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INTERNATIONAL BUSINESS REALISMS

Globalizing Locally Responsive
and Internationally Connected
Business Disciplines

Edited by
Anshu Saxena Arora

SAVANNAH STATE UNIVERSITY

CoBA
COLLEGE OF BUSINESS ADMINISTRATION

Palgrave

International Marketing and Management Research

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INTERNATIONAL BUSINESS REALISMS
Globalizing Locally Responsive and Internationally Connected Business Disciplines
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Editorial

Recently in my Business in Emerging Markets under-graduate class, we were discussing the case of Haier in India and its strategy of gaining market beyond China. During discussions, the topic of "Made-in China" versus "Branded-in-China" came up. As we were discussing the topic, a student made an announcement saying that she doesn't buy any products and/or brands with "Made in China" label. A few other students echoed similar senti-ments. When I probed them further and made them check their Michael Kors (or MK)/Coach/Louis Vuitton bags, or Calvin Klein (or CK) jackets and Tommy Hilfiger shirts, or Nike shoes, they could see the "Made in China" label in these products. The discussion got interesting when these students pointed out that they are fine with buying internationally known brands with a "Made in China" label but not a brand that originated from China. This led me to discuss Chinese history in advanced international business, commerce, and marketing. For many centuries, "Made in China" was a high quality, prestige label imported exclusively for the rich. When China's economy declined in the nineteenth century, the reputation of Chinese-made products suffered and has yet to make a full recovery. Even though most Chinese brands today are developed for the local market as the domestic prowess of its 1.3 plus-billion-strong population is hard to ignore, there are few Chinese brands that have gone global over the past decade. These include Lenovo, ZTE, Haier, Tsingtao, Air China, Li Ning, Huawei, Geely, TCL, Midea, and Chery. Yet the fact remains—Chinese firms are struggling to replicate their

home success globally. So, the big question is how to develop strong Chinese brands that can perform successfully at home and on the world stage? Well, the answer is the "title" of our *first* book in the *International Marketing and Management Research* series—*International Business Realisms*.

International Business (IB) is complex and interdisciplinary (and hence, more intriguing and interesting) because it encompasses regular currency and political risks in addition to fundamental uncertainties and variations in levels of international development, collaboration, teamwork, social values, trust, ethics, shared objectives, creativity along with institutional, political, cultural, and social settings. Cantwell et al. (2010)[1] asserted that both evolutionary and institutional theories suggest that experimentation and institutional innovation by global firms is the only way to embrace fundamental uncertainties. Institutional innovation and experimentation is needed by the world's emerging economies like China and India for branding their products globally and developing internationally acclaimed valuable brands. Specifically, Chinese companies need to hone up their advertising and marketing skills along with their innovative and well-mastered driving-down-costs niche (manufacturing low-cost products designed for developing markets to price-sensitive consumers in developed markets). Chinese industry is relatively young, and adept at studying the competitive advantages of other cultures and putting them into practice in uniquely Chinese ways. With global firms evolving more decentralized governance structures, involving locally responsive, yet internationally connected, relationships (Cantwell et al., 2010), the concept of "international business realism" is critical and worth being studied.

Many academic researchers (Aggarwal et al., 2008[2]) have noted that business academia is organized around tightly defined silo-like functional disciplines (e.g., marketing, management, accounting, economics, finance, etc.). The need to institute and instill an IB course is paramount today and more importantly, the need to explore relationships and cross-fertilization between IB and the functional disciplines is of utmost significance in academia as well as global business. This concept of exploring international business inter-relationships across functional disciplines is what we refer to as "international business realisms" or IBR.

There still seems to be a lively debate in the IB profession about the current state of IBR. In this series, we have taken the discussion of IBR to a whole new level through collecting seven research papers.

Chapter 1 focuses on the challenges, benefits, and opportunities of internationalizing the business curriculum through the Global Logistics and International Business (G-LIB) degree program at a historically black university. The interdisciplinary G-LIB program, as mentioned in the chapter, is related to our discussion on IBR since the G-LIB degree program aims at developing world-class leaders that drive global problem solving with all stakeholders, and emphasize decision making by concentrating on global and local partnerships. Chapter 2 centers on BP's initial crisis communication and operational responses. In this chapter, IBR takes shape through the need of better and strategic integration of rapidly expanding communication (both traditional and modern) media into a company's crisis management plans. Chapter 3 brings forth IBR through the evolution of the SHARP conceptual framework to advance the thinking of advertising industry to profit from alternative messages to young adults through mass advertising and welfare of society as a whole.

Chapter 4 focuses on the power of IBR in advertising and conceptualizes the "Advertising Erotica" framework to prove why some advertisers prefer to send subtle messages, how these advertising messages unconsciously encourage and entice the consumer to purchase these products or services, and why these advertising strategies are so successful. Chapter 5 makes the case for IBR through its focus on Gap Inc. to study the degree of "Americanization" of a brand and how effective it is for target consumers globally. The authors of the chapter conclude that as people become more educated and acquire business knowledge and managerial expertise, "style" takes precedence over "location" in the definition of what constitutes an all-American brand. Chapter 6 focuses on the concept of fraudulent accounting by a company and the subsequent impact on company's accounting practices, financial statements, management representations to the public, the corporate image, and the related outcomes.

Last but not the least, Chapter 7 focuses on marketing and social effects of underage drinking, as a major problem among America's youth. IBR reflected in the advertising and marketing environment, along with public policies, create an environment that encourages alcohol use and downplays its potential for harm to public health and safety. From the perspective of IBR, deregulation and public–private partnerships have given more room for firms to become the de facto guardians of regulatory standards in some countries while in others, the encroachment of

private practices into the public realm has not been by design, but has happened as a consequence of the processes of market liberalization and globalization (Cantwell et al., 2010). Consequently, the concept of IBR and the benefits, challenges, and opportunities emerging from IBR, as illustrated in this volume, should contribute to the positive transformational role of international business as a whole.

Notes

1 Cantwell, J., Dunning, J., and Lundan, S. (2010). An evolutionary approach to understanding international business activity: The co-evolution of MNEs and the institutional environment. *Journal of International Business Studies*, 41, 567–586.

2 Aggarwal, R., Petrovic, V., Ryans, J. K., and Zong, S. (2008). Outstanding International Business Research: Nature of the Best International Business Dissertations. *The Multinational Business Review*, 16 (1), 1–19.

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The "Global Logistics and International Business 2.0" Curriculum Internationalization Experience

Anshu Saxena Arora, Jun Wu, Suman Niranjan, Reginald Leseane, Shalonda Bradford, and Hae Y. Choi

Abstract: *In response to the challenges of globalization, many universities have adopted the strategy of "internationalizing the curriculum" for developing leaders that drive global problem solving with all stakeholders, rather than "simply" training skilled professionals for business. This chapter presents a case study about internationalization and introduction of an innovative curriculum in "Global Logistics" at a business school in a Historically Black College and University (HBCU) in the State of Georgia, United States. In order to provide students with a complete global experience for employment in the global economy, the business school introduced a new program with emphasis on Logistics and Supply Chain Management (SCM), and International Business Environment called "Global Logistics and International Business (G-LIB)." In this chapter, we discuss the need of having an international business logistics program at a HBCU and discuss its implications for faculty, students, and businesses.*

Introduction

The past two decades have witnessed the development and continuing evolution of a number of related disciplines including SCM, marketing, distribution channels, logistics, and purchasing, and very importantly, how these disciplines interact with each other during global operations. The effect of globalization is far-reaching and profound. Reflective of both academic development and managerial innovation, advances occurring within the business fields and across them have yielded considerable insights and furthered business knowledge and practice, thus altering the scholarly landscape and managerial practice. This academic change and innovation has affected the governance and management of universities (Peters and Roberts, 2000; Pratt and Poole, 2000). Among all the elements of an internationalized campus, curriculum stands out as the most important part of internationalizing efforts because all students have to experience it (Green and Olson, 2008). SCM education needs to be implemented with a focus on international business as supply chain strategy is an integral part of international business strategy.

Supply chain strategy in strategic and effective SCM can be viewed as the pattern of decisions related to sourcing products, capacity planning, conversion of raw materials, demand management, communication across the supply chain, and delivery of products and services (Narasimhan et al., 2006); thereby linking SCM strategy with the business and corporate level strategy. The origin of the term "supply chain management" is thought to reside in the work of consultants during the early 1980s (Oliver and Webber, 1982). A review of the supply chain management literature during the late 1980s and the early 1990s reveals the interchangeable use of neologisms: logistics management, network sourcing, supplier-base reduction, and inter-organizational integration.

In the late 1990s, to some extent, supply chain management supplanted the term "logistics" (Rogers and Leuschner, 2004). In an attempt to clarify confusion surrounding the term, the Council of Supply Chain Management Professionals (CSCMP) announced a modified definition of SCM and a statement that clarified its scope and boundaries. CSCMP defines SCM thus (see www.cscmp.org): "Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities." Importantly, SCM also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party

service providers, and customers. In essence, SCM integrates supply and demand management within and across companies worldwide. Today, while some researchers continue with the pursuit of a definitional consensus, others have followed a shift in SCM research emphasis to developing management models to guide SCM implementation globally.

This managerial SCM global evolution has fundamentally altered the scholarly landscape addressing the related fields of logistics and SCM, and globalization, and created a need for introducing these interdisciplinary business areas as a part of academic curriculum in universities worldwide.

This chapter presents a case study focusing on the challenges faced by College of Business Administration (COBA) at a HBCU located in the state of Georgia, USA, in an attempt to innovate the logistics and SCM program and internationalize its business curriculum by introducing a new "Major" and "Minor" in G-LIB for the undergraduate business students. This chapter addresses the following research questions:

- ▶ Is there a need for internationalization of the curriculum at the business school under study? What benefits will this HBCU have by integrating the local industries with the internationalized logistics and SCM curriculum developed?
- ▶ What are the organizational challenges faced due to the introduction of the G-LIB program?
- ▶ What are the challenges and benefits of having collaborations with international companies and universities?

Literature review

Curriculum internationalization is a multidimensional concept, which could be defined and approached in several ways. There is a substantial literature on curriculum internationalization in schools of business. Some researches focus on the various dimensions of curriculum internationalization (Crosling and Martin, 2005; Crowther et al., 2000; Edwards et al., 2003; Whalley, 1997), some focus on external variables that influence its adoption (Beamish and Calof, 1989; Elahee and Norbis, 2009; Green, 2002; Parker and Heriot, 2009; Toyne, 1992), and many believe that curriculum should be internationalized by different business disciplines such as Economics (Fuess, 2001; Kedia et al., 2001), Management (Rezaee et al., 1997), Accounting (Rezaee et al., 1997), Business law (Murray, 2001;

Roorda, 1993; Sanchez, 1997), Marketing (Tyagi, 2001), and quantitative methods/statistics (Krehbiel and McClure, 1993).

Some scholars give specific guidance for curriculum internationalization. For example, Self and Self (2009) suggest that taking 10 to 15 students and spending 7 to 10 days in a country will be a good way for business schools to meet accreditation standards and internationalize their curriculum meanwhile.

G-LIB program as an academic goal for curriculum internationalization

Many global manufacturers and supply chain partners on both upstream and downstream side of the supply chain have embraced SCM to improve product development, product/service quality, and results in eliminating waste leading to effective, strategic, and sustainable competitive advantage. Recognizing the importance of global supply chain consistency for overall corporate performance, firms have started to pay attention to the effect of functional level supply chain capabilities on the corporate performance and have attempted to reflect this effect while formulating the corporate level global supply chain strategy (Klassen and McLaughlin 1996). Similarly, the customers, end-users, and business partners (distributors, dealers, retailers, etc.) from downstream side of the global supply chain contribute in the product design and product solutions and effective global supply chain management strategies. We feel that the supply chain partners on both upstream and downstream side of the supply chain should be referred to as "design partners," "collaborators," "integrators," "innovators," and "transformers" to the entire supply chain process and experience.

Global Supply chain strategy must be internally consistent with other functional and corporate strategies and externally with suppliers' capabilities. Limited attention is given to successfully integrate global supply chain management processes, designing and managing global supply chains, empirically testing these international supply chain models, and the performance expectations of successful global SCM program implementations (Lambert et al. 1998). Figure 1.1 (Ayers, 1999) illustrates the relationship of the SCM tasks. Supply chain design begins with strategy, so it is at the center of the figure. The remaining tasks, including the collaboration, partnerships, and management and development of information, need to align with these strategies.

While the alignment of the five SCM tasks (as shown in Figure 1.1) need to be implemented globally for a successful SCM experience, these
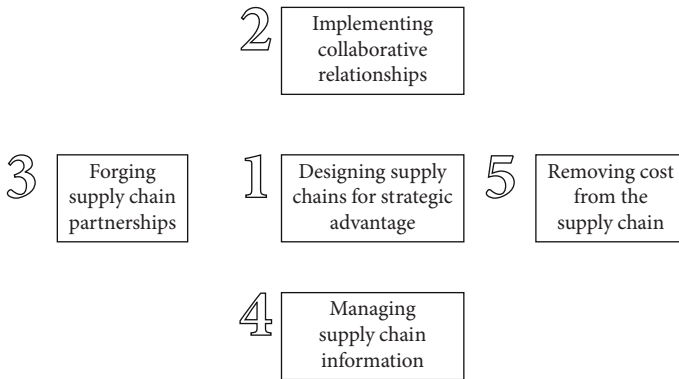
FIGURE 1.1   *Supply Chain Management tasks*
Source: Ayers, 1999.

concepts are worth understanding from an academic viewpoint as well. The students of today are the "global leaders" of tomorrow and sooner they understand these nitty-gritties of international business, the better they are prepared for the future.

