency and the attorneys acting on behalf of the 'plaintiff' class members to its terms, and it is fully enforceable by the court" (Kosanovich et al., 2005, p. 2).

In a typical scenario, advocacy groups start with a single plaintiff or a small group of plaintiffs who have suffered an egregious harm and go to court for relief for a class of persons whom they allege face circumstances that place them at a similar risk. "A 'class action lawsuit' is a civil court procedure under which one party, or a group of parties, sue as representative of a larger class of individuals" (Kosanovich et al., 2005, p. 2). Settlement agreements from these cases often result in federal or state judicial oversight of court mandated changes and public accountability, with varying degrees of success in bringing about positive and sustainable reform (Eisenberg, 1998).

According to Kosanovich et al. (2005), an analysis of settlement agreements from class action lawsuits against child welfare agencies between 1995 and 2005 revealed that most dealt with issues in eight broad areas that included the following: (a) training, licensing, and retention of the workforce and their ability to find appropriate placement for children (76%); (b) provision of medical, dental, and mental health services, visitation, and independent living training (68.1%); (c) providing adequate intake, investigation, and reporting of child abuse and neglect cases (65.9%); (d) addressing worker caseloads, staffing, training, and supervision deficiencies (63.8%); (e) developing plans for finding permanent placement for children (53.2%); (f) developing quality assurance reviews or other means of sharing case information to those who need it (53.2%); (g) addressing adoption issues (34%); and (h) adequately addressing and reporting reforms made to the courts.

When litigation is successful, the public agency is ordered to implement changes in accord with the plaintiff's demands. This may happen if the case proceeds to judgment or as a part of a settlement by which the agency hopes to avoid a lengthy and costly trial and negative publicity. The orders for compliance may be quite specific or involve general reforms that can extend from ending a particular practice deemed harmful (such as housing juveniles at a particular facility) to reorganizing the way the agency does business. In this latter instance, the agency (or the state/municipality targeted) may be forced to hire new staff, upgrade staff, reorganize management and accountability structures, renegotiate contracts with local providers, redefine employee roles, and so on. Typically, some form of monitoring and reporting is put in place to ensure compliance within a particular time-frame. Monitoring practices also run the gamut, from requiring the agency simply to file progress reports with the court to the appointment of long-standing "panels" to oversee reform.

The primary goal of many plaintiffs in child welfare lawsuits is to for these agencies to deal with significant deficiencies in assessing and addressing child abuse allegations, determining the appropriate child-family needs, and providing supportive services. An outcome of litigation has

been the requirement of child welfare agencies to develop policy and practices for intake and assessment of allegations of abuse (Kosanovich et al., 2005).

Advocacy groups successfully have used litigation to force public administrators or policy-makers to follow through on identified problems and promises for action (Mnookin, 1985). For example, in Kansas, concerned citizens and advocacy groups became frustrated when the political process was hampered by changes in policy and the legislators themselves. A lawsuit brought this situation out in the open and forced the creation of a "Task Force appointed by the judge that brought agency officials and child advocates together with outside experts to help settle the litigation" (Center for the Study of Social Services (CSSS), 1998, p. 5). In Alabama, litigation forced politicians and agency administrators to work to develop a plan that could be implemented in welfare agencies across the state. While problems were encountered, progress was made, due largely to the power of the court to enforce mandated changes in the system and the ability to monitor compliance. Those who support the practice of using litigation for reform argue this process can bring together strong political support in collaboration with stakeholders internal to the welfare system (Borgersen & Shapiro, 1997a, 1997b).

New Jersey and the Case of Charlie and Nadine H.

In New Jersey, child welfare services are state-administered and state-supervised by the Division of Youth & Family Services, within the Department of Children and Families (DCF) with all policy, budget, and personnel decisions made at the state level. As of March 2008, 51,219 children among 25,938 families were under supervision by DYFS (2011). In terms of accountability for child welfare system in the U.S., explicit rules, procedures and standards of administration, professional practice, best care for children, and reporting are highly codified (e.g., CAPTA—The Child Abuse Prevention and Treatment Act reporting requirements). There are detailed manuals available to public administrators defining the accountability mechanisms to be used to assess adherence to standards and compliance with mandates and associated regulations and policies. Changes in policy and practice, unfortunately, often are driven by tragic or significant events that have caused the public to demand action and reform of the system (Romzek & Ingraham, 2000). This has been the case for New Jersey and attempts at reform of its child welfare agency, the Department of Youth and Family Services.

The class action lawsuit brought against the New Jersey child welfare agency by the Children's Rights advocacy group involved the plight of two children, Charlie and Nadine H. In 1994, five-year-old Charlie and three-year-old Nadine H., victims of child abuse and living in a dangerous environment, were removed from their New Jersey home by DYFS after their mother tried to drown Nadine. They were in foster care for over five years, awaiting adoption. However, the foster home where the children were placed was unsanitary, and the children were regularly physically abused by the foster mother. Even though the police contacted DYFS about the unsafe conditions in which the children were living, DYFS continued actions to have the children adopted by the foster mother. After the foster mother threatened to kill the children, DYFS moved them into emergency foster home and halted the adoption process (*Settlement of Class-Action Lawsuit*, 2003).

On August 4, 1999, the Children's Rights group filed a federal civil rights lawsuit in the U.S. District Court for the District of New Jersey: Charlie and Nadine H. v. Whitman (then Governor of New Jersey) against the New Jersey Division of Youth and Family Services. In the

complaint, the DYFS was charged with being poorly managed, overburdened, and underfunded—conditions that threatened the health and safety of children in the care of the state (*Settlement of Class-Action Lawsuit*, 2003). The plaintiffs alleged that children in foster care were suffering abuse and neglect at a rate 12 times higher than the national norm. The Children's Rights group sought, through the use of a litigation, to force the DYFS to overhaul its agency through the creation and implementation of a reform plan (Kosanovich et al., 2005). Serious problems in the foster care systems that the plaintiffs sought to remedy included the following:

1. Years of poor management and consistent underfunding.
2. Insufficient placements for children in the foster care system.
3. Teenagers placed in unsafe emergency care facilities for too long.
4. Inappropriate placement of children with psychiatric and medical needs that resulted in the exacerbation of their conditions.
5. Poorly trained, supported, and supervised DYFS caseworkers.
6. No accurate or timely accountability system in place.
7. Incompatible and obsolete computer system (Kosanovich et al., 2005).

On March 8, 2002, U.S. District Court Judge Garret E. Brown granted class-action certification to the lawsuit, allowing the federal civil rights lawsuit to proceed. "The court ruled that children in DYFS custody have a right to be protected from harm and may bring an action in federal court to vindicate that right" (Charlie and Nadine H. v. Cody, n.d., *History and Status* section, para. 1). On July 3, 2002, U.S. District Federal Court Judge for New Jersey, John J. Hughes granted outside experts appointed by the Children's Rights advocacy group (the plaintiffs) immediate access to the confidential case files of 500 children in the DYFS system from 1999 to 2002 containing records of abuse (Jones & Kaufman, 2003). The purpose was to determine the extent that children were put in dangerous situations or suffered harm while in the custody of DYFS (Charlie and Nadine H. v. Cody, n.d., *History & Status* section, paras. 2-3). The reports showed how the state failed to protect 17 children in its care resulting in the death of four and prolonged abuse of the others. Over the next year, mediation between Children's Rights and DYFS ensued.