Academically, studying global logistics and international business is rewarding as it provides an added dimension of understanding logistics and SCM from an international perspective. In addition, organizational issues in implementing curriculum internationalization scholars have attracted a lot of researchers (Cavusgil, 1991; LeBlanc, 2007; Palmer, 2006; Scherer et al., 2000; Trevino and Melton, 2002). Some researchers attempt to develop models and typologies of the curriculum internationalization process (Edwards et al., 2003; Kwok et al., 1994; Whalley, 1997). Carnall (1997) identifies three conditions for effective change: awareness, capability, and inclusion. Three requirements for change identified by Dirks et al. (1996) are self-initiated, evolutionary, and additive. Edwards et al. (2003) states three levels of internationalization: international awareness, international competence, and international expertise. Many internationalizing programs provide training to students on the first two internationalization levels but not the third one.

At this HBCU under study, we focus on all three levels of internationalization as follows:

1   international logistics and SCM awareness;
2   international competence in understanding SCM processes globally; and

3   international expertise focusing on logistics and SCM as significant areas of international business and growth in the world economy.

Case study approach for "internationalization of G-LIB curriculum"

Through this case study, we wish to provide academic guidance on curriculum internationalization for other HBCUs and other universities. We employ the case study approach, because we think that the process of internationalization at this university (in Georgia, USA) is unique in two ways, although the process has been used in various universities: i) internationalization of curriculum is achieved through introduction of a new G-LIB program, and ii) providing mandatory internships to students in local companies with global presence.

From the case study perspective, the Yin (1994) approach was adopted as a guiding schema, whose components are listed as follows:

- ▶ the case study's strategic questions—as illustrated by the need-gap analysis for business students, faculty, and local businesses prior to internationalization;
- ▶ its proposition, if any—as depicted through three levels of internationalization;
- ▶ its unit(s) of analysis—as shown by the students' assessments and evolution of SCM thinking after the introduction of G-LIB curriculum;
- ▶ the logic linking of the data and the case study propositions—as illustrated through the results; and
- ▶ the criteria for interpreting the findings—through the students' preference for teaching strategies, effectiveness and overall feedback.

The case study approach is illustrated through the implementation of G-LIB innovative curriculum and is performed through the following distinct stages.

Pre-step

A survey was conducted to assess the needs of internationalizing the curriculum. Students, faculty, and business were asked questions about their interest in a new functional area—G-LIB.

Needs Survey on Business Students An online survey was administered to all COBA students. The sample represents about 15% of the undergraduate population (1,000 COBA students currently). Table 1.1 shows the means of the student responses to different questions relevant to internationalization.

The students realize that events outside of the US affect them and they clearly understand that the "study abroad" educational experiences

TABLE 1.1 *Question items of COBA student survey and responses' means*

Question Items	Mean
1. The things that happen outside of the United States will affect me.	4.22
2. International Business Education will be beneficial for me.	4.40
3. Global education with emphasis on supply chain and logistics will improve my understanding of exports in relation to the Port of Savannah.	4.19
4. Participation in a study abroad program would add value to my college degree.	4.45
5. Participation in a study abroad program would allow me to advance in my career at a greater pace.	4.43
6. I do not have enough money to be involved in a study abroad program.	3.81
7. If I were to receive financial assistance, then I would be more inclined to participate in a study abroad program.	4.25
8. Study abroad programs will be helpful in understanding the cultural dimensions of the countries.	4.54
9. Business language course will add a new dimension to my business career.	4.43
10. Study abroad programs with language and cultural understanding of the concerned country will add value.	4.40
11. I don't need any study abroad programs to enhance my career.	2.10
12. IB education with emphasis on study abroad programs and new languages will enhance my business career.	4.34
13. Studying Korean language will be an added asset to my international career and will prepare me professionally and globally.	3.73
14. Study Abroad provides an opportunity to travel while earning academic credit.	4.37
15. Studying Chinese language will be an added asset to my international career and will prepare me professionally and globally.	4.03
16. Study Abroad will help me develop skills and give me an international practical experience, which a classroom setting is unlikely to provide.	4.37
17. Study Abroad provides me an opportunity to make friends around the world.	4.34
18. Study Abroad expands my world view and global/cultural understanding of nations and cultures.	4.46
19. Study Abroad will help me gain a new perspective on my own country vis-à-vis the global perspective.	4.33
20. Study Abroad provides me an opportunity to become a full-time, active, global learner.	4.39

gained through international travel can change their international and cultural perspective by meeting different people from different cultures and understanding the business needs of other countries.

Needs Survey on Business Faculty COBA Faculty were surveyed to assess their international experience and capture attitudes about their International Business (IB) skill set. A pen-and-paper survey was administered to all 24 faculty members of COBA with a 100% response rate. The faculty questionnaire provided COBA a direction of emphasis on the functional area of an IB curriculum. Table 1.2 highlights the responses for IB needs and requirements for COBA faculty.

Seventy-five of the faculty felt a strong need to internationalize the undergraduate core curriculum. When asked about which functional areas of business will have globalization focus of utmost value with respect to growing trade in the region through the port, the faculty chose the Logistics and SCM area along with Marketing. This input helped COBA to establish Global Logistics and International Business Education

TABLE 1.2   *Mean responses to survey questions for the COBA faculty*

Statements	Mean
I need development in international business both from the course content development perspective, and my(personal) professional development.	4.00
An international business tour appears to be a good method for faculty to gain some international experience.	4.54
I might be more inclined to participate as a visiting professor abroad if I were to gain international experience first via an international business tour.	3.69
In order to bring in internationalization in our undergraduate curriculum, I feel International Business Languages Component must be highlighted as an area of study for our undergraduate students.	3.94
Students gain more international experience if they visit the countries and see/explore the knowledge and business there.	4.47
I want to work with international faculty in my area of research.	3.87
I want to teach in a foreign country to learn more about other countries' cultures, as well as build relationships, and explore common research and teaching interests with colleagues outside the United States.	3.73
If I get an opportunity to go abroad, I feel I will be better prepared to internationalize my course content.	3.86
Globalization is everywhere and so, such study tours for students will not help. Students can be exposed to certain global case studies without touring the actual countries.	2.17

and Research (G-LIBER) Center, with a focus on IB, Trade, Logistics, SCM, and Marketing in February 2011. The Center assists in improving the academic teaching of the G-LIB curriculum and to conduct outreach activities with the local business community to compete in the global arena. The G-LIBER center has support from around 40 industries and non-profit organizations. The center promotes international linkages between the HBCU and local businesses engaged in international economic activities with institutions of higher education and businesses in Asia with a focus on China, India, and South Korea.

Needs Survey on Local Area Businesses   Business professionals from firms in the vicinity of the university were surveyed in order to assess: i) their awareness of international business opportunities, ii) their attitudes towards developing international business in the region, and iii) their attitudes towards the starting a new center and a new COBA program in G-LIB, playing a lead role in the export assistance for these businesses. A pen-and-paper survey was administered to about 30 business executives representing 30 different companies attending a meeting on February 3, 2011 (100% response rate). The respondents were asked to rate the international business importance of the regions during the next ten years, as well as, familiarity using the same Likert scales as the COBA students and faculty.

The survey showed that local and state businesses agree that export assistance through the G-LIBER Center will benefit the businesses locally, and the State of Georgia. The center can serve as a link for business networking. Local business professionals feel that Asia, Latin America, and Europe are important regions for international business focus. Asia is viewed as being the most important and familiar region during the next ten years due to growing Georgia port ties with China.

Pre-analysis

This step provides an analysis of the internationalization needs of students, faculty, and local area businesses. Cavusgil and Cavusgil (2012) provide research-based reflections on international marketing. They suggest that the constant in the evolution of the business enterprise has been its relentless search for competitive advantage and a global landscape that defines the firm's opportunities and challenges. The global marketplace has always been dynamic and complex in terms of the changes it brings, but the past two decades have been exceptionally transformational. Cavusgil and Cavusgil's (2012) research draws attention to major

disruptions impacting international marketers and provides insights for appropriate firm responses.

While conceptualizing the G-LIB curriculum, we incorporated the following courses in G-LIB curriculum: Global Business Logistics, Global Electronic Business, Global SCM, Transportation and Carrier Management, International Business Management, International Marketing and Export Management, International Trade Theory and Policy, and Global Operations Management along with Internship and Study Abroad courses. The basis of innovation in these courses was based on the Cavusgil and Cavusgil (2012) model defining four forces in international marketing:

a. drastic volatility in the global economy impacting global logistics and SCM;
b. strenuous engagement with turbulence of destructive shocks in economy and global SCM networks;
c. development of morphing strategies to cope with shifting market forces; and
d. new understanding of marketing and SCM performance leading to new management assessment models and strategies across global business disciplines.

Main steps

In order to accommodate these international marketing forces with a focus on global logistics and SCM, we establish G-LIBER center of excellence, introduce an innovative G-LIB curriculum for undergraduate students, and, subsequently, measure the challenges and the key student learning outcomes along with recommendations for further improvements.

Post steps

This is characterized by the "reflective G-LIB" case study inquiry method whereby the results are analyzed and three techniques of reflection (Mezirow, 1991) are utilized. Content reflection provides support on thinking about the important issues; process reflection aims at reflecting on the strategies, procedures and the way things are performed; and premise reflection critiques the underlying assumptions.

We conducted a post-survey on the business students and faculty after introducing G-LIB curriculum at the business school in HBCU.

We posed them questions about globalization, impact of G-LIB on their lives and the future of G-LIB education. Here are some of the results.

i. About 77% students feel that the G-LIB focus on the bottom of the pyramid (i.e., developing and emerging countries like China and India) is highly needed in today's globalized economy.

ii. When asked about the critical success factors (CSFs) defining the success of a business school—87% students and faculty feel that the most important factor is the "ability to adopt different perspectives and understanding the larger picture," followed by the second most favorite item preferred by 58% faculty and students who feel that "holistic decision-making skills, including the societal and environmental factors" are critical for success. The remaining felt that entrepreneurship and leadership skills are important CSFs for business school success.

iii. When asked about what the business schools should focus on in the future, we obtained the following responses:

    a. Develop leaders that drive global problem solving with all stakeholders (78%).

    b. Develop leaders/managers for all types of organizations such as small and medium enterprises (SMEs), multinational enterprises (MNEs), not-for-profit, government, entrepreneurial ventures, etc. (59%).

    c. Train skilled professionals for business (43%).

    d. Ensure literacy in comprehensive managing skills (37%).

iv. When asked what a business leader should look like—79% feel that s/he should be an innovator able to create long-term sustainable value with high focus on ethics and responsibility, 63% favored a leader working with various stakeholders towards a better society and world with emphasis on critical reasoning and holistic decision-making, while 53% want a person connecting deeper values to the organizational context with emphasis on collaborative skills and strategic thinking.

v. When asked how such leaders should be developed, an enormous 95% feel that creative experiential learning situations by teaching interdisciplinary courses and curriculum like G-LIB help in developing value-based business leaders. Others feel hands-on learning situations, projects, cross-creating the curriculum with students, sharing the responsibility of learning, issue-centered

learning, joint learning exercises and teaching functional area skills: marketing, finance, HRM, strategy, etc. are important for developing leaders of tomorrow.

The challenges of internationalizing G-LIB in a HBCU

It is very clear that there might be several internationalization barriers facing the successful and sustainable G-LIB program. Fortunately at this HBCU, we have the support from the highest office in the University. We faced two key obstacles in the process of initializing G-LIB: i) competing and conflicting priorities, and ii) providing mandatory internships to G-LIB students.

Conflicting Priorities.   One of the challenges in introducing a new program in G-LIB for students of this University is the conflicting priorities. Three conflicts needed some attention, each of which has been addressed to some extent, including: i) introduction of new courses vs. modifying the existing courses, ii) student study abroad program for two-four weeks vs. one semester student exchange program, iii) same set of courses for a "Minor" (a "Minor" is optional set of courses that any student can opt, it is usually different from the "Major", which is a required primary concentration of study) in G-LIB for business and Non-Business Students vs. having different set of courses for "Minor" in G-LIB for business and non-business students.

Determining the length of student study abroad program led to conflict and contrasting opinions. If the program is too short then the students may not get to learn about the business culture in the foreign country. If they stay for too long then the expenses for their boarding and lodging would increase significantly. The G-LIBER team decided to take the students abroad for three weeks for the first couple of years. Later it will be expanded into a semester-long visit after the availability of funds for travel.

Internship.   In order to prepare business students to successfully secure jobs nationally and internationally, one of the important objectives and challenges of the G-LIB program is to provide students with internship. To achieve this objective, G-LIBER center takes three actions: firstly integrating G-LIB curriculum with the needs of organizations and industries; secondly, contacting national companies and organizations to make them aware of G-LIBER partnering network;

and thirdly, establishing contact with international universities, businesses, and organizations to build G-LIBER international partnering network. In addition, G-LIBER center offers a formal internship course. Students do not simply work as an intern in a company, but also get training for the whole process of job searching including resume writing, job searching, interview preparation, business negotiations, etc. All students who successfully find an intern position and work for some time (more than a month) are required to share their experiences with their peers.

Conclusion

A strategy of "internationalizing the curriculum" is one way for many universities to respond to the globalization opportunities and challenges. This chapter has provided a case study for how to internationalize the business curriculum at a HBCU. Three surveys were conducted targeting business students, faculty, and local business professionals assessing the need of internationalization at this HBCU business school. The results showed that all students, faculty, and business professionals have a strong globalization need. Combining the requirements of students, faculty, and local businesses, the business school decided to create a new G-LIB program at the undergraduate level.

During the implementation process, the school faced several challenges including conflicting academic priorities, providing internships to students and making study abroad trips to different world regions. The internationalization process in this university covers all the three levels of internationalization presented by Edwards et al. (2003). When we conducted the results' analysis from G-LIB curriculum implementation, we found that the following key topics need to be addressed by the future management research and education as identified by the business faculty, students, and businesses.