Children's Rights won a ruling in favor of the members of the class action. The ruling from the class action suit, Charlie and Nadine H. v. McGreevey, required the state of New Jersey to implement system-wide changes to New Jersey's DYFS (2011). On September 2, 2003, the U.S. District Federal Court in New Jersey approved a comprehensive settlement agreement that included the creation of an expert panel. For the first time in New Jersey's history, DYFS was under court order to work collaboratively with an oversight panel of independent experts who had complete authority over all aspects of DYFS, whether it was included in the lawsuit or not. The panel had oversight authority for 18 months after which it was to be dissolved and replaced by an independent monitor. The New Jersey panel was:

independent of local, state, and federal government. It has far-reaching authority over all aspects of the child welfare system. The panel is authorized to ratify the reform plan, establish specific legally enforceable outcome measurements for the state, and determine whether state progress is untimely and/or insufficient—a finding that would entitle

plaintiffs to seek court enforcement. (*Spotlight on Child Welfare*, 2004, p. 4)

In collaboration with DYFS representatives, the panel developed outcome measures that were used to assess the progress DYFS made in providing a safe environment and improving the lives of the children in their care (*Settlement of Class-Action Lawsuit*, 2003, para. 3). The authority given to the panel included the ability to

- disapprove of the state's plan, in which instance, the case would return to court with liability conceded for a court ordered remedy;
- set specific legally enforceable outcomes for children that the state was required to achieve;
- determine the specific aspects of the state's plan that was legally enforceable by the plaintiffs;
- determine if state was making insufficient progress in certain areas, within the initial two-year period, in which case the plaintiffs could seek court enforcement. (*Settlement of Class-Action Lawsuit*, 2003, para. 7)

In the first six months after the panel was formed, members worked with the Department of Human Services to develop a plan to guide the reform. The short-term goal was to oversee DYFS safety assessment of all children in the foster care system. The panel was given complete access to all DYFS staff and documents. The recommendations made by the panel were enforced by the courts. In addition to restructuring the agency, under the direction of a five-member oversight panel, system-wide changes in policy and practices were created and implemented to improve performance outcomes.

The state reform plan was presented to the federal court judge on June 9, 2004, and accepted on June 17, 2004 (*Settlement of Class-Action Lawsuit*, 2003). The plan was expected to take three to five years to be fully implemented. Outlined in the settlement agreement were the following 11 outcomes measures that were used to determine if the state was making adequate progress.

1. Decrease length of time in care for children with the goals of reunification.
2. Decrease length of time in care for children with the goal of adoption.
3. Increase proportion of siblings in foster care who are placed together.
4. Increase proportion of children in foster care who are appropriately placed with relatives.
5. Increase proportion of children in foster care who are placed in their home neighborhoods.
6. Decrease incidences of abuse and neglect of children in out-of-home care.
7. Decrease proportion of children in out-of-home care who are placed in congregate settings.
8. Decrease average number of placement moves experienced by children while in out-of-home care.
9. Increase the proportion of children in care, and their families, who receive the services they need.

10. Decrease the rate of re-entries into out-of-home care.
11. Reduce the number of adoptive and pre-adoptive placements that are disruptive.

In addition to the 11 outcome measures, the settlement agreement included 6 areas of concern that required emergency action. These included the following: (a) funding of $22.35 million to provide space, materials, and the hiring of additional personnel; (b) funding $1.5 million to use for recruitment of additional foster parents; (c) conducting a safety review of children in foster care and institutional facilities; (d) conducting an immediate review of licensing standards and hiring processes; and (e) immediately procuring urgently needed supplies (*Settlement of Class-Action Lawsuit*, 2003, para. 2).

During the 18 months the court-appointed panel worked with DYFS, the expert panel had two primary functions. The first was to provide leaders of the New Jersey child welfare system with technical assistance by sharing information and connecting leaders with experts who could provide assistance in developing and implementing reform. The second function of the panel was to oversee, monitor, and make judgments about the progress leaders made toward meeting improvement plans and requirements for reform as outlined in the settlement agreement.

In its initial reports, the expert panel determined that state bureaucracy had hampered reform efforts, especially by the creation of new divisions in the Department of Human Services (DHS) without delineating clear leadership roles and responsibilities for those agencies (Zalkin, 2005). The panel concluded that a lack of leadership and organizational issues was undermining the reform process. The overarching finding by the panel in its second report was the failure of the state to make satisfactory progress toward meeting reform plan requirements outlined in the 2003 settlement agreement. Progress was concluded to be seriously inadequate in several areas (Charlie and Nadine v. Cody, n.d., *History & Status section*, para. 6).

As a result of the panel's conclusions in the second monitoring report, the plaintiffs, Children's Rights, filed a "contempt motion against DYFS for failing to comply with the settlement agreement" (Charlie & Nadine H. v. Cody, n.d., *History & Status* section, para. 6). If Children's Rights was not satisfied with the mediation process, it had the power to ask the court to appoint a master or receiver to take control of the agency (Livio, 2005). However, the judge had the option of ordering the state to make changes instead of appointing a receiver.

In October 2005, the Children's Rights organization, believing the progress of the reform by the state was seriously inadequate and failed to bring about the desired reforms, ordered a 10-day mediation process. Children's Rights entered into mediation with the Jon Corzine administration to develop a new agreement that mandated reform of the entire New Jersey child welfare system (Raths, 2008).

New Jersey DCF was found in contempt of the 2003 settlement agreement, and a modified settlement agreement (MSA) was negotiated in 2006. All participants, legal, monitors, and DCF leaders agreed after the fact that the first settlement agreement may have been too ambitious and set up the DCF for failure in meeting its mandates. The 2006 Modified Settlement Agreement included enforceable elements that were formulated and expected to be implemented within given times frames ranging from six months to five years. In July of 2006, the re-negotiated MSA was created with the new Corzine administration. The next monitoring report was more favorable, indicating that, while substantial work still was needed, the New Jersey child welfare system was moving in a positive direction toward meeting decreed reforms.

However, difficulties still were experienced in meeting court mandated system reform. In the effort to meet specifically outlined and measurable benchmarks, less attention often was paid to equally important but more difficult or controversial factors that were not easily quantifiable or measured. This had led some leaders to focus on completing the "checklist" of benchmarks but failing to deal effectively with the underlying purposes of the benchmarks. The danger for sustaining the improvements made to DYFS was that the focus would be on strict compliance and reporting in the paperwork and on other data gathering systems compliance with the decree, rather than the quality of the day-to-day services being provided to children in the system.

An outcome of mediation and the modified settlement agreement was the creation of the cabinet level Department of Children and Families agency. All agencies related to child welfare, including DYFS were under the control of the DCF (Raths, 2008). By 2008, the court appointed monitor, Judith Meltzer, reported that overall, DCF had complied with the 2006 modified agreement, and had fulfilled or exceeded most expectations.