1 making global businesses responsible and sustainable (87%);
2 developing globally responsible leaders (76%);
3 the role of business and its responsibility towards consumers, society, and the planet (66%);
4 new measures for economic, social, and environmental effectiveness of business (59%);
5 the role of business leaders in resolving global issues (54%).

We sincerely hope that the HBCU globalization experience will provide practical and academic implications for similar HBCUs and other universities interested in internationalizing their curriculum.

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2

Crisis Management Challenges in a Socially Networked World: BP's Response to the Gulf of Mexico Oil Spill

Maria Louise Thybo and Peter Keith Ross

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Abstract: *The 2010 BP oil rig explosion in the Gulf of Mexico resulted in the largest recorded marine oil spill in the world, with concomitant widespread environmental damage. BP's initial crisis communication and operational responses were further criticized as tardy and inadequate. This communication void was quickly filled by globally based stakeholder groups who were adept at using social networking sites to quickly disseminate viewpoints that were generally antagonistic to the firm. These social networks reduced BP's ability to influence public opinion, leading to a "public relations nightmare". This chapter builds on previous research and develops a framework that may assist organizations to better integrate this rapidly expanding communication medium into their crisis management plans. It concludes that organizations should view social media as a potential strategic resource despite its associated challenges.*

Introduction

In April 2010, a major explosion occurred at BP's deep-water oil rig in the Gulf of Mexico.[1] This resulted in the largest oil spill in the world to date and associated large-scale environmental damage. Despite BP's extensive resources, many stakeholders were left confounded by BP's apparent inability to bring the crisis under control. This was compounded by BP's tardiness in communicating to the public, as it failed to effectively explain and publicize its crisis response actions and strategies during the *initial* crisis stage. This vacuum was rapidly filled by social networking sites, with external stakeholders using social media to rapidly disseminate information surrounding BP's alleged mistakes in dealing with the oil spill. BP did not initially appear to understand the power of this new social medium, which reduced its ability to influence the message that was being released to the public.

BP's initial failure to exploit social media in a positive way concurs with research which suggests that practitioners in general have been slow to incorporate social media strategies into their firm's overall crisis management plans (Herder quoted in Veil et al., 2011, p. 111). Interestingly, while firms appear to acknowledge and appreciate the growing importance of social media and reputational management, many still lack strategies to deal with this phenomenon. A recent study stated that while "approximately one-third of global chief communications officers (CCOs) reported that their companies experienced a social media based reputation threat during the past 12 months…just as many said they were not prepared" (Spencer Stuart/Weber Shandwick, 2010, p. 3). Similarly, despite its growing ubiquity, the relationship between social media and the field of crisis management remains a relatively new and emerging research field (Austin et al., 2012). Therefore as these new media reform the "old" media it is important to better understand the structured, complex, and constantly changing global network system of which they are part (Mol, 2008). This is especially important in an era of *mass self-communication* in which businesses are increasingly being held accountable for the impacts of their actions on society at large (Allan, 2007; Carroll and Buchholtz, 2009).

This research then seeks to provide a better understanding of the influence and importance of social media by analyzing a case in which social media has played a significant role during a major crisis. Focusing on BP's crisis communication (or lack hereof) in the crisis response phase

allows for a greater understanding of how social media has changed the nature of crisis management and communication. The chapter therefore focuses on BP's crisis "communication" responses rather than "operational" responses (Reynolds, 2006, p. 249) and seeks to develop frameworks that better incorporate social media into crisis communication management strategies. In this regard the BP oil spill raises a number of interesting questions that helped to guide this research. First, to what extent are social media impacting on the course of crises? Second, are they making crises more difficult for firms to manage? Third, have firms fully understood how to deal with stakeholder communication via these media? Lastly, have firms learnt how to leverage the potential opportunities these media provide for their own benefit?

Methodology

As part of the methodology, the case study method has been chosen. With its in-depth focus on the case as an object of interest in its own right it allows for an intensive examination of the single "entity", using multiple sources—quantitative, qualitative or both. The case can be an organization, social groups, an event, a process or an issue. The purpose of case study research is to increase knowledge about real, contemporary communication events in their context. Thus, questions about how and why things occur in a particular situation are the primary focus of the research approach (Daymon and Holloway, 2002). To understand the nuances of the communication being researched, this approach can analyze the particular case and its setting from the point of view of the people involved (for example, BP employees/managers and various stakeholder groups). The different influences on and aspects of communication relationships and experiences draw attention to how those factors relate to each other, and lastly, offer insights that may have wider relevance than the particular case (Daymon and Holloway, 2002). The case study method therefore offers a way to analyze BP's communication as well as the public's communication in social networking sites by enabling various analytical tools to be used with this methodological framework.

BP was chosen as the case study because they are a large, well-known firm that operates in an industry sector whose products can potentially be harmful to people and the environment. Further, BP and several

other companies have been highly scrutinized by the wider public where such harm has occurred. This particular case also demonstrates the detrimental effects of failing to utilize the latest communication media and technologies to effectively communicate from the very beginning of a crisis. The analysis focuses on the areas where social media has the highest impact: *initial response* and *follow-up communication* (Coombs, 1999). Please note that a full discussion of BP's ethical and corporate social responsibilities in relations to the aftermath of the oil spill is beyond the scope of this chapter.

The data collected to analyze BP's crisis management strategies and the communication surrounding the case included documents or texts about BP on the firm's webpage, specific social media websites, including Facebook, Twitter, and YouTube, and the wider internet. The documents from BP's webpage reflect their communication strategies during the crisis whereas the documents obtained from social networking sites reflect the perspectives and responses of the wider public. The analysis examines the initial response and public communication as well as developments during the crisis. Documents were therefore selected from various points during that time frame.

Mass self-communication and crisis communication management

Stakeholder activism and mass self-communication

Changing public perceptions and attitudes have led to an increase in environmentally focused *Stakeholder Activism* (Coombs, 1999). Stakeholders represent any group of people, internal or external to an organization, who have a stake in the actions of the organization. This may include employees, creditors, government regulatory agencies, the media, competitors, and community members (Ulmer et al., 2007). Importantly, stakeholders will be more vocal following a crisis because they seek *information* and ask *questions* (Ulmer et al., 2007). Such questions include, who is responsible, what should people (and/or the organization) do, who is affected, and how should the victims be compensated? Angry stakeholders have become increasingly more vocal, more organized, and better prepared to engage in negative publicity campaigns and boycotts via the internet. This has enhanced their capacity to rapidly accelerate and deepen a crisis.

The explosion of new portable devices that provide abundant wireless communication capacity has further provided individuals and organizations with the ability to interact anywhere and anytime on any of their devices (Castells, 2009). Electronic media have therefore made the boundaries of social spheres more permeable, because people can now witness events without being physically present and interact without having to physically meet (Meyrowitz, 1985 in Moores, 2005). This is in contrast to earlier historical periods when sharing an event at "the same time" required people to be at "the same place"; simultaneity then presupposed locality (Mehrota et al., 2008). Events happening in one part of the world are therefore becoming increasingly relevant to other parts of the globe.

This interconnectedness has been enhanced by the evolution of new digital-based interactive communication platforms, such as Facebook and Twitter, that allow citizens from around the world to exchange messages, in real or chosen time. This has been termed global *mass self-communication* (Allan, 2007). *Mass*, because the communication can potentially reach large numbers, and *self*, as the message is self-generated and the potential receiver is self-directed. In other words, the retrieval of specific content or messages from the internet and electronic communications networks are self-selected (Castells, 2009). Interactivity in these new media is defined as the degree to which the media allows the user to "exert an influence on the content and form of the mediated communication" (Jensen, 1999 in Matheson, 2005, p. 158). This has led to a rapid shift from mass communication, addressed to a pacified audience, to mass self-communication generated by an active audience (Castells, 2009). Social media therefore opens up new opportunities for discourse about firm behavior and the environment, making them a potentially crucial resource for scrutinizing issues and highlighting controversies (Mol, 2008). A global survey of CCOs concurred that social media experience is critical for CCO success, "ranking it as the third most important experience behind business/financial and crisis/issues" (Spencer Stuart/ Weber Shandwick, 2010, p. 2).

Crisis management

Crises are major, unpredictable events that have potentially negative results (Carroll and Buchholtz, 2009; Pearson and Clair, 1998). An organizational crisis is a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity

of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly (Pearson and Clair, 1998). The event and its aftermath may therefore significantly damage an organization and its employees, products, services, financial condition, and reputation (Carroll and Buchholtz, 2009). Though a crisis is unpredictable, it is not unexpected. Creating a crisis management plan is therefore a critical part of any "best practice" crisis management strategy, as pre-crisis plans allow organizations to identify potential risk areas, create "pre-set" initial crisis responses and ensure that the organization has the necessary resources to effectively respond to potential crises (Seeger, 2006, p. 236). Researchers further stress the importance of involving key stakeholders in this plan (Pearson and Clair, 1998, p. 66).

Crisis management strategies therefore represent a set of factors designed to combat a crisis by protecting or lessening the actual damage inflicted on the organization, its stakeholders, and/or industry (Coombs, 1999), along with strategies aimed at recovery and readjustment (Pearson and Clair, 1998, p. 66). Coombs (1999) identified seven strategies that link the suggested response of the organization to the type of crisis that has occurred (see Figure 2.1). This framework suggests that firms should respond to crises that have been caused by accidents or misdeeds linked to the organization with a full apology to stakeholders, while quickly initiating corrective action. Sandman goes even further by advising that in some cases it is best for an organization to "over apologies" for their actions (Grebe, 2012, p. 3). He states, "there is no better time to start apologizing than in mid-crisis, while we are too busy depending on you (i.e. the organization at fault) to want to blame you; this will help post-crisis when the recriminations start" (Sandman, 2003).

Effective communication is therefore an essential component of any crisis management plan (Dowling-Smout, 1996). Ulmer et al. (2007) advise that this requires organizations to communicate early and often with stakeholders about the crisis, identify the cause of the crisis, and advise

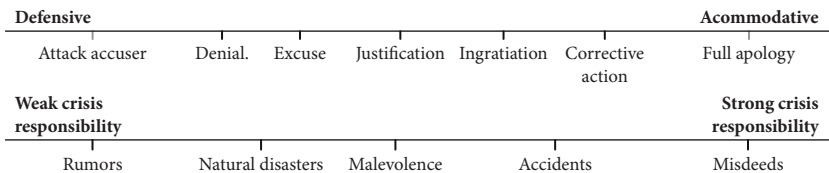| Defensive						Acommodative
Attack accuser	Denial.	Excuse	Justification	Ingratiation	Corrective action	Full apology
Weak crisis responsibility						**Strong crisis responsibility**
Rumors		Natural disasters	Malevolence		Accidents	Misdeeds

FIGURE 2.1   *Crisis management strategy model*

stakeholders of current and future risks. This necessitates a rapid initial communication response from the organization, as first impressions form quickly following a crisis and may color the remainder of the organization's communication efforts. Mitroff, for example, advises that "in just seconds following a crisis, a positive public image can be wiped out" (in Reynolds, 2006, p. 250). Furthermore, it is crucial that top managers are visible and take responsibility (Carroll and Buchholtz, 2009, p. 219).

Crisis managers and/or top managers are therefore encouraged to be quick, consistent, open, sympathetic, and informative (Coombs, 1999). A quick response further creates an impression of control, including greater media content accuracy (Coombs, 1999; Carroll and Buchholtz, 2009). This may then assist in *rumor management* (Veil et al., 2011, p. 119). Key elements in achieving crisis containment and recovery therefore include perceptions of control and compassion (Coombs, 1999).

Despite the above, a major challenge for organizations is that they are expected to provide accurate information on the crisis, which they may not always have, to an anxious audience, which they do not necessarily know. This may require organizations to seek stakeholder feedback and incorporate stakeholder *expectations* and *information needs* into the firm's crisis management communication plans (Pearson and Clair, 1998; Ulmer et al., 2007). Seeger discusses this in terms of "Partnerships with the Public" (2006, p. 238).

While the crisis management concepts outlined above provide frameworks that can assist organizations to develop crisis management plans, many existing theories do not adequately address the potential impact of internet-based social media on crisis management communication strategies (Austin et al., 2012, pp. 191–192). In this regard, it is now relatively easy for people to use social media sites to quickly post and respond to statements about particular topics. Disgruntled stakeholders can therefore voice complaints, criticisms, and spread rumors on a global basis. This has created new communication opportunities and challenges for crisis management teams, with information spreading by ways other than conventional media or publication sources. Managing crises in a global socially networked era therefore requires organizations to develop new internet-based communication strategies (Mehrota et al., 2008). This includes having to communicate with their stakeholders more quickly than before or risk having this void rapidly filled with internet-based information supplied by external stakeholders and commentators (Mehrota et al., 2008).

The increased *need for speed* in crisis communication has *reduced* the time that organizations have to publically respond to a crisis. Pre-crisis plans should therefore ensure that relevant social networking sites are located and monitored by the organization on a regular basis *before* any crisis occurs. This will allow the organization to respond more quickly and better target the information needs of relevant stakeholders, when the crisis actually occurs. Control, credibility, and rapid response rates therefore become more important but also more difficult to handle in a globally networked world (Ulmer et al., 2007).

The rise of social media has further been linked to an "era of full visibility", as the ability for stakeholders to rapidly communicate on a global basis has made it more difficult for firms to hide disasters and crises (Mehrota et al., 2008). "Incidents on one continent can therefore create a crisis an ocean away" (Ulmer et al., 2011, p. 12). A contemporary organization's response to a crisis therefore has heightened global implications for firms in terms of their international reputation.