Opponents and Criticism to the Use of Litigation as a Strategy for Reform

Both as a way to force a system to reform and to hold decision-makers accountable, litigation and court-implemented reform through monitoring is a controversial strategy. Using litigation as a means of bringing about reform is not supported by everyone and can lead to those opposing the intrusion of the courts working to undermine the changes being implemented.

Proponents insist lawsuits of this kind are brought only after many other attempts at reform have failed, but critics argue court monitoring hampers the ability of the system to function smoothly. It may throw off the agency's internal planning mechanisms, for example, by putting in place a new set of priorities, redirect scarce state dollars away from other needy reforms, or actually inhibit change by causing employees to withhold criticism lest they be singled out.

Critics such as Sandler and Schoenbrod (2004) argue that class-action lawsuits are futile because, rather than facilitating change, they end up creating an unwieldy bureaucracy that prevents any real reform from taking place. Sandler and Schoenbrod (2004) also pointed out that using litigation as a strategy for reform shifts control over reform from elected officials to unelected lawyers and judges, sometimes leading to failure to bring about the reforms sought.

Critics have argued a problem with litigation is that court decreed benchmarks tend to create static policies and practices that require continual adjustments to the system. Often, modifications to a decree require litigants and plaintiffs return to the courtroom to re-negotiate the provisions of the agreement. The weakness is re-negotiation requires cooperation between the litigant and plaintiff that can be time consuming and cumbersome, making it difficult to make those necessary adjustments. This happened in the DYFS case. The original benchmarks were later found to be unrealistic, and this required the plaintiffs and the state to go back to the negotiation table. This situation resulted in three years passing before new benchmarks were devised.

In addition, a weakness of the command-and-control style court decrees is they often result in difficulty changing policies and practices in situations of plaintiffs dealing with defendant non-compliance. In most situations, the plaintiffs' only recourse to change how the defendants were complying is through court action. This is what happened in the situation with New Jersey DCF and the first settlement agreement. While DCF was shown to be in non-compliance with

most of the enforceable elements, the monitoring panel was limited to reporting the failure to meet the benchmarks and could not give directions on how to improve the policies and practices. The panel recommended a new agreement be drafted in which a small number of core goals were specified. In the first monitoring report, the state was advised to "attempt to do a smaller number of fundamental things and to do them very well, rather than continuing to attempt to implement all portions of the reform plan with equal priority" (Center for the Study of Social Policy (CSSP), 2007, p. 12).

Critics also argue class-action lawsuits drain valuable time, human resources, and money from the system that is forced to follow ill-conceived and implemented mandates. This creates an environment that places added stress on the system, and can lead to a demoralized and angry frontline and administrative workforce that becomes entrenched and resistant to any efforts at change. Litigation as a strategy for reform is considered by those opposing it as adversarial by its nature because "institutional reform litigation represents a failure of the political process" (CSSS, 1998, p. 7). Opponents argue court ordered changes often involve a degree of specification that is impossible to achieve in the "real world."

In addition, opponents argue some cases in which litigation was used to implement reform have been unsuccessful, wasting limited time and resources. Some child welfare agencies have ended up in noncompliance of court mandates that remained unresolved with a lack of improvement to the system that was sought through litigation. These cases remained in the court system for years. For example, in the case of Angela R. v. Huckabee filed in 1991 in Arkansas, a lengthy court decree was issued regarding the investigation of abuse and neglect reports and other agency services. A revised settlement agreement was devised that included only a broadly defined implementation mechanism. The modified agreement included only the ultimate standards the state was to achieve by the end of a five year term, rather than stating explicit implementation steps and deadlines. The advocacy group Center for the Study of Social Policy found the welfare agency had failed to meet the goals set by the court decree (Kosanovich et al., 2005).

In another case, Emily J. v. Weicker, filed by the Center for Children's Advocacy in Connecticut in 1993, the defendants failed to meet court mandates. The case centered on inappropriate placement of children in state care. The court approved a negotiated consent decree in 1997 to remedy inappropriate placement of children. In 2002, the state was found to be in noncompliance for failure to develop and implement a comprehensive screening system, and the continued practice of inappropriate child placement. Continued non-compliance has resulted in a second court-ordered settlement in 2007 (Kosanovich et al., 2005).

Leaders of many agencies that have been named in class action lawsuits have been among the most vocal critics of the use of litigation to bring about agency reform. For example, Commissioner of the New York Administration for Children's Services (ACS) Nicholas Scoppetta claimed improvements made in his agency as a result of the Marisol v. Giuliani case were realized in spite of, and not because of, litigation. Scoppetta and others (e.g., Michael Cordoza, New York City's corporate counsel), argued the use of litigation created an environment of fear that paralyzed workers who became concerned that what they said or did might be used against them at a later date. These workers become reluctant to detail problems in reports for fear these documents would be used against the agency during a lawsuit (Eviatar, n.d.). According to Michael Cordoza, New York C-ity's corporate counsel, "The constant court monitoring, court orders, in effect caused a quasi-paralysis....Everyone was worried about the note

they would be writing because they knew they would be cross-examined about [it] in a deposition" (Kaufman & Chen, 2008, para. 26).

Proponents for the Use of Litigation as a Reform Approach

Advocates for the use of the courts to bring about reform have taken a different direction than was used in earlier lawsuits. Rather than suing the actual agency, many litigants bring a lawsuit against the government officials who have oversight. The litigants use the courts to draft agreements that provide elected officials with the flexibility to devise plans of actions that can result in measurable reform. "Still, the outcome of these suits often depends to a large extent on the personalities and tactics of the plaintiff's lawyers and the defendants" (Eviatar, n.d., para. 13).

In the short term, these settlement agreements often lead to a public outcry of the failing of the system, political attention given to the situation, increased workforces and the funding to sustain them, and intense monitoring of the policies, procedures, and everyday functioning of the agency. However, increased outside attention rarely is sufficient to create a fundamental change in the system. Those who advocate the use of the courts as a path to reform, argue the use of litigation can lead to real and sustainable change by forcing agencies and elected officials to acknowledge the severity of the problems in their child welfare institutions and to focus attention on resolving these deficiencies (Rosenberg, 1991).

> It can create a space within which former adversaries can commit to and work toward the common goal of child safely, and begin building the high quality system of care they all want. It can sustain the commitment over the years necessary to realize it, outlasting bureaucratic intransigence and political vicissitudes. (CSSS, 1998, p. 3)

Those who advocate the use of litigation as a means of forcing reform admit it requires cooperation among key stakeholders involved. "All the usual suspects in an institutional reform case—the judge, the lawyers, and the litigants—have to transcend their traditional roles in order to be effective in the institutional reform process" to bring about effective change (CSSS, 1998, p. 7). Important to the effectiveness of the litigation process is the judge. The reform process can be hampered or facilitated by the judge who plays a key role in reviewing recommendations and making decisions about the course of action the institution will be required to follow (Mnookin, 1985). In many cases, the judge appoints a panel of experts who monitor the institution's progress in meeting mandated requirements. The challenge for the members of these panels is to be seen as collaborators, rather than as adversaries, and to help transform court rulings into workable solutions (Farrow, 2008). The results of case studies demonstrate it takes both expertise and the involvement of all stakeholders in the reform process to create institutions that reconnect the community and their child welfare system (CSSS, 1998).

> The power of the court to bring reforms does have its limitations. Court orders must be supported by findings of fact and conclusions of law, remedies should be 'narrowly tailored' to specific legal violations, and not intrude unduly on the discretion of agency officials. (CSSS, 1998, pp. 8-9)

Opponents argue that applying legal remedies that are too broad make it difficult, if not impossible, for individuals within and outside the institutional bureaucracy to handle the complex problems that created the need for reform in the first place (Fletcher, 1982). In contrast, proponents for the use of litigation argue class action litigation can provide a means for starting the reform process, especially in situations in which the agency lacks the incentives to implement reform on its own. Sometimes, litigation provides the only realistic route for reform when the government has failed to provided the structure and resources necessary to support child welfare agencies (CSSS, 1998).

Using Litigation to Obtain Funding

Those who support the use of a litigation strategy agree that an important role of the court is to provide the power and authority, if necessary, to force action. When there is a stalemate or inactivity, the court can issue a contempt order that forces those involved to come back to the table and work collaboratively to find a workable solution (Rosenberg, 1991). This is what happened in the Charlie and Nadine H. v. McGreevey class action lawsuit in New Jersey, especially in terms of forcing legislators to provide funding necessary to implement and sustain reform.

Through legislation, a network of resources, services, supports, and policy have been put in place to provide for the emotional and physical protection of children, assistance, and treatment for families, and when needed, alternative permanent family placement for the child (Child Welfare League of America (CWLA), 1998). In this role, politicians serve a critical role in oversight and funding of these agencies to ensure compliance with enacted legislation. "The primary task of state legislatures is to frame the structural and policy priorities of state government through legislative and funding decisions" (National Conference of State Legislatures (NCSL), 2005, p. 3).

Many of the problems within the New Jersey child welfare agency reflect problems in many child welfare agencies across the United States. One problem faced by child welfare and other social service agencies across the nation is providing services with limited resources, often rooted in budget deficits (e.g., A. S. W. v. Mink (2005) in Oregon, 2003; Nicholson v. Williams (2002) in New York, 2000). Throughout the country, budget deficits have led to cuts in funding for health and human services agencies including child welfare agencies. One of the primary outcomes of litigation to reform child welfare agencies has been court ordered increased funding. Those who recognized the problems with DYFS pointed out that the system had

> been asked to do too much with too little for too many years. And the New Jersey Division of Youth and Family Services...has been particularly neglected, underfunded, and understaffed. As a result, it has been unable to provide adequate care and supervision of children in need of protective services. (*A New Beginning*, 2004, p. 1)

The Charlie and Nadine H. v. McGreevey lawsuit helped the DCF and DYFS obtain needed resources to enact the outlined reforms. Prior to the lawsuit, DCF and DYFS had operated under poor management and budget cuts that led to severe underfunding of the agency. In 2003, as a direct result of litigation and the terms of the 2003 Settlement Agreement, the New Jersey legislature immediately allocated $300 million to emergency relief and reform efforts. In

2004, the state called for an additional $320 million and received a $350 million total increase in funding for reform over the next two years to fund the increase in staffing and services.

In the summer of 2003, the state of New Jersey realigned some of its resources, allocating $23.5 million for hiring staff and acquiring space and equipment, $1.5 million to recruit additional foster parents, and $26.8 million to implement the Statewide Automated Child Welfare Information System (SACWIS) to connect DYFS workers in the field with vital information and resources (*Spotlight on Child Welfare*, 2004). Out of the $23.5 million, the state was given the responsibility of obtaining $14.3 million by August 1, 2003, to hire additional case managers, supervisors, and other essential personnel. By July 1, 2003, the state was to allocate another $8.05 million to maintain appropriate staff levels. Finally, the state was to use $1.5 million to recruit new foster homes (*Settlement of Class-Action Lawsuit*, 2003, para 13).

Between 2004 and 2007, the state had dedicated $481 million to reforming the New Jersey child welfare (Livio, 2007). In addition, in 2006, The Department of Children and Families received $1.4 billion to fund the services of all the agencies under its structure. Of this money, $974 million was state funded with 75% of this money being continuation funding from the 2006 Office of Children Services FY06 budget (*Commissioner Ryan's Testimony*, 2006). The class action lawsuit led to substantially increased funding that was badly needed and made a significant difference, compared to reform efforts in the past and the pattern of the legislature to cut funding to DYFS prior to the lawsuit. Without the lawsuit, DYFS would not have been allocated the more than $1 billion it has received since 2004 to spend on reform efforts.

While the class action lawsuit can serve an important role in devising a multi-faceted strategy of reform for complex problems, litigation must be used with caution. In the end, the same basic tenets of successful reform must include the following: (a) an understanding of local, state, and national resources available; (b) a focus on training and retraining of frontline workers; (c) building an administrative infrastructure that supports agency functions; (d) creating apolitical infrastructure that supports to goals of the child welfare system and holds the agency accountable for achieving outlined service outcomes for children and families; and (e) the involvement of parents, families, and the community making known their expectations of the services the child welfare agencies provides and to hold the agency accountable for achieving articulated outcomes (CSSS, 1998).

Conclusion

Publicly administered institutions serve many functions and are expected to be accountable to both internal and external stakeholders (Fox & Miller, 1996; King & Stivers, 1998, Rohr, 1986). Within publicly administered child welfare agencies, several high profile cases involving the deaths of children in the care of the state has prompted and increased focus on public administration accountability. The public demands accountability because people believe that when public institutions are forced to be accountable, this will lead to increased effectiveness and efficiency in the provision of services provided by the institution (Power, 1997). Public institutions that do not provide an acceptable level of accountability often are challenged from outside organizations or agencies to reform system practices and reporting policies (Stenning, 1995).

There have been two distinct approaches to bring reform through court intervention. The first has been to focus on a narrow population or set of practices (Kosanovich & Joseph, 2005).

The second has been to seek system wide reform and the restructure of entire programs or agencies. In the case of the New Jersey child welfare system, the litigation sought system wide reform both in terms of practices with the implementation of the new case practice model and through the restructuring of the entire program that included making DCF a cabinet level agency that was no longer under the auspices of DHS.

However, implementing system-wide reform is difficult because the complexity of institutional policies and the implementation process makes a single solution difficult or impossible, thus necessitating the implementation of a range of policy related actions. Some of these actions can be voluntary, while others may be forced through legal and political accountability systems (Hall, 2008). Another difficulty in implementing reform is how to assess performance and compliance with policy. In complex systems, multiple performance and accountability measures are needed because "Any single solution is likely to address parts of the problem and will likely fall short of the objectives [of the policy]" (Dredge & Jenkins, 2007, p. 171).

Any reform plan and the implementation approaches taken, in part, will be influenced by technical-professional considerations that impact the efficiency and effectiveness of the implementation actions (e.g., the New Jersey information reporting computer systems of the training and availability of social workers) as well as that degree to which stakeholders are on board with the implementation plan (Selman, 1992).