Austin et al. responded to the relative lack of research into social media and crisis management communication by developing a "social-mediated crisis communication" (SMCC) model (2012). The SMCC model provides a framework that assists in explaining the interaction between social media and non-social media stakeholders during a crisis. The SMCC framework includes influential social media creators, social media followers, and social media "inactives", the latter being stakeholders who may receive social media generated content "second hand" via word of mouth from active social media users and/or from traditional media sources (Austin et al., 2012, p. 192). This is an important consideration given that the material being generated in the social media sites is increasingly finding its way into traditional media and the wider public in general.

While the Austin et al. SMCC model assists organizations in better understanding the interaction between social media stakeholders, it does not give concrete suggestions and/or recommendations as to how organizations can better incorporate social media into their overall crisis management communication strategies. Figure 2.2 therefore builds on the Austin et al. SMCC model by incorporating social media specific factors that organizations can integrate into their crisis management strategies. These include an increased "need for speed" in publically responding to crises; regular monitoring of relevant social media sites, including before the outbreak of a crisis; and the need to take changing

public attitudes to the environment and corporate social responsibility (CSR) into account when drafting crisis management responses.

Organizations also need to further develop their own social media sites in order to better influence opinion in the *blogosphere*. Figure 2.2 therefore separates influential social media creators into external and internal (organization controlled) social media outlets. Likewise, social media content is divided into internal material, created within the organization and external material, created by external sources. The ability of an organization to control and/or influence the message in a socially networked world may well lie in the relative impact of internal versus external social media creators. This suggests that organizations
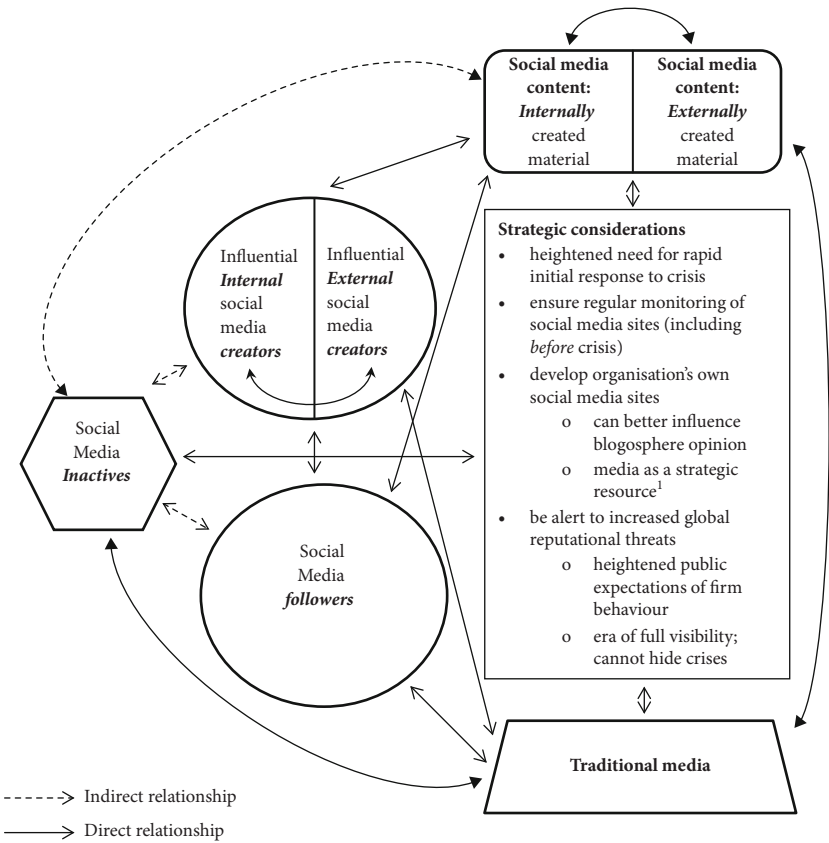

FIGURE 2.2 *Strategic crisis management communication factors in a social media context*

Source: Developed from Austin et al. (2012, p. 192); Werner[1] (2006, p. 240)

will struggle to control the information and message being dispersed across the internet in situations where the latter are ascendant.

The next section analyses the case of BP and the Gulf of Mexico oil spill. It focuses on BP's crisis management communication strategies during the period between the explosion and when the well was capped. It highlights and analyses the problems involved for organizations that fail to take the above changes, including the emergence of social media, into account when planning and executing their crisis management communication strategies.

BP oil spill

BP—beyond petroleum?

BP had attempted to re-brand itself in an effort to portray the firm as not just an oil company, but rather, as an energy company that was striving to incorporate renewable energies into its business portfolio. These strategies aimed to show BP's commitment to the environment and be the oil firm of choice for the environmentally aware driver (Beder, 2002). This included changing its name from "BP" to "bp" because "focus groups thought bp was friendlier than the old imperialistic BP" (Hale, 2000). The firm also introduced the tagline "beyond petroleum", which supported an advertising program that promoted BP's carbon emission reduction strategies and its investments in renewable energy sources (Cherry and Sneirson, 2011, pp. 1000–1002). The BP logo was further replaced with the green, white, and yellow Helios sunburst, named after the ancient Greek sun god, while BP's new petrol stations included solar panels to help augment their power requirements (Hale, 2000).

BP, however, remained a firm that was predominately focused on the extraction of fossil fuels. This led some commentators to suggest that its above actions constituted little more than green-washing or "faux CSR" (Cheery and Sneirson, 2011, p. 985). Nevertheless it indicated that BP was aware of the shift in public attitudes towards the environment, as it attempted to improve its reputation with environmentally conscious stakeholders (Cherry and Sneirson, 2011, p. 985). This included forging links with environmental organizations. For example, BP donated US$10 million to Nature Conservancy, one of the world's largest conservation groups, which listed BP as one of its "business partners" and gave the firm a seat on its International Leadership Council (Stephens, 2010,

p. A1). The ensuing environmental catastrophe in the Mexican Gulf can therefore be seen and analyzed against the background of these rebranding strategies.

The Gulf of Mexico oil spill

The oil spill in the Mexican Gulf was caused by an explosion on the Deepwater Horizon oil rig on the April 20, 2010 (News.com.au, 2011). The oil rig was leased by BP but operated by Transocean Energy. The explosion killed 11 workers and 4.9 million barrels of oil gushed into the Gulf before the well was capped. The oil finally ceased to flow out into the Gulf on July 15, 2010 (BP, 2010b), marking the end to 86 days of continual oil-leaks (*New York Times*, 2010). This is thought to be the biggest accidental marine oil spill in the history of the petroleum industry.

The crisis had a disastrous effect on BP's fortunes. It reported a loss of $US4.9 billion in 2010, with total estimated costs from the disaster being almost $US41 billion (ABC News, 2011). It was the firm's first reported loss for 18 years and resulted in a halving of its share price (News.com.au, 2011). BP was subsequently fined US$4.5 billion in late 2012, which was "the largest single criminal fine in US corporate history", however BP is still likely to pay "billions more in federal civil claims and environmental damages" (Walsh, 2012). BP also "pleaded guilty to 14 criminal charges connected to the 2010 accident" (Walsh, 2012).

BP's crisis communication strategies

BP's initial response to the crisis was perceived as underwhelming. Despite the generally acknowledged need for honest and rapid communication in the initial phase of any crisis management plan (Coombs, 1999; Heath, 2006; Seeger, 2006; Ulmer et al. 2007), BP did not issue a press release until four days after the explosion (News.com.au, 2011). Further, the oil spill proved to be far worse than first anticipated. BP then engaged in a blame-game with the company, Transocean, a specialist deep sea oil drilling firm. Transocean did own the oil rig, including a crucial piece of safety equipment, a 450-ton blowout preventer, which failed to stop the explosion (BP, 2010c). BP, however, also had its own company managers aboard the Deepwater Horizon oil rig at the time of the explosion and two of these BP managers were later charged with manslaughter (Walsh, 2012). Apart from blaming Transocean, little information was communicated from BP's side as to the full extent of the damage in the early stages

of the crisis, including the likely long-term effects on marine life in the Mexican Gulf, a realistic estimate of the amount of oil being spilled and what precisely BP intended to do to contain the spill, cap the well, and clean up afterwards (Sandman and Lanard, 2010).

BP's inadequate communication strategies were compounded by the sheer scale of the unfolding disaster, combined with BP's apparent inability to stop the oil leak. This quickly led to a public relations nightmare for the firm, as it found itself facing heavy criticism from many fronts (White, 2010). In an attempt to stave off this increasing public criticism, BP's CEO, Anthony Hayward, made the following public statement on the April 30, 2010, where he drew on Winston Churchill's famous World War II speech,

> We are determined to fight this spill on all fronts, in the deep waters of the gulf, in the shallow waters and, should it be necessary, on the shore. We shall fight on the beaches, we shall fight on the landing grounds, we shall fight in the fields and in the streets. (White, 2010:1)

However this statement was made a full ten days after the initial explosion and was perceived by many stakeholders as hollow, insincere, and too late (White, 2010:1). BP had therefore failed to quickly determine and communicate the risks and damages that were rapidly being imposed on the environment and the people living in the area. Furthermore, when BP did communicate with the press and the public, it was not perceived as empathetic. Rather it appeared to exhibit an ignorance of its social responsibilities.

BP also failed to demonstrate accountability (Corbell, 2010). During a television interview on May 3, 2010, Hayward continued the strategy of trying to shift the blame to Transocean as follows:

> this wasn't our accident. This was a drilling rig operated by another company. It was their people, their systems, their processes. We are responsible not for the accident but we are responsible for the oil, dealing with it and cleaning the situation up. (NBC, 2010)

While Hayward did apologies and express regret for the accident several times, these apologies included no acceptance of responsibility. Hayward did subsequently admit in an interview with the *Financial Times* that it was a fair criticism that BP had not been fully prepared for a deep water oil leak of this size, however many stakeholders considered this to be an almost nonchalant comment rather than a regretful apology (Sandman, 2010).

These events suggest that BP management did not appreciate the importance of their initial crisis response in the eyes of the public.

Instead, they focused on limiting the firm's accountability, including its financial responsibility, for the damages caused by the oil spill. This short-term financial perspective was at odds with the damage being done to BP's long-term reputation, including its attempts to rebrand itself as the environmentally friendly firm, "beyond petroleum". Had BP in contrast accepted responsibility for the oil spill, been more frank about the likely extent of the disaster and instigated more immediate efforts to clean-up the spill and lessen its impacts, it could have been perceived more positively (or less negatively) by the wider public. Instead, its brand and reputation suffered long-term damage.

BP and Transocean continued to play the blame game for the oil spill. In early 2013 Transocean agreed to pay a US$1.4 billion settlement for its role in the crisis (McMahon, 2013). However its press statement read,

> In agreeing to plead guilty, Transocean Deepwater Inc. has admitted that members of its crew on board the Deepwater Horizon, acting at the direction of BP's "Well Site Leaders" or "company men," were negligent in failing fully to investigate clear indications that the Macondo well was not secure and that oil and gas were flowing into the well. (McMahon, 2013)

Transocean therefore likewise attempted to shift the responsibility for the crisis away from itself towards BP.

Externally generated social media content

While BP did not appear to understand the need to rapidly disseminate information on the crisis, other stakeholders soon did. Information on the crisis then came from anyone and everyone else who had something to say on the subject (Daichendt, 2010). This included members of the public who began to communicate through social networking sites such as Facebook, Twitter, and YouTube. Many of these stakeholders had strong views about BP and its role in the oil spill (Daichendt, 2010). By identifying the(se) discourse(s) it is possible to examine attitudes towards BP and gain some idea as to how the discourse(s) established on these social media sites negatively impacted on BP. Figure 2.3 shows how negative "blogosphere" sentiment around BP spiked to 64 percent in April 2010. This was up from an average of 19.5 percent in the previous three months.

Twitter in particular recorded a large increase in activity regarding BP following the oil spill, with many stakeholders expressing their attitudes and discontent with BP. An internet search on "BP" and "oil spill"
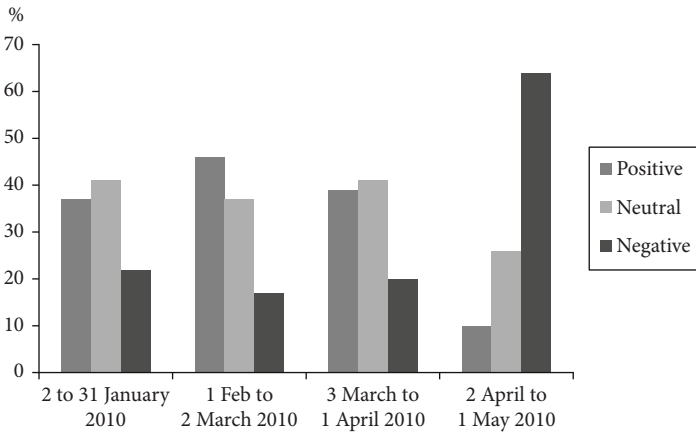
following the oil rig explosion found 9,133 blog mentions, 23,212 Tweets, and 49.5 million Twitter impressions (Jones, 2010). The fake BP Public Relations account, @BPGlobalPR, was also a great hit with Twitter followers, as it attacked BP using humorous satire (Twitter, 2011b). Interestingly the account gained almost three times as many followers as BP's own official Twitter account (Bamieh, 2010). Facebook was also widely used to scrutinize BP during the crisis (see Facebook 2010a, 2010b, 2010c, 2011a, and 2011b). This included the popular Boycott BP fan page, which had 823,500 fans and became a focal point for disseminating news about the disaster (Gardin, 2010). These sites therefore gave the public a global forum in which to vent their frustrations.