The majority of child welfare system reforms include investments in resources to facilitate changes to infrastructure development such as money to install a new computer data collection and information processing system, to increase caseworker and supervisor personnel, and to provide training. The primary goal of most child welfare agency reforms is to reduce the caseload of social workers so they are able to expend the time and effort necessary to meet the mandated benchmarks for case processing within the designated time frames as outlined in the lawsuit agreement. This was true for the New Jersey child welfare agency. The majority of reforms involved reduction of worker case loads, the replacement of an antiquated computer data tracking and reporting system, development of a new training program based on the case plan model, and reduction of the worker-supervisor ratio that enabled supervisors to provide more consistent and frequent supervisory support.

Because people and agencies influence policy and the implementation process, the influence process does not end once the policy is drafted and implemented, but continues throughout the entire policy implementation process. The implementation plan from beginning to its conclusion reflects the policy decisions that form out of the process of connecting the interests, values, and power (which is not evenly distributed) of the different stakeholder groups (Hall & Jenkins, 1995). When there is a large disconnect between competing interests of the different stakeholders, the use of litigation and the power of the courts can force all parties to work cooperatively to draft a workable plan for reform.

Over the past 30 years, about two-thirds of states have had all or part of their state child welfare systems successfully challenged in lawsuits that sought court intervention. Most lawsuits dealt with issues related to failure to take corrective action in response to substantiated instances of child abuse and neglect, improper placement of children, lack of reviews, and missing or inadequate reunification plans, and for egregious non-compliance with federal mandates in these and other areas (Kosanovich et al., 2005).

The court remedies have been similar in the majority of these class action lawsuits. At first, many decrees involved forcing action through rigid rules. More recently, the decrees have been standards based and rule based. These decrees often include strict deadlines, quantifiably measured outcomes, and specific procedural and documentation guidelines to be followed and reported to the court or court designated oversight agency. This was based on the premise that the decrees should be as specific as possible.

Most child advocacy and child welfare agency representatives appear to agree that what is important in any reform effort is to build flexibility into the requirements, whether court ordered or not, so policy makers have the ability to devise plans tailored to the specific needs of the system. Overall, any settlement agreement that seeks reform of a large bureaucratic system must include decrees that provide the flexibility for the system to move away from a rule-bound hierarchical authority structure of administration toward a more contextual understanding of norms and the system culture. The mandates should help, and not hinder, an understanding of the relationship between the administrative and authoritative center and the local units of offices surrounding and supporting that center. Finally, and most important, the decree should help develop a flexible administrative center that can respond to the need for incremental changes when necessary to address problems as they arise in the system. This would increase the ability of the agency to sustain its reform.

Generally, an incremental approach to reform is more effective than immediate reform of an entire system. This was demonstrated in the New Jersey case. In the Charlie and Nadine H. v. McGreevey case, the original settlement agreement had moved away from a strict command-and-control approach to an emphasis on broad goals and principles, rather than a checklist of requirements. The mandates required the formation of performance measurement goals to accomplish under the supervision of a monitoring panel that assessed the extent to which the New Jersey child welfare system was in compliance with the settlement agreement. The outcome of the initial court decree was mostly a failure.

Unfortunately, the first agreement resulted in a system-wide failure to achieve benchmarks of the decree. This agreement was too ambitious, and the leaders were overwhelmed with the magnitude of changes required. An incremental approach to reform was more manageable for a large bureaucratic system such as the New Jersey DCF. In addition, reform was built around meeting benchmarks of a two phase model of change. These incremental changes with different timeframes for implementation, and assessment did not overwhelm the system as did decrees of the first settlement agreement.

Finally, budget deficits and funding cuts have been cited as one of the most significant problems that led to system-wide deficiencies within child welfare agencies. A common sentiment expressed by litigators in the Charlie and Nadine H. v. McGreevey case was that the leaders of child welfare systems will not do anything or make necessary system changes unless forced to, often by the court. However, the issue may not be so much a lack of willingness to make needed changes, but the lack of political and funding support to make changes and sustain them. In the case of New Jersey, for several years prior to the litigation, funding for the child welfare agency was cut. It was only after the lawsuit that the state was forced to provide the funding the DYFS needed to enact reforms, especially in terms of hiring more caseworkers, providing training, and installing a system-wide data collection and distribution system.

In the final analysis, the system-wide changes to DCF and DYFS would not have been achieved without the use of litigation that provided the power of the courts to mandate changes

to the system and that required the political system to provide the needed resources to maintain the reform efforts. It remains to be determined how long the positive changes will be sustained once forced measures of accountability are withdrawn and the system is left to self-assess itself.

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Ariel Alvarez, Ph.D., is a full-time third year law student in Miami, Florida. He earned his Masters degree from Rutgers University, Campus at Newark, New Jersey. His Ph.D. was awarded by the School of Public Affairs and Administration, Rutgers University, Campus at Newark, New Jersey. His research interests focus on how law interfaces with child welfare. Please contact Ariel at Lamrte@yahoo.com for a copy of his dissertation.

Life Forward

Kenneth Meyerson
President, BEST Tennis

Interviewed by Hagai Gringarten, Editor-in-Chief

Kenneth Meyerson has more than 20 years of international experience in representing athletes and Grand Slam winners on the ATP and WTA Tours. In this time, he has managed Olympic gold medalists and champions of the U.S. Open, French Open, Australian Open, and Wimbledon.

Meyerson began his career with Donald Dell at ProServ in 1987. In 1990, Meyerson left ProServ to run MBD's tennis representation business in Switzerland. He later established a partnership in Austria, primarily representing German tennis players among them, five of the top 100 players in the world.

In 1997, Meyerson founded Sports Advisor Services in Miami, Florida. He represented tennis players and consulted to manufacturers including Puma. During this time, Meyerson also negotiated Serena Williams' first Puma deal.

In 1999, Meyerson joined SFX Sports Group to become the President of SFX's tennis division. SFX Sports Group was then part of Clear Channel. Meyerson grew this division from a handful of noteworthy clients to now include marquee players such as U.S. Open Champion Andy Roddick; Australian, French, and U.S. Open Champion Justine Henin; Olympic Gold Medalist Fernando Gonzalez; Mardy Fish; Shahar Peer; Guillermo Canas; and the No. 1 ranked doubles team of Bob and Mike Bryan, as well as phenoms Sam Querrey, Victoria Azarenka, and Caroline Wozniacki. In 2006, Meyerson united with Blue Equity, LLC, to purchase the tennis division from SFX and continue as the President of BEST Tennis.

Meyerson graduated from the American University in Paris with a B.A. in business administration. He currently lives in Miami, Florida, with his wife and two daughters. Meyerson is fluent in French, and speaks conversational Italian and German.

Life is about stories. Do you have a favorite story that you use as an icebreaker?