Disgruntled stakeholders also uploaded videos to YouTube that made fun of BP and its handling of the disaster. These included popular videos from the UCB comedy channel and its BP Coffee spill skit, which used the analogy of a cup of spilled coffee to show BP's efforts to seal the cap and clean up the oil (YouTube, 2010a). YouTube, however, was more than a platform for parodies and humor, as it allowed people to post their experiences on the beach after the oil slick hit the shores of the Gulf. YouTube also collaborated with the PBS News Hour and Google to give people the chance to ask questions and raise concerns in a live streamed interview with the CEO of BP's Gulf Coast Restoration Organization on July 1, 2010, 14 days before the leak was stopped (Bamieh, 2010). BP then had to answer questions and respond to allegations from concerned and angry stakeholders.

Environmental organizations also utilized social networking sites to instigate campaigns against BP. Greenpeace for example initiated a *Rebrand the BP Logo* contest, which asked supporters to "create a logo for BP which would show how BP is not "beyond petroleum" but quite the contrary, as they are literally up to their necks in oil" (Greenpeace, 2010a). Contest entrants were asked to submit their entries to the photo and image sharing social media site, Flickr (2010). The winning redesign of the logo was then used by Greenpeace in its subsequent campaign against BP (Greenpeace, 2010b). By the time the contest ended in June 2010, there were approximately 2,500 entries and 600,000 views of the redesigned logos (Greenpeace, 2010b). Stakeholders therefore used social media in very creative and effective ways, while many of their statements established a negative discourse towards BP and its handling of the disaster (Bamieh, 2010). This made it increasingly difficult for BP to influence and/or change public opinion.

Internally generated social media responses

In response BP attempted to develop its own social media campaign in order to improve its public image. However BP found that in the age of the internet it is a lot more credible to hear something from your friend rather than the company and once a firm loses its credibility with the public, it is hard to regain that trust (Bamieh, 2010). BP's social media strategy utilized its own website, along with Facebook, Twitter, YouTube, and other popular social networking sites. This included setting up a specific link on its company website, entitled "Gulf of Mexico Response", that was specifically created to respond to and inform about the oil spill and the progress of containing and cleaning it up. The opening remark read,

> The completion of the relief well operation in the Gulf of Mexico was an important milestone in our continued efforts to restore the Gulf Coast. However, our work is not finished. BP remains committed to remedying the harm that the spill caused to the Gulf of Mexico, the Gulf Coast environment, and to the livelihoods of the people across the region. (BP, 2010a)

With this remark, BP highlighted the fact that they had capped the well and that they were committed to continuous efforts in regards to the spill. Yet BP still did not appear to take responsibility for the spill (BP, 2010a; Jones, 2010). BP also began to use Twitter to provide updates and information regarding the disaster. This included *tweet hot lines* for

people to report any oil spills that had reached land, and the telephone number for their claims centre. BP further tweeted the different steps it had taken in regards to stopping the spill and its progress in the clean-up process (Twitter, 2011a; Jones, 2010). BP therefore developed Twitter into a tool that would assist it to respond to new developments.

BP also has a Facebook page, which, at the height of the crisis, had around 35,000 fans. Interestingly this number had increased to more than 52,000 by March 2011 (Facebook, 2011a), suggesting that BP had finally realized the importance of utilizing social networking sites on an ongoing basis as opposed to only using them as an intermittent tool during crises. The page disseminates information about the oil spill, the clean-up process, and other parties that were and are still involved in the process. It also shows success stories of people affected by the spill, thereby trying to counter some of the more negative public criticism of the firm (Facebook 2011a; Jones, 2010).

BP also uploaded YouTube videos that showed BP employees cleaning up the oil on the polluted beaches and collecting birds and other wild-life (YouTube, 2011). This provided a means for BP to communicate its restoration actions through pictures, which, to use a cliché, often speak louder than words. BP's Twitter and Facebook pages, as well as its "Gulf of Mexico Response" page, were also linked to its YouTube videos, which helped to maximize their reach to as many stakeholders as possible. BP further joined "Deepwater Horizon Response", an organization created to respond to the oil spill by the US Department of the Interior in coalition with BP and other organizations. This organization's Facebook page was also constantly updated with posts and different multimedia, and linked to the Deepwater Horizon Response Flickr page and YouTube channel.

Social media therefore eventually developed into a tool for BP to provide quick on-going communication with its stakeholders. BP's social media strategies, however, were in many ways a case of too little too late. BP's official Twitter feed, for example, was overwhelmed by the more popular parody version that encouraged people to get in contact if "they/BP" had upset them (Twitter, 2011b). BP's subsequent attempts to shut down this site only resulted in more criticism. Similarly their Facebook page was fighting several more prominent "boycott BP" groups for attention. This on-going war of public opinion has poten-tially large current and future economic consequences for the firm (Buskirk, 2010).

Discussions and conclusions

This research found that changes in society and communication technologies are impacting on the business environment, as stakeholders vie for access to and control over the information being disseminated over the internet (Mol, 2008). This is more evident in times of crisis, as exemplified by the case study of BP and the oil spill crisis in the Mexican Gulf. Despite BP's size and associated resources, its crisis communication responses, especially in the initial stages of the crisis, were inadequate. This is somewhat surprising given that BP operates in an industry sector that has the potential for major environmental accidents and associated crises, deep water oil drilling being a particular issue in this regard. BP's initial reactions to the crisis also appeared to go against many generally accepted crisis communication strategies. This included its failure to communicate early and regularly, act in an open and transparent manner, accept responsibility and act in an empathetic manner.

BP further failed to appreciate the rapidly emerging importance of social media as a crisis management communications tool, including the strategic implications of this new media as outlined in Figure 2.2. These implications include a heightened need for a rapid initial public response to a crisis. In this case BP failed to publicly respond to the crisis before day four. This failure to communicate jeopardized its credibility greatly, as the social media channels were already filling up with negative news and opinions about the BP disaster—much of it uploaded by angry and concerned members of the public—before BP finally recognized the need to more proactively communicate with its stakeholders. BP's crisis management strategies then became a matter of a catching-up and attempting to counter an existing negative information campaign (Buskirk, 2010). This required BP to fight two battles at once. First, it had to get its version of the story out and try and cut through the cloud of externally created information that was already available. Second, BP had to soothe the dissatisfaction of angry stakeholders and respond to their criticisms.

Further, social media has the ability to lengthen the long-term reputational effects of a crisis. Before the advent of social media, an incident stayed a reputational threat only as long as it stayed in the eye of the traditional media, such as the press. Its news value would then gradually diminish as other events and news took up space (Deragon, 2011). Information posted to the internet, however, does not go away. Therefore

"long after the last gallon of oil has been cleaned up and all compensation has been paid, they will potentially continue to damage BP's corporate image" (Greenpeace, 2010b). Hence, BP is now facing reputational problems which will outlast the crisis itself.

The BP oil crisis case therefore provides a pointer towards how future crises will publicly unfold through the tools and weapons widely used by the internet and social media (Kamenetz, 2010). This represents a new type of challenge for crisis management teams, with social media now allowing brewing protest movements to come out of nowhere, gather followers, reach millions of people, and create local news (Deragon, 2011). Venting anti-corporate anger in this environment becomes as easy as re-tweeting a joke, photoshopping a parodic logo or creating a YouTube video. Perhaps more importantly, people are not waiting for companies or the traditional media to tell them what to think. Rather, they are constantly conversing with each other online (Gaudin, 2010). Therefore, if you don't tell your story well, someone else will quickly tell it for you (Kamenetz, 2010).

Organizations must therefore learn how to exploit social media for their own benefit. Organizations may further need to employ and develop their own "influential" social media creators so as to better monitor and influence opinion across the blogosphere (see Figure 2.2). Given that social media is a rapidly developing and changing area it is likely that new social media sites will continue to evolve and challenge the current dominance of sites such as Facebook, Twitter, and YouTube. This heightens the need for organizations to continually monitor this rapidly changing environment.

The BP case suggests that firms need to take two important factors into consideration when designing their social media strategies. First, they need to map their various stakeholders to better understand the *kind* of information they seek, know *when* they want it, and *where* they can obtain it? The aims, goals, and benefits of the social media strategy should therefore be receiver oriented. This includes firms establishing a presence on appropriate social networking sites and linking these to their corporate websites in order to promote greater awareness amongst their stakeholders.

Second, it is paramount that firms implement and establish on-going social media strategies prior to any crisis occurring, when times are "normal". This enables firms to build a constituency of customers and followers to which communication and information can be communicated

to, if and when a crisis occurs. Monitoring social networking sites also gives organizations the opportunity to address pertinent issues being discussed on the internet, which in turn will assist firms to pre-empt negative discussions.

In contrast to the above, this research found that BP did not have any significant presence or following on social media sites prior to the oil spill. While the authors do not claim that active instant participation on various social networking sites could have made the problem go away for BP, this research strongly suggests that failing to take advantage of social media to open a clear line of communication with people living on the Gulf coast and other stakeholders made BP's situation worse. As a consequence BP was publicly criticized for not just the environmental and economic impact of the crisis, but also for not being more forthcoming and transparent in its communication with the public. This research contends that social media could have been a tool to better inform, answer questions, and gain support from the wider community in the initial crisis phase. It could further have provided a vehicle to better demonstrate that BP cared for the lives lost, the on-going damage to the environment, and the resulting economic challenges that the affected regions still face.

The BP case therefore highlights the crisis management challenges that organizations now face in a socially networked world. The chapter further built on earlier studies (Austin et al., 2012) by developing a framework to assist organizations and academic researchers to better integrate social media strategies into crisis communication plans and theories (see Figure 2.2). While research that is based on one case study cannot necessarily be generalized across other cases and situations, the findings do suggest that the role and impact of social media on firm crisis communication strategies will continue to grow. This leads to the need for further empirical research in this area in order to more fully understand the impacts of social media on stakeholder management strategies, including their impact on crisis management strategies.

Note

1   British Petroleum was renamed 'bp'—lower case—in 2000 (Beder 2002). However, for improved readability and consistency it is written in upper case throughout this paper.

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3

The SHARP Conceptual Framework for Young African-American Adults…What Is Cool?

Carl Sharperson and Reginald Leseane

▶

Abstract: *Neural Networks and Consumer tracking studies have gained wide popularity and acceptance in studying young adults' marketing and consumption behavior. In this chapter, the authors introduce and propose a revolutionary method to direct advertising campaigns' sources of influences on young adults' psychology and moving dynamic interests. The ideas suggested will advance the thinking of the advertising industry to profit from alternative messages to young adults through mass advertising and welfare of society as a whole. The author discusses what goals and directions are for the next generation of research and advertising, how to use mass advertising to address social issues, and how to profit clients through the use of neural networking by way of implementing the SHARP model.*

Introduction

The word "cool" is a very fluid concept; therefore, there is no clear or absolute definition because it changes so often depending on how, when, where, and why it is used. For the purpose of basic interpretation of this research, "cool" will be described as a desired state of personal peace and social acceptance satisfaction. Young adults refer to people aged between 17 and 24. Young adults thrive on being cool, in countless varying ways, and if advertisers can hone on these concepts, profit margins will be almost limitless.

Neural networks can be viewed as an enabling tool for marketing professionals to work smarter and achieve higher levels of effectiveness. A neural network from a marketing perspective represents a software decision tool which assists the decision makers in the selection of an appropriate response to a particular situation (Lin and Hsu 2004). Behavioral targeting involves the collection of information about a consumer's online activities in order to deliver advertising targeted to their potential upcoming purchases, usually conducted by advertising agencies (Dwyer 2009). The clear intent of behavioral targeting is to track consumers over time, to build up digital dossiers of their interests and shopping activities (Dwyer 2009).

This chapter proposes a way for advertisers using neural networks and consumer targeting to track the abstract realm of young adults, understanding their thoughts, ideas, and dreams that are influenced by peer pressure and navigating their lives in multiple directions. Advertising campaigns can be tailored to address the interests of young adults while promoting social change in a positive way. A new and widely accepted approach to reach target audiences is the edge needed by government and private organizations to address negative issues in society. This ground breaking conceptual method is being introduced and proposed as the SHARP conceptual framework in the upcoming sections.

Literature review

In 1961, Russell Colley prepared a report for the Association of National Advertisers titled Defining Advertising Goals for Measured Advertising Results (DAGMAR) as shown in Figure 3.1. In it, Colley developed a model for setting advertising objectives and measuring the results of an ad campaign. The major emphasis of the DAGMAR model (Colley 1961) is that communications effects are the logical basis for advertising goals
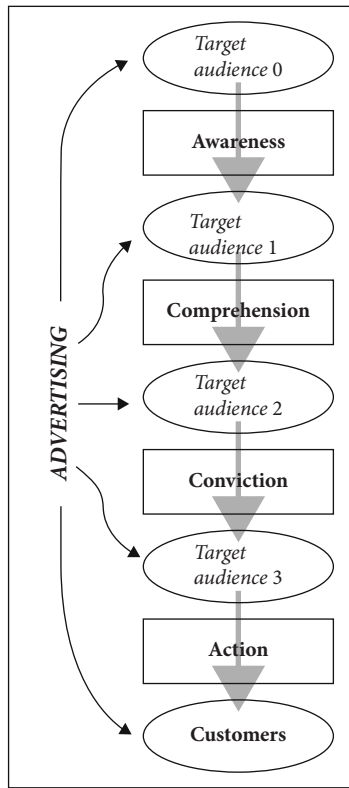
FIGURE 3.1   *DAGMAR model*

Source: (Colley, 1961).

and objectives against which success or failure should be measured. The DAGMAR approach (Colley 1961) to setting objectives has had considerable influence on the advertising planning process. Many promotional planners use this model as a basis for setting objectives and assessing effectiveness of their promotional campaigns. Colley's work has led to improvements in the advertising and promotional planning process by providing a better understanding of the goals and objectives toward which planner's efforts should be directed. This usually results in less subjectivity and leads to better communication and relationship between client and agency (Belch and Belch 2009).

Motion effect theories assume that human beings exhibit an inherent preference for moving objects. That is when people are exposed to moving

images, they focus their attention on the source of the motion and process relevant information. This activity is manifested in physiological changes such as decrease in heart rate, increase in skin conductance, and variable brain electrical activity (Sundar and Kalyanaraman 2004).

According to Jerry Kirkpatrick (1986), there in essence are two "social" criticisms of advertising. Overall, both charges attribute to advertising the power of physical force—that is, the power to force consumers against their wills to buy products they don't need or want. The criticism for this model is that advertising changes the consumer's tastes by forcing consumers to conform to the desires of producers, rather than being driven by a customer-oriented economy. In short, according to this charge, advertising is immoral (Kirkpatrick 1986). The SHARP model proposes to eliminate all of this.

A neural network can be developed to shed light on the way in which consumers respond to stimuli contained in advertising messages. Considerable research suggests that advertising executional cues can influence communications effectiveness. MacInnis et al. (Lin and Hsu 2004) developed a framework that explicitly provides linkage between executional cues to communication effectiveness through their impact on consumers' motivation, opportunity, and ability, and the levels of processing from advertisements is influenced by consumers' motivation, ability, and opportunity to process brand information during or immediately after exposure to an advertisement. A simple perception-type model would postulate that consumers respond to certain characteristics of the advertising of a product with decision or intentions to purchases (Lin and Hsu 2004). This is where the proposed SHARP model perfectly fits. Neural networks change the way to use information in marketing. With such a new information technology, a company using a neural network can have affordable real-time access to all the raw data it desires. The real difference among competitors will be the quality of analysis each performs and the capacity of decisions flowing from it (Lin and Hsu 2004).

Figure 3.2 illustrates the concept of neural networks, which is based upon the way we understand the human brain is structured. Neural networks are computer systems linking inputs with outputs in a network of structure of nodes and arcs. They are inspired by replicating portions of what is known about the way the human brain functions (Lin and Hsu 2004).

Wright et al, . (2005) note an elaborated and detailed model of content, structure, and usage of everyday persuasion knowledge that focused on the context of advertising and marketing messages. They discussed in
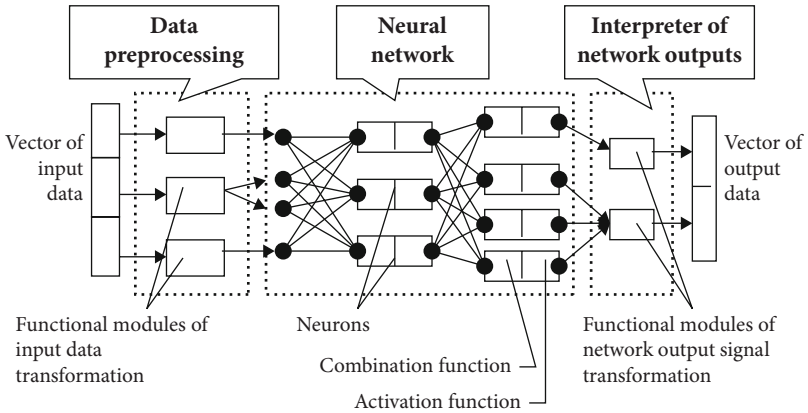
FIGURE 3.2   *Neural networks and their impact on the marketing discipline*
Source: (Lin 2004).

depth the different types of persuasion-related knowledge and skills that children, adolescents, and young adults gradually develop to cope effectively with marketers' and others' strategic attempts to influence them. A girl's or boys' marketplace persuasion knowledge develops from nothing into an increasingly interrelated and valid structure of casual—explanatory beliefs about several topics (Wright et al. 2005).

Two objective challenges of adolescence, forming a personal identity and fitting in socially with peers, likely contribute to adolescents' heightened self-consciousness (Pechmann et al. 2005). Furthermore, adolescents often turn to peers to help them forge identities that are independent of their parents, which may make them even more self-conscious. Adolescents' self-consciousness and social anxiety should tend to make them more receptive to image advertising and high-status, heavily advertised brands. It appears that adolescents with low self-esteem are especially attracted to image advertisements and status brands and that they manifest other signs of materialism (Pechmann et al. 2005).

Conceptual framework

An ongoing concern of advertising practitioners is the persuasive impact of their marketing communications. One of the most widely employed measures of persuasive impact is change in brand attitude. Consequently,

research attention continues to focus on describing the specific types of cognitive and affective responses to advertising that both lead to and result from brand attitude formation (Coulter and Punj 2004).

We propose the SHARP conceptual framework in this section. Figure 3.3 illustrates the SHARP model in theory. The five outside bubbles represent the five aspects advertising campaigns must meet in order to reach the "millennials." The innermost center circle represents the consumers; the outside represents the elements and conditions of society. The middle circle ring represents the use of neural networks, in how they merge the consumer with the outside elements by identifying needs and interests using the means typed in the circle.

The SHARP model (Figure 3.3) analyzes five focus points of emphasis to make a successful advertisement campaign for young adults. The information needed to make the model be effective is imperative, and can be gathered only by using neural network systems and behavioral tracking of trending thoughts for the target audience. The SHARP model can be applied to any product or service the firm is promoting or selling. The SHARP model affirms that all advertisements addressed towards young adults should involve: Support, Humor, Acceptance, Relevance, Peer pressure.
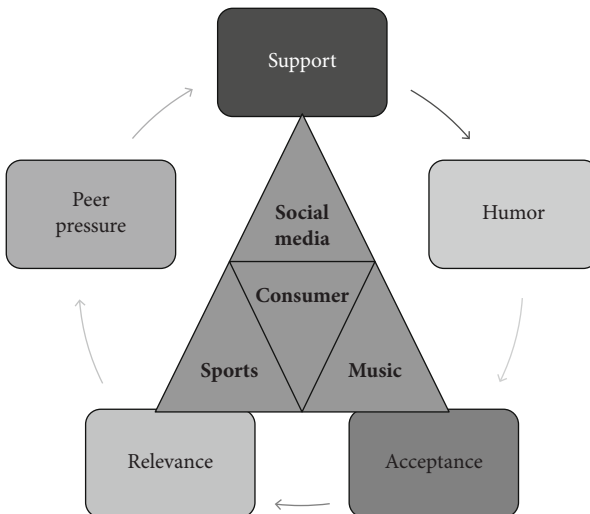

FIGURE 3.3   *Conceptual SHARP model targeting young adults*

The common denominator and equalizer among all young adults is curiosity. With curiosity as the foundation, tracking ideas and thoughts involves so much more than data interfacing social network platforms of Facebook and Twitter, although they are both excellent places to get general ideas of the target audience. Tracking ideas include following the music industry to see what young adults are listening and responding to, and identifying motives for actions. This means if sex, money, fashion, or partying, for example, are important to young adults, then these topics can be used by advertisers in a positive way to accomplish their objective. Neural networks present a radical attempt to break the logjam of information by building computers that mimic the way in which humans think. In the long run, results from applications of neural networks to the marketing domain will not only lead to a deeper understanding of fundamental marketing decision processes but also enable study of the normative aspects of marketing systems (Lin and Hsu 2004).

Support is to promote the interest or cause of, to uphold or defend as valid or right. Once a trending thought, idea, or dream is identified, it must be supported by and supporting of young adults as a whole. Humor is to adapt oneself to. Humor is the glue in advertising to young adults.

Humorous appeals are used extensively in television, radio, and print advertising. This research examines the effectiveness of humor in accomplishing specific communications and sales objectives. It is argued that previous unsuccessful applications of light-hearted messages are attributable, in part, to our incomplete knowledge of how consumers process humorously conveyed information. The discussion focuses on the importance of recognizing and managing variables which mediate the impact of humor on audience response and on the need for further development and testing of behavioral theory as keys to the effective utilization of humor in advertising. The central issue therefore is not whether entertaining commercials can be effective. Rather, advertisers must direct their attention to questions concerning (1) when humorous appeals should be applied, and (2) how amusing messages should be presented. Answers to these questions require an understanding of the factors and mechanisms which underlie consumer response to humorous stimuli (Duncan 1979).

Acceptance is an agreement either expressly or by conduct to the act or offer of another so that a contract is concluded and the parties become legally bound. Young adults must accept any successful advertising attempt; however, this includes more than being socially acceptable. In 1973, Wright suggested that consumer acceptance of advertising was mediated by the

cognitive responses generated by message recipients' rather than by content of the advertisement itself. By combining attribute students with music, humor, affectionate vignettes, story elements, role portrayal, and the like, ad-execution cues evoke moods and feelings that go beyond the evaluative reactions toward a commercial (Batra 1986).

Relevance is a practical and especially social applicability, the ability (as of an information retrieval system) to retrieve material that satisfies the needs of the user. Relevance is timing and ever changing. Young adults rush to stay current and possibly ahead of what may be the next new attention grabber in any setting. The importance of relevance is not just time correlation with young adults, but also how well it relates to what young adults face or feel in their daily lives. By targeting niche markets directly, one need not track the behavior of a user to deliver relevant ads. This has many benefits, not the least of which is that it completely placates the privacy advocates. For example, OneRiot is the advertising network for the real-time social web. OneRiot partners with leading brands and media companies to reach millions of social influencers across an exclusive network of top Twitter apps, mobile apps, social networks, and content discovery sites. Real-time campaigns with OneRiot build brand awareness, community engagement, and drive viral social sharing. OneRiot employs many innovative techniques to deliver real-time social targeting for its partners. One technology cornerstone is the company's proprietary Trending Topics Engine. This analyzes streaming conversational data from leading social destinations—including Facebook, Twitter, and MySpace—to surface the topics that are driving most engagements across social web networks right now. OneRiot then algorithmically matches relevant advertising campaign content to those topics in real-time, and delivers advertising messages that are targeted to users during key opportunities for social engagement (Kansascity.com 2010).

Peer pressure occurs when an individual experiences implied or expressed persuasion to adopt similar values, beliefs, and goals, or to participate in the same activities as those in the peer group. Successful young adult advertising campaigns must survive this crucial test. David Ogilvy of Ogilvy and Mather said, "If you try to persuade people to do something or buy something, it seems to me you should use their language, the language in which they think." Everywhere people go, there are marketers that want to sell them something, not in the language in which consumers think, but in the language based on what they think the consumers' best friends and their peers think. Peer pressure works at different levels in youth advertising.

Development of a scale for "SHARP" framework

In this chapter, a 25-item scale for "SHARP" framework is developed for measuring advertising effectiveness. The scale developed is given below as Table 3.1.

The research was conducted on a sample size of 75 undergraduate students at a Historically Black College and University (HBCU), selected for the purpose of the research study, out of which 41 were women. The SHARP framework was presented to 75 students, who were exposed to 5 different ads with African-American stereotypes, and the Likert-type agreement scale was used where 1 = strongly disagree and 5 = strongly agree. SPSS was used for Exploratory Factor Analyses for SHARP scale.

TABLE 3.1   *SHARP framework measurement scale for ad effectiveness*

Scale	Code in SPSS
1. This advertisement agrees with my life goals	Sharp_S1
2. This advertisement gives me motivation	Sharp_S2
3. This advertisement supports my background	Sharp_S3
4. I have similar experiences with the ad's intent or message	Sharp_S4
5. I would want this for my family	Sharp_S5
6. I find this advertisement "corny" or "lame"	Sharp_H1
7. How funny is this advertisement?	Sharp_H2
8. I have thought about this before	Sharp_H3
9. I have to think about the advertisement before I laugh	Sharp_H4
10. I would use this as a joke	Sharp_H5
11. There is a clear positive stereotype in this advertisement	Sharp_A1
12. There is a clear negative stereotype in this advertisement	Sharp_A2
13. This advertisement changes my initial impressions of the topic portrayed	Sharp_A3
14. I grew up around situations/messages like this	Sharp_A4
15. I agree with this advertisement	Sharp_A5
16. I can relate how much to this advertisement	Sharp_R1
17. This advertisement is current with today's interests	Sharp_R2
18. I would have understood this advertisement 3 years ago	Sharp_R3
19. This advertisement is old and has no "flavor"	Sharp_R4
20. I agree with the thought process behind this advertisement	Sharp_R5
21. I am one of the more popular persons in my daily surroundings	Sharp_P1
22. I like the advertisement but would not show it publicly	Sharp_P2
23. I can crack jokes at people this advertisement portrays or affects	Sharp_P3
24. I can see my friends in this advertisement	Sharp_P4
25. This advertisement could be so much better	Sharp_P5

Research findings

A Web-based survey was conducted from students enrolled in business school at a HCBU in Georgia. Elimination of incomplete responses left 75 eligible responses for analysis. Among the responders, 46.1% are male students, and 53.9% are female, 47.4% are Marketing majors, 31.6% are Management majors, 11.8% are Accounting majors, 2.6% are Computer Information System major and 6.6% are from some other majors. Most responders are either Senior (50%) or Junior (47.4%).

After conducting the factor analyses for five ads using African-American stereotypes, the following results as shown in Table 3.2 are.

Discussions

The SHARP scale developed in this chapter has good reliability as shown in the Table 2. The 25-item scale of SHARP framework that loaded as per Table 2 can be easily dissected into five factors—Support (S) with six factors; Humor (H) with seven factors; Acceptance (A) with four factors; Relevance (R) with four factors and Peer Pressure (P) with four factors.

The factors as obtained from Principal Component Analysis are given in Table 3.3.