1993, April...Devil is in the detail. Michael Stich and his wife Jessica drive from Monte Carlo to Barcelona with their dog Tessa, a sheep dog. Michael specifically asks me, "Are dogs allowed in the hotel?" I tell him yes without checking with the manager. He gets to the hotel after spending six hours in the car, and the manager tells him "No dogs allowed. Nobody told us that the dog was coming, and there are no exceptions." I wound up not only talking to the manager, but the owner, and he was the owner of the entire chain of hotels. Michael only waited 20 minutes before his dog was in the hotel room, at the restaurant, and, to boot, [the owner] wound up paying for the suite. Moral of the story: You must always make sure that you have done your homework, and if not, you better have the resourcefulness to turn a bad situation into a good one. That's the story.

Tell us about your transition from student to sport agent.

I came from somewhat of a dysfunctional family. Not traditional, and I knew that once I graduated from college, I would have to be financially independent. My transition was almost immediate. I interviewed with ProServ in May of 1987 in Paris at the French Open, and graduated from the American University in Paris in June of 1987, with an international business degree. I was an average student in both high school and college, but my senior year I was the president of the International Business Students Association. This turned out to be a fantastic experience because primarily they organized guest lecturers. These lecturers were some of the top business leaders in Europe. This experience gave me the ability to feel comfortable around such people, as I was graduating and moving into the business world. I was hired by one of the pioneers in the sports industry, Donald Dell, who—as fate would have it—23 years later, we are still working together. Timing was everything, as I was hired two weeks after one of the agents in the ProServ Paris office had left the company. There were existing clients that needed to be serviced, and because I was living in Paris and spoke French at the time, I was able to integrate very easily. I was working primarily with French players, both men and women. Most of them were ranked

already in the top 100 in the world, and the lion's share was sponsored by Lacoste. Twenty-three years later, Andy Roddick is now in his seventh year with Lacoste. Some of the players at the time I was working with were Jimmy Connors, Yannick Noah, and Stephen Edberg. In 1990, I left ProServ and moved to Switzerland, where I was working with a company that did sponsorships for watch companies, clothing companies (Hugo Boss). It was during this time I signed Michael Stich. In 1991, Michael Stich won Wimbledon. This Wimbledon will be the anniversary of 20 years that Michael won, and we are celebrating this milestone.

What does it take to be a good sports agent?

Commitment. To be a good sports agent, commitment is the key. To be specifically a good tennis agent, the ability to navigate internationally and language skills have proven to be some of the keys to my success. Under-promise and over-deliver, managing expectations. Accessibility, insistency, and the ability to connect with people. And the ability to deliver.

Why are you good at what you do?

I have a very, very high tolerance for 'pain.' I think one of my differentials is that I am 24/7 accessible. I am very rarely, almost never, out of reach.

Have you gotten better with age?

I have certainly grown in terms of experience. What has been the most radical has been the technological advancements, and although I am only 47, I have started with the Telex machine, and then fax, then e-mail. But, when I first started, I did not even have a cell phone. I remember having tons of coins in British pounds that I would call from the Wimbledon club as my clients would play. Would wait on line. Would walk around all day with my pockets full of pounds. The cell phone, now the Blackberry has made me—as I've gotten older and more experienced—better at what I do.

What elevator speech would you give your children about success in life?

Do not let others bring you down, stay the course, and above all believe in yourself. Be flexible and compromising, but stay the course, and generally go with your instincts.

Book Review

Book Details

Howie, J. P. (2011). *The evolution of revolution: How we create, shape, and react to change.* NewYork: Prometheus Books, 262 pages, hardcover, ISBN: 9781616142353.

Reviewer

Selen Razon

Synopsis

Howie's book tackles the issue of what makes an innovation a revolution. The book aims to "enable the reader to identify or create revolutions as well as to capitalize on the effects of revolutions" (p. 15). Howie, a venture capitalist and economist, defines successful innovation as a process and extension of a pre-existing vision.

To this end, the revolutionary innovation of the World Wide Web (www) was inspired by the earlier vision of Vannevar Bush who was looking for a device to store and access scientific data. Similarly, Einstein's Relativity Revolution was an extension of Henri Poincaré's earlier recognition of the non-Euclidian premises of the space, and the Declaration of Independence and the American Revolution for Democracy shared striking similarities with the earlier descriptions of the then novel concept of 'freedom' by Locke.

In line with its process-like nature, however, innovation goes through three stages prior to making a revolution: (1) resistance, i.e., the society appraises the comparative value of the new product; (2) clarification, i.e., the perceived uncertainly around the new product is reduced to increase the adoption behavior; and (3) elaboration, i.e., the performance of the new product is constantly updated and improved to create a true revolution. Accordingly, the likelihood of creating a revolution increases when the innovators make sure the novel product is (1) as simple as possible, (2) clearly superior to alternatives—at least in some attributes, and (3) customized and improved constantly over the alternatives. As noted by Howie, I-pad's and Intel's revolutions for instance are due greatly to their successful evolution through these three steps.

Most relevantly, Howie notes the 'timing' of innovations also matters. Certain periods are more conducive to innovations than others. Given the U.S. economy seems to follow one-year recession, four-year expansion cycles, successful innovations are more likely to germinate during recessions and take place in the following expansions.

Speaking to the innovation-adaption behaviors, even though Howie recognizes the difficult nature of predicting the human behavior, personal interactions still are seen as pivotal

pieces for successful innovations. Continuing success of the high-tech economy in Silicon Valley, for instance, according to Howie, results from the greater opportunities the agglomerated economy offers for personal interactions and 'knowledge spillovers' among its residents.

Finally, Howie suggests that understanding the revolutionary process both intellectually and intuitively makes the difference. The latter is because creating innovations or capitalizing on the ones that will lead to revolutions holds the key for thriving in a constantly changing world.

Evaluation

The book provides a comprehensive yet entertaining account of how to create or identify revolutionary innovations. Howie offers a much-diversified perspective on the making of a series of revolutions that belong to history, science, and business.

Howie uses a compelling way of conveying otherwise factual information. In its easygoing and captivating style, the book is a perfect catch for any reader who may have enjoyed others including *Blink* (Gladwell, 2005), *Outliers* (Gladwell, 2008), *Freakonomics* (Levitt & Dubner, 2005), and the recent *The Thank You Economy* (Vaynerchuck, 2011).

Although at times the book may seem to drag in too many directions with its too many examples and illustrations, it nevertheless remains a very relevant resource of information. Most significantly, the book meets its goal to help inform the reader of the intricacies of the process of innovation and assists in best strategizing to create or capitalize, or both, on the revolutions.

Above all, Howie achieves the inspirational point that the innovations and revolutions do not belong to entrepreneurs only but to anyone who can think innovatively through problems and crises.

In the Author's Own Words

"The revolutions are about people not products. But revolutions are not about individuals, they are about communities. And the community that is searching for an answer to a problem or working to refine a solution is open to anyone. Moreover being a revolutionary is not just for the so-called entrepreneurs, and visionaries, rather it is a must for most of us in our modern economy. Those who understand the revolutionary process both intellectually and intuitively, are best able to cope in a world that is shrinking by the day and that changes seemingly overnight" (p. 223).

Reviewer's Details

Selen Razon is a doctoral candidate in Sport and Exercise Psychology at Florida State University. She received her Bachelor of Science in Psychology from the Université Paris-Sorbonne. Her research interests include the psychology of decision-making, linkage between emotions, cognitions, and motions during performance execution, and perception of pain in sports and medical settings.