TABLE 3.2 *Exploratory factor analyses—rotated component matrix*

	Component				
	1	2	3	4	5
Sharp_H1	.910	.091	−.055	−.051	.127
Sharp_H2	.900	.290	−.009	−.006	.032
Sharp_H5	.879	.253	−.040	.161	.067
Sharp_P2	.118	.222	.026	.878	.029
Sharp_H4	.827	.276	.053	−.142	−.309
Sharp_P3	.313	.237	.045	.813	.019
Sharp_R4	.795	.074	.123	.186	.363
Sharp_A3	.687	.306	.106	.438	.067
Sharp_P5	.050	.259	.435	.647	.018
Sharp_S4	.198	.896	.215	.118	.080
Sharp_S3	.292	.863	.190	.096	.067
Sharp_S2	.130	.817	.399	.120	.233
Sharp_S5	.261	.810	.286	.056	−.020

Continued

TABLE 3.2   *Continued*

	Component				
	1	**2**	**3**	**4**	**5**
Sharp_S1	.258	.749	.354	−.056	.245
Sharp_R1	.371	.241	.701	.284	−.074
Sharp_A4	.182	.218	.562	.162	.649
Sharp_H3	.635	.542	.237	.088	−.150
Sharp_P1	.437	.584	.147	.205	.098
Sharp_R3	.007	.170	.892	−.012	−.006
Sharp_R2	−.100	.223	.887	.000	.089
Sharp_R5	.083	.410	.756	.151	−.007
Sharp_A5	.101	.538	.562	.162	.704
Sharp_A1	.112	.274	.237	.088	.666
Sharp_P4	.311	.356	.348	.720	.069
Sharp_A2	.609	.296	.162	.059	.617
Eigen values	7.49	6.42	4.36	1.33	1.00
% of variance	25.96	29.67	12.56	10.32	10
Cronbach alpha	.94	.95	.84	.85	.81

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.863
Bartlett's Test of Sphericity Approx. Chi-Square	2135.306
df	300

TABLE 3.3   *SHARP scale factors*

Support	SPSS Code
1. This advertisement agrees with my life goals	Sharp_S1
2. This advertisement gives me motivation	Sharp_S2
3. This advertisement supports my background	Sharp_S3
4. I have similar experiences with the ad's intent or message	Sharp_S4
5. I would want this for my family	Sharp_S5
6. I am one of the more popular persons in my daily surroundings	Sharp_P1
Humor	
7. I find this advertisement "corny" or "lame"	Sharp_H1
8. How funny is this advertisement?	Sharp_H2
9. I have thought about this before	Sharp_H3
10. I have to think about the advertisement before I laugh	Sharp_H4
11. I would use this as a joke	Sharp_H5

Continued

TABLE 3.3   *Continued*

Support	SPSS Code
12. This advertisement changes my initial impressions of the topic portrayed	Sharp_A3
13. This advertisement is old and has no "flavor"	Sharp_R4
Acceptance	
14. There is a clear positive stereotype in this advertisement	Sharp_A1
15. There is a clear negative stereotype in this advertisement	Sharp_A2
16. I grew up around situations/messages like this	Sharp_A4
17. I agree with this advertisement	Sharp_A5
Relevance	
18. I can relate how much to this advertisement	Sharp_R1
19. This advertisement is current with today's interests	Sharp_R2
20. I would have understood this advertisement 3 years ago	Sharp_R3
21. I agree with the thought process behind this advertisement	Sharp_R5
Peer pressure	
22. I like the advertisement but would not show it publicly	Sharp_P2
23. I can crack jokes at people this advertisement portrays or affects	Sharp_P3
24. I can see my friends in this advertisement	Sharp_P4
25. This advertisement could be so much better	Sharp_P5

The reliability of the scale is high with Cronbach alpha for "Support" as 0.94, "Humor" as 0.95, "Acceptance" as 0.84, "Relevance" as 0.85, and "Peer Pressure" as 0.81.

Conclusion

This chapter presented the SHARP conceptual model as the futuristic mainframe foundation of how advertising campaigns are developed, directed, and created for many years to come. It identified the definition of "cool," how neural networks can be used to its potential, and addressed the social criticisms of advertising by way of the SHARP model.

The SHARP model developed is tested empirically for exploratory factor analysis with five factors of SHARP—Support, Humor, Acceptance, Relevance, and Peer pressure. The model needs to be further tested in the future research with regard to ad and brand attitudes and brand equity concepts.

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4

Exotic, Erogenous, Erotica: Veiled Signs of "Advertising Erotica" for Luxury Brands

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▶

Abstract: *Businesses spend trillions of dollars attempting to encourage consumers to purchase their goods or services globally. Businesses realize that consumers make their purchases on the basis of the power of advertising and branding. Hard-sell advertisements are in-your-face direct advertisements that suggest using a particular product or service over the competition while soft-sell advertisements are more subtle and incorporate subliminal messages. The research study focuses on why some advertisers prefer to send subtle messages, how these advertising messages unconsciously encourage, and entice the consumer to purchase these products or services and why these methods are so successful. The study focuses on the power of soft-sell advertising and conceptualizes the Advertising Erotica framework while delving into the sexual, sensual, and erotic feelings evoked by the ad leading to positive attitudes towards the ad and brand, and positive purchase intentions.*

Introduction

Imagine yourself arriving home after a long day at work and upon checking your mailbox, you discover your favorite magazine has arrived. You flip the pages until you notice Calvin Klein's newest ad featuring a male model wearing only underwear. You look at the ad for a while, imagining whether your significant other would appeal to you in the same manner as the model. You make a mental note to venture out on your lunch break the next day in search of these perfect looking underwear. You finally accomplish your goal, but do you know why you wanted to purchase them? If the end results of you perusing your magazine ended in a final sale for Calvin Klein, then the advertisers have done their job.

Sex in advertising is the use of sexual or erotic imagery to capture the interest to and to help sell a particular product. A feature of sex in advertising is that the imagery used, such as that of an exposed woman, typically has no connection to the product being advertised. The purpose of the imagery is to attract the attention of the potential customer or user. Sex in advertising builds on the premise that people are curious about sexuality and that experience in marketing has been that sexuality sells products. From a marketing point of view, sexuality can have biological, emotional/physical, or spiritual aspects.

Advertisers use hard-sell and soft-sell to appeal to consumers' interest. Although there are no concrete definitions of hard-sell and soft-sell, there are general definitions (Okazaki et al., 2010). Hard-sell is defined as a direct approach to selling while soft-sell focuses on levels of indirectness and subtlety, and often intends to build a mood or image. Hard-sell advertisements encourage the customer to "buy now," an attitude seen in many children's commercials, whereas, soft-sell appeals to the mood, the unconscious, and atmosphere. Okazaki et al. (2010) note that soft-sell advertisements are typically conveyed though a beautiful scene or the development of an emotional story or verse. It has been concluded that soft-sell advertisements do not emphasize reason, but rather convey general association with the brand. Soft-sell appeal is one in which human emotions are emphasized to induce an affective (feeling) reaction from the viewer (Okazaki et al., 2010).

This chapter introduces a new concept called Advertising Erotica. Advertisers use soft-sell appeal to promote erotic advertising. Advertising Erotica is the arousal of the senses, for advertisement of a particular product or services, through images depicting adults engaging in sexual

activities. While advertisers use these images, there are three constructs that are deliberately aimed at bringing shock value to the consumer. In order for the shock value to be apparent, all of these advertisements must possess three things: distinctiveness, ambiguity, and transgression of social or cultural taboos (Pope et al., 2004).

All ads usually have distinctiveness and ambiguity, but the transgression of social or cultural taboo is the most critical element in erotic advertising (Pope et al., 2004). Many luxury designers use this approach when they advertise to their target market. Luxury designers such as Dior advertised for sexually shaped perfumes for males and Calvin Klein used a male model (for jeans) standing upright in a shower and exposing sexually for added appeal. After all, brand loyalty is about engaging the customer in the ad experience. In order for advertising erotica to be effective, the product and message they are trying to subliminally convey must be understood and received by the intended audience.

Literature review

There have been many investigations that have explored the rational versus emotional as well as direct versus indirect appeals. It has been concluded in most of the research that "hard-sell" and "soft-sell" are broader concepts than the other appeal classification. Beard (2004) notes that debates around the hard-sell and soft-sell appeals have been around as early as 1911. As time has progressed these two concepts have remained the consistent and unchanged; many research studies have not attempted to study and focus on measures for hard-sell and soft-sell explicitly, but in general they have drawn some conclusion about the generally used appeal types. There has been an attempt by Laskey et al. (1989) and Puto and Wells (1984) to distinguish between rational, factual, and informational advertising (hard-sell) and imaginative, emotional, and transformational advertising (soft-sell). Mueller (1987) defined soft-sell appeal as one in which mood and atmosphere convey through a beautiful scene or through development of an emotional story or verse. A consumer is considered to have experienced transformational advertising when they benefit from the consumption of the good or service provided to them.

Soft-sell has been associated with emotional appeal building mood or image, but does not incorporate the levels of indirectness and subtlety. Lambiase and Reichert (2006) highlight the sexual themes and imagery

focused in advertising. They have proven that content analysis is insufficient to explain a consumer's response to advertising and that actual sexual imagery by itself does not have much impact on brand perception or awareness. Scopophilia, a psychoanalytic concept, is used to account for the ability of the consumer to engage with brands through different advertising mediums (Oswald 2010). Scopophilia is used frequently by designers such as Armani, Calvin Klein, and Gucci because it allows the consumer to engage passionately with the print advertisement, a substitute in place of the real thing. Many luxury brands prefer to use this advertising when appealing to their customer base.

Oswald (2010) positions the consumer as a participant in the brand world while the brand communicates brand positioning. Lopez and George (1995) defined erotica as images that unambiguously depict adults in various stages of undress and engaging in overt sexual activities such as cunnilingus, fellatio, and intercourse, while mild erotica is defined as images that combine nudity or near nudity with overt sexual activity not displaying the genital area. Smith et al. (1995) established that sexual stimuli in ads can increase consumer arousal, but nudity can make an ad more interesting. This holds true for Bruce Weber's homoerotic campaign for Calvin Klein, in which he posed for the brand almost nude in most instances, which restored profitability to the company (Halasz and Stansell 2007).

Oswald (2010) concludes that Calvin Klein and Dolce & Gabbana both challenge mores while increasing market share. This, however, plays an important role in the ways consumers respond to the advertising. These examples show what strong visual codes for the engagement of consumers in the eroticism of the ad than the actual content.

H1: Advertising erotica influences consumers' brand loyalty to luxury designers.

Luxury designers such as Prada and Louis Vuitton use symbolism or imagery to engage their customers. These designers use projective identification, which is the dialectical movement between the psychic driver or when the consumer internalizes themselves in the projection, or the print advertisement (Oswald, 2010). Lacan's (2005/1970) mirror phase emphasizes a mimetic relationship between the consumer's self-image in the advertisement. This is beneficial to the advertisers because while advertising erotica is about engaging the consumer with overt sexual innuendoes projective identification engages the consumer in the same manner.

However, these projections allow the consumer to relate to the realness of the print ads story and not to the eroticism that is depicted in other luxury brand designers.

H2: Product functionality for luxury designers creates brand loyalty.

Mental stimulation can be thought of as the cognitive construction of hypothetical scenarios (Escalas, 2004). Due to the cognitive construction and hypothetical scenarios, these stories usually come in the form of narratives when we stimulate our events, frequently think about our own actions and behaviors and create stories with ourselves in mind. This creates scenarios and stores where you the consumer are the main character. For example, there was an advertisement showing a Cadillac taking a fast drive through the mountains and the car stops. Then the door opens up and the long legs of a female executive steps out to the ground (Miller, 2005). These ads immerse the customer in the printed images and encourage customers to want to buy their product. When the advertisers place the subject, product, and brand logo in certain set-ups the ads engages the consumer in a play for identification and positions. They are held between the risqué world, suspended logic, and unfulfilled desires (Miller, 2005).

Sexy is defined as marked by tending to arouse sexual desire or interest (Lysonski, 2005). About 11% of women and 7% of men say that sex in advertising frequently or always directly affects their purchase decision; only 23% of all adults say that sexual content in ads at least sometimes directly affects their purchasing decisions (Walsh-Childers, 1990). Advertisers understand that in order to get a customer to purchase, they have to see themselves or someone they hold in high regard with that product in their imagination. The mental stimulation caused by this process is known as a cognitive construction.

H3: Is consumer brand loyal more effective with erotic advertising?

In the next section, we present cases from designer luxury brands. Armani, Calvin Klein, and Gucci were brands that explicitly showed advertisements that excite erotica. Prada and Louis Vuitton were luxury brands chosen for the mild erotic advertisements that were intended to make the consumer feel warm, but not sexually charged. Whether it is a peep show, strip tease, or a fantastical image, advertising erotica is about what can be imagined and not seen. Images such as these that at one times belonged in the world of pornography are now commonplace in family magazines and newspapers, in TV commercials, on billboards and online (Kilbourne, 2005).

Case examples

Luxury Brands use erotic advertisements to arouse desire for the product, not the person or individual. The images are catered to sell the product and not sex. Luxury brands challenge the status quo by engaging the consumer in an advertisement adventure that incorporates a lot of erotic teaser ads.

Armani

Armani is a luxury brand that has been in the luxury designer market for over 30 years. The brand prides itself on having impeccable tailoring, muted colors, luxurious fabrics, and luxe creations. In one of Armani's ads David Beckman wears Armani underwear holding a rope in his hands as he gazes seductively at the camera. It can be inferred that the rope symbolizes the male genital in this particular print advertisement. When viewed the consumer would naturally have a feeling over expressed erotica.

Calvin Klein

Calvin Klein began as a coat shop in Midtown New York. Calvin Klein is known for the softness and comfort of their under garments. In 1980, Bruce Weber did an erotic advertisement photo-shoot for Calvin Klein. Calvin Klein wanted to add eroticism to this print ad by allowing the viewer to come to a conclusion about what his pose represents. This ad captures advertising erotica because the consumer can imagine themselves or others in this scene and become engaged in the ad because of the erotic feeling the consumer feels.