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Vaynerchuck, G. (2011). *The thank you economy*. New York: HarperCollins Publishers.

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Book Review

Book Details

Cameron, H., Bhatti, D., Duce, C., Sweeney, J., & Watkins, C. (2010). *Talking about God in practice: Theological action research and practical theology.* London, UK: SCM Press, 187 pages, paperback, ISBN: 9780334043638.

Reviewer

Jonathan Chad Roach

Synopsis

This volume is the first book length product from this team of authors who for the last four years have been developing a fresh approach to practical theology. This ecumenical and interdisciplinary team from the University of London and Ripon College Cuddesdon includes theologians and researchers from the Anglican Church, the Roman Catholic Church, and the Salvation Army. The authors believe that any split between pastoral practice and academic theology is detrimental to both. They propose a Theological Action Research approach that engages academics and church leaders in a formal process of collaboration to solve problems in faith based organizations.

The authors outline two major outcomes of their project: a description of a theological action research methodology and a model of four voices theological reflection. They describe their method as a critical conversation that is discerned into theological text. For them, practical theology is an interactive performance as insiders and outsiders engage in critical theological discussions, which are informed through a variety of data collection methods to solve problems.

Action Research is a participatory research methodology between participants and researchers in a context based reality that addresses real-life problems, which resembles the Kolb Learning Cycle (p. 37). The authors outline three models of action research: the Northern Industrial Model, the Southern Participatory Model, and the Research into Professional Practice Model (p. 39). They argue that "Action research derives its credibility from whether participants' problems are solved and whether they achieve control over their situation" (p. 36). The authors offer a model for Theological Action Research that engages theological reflection all the way through social and organizational analysis as a spiral in a four-voice theological reflection process.

The authors map out models of interaction between the insiders (clergy, laity, and stakeholders in the faith based organization) and outsiders (university based or professional

researchers from various disciplines) for building alliances, designing data collection techniques, and analyzing data.

The four-voice reflection process engages normative, formal, espoused, and operant theologies in a conversation approach that empowers faith-led change. The normative voice engages the theological tradition of context, the espoused theology explores what the group says they believe, the operant theology asks what the practices of this community discloses about its lived theological practice, and the formal theological voice brings 'professional' theologians into the conversation. Throughout the process of designing, collecting, and sharing data, the team of insiders and outsiders engage this process of four voices theological reflection from their own perspectives and from a joint perspective.

The team offers three examples of their methodology and four voice process: One example is from an Anglican parish, one is from a Roman Catholic Diocese, and the final is from an ecumenical faith based non-profit.

Evaluation

Far from being choppy, this team-based approach to theological writing has produced a clear, smooth, and approachable text. This is an excellent theological approach for researchers, church leaders, and both graduate and undergraduate students to explore, which advances earlier see-judge-act models. Although their histories of practical theology and action research are thin, there are a number of other sources that may be pared with this text to provide this background. The authors offer a number of these other texts at the end of each chapter for further reading. From the Action Research side, Burns (2007) *Systemic Action Research,* and Greenwood and Levin (2007) *Introduction to Action Research* are especially helpful, while from the practical theological aspect, Heitink (1999) *Practical Theology: History, Theory, and Action Domains* provides an excellent overview.

The highlight of this approach is the authors' development of the four-voice method of theological reflection. The flexibility of using this model allows individuals from different denominational traditions to move back and forth among the four voices and access different understandings of each voice without breaking down in dogmatic debates. Each voice discloses the other voices in an interrelated process of meaning building. This provides a theological methodology that can easily move across denominational divisions, engage professional theologians, church leaders, and laity in authentic problem solving, and illustrate a model of mutual support and interaction between the church and the academy.

In the Author's Own Words

"A photo would expose our working method. A large table covered in papers, laptops, cups of tea, coffee and juice…At one end of the room a white board, with lists and diagrams. A tape recorder to capture the vigorous conversations…But this is only half the story; most of the work of the project has been done by our partners in their contexts whether alone or in dialogue with us. These conversations have been just as lively, with laughter often signalling a fresh epiphany. We hope you will read this book as an invitation to join the conversation" (p. 4).

Reviewer's Details

The Reverend Jonathan C. Roach, MLIS (and Ph.D. student in Practical Theology), is the Library Administrator at St. Thomas University. He holds a Master of Library and Information Science from Wayne State University and a Master of Divinity from Ecumenical Theological Seminary. He is ordained clergy in the National Association of Congregational Christian Churches and is currently working in the area of clergy burnout within a contextual theology of work.

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Heitink, G. (1999). *Practical Theology: History, theory, and action domains.* Grand Rapids, MI: Eerdmans.

Book Review

Book Details

Guber, P. (2011). *Tell to win: Connect, persuade, and triumph with the hidden power of story.* New York: Crown Business, 255 pages, hardcover, ISBN: 978-0307587954.

Reviewer

Hagai Gringarten

Synopsis

Currently, the Chairman and Chief Executive Officer of Mandalay Entertainment, the self-described entertainment wunderkind Peter Guber, is also a full professor at the University of California at Los Angeles and is the owner and co-executive Chairman of the National Basketball Association franchise the Golden State Warriors. Throughout his illustrious career, he personally produced box office hits such as *Rain Man, The Color Purple, Midnight Express, Batman,* and *Flashdance.*

Guber's *Tell to Win: Connect, Persuade, and Triumph with the Hidden Power of Story* (2011) is a manifesto about the power of storytelling. According to Guber, telling stories is the essence of personal and professional success, and "You don't need a special degree to tell the story of your company, brand…you don't need money or privilege. This really is a vital skill that's freely available to anyone!" (p. 9).

Packed with personal and interesting stories by Guber's friends and acquaintances from the entertainment industry, business world, religion, and politics, *Tell to Win* delivers a compelling argument about the importance of persuasive and good storytelling. In his book, Guber demonstrates how to tell a good story by intertwining stories by and about luminaries such as former U.S. Presidents Reagan and Clinton, former U.S.S.R. President Mikhail Gorbachev, Steven Spielberg, Oscar Goodman, Michael Jackson, Magic Johnson, Larry King, Gene Simmons, and Pat Riley.

According to Guber, to build a good story, you need to have "challenge, struggle, and resolution" (p. 20). First, you need to get your listener's attention with an unexpected challenge, then connect them emotionally to the struggle, and finally galvanize them with a call for action. Guber asserts the "most effective story material comes from firsthand experience" (p. 140), but good content can be found at work, home, by witnessing it, history, books, movies, or using information available to us "around us" (p. 153).

Guber cautions the reader that good storytelling "is a dialogue, not a monologue" (p. 203), and not to follow through a prepared story if the audience is not ready for it. We should always "assess conditions on the ground" before "delivering your call for action" (p. 184).

Guber argues good storytelling is the essence of connecting, persuading, and winning in business. He tells us about Richard Rosenblatt who sold his company to Rupert Murdoch in just 20 minutes, or Lynda Resnick who bought Jacqueline Kennedy Onassis's string of imitation pearls for $211, 000 and sold $26,000,000 worth of replicas, all due to good story telling. He also takes credit for "saving" President Clinton's presidential campaign in 1992 when then-candidate Clinton called on him to raise a $90,000 emergency campaign donation. He credits President Clinton's ability to connect and persuade when Clinton told him that it was "high noon" for his campaign (referring to the 1952 classic movie starring Gary Cooper).

According to Guber, "purposefully story telling isn't show business, it's good business" (p. 57). When you empower your audience to tell your story forward, it will become a never-ending story, and as we all know, we never want to end a good story.

Evaluation

Part entertainment memoir, part self-help, and clever but blunt self-promotion, Guber's *Tell to Win* is packed with useful and entertaining stories from the worlds of entertainment, politics, and business. Guber's roster of friends and acquaintances looks like a who's who of global movers and shakers, and Guber makes great use of it to ensure the stories in his book are interesting, credible, and current. George Clooney summed it up well when he said "This book...gives you the two keys to success—first, everything starts with a good story, and second, don't drop names (actually Frank Sinatra told me that)" (p. back cover).

Guber's *Tell to Win* makes a compelling argument about the importance and power of storytelling. Guber's entrepreneurial accomplishments, the remarkably diverse number of story tellers in his book, and its valuable lessons make this book an authentic and inspiring read, empowering readers to "tell to win."

In the Author's Own Words

"In this age of acute economic uncertainty and rapid technological change, it's not the 0's and 1's of the digital revolution, but rather the oohs and aahs of telling to win that offer the best chance of overcoming fear or compelling listeners to act on behalf of a worthy goal. As I look back on my four decades in business, I see that persuading customers, employees, shareholders, media, and partners through telling to win has been my single biggest competitive advantage" (p. vii).

Reviewer's Details

Hagai Gringarten's doctoral research is in Global Leadership with a specialization in Branding. His research interest includes branding, international business, and marketing. He has authored a non-fiction bestselling book *Over a Cup of Coffee* (Shiram Shachar, 2000). He also pursued postgraduate studies at the Harvard Graduate School of Business and the Kellogg School of

Management. He currently teaches branding, marketing, and other business courses at St. Thomas University and serves as the Editor-in-Chief of the *Journal of Multidisciplinary Studies*.

Instructions to Authors

Criteria for Publication

Authors should strive to produce original, insightful, interesting, important, and theoretically bold research. Demonstration of a significant "value-added" contribution to the field's understanding of an issue or topic is crucial to acceptance for publication. All articles published in the *Journal of Multidisciplinary Research* (JMR) must make strong empirical contributions. Methodological articles are welcome, but they must contain accompanying theoretical and empirical contributions. All articles published in the *Journal of Multidisciplinary Research* also must be relevant to practice. The best submissions are those that identify both a compelling multidisciplinary issue and a strong theoretical framework for addressing it. We realize that practical relevance may be rather indirect in some cases; however, authors should be as specific as possible about potential implications. All articles published in the *Journal of Multidisciplinary Research* must be accessible to a wide-ranging readership. Authors should make evident the contributions of specialized research to general leadership theory and practice, avoid jargon, and define specialized terms and analytic techniques.

Authors should write manuscripts as simply and concisely as possible, without sacrificing meaningfulness or clarity of exposition. The journal editor-in-chief will evaluate manuscripts in terms of their contribution-to-length ratio; i.e., the editor-in-chief will permit manuscripts that make strong contributions more pages than those making narrower contributions. Manuscripts should be about 25, double-spaced pages (using one-inch margins and the Times New Roman 12-point font), inclusive of references, tables, figures, and appendixes. At his or her own discretion, the editor-in-chief will allot additional space to papers that intend to make very extensive contributions or that require additional space for data presentation or references (such as meta-analyses, qualitative works, and work using multiple data sets). It is generally in an author's best interest to be very judicious about manuscript length, yet we recognize that some manuscripts are more complex and extensive than others, and we will attempt to accommodate such differences.

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When authors submit their manuscripts to the *Journal of Multidisciplinary Research* for publication consideration, they agree to abide by JMR publication requirements. Specifically, an author must:

- Agree their manuscript is not under review for publication elsewhere and will not be submitted to another publication entity during the review period at the JMR.
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- Confirm their manuscripts have not been submitted previously to the JMR for review. Submission of manuscripts published previously in conference proceedings is acceptable; similarly, prior presentation at a conference or concurrent consideration for presentation at a conference does not disqualify a manuscript from submission to the JMR.

- Agree working papers, prior drafts, or final versions of submitted manuscripts posted on a Web site (e.g., personal, departmental, university, or working series sites) will be taken down during the review process.
- Follow the American Psychological Association (APA) 5th edition (or later) formatting guidelines. Manuscripts inappropriately prepared tend to be reviewed less favorably and may be returned to the author for revision prior to submission to the full review process.

Submitted articles must support the core values of St. Thomas University (http://www.stu.edu).

The Review Process

Desk rejections. When he or she receives a manuscript, the JMR editor-in-chief makes an initial judgment (sometimes with the assistance of an expedited blind review) about the suitability of the manuscript for JMR. The editor-in-chief may reject manuscripts he or she deems not to fit with the mission of JMR (e.g., no conceptual foundation or no empirical data, for example) or to be extremely weak (e.g., containing fatal methodological flaws or no incremental theoretical or empirical contribution).

Normal review process. The JMR is a peer-reviewed journal. For each manuscript that passes the initial review stage, the editor-in-chief assigns an action editor (either him- or herself, an associate editor, or a guest editor) and two to three reviewers. The manuscript's action editor makes publication decisions about it. He or she makes these decisions, however, in conjunction with recommendations members of the JMR's Editorial Board or other qualified reviewers provide. All submissions will be blind reviewed; manuscripts prepared in a way that compromises blind review may be returned for revision prior to being reviewed.

Submission of a manuscript to the JMR also carries an implicit quid pro quo: willingness to review for the JMR. The cornerstone of the editorial process at the JMR is the willingness of colleagues to provide each other feedback through the peer review process. Authors who submit manuscripts to the JMR for review are expected to reciprocate by reviewing for the JMR if called upon to do so.

The JMR strives to provide constructive and developmental feedback to authors within approximately five weeks. However, the initial quality of the manuscript can influence dramatically both the efficiency and effectiveness of the review process. The better developed a manuscript and the ideas it contains, the easier it will be to review, and the better the feedback its author will receive. Therefore, your scholarly colleagues should always review manuscripts prior to your submission to the JMR.

Technical note: Authors who use the tracking facility of the reviewing tool in working on successive versions of their manuscripts should be aware that the latest versions of Word (e.g., those using Windows XP and later) show corrections to previous versions if the "Showing Markup" option is clicked when the Reviewing tool bar is activated. To prevent showing corrections before submitting your manuscript you should (1) click on "Final," (2) select the entire document, and then (3) save this version as a new file under a new name. Submit this "clean" version.

To submit a manuscript, first make sure you have a Microsoft Word file from which you have removed the title page and all author-identifying references. Then e-mail your manuscript to the Editor-in-Chief at hgringarten@stu.edu

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