Gucci

Gucci was originally a saddle making family owned business. The brand is known for its simplicity, exceptional fabrics, and excellence. The Gucci Brand is known for its simplicity and excellence, and has functionality for everyday consumers to the elite class.

These print ads depict advertising erotica because the consumer can feel even sexier and most attractive themselves with the designer's product on.

Oswald (2010) concluded that Calvin Klein and Dolce & Gabbana both challenge social mores while increasing market share. However, this

plays an important role in the ways consumers respond to the advertising. These examples show what strong visual codes for the engagement of consumers in the eroticism of the ad than the actual content. This is beneficial to the advertisers because while advertising erotica is about engaging the consumer with overt sexual innuendoes projective identification engages the consumer in the same manner.

Prada: mild advertising erotica

Prada is a well know family powerhouse in the luxury brand arena. Prada is known for its quality, unique patterns and designs, and time taken to make each individual design.

Prada uses the similar type of advertising while using only sultry expressions with the eye and face expressions. The print advertisements allow the consumers to internalize themselves in the projection. This advertisement depicts two young ladies that are enjoying their downtime while being dressed comfortably. This ad engages the consumer using mild erotica such as sexy poses or piercing eyes.

Louis Vuitton

Louis Vuitton is the oldest luxury brand in the market. They are known for their simplicity and usefully common everyday goods. The luxury designer wants to appeal to both the high-end consumer to the everyday Jane or John Doe.

Louis Vuitton use advertisements that explore the many daily activities and different sides of life. The advertised images range from safari trips to relaxing images of home arrivals from a long business trip. Louis Vuitton luxury brands use images of life to attract their consumer base. All of their advertisement campaigns appeal to even the simplest things in life evoking a warm feeling when viewed.

Eroticism in advertising is about getting the consumer to see that they will be sexier if they use their products. The symbolic content, the meaning or the status of the product, to the consumer is beyond the purpose or benefit. Many of these advertisements want to arouse desire for the product not for people or the individual. Branding is an important factor in regards to marketing, but the symbolic relationship has become more significant than name and designated packaging. Not only is brand crucially important to the advertisers, but the ability to evoke the senses while gazing at an image for a period of time. This means that

advertisement will involve the balance between the reality of the consumer and their passion.

Discussions

While Armani, Calvin Klein, and Gucci all use print ad of erotic images to engage their consumers, there are other luxury designers such as Prada, Louis Vuitton, and Burberry that use symbolism or imagery to engage their customers. These designers use projective identification, which is the dialectical movement between the psychic driver or when the consumer internalizes themselves in the projection, or the print advertisement (Oswald, 2010). Lacan's (1970, 2005) mirror phase emphasizes a mimetic relationship between the consumer's self-image in the advertisement. However, these projections allow the consumer to relate to the realness of the print ads story and not to the eroticism that is depicted in other luxury brand designers.

Advertisements that used to be part of an adult, secret, mysterious world is now public, ordinary, and everywhere (Kilbourne, 2005). Luxury advertisers want to create latent meaning. One of the most effective ways to create latent meaning is by using metaphors. There have been countless ads that use sophomoric doubles entendres, such as "We keep it up longer" (for a radio), "Your ability to score has just improved" (for video game) and "Whip it out and show it to your friends" (for a skateboard) (Kilbourne, 2005). Advertisers make use of these construction to stimulate events and promote thinking about the consumers' behaviors and desires. These images have the ability to evoke an imaginary sense allowing the consumer to complete the image with their own personal projections and create scenarios where the consumer is the main character. The message from the advertiser is that they want you to see the image rather than the product (Leiss et al., 1997).

Managerial implications

Luxury advertising was once a unique domain for the male fantasies of women ranging from a goddess to a common sex slave, but due to fire from conservative groups and prompted lawsuits this form of advertising eroticism has changed. Artist Robert Mapplethorpe challenged

the prevalent sexual interpretation of females as the object of desire. Mapplethorpe eroticized the male body in art, which is now seen as an object of desire in many luxury advertisements (Oswald, 2010). In addition, consumers can now see the true essence of the brand due to Bruce Weber's contributions. He introduced the eroticized male to advertising, building on Mapplethorpe's artwork. Due to Weber's contributions, advertising erotica can be experienced by both male and female consumers.

Soft-sell advertising utilizes sexual, sensual, and erotic feelings to invoke positive attitudes towards the print ad and brand. Sexuality is natural and it is included in our life and advertisers count on this type of engagement from the consumer with their advertisements. Luxury designers count on engagements, strong affective response, and brand world of creativity, innovation, and symbolic satisfaction. They know that the customer has the ability to buy and it allows for larger sales and bigger profits (Oswald, 2010). If the end results are positive market response, increased brand sales, awareness, and loyalty with luxury designers then positive attitudes that are invoked in the target consumer will result in positive purchase intentions.

Conclusion

The transformation is when the consumer benefits from the consumption of the good or service provided to them. Many luxury designers' ads usually have distinctiveness and ambiguity, but social or cultural taboo is the most critical element in erotic advertising. Luxury designers use this approach when advertising to their target market because loyalty is about engaging the customer in the brand experience. Luxury designers such as Armani, Calvin Klein, and Gucci prefer to use this advertising when appealing to its customer base. This form is most affective for them because the advertising style allows the consumer to engage passionately with the print advertisement, a substitute for the real thing. In many of these advertisements they encourage viewers to imagine positive scenarios involving the product and the consumer. Belch et al. (1982), LaTour (1990), and Smith et al. (1995) stated that sexual stimuli in ads can increase consumer arousal, but nudity can make an ad more interesting.

In conclusion, when consumers engulf themselves in the brand by seeing their images in the advertisement, they experience transformation. Whether

it is a peep show, strip tease, or an image fantasy, "advertising erotica" is about the experience of what can be imagined and felt, but not seen.

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5

How "American" Are "All-American" Brands? A Case of Gap, Inc. as "Made in America" Brand

Eulalia Wycoff and Rajeev Sooreea

Abstract: *In the wake of globalization, American businesses are changing their models and strategies in various ways to stay competitive. However, consumers may not always recognize how brand identity can get impacted in this process. This study examines the degree of "Americanization" of Gap, Inc. which is a leading "all-American" retail clothing brand. The study uses primary research to investigate how perception differs among three categories of retail clothing industry agents: consumers, low level employees, and senior management. The results indicate that there is an evolution in market perceptions regarding all-Americanness. Consumer perception of brand is aligned with the dictionary definition while management's perception transcends the classic definition of "Made in America." As people become more educated and acquire business knowledge and managerial expertise, style takes precedence over manufacturing location in the definition of what constitutes an all-American brand.*

Introduction

Ninety-eight percent of all clothing sold in the United States is made overseas in countries such as China (Blackburn 2011). One of the major reasons this happens is because, in 1995, the United States was influenced by the World Trade Organization's Agreement on Textiles and Clothing (ATC) and ended its textile import quotas. This paved the way for overseas manufacturing by allowing American firms to seek new production locations to capitalize on other nations' resources, markets, and institutions. In addition to globalization of production, the globalization of markets has opened up international markets to US manufacturers. In particular, the internet has helped firms conduct sales in areas where they lack retailers furthering industry expansion.

However, for American clothing retailers, such as Gap, Inc., the globalization process has also created an avenue to market their brand as "all-American" and tap into American consumers' sentiment and patriotism. In order to help their country out of the recession, consumers have been urged to "Buy American!" and support their local economy, furthering the success of such nationalistic brand marketing approaches. Despite the Great Recession of 2008–2009, and challenges facing the retail clothing industry, this industry has overall been doing better than many others.

> In 2010, households spent, on average, $1,700 on apparel, footwear, and related products and services—3.5 percent of their average annual expenditures. Since 1985, as a percentage of total apparel expenditures, households spent more, on average, on apparel designed for women aged 16 and over than any other apparel product or service. ("Fashion," 2012)

In 2012, clothing and clothing accessories stores' sales had an increase of 0.6 percent (National Retail Federation, 2012). This is despite a large decline in national employment in this industry sector due to manufacturing outsourcing overseas which has led to a national debate over the ethics surrounding outsourcing. In 2003, Congress required the US Department of Commerce's Bureau of Industry and Security to conduct an in-depth study of the industry's impact on the US economy to this end and it was found that 73% of domestic manufacturers relied on at least one imported product input, with reliance arising from cost benefits to the manufacturer.

Much research has been done on how firms can make their operations cost-efficient in today's globalized business world, create unique brand identity, and translate their brands abroad. For instance, Gap, Inc. has

created operational efficiency through the outsourcing of manufacturing processes to third-party vendors overseas and expanded its market scope by expanding its brand presence overseas, but still retained its brand identity and American flare (Gap Annual Report, 2011). Some studies such as Shi et al. (2012) have attempted to ascertain the impact of consumer's culture on purchasing decision processes, for example, how the cultural value of "saving face" in Chinese society affects what brands are bought more often in China. Moradi and Zarei (2011) have investigated country-of-origin effects on consumer behavior and perception, and found that country-of-origin no longer has a significant impact on younger people's brand perception.

However, little research has delved into the perceptions of "all-American" retail clothing brands in particular, or retail clothing brands that market themselves as being truly American. The Merriam-Webster's Learning Dictionary (2013) defines the term "all-American" as: (1) having qualities that are thought to be typical of people in the U.S. or that are widely admired in the U.S. (2) consisting entirely of Americans or of American elements. This definition largely resembles the one in the Macmillan Dictionary (2013): "an all-American boy or girl has all the good qualities that many people in the U.S. consider typical of Americans, for example being attractive and healthy, and working hard or is made up only of people or things from the U.S."

The caveat remains what really constitutes an "all-American" retail clothing brand. This paper examines the degree of "Americanization" of the "all-American" retail clothing giant, Gap. Inc. In particular, this study uses primary research to investigate how perception differs among three categories of retail clothing industry agents: consumers, low level employees, and senior management. We show that consumers do not necessarily have perfect information about whether their products are "truly American" or not, and companies do not necessarily emphasize where their products are made, masking to a certain extent the notion of "all-American." We also show that there has been an evolution in market perceptions regarding all-Americanness driven much by business knowledge and managerial expertise.

Literature review

Sales in the retail clothing industry are largely affected by how well a company is able to market its products and construct its brand. A brand is

defined as a name, term, symbol, design, or combination thereof that identifies a seller's products and differentiates them from competitors' products. Therefore, an all-American brand serves to differentiate a company on the basis of its all-American characteristics that are associated with the firm's products and/or services which can be incorporated into the brand's and corporation's business strategy. Because today's consumers are considered to be well-educated, environmentally aware, globally aware, highly individualistic in style, and compose a wide variety of needs, tastes, and preferences, nobody tends to be exactly the same. This has posed new challenges for the marketing teams of large apparel firms as style and fashion are realized to be the two main elements at play when selling a product. The brand that is selling the product also needs careful attention and constant strengthening, which has led firms to recognize the need for in-depth brand strategies.

The amount of significance that each company places on its various value chain activities determines the amount of funds that are allocated to each activity. Therefore, a firm's fiscal strategy has a direct impact on how the firm is operated and the firm's profit margin. Gap's annual report (2011) lends insights into the firm's operations. Gap, Inc., which was started in San Francisco, California, in the late 1960s prides itself not only on keeping with the principles the firm was founded on, but also in doing business with integrity and with the environment in mind. Gap, Inc. produces Corporate Social Responsibility (CSR) reports, which are then attached to its yearly financial statements. Together, these guide the company's strategic direction.

Gap, Inc. has focused much of its current funds to fuel its global growth, as well as to buy additional brands within the clothing industry. The firm has grown substantially and now encompasses not only the Gap brand, but also the Banana Republic and Old Navy brands. While the Gap brand is marketed as being all-American, the firm's other brands are marketed as being global. Each of the brands has its own distribution strategy and mix. Gap products are sold around the world under sub-brands, such as GapBody and GapKids, through outlet stores, franchise stores, and through the firm's website. Banana Republic products are offered through the same distribution mix as Gap, except under the name "Banana Republic" and the stores are located only in the United States and Canada. Piperlime products are offered only online, while Athleta products are sold through retail stores, online, and through a store catalog.

Brands considered to be global are not associated with a certain nationality and tend to attract consumers from a variety of cultures and

backgrounds. Such brands include characteristics such as being able to integrate well into different economic situations and accept the various cultural values of their consumers which aim to give the brand a competitive advantage over local and global competitors. Global brands usually share some common features, such as having strength in their home market, having consistent positioning strategy, and appeal to universal values. According to Quelch (2007), global brands have the advantage of being backed by a business value chain that allows for the free flow of capital, goods, and people with the support of advanced technology to keep communication strong. Global brands are considered by consumers to represent quality and innovative products that are produced by a firm that adheres to higher, international ethical standards.

An example of a nationalistic brand would be one of the "all-American" brands in the retail clothing industry which seeks to attract consumers by encompassing characteristics attributed to the United States. According to Kilic et al. (2011), American icons that represent American brands tend to encompass cultural characteristics which are clearly seen when such icons are compared to other nationality-specific brands, such as Japanese icons. However, such brands must be careful to expand on consumer's positive perceptions of the culture they embody and not alienate consumers of different backgrounds and beliefs (Bennett et al., 2013). Creating such a brand has become especially complex with industry globalization which has led to brand country of origin and country of manufacturing to often differ. Usually brand managers assume that the country of manufacturing has an impact on brands and consumers are aware that brand nationality and culture portrayal is not always the same country of manufacturing. However, according to a study conducted by Samiee et al. (2005) consumers actually have only modest knowledge of the national origins of brands, and that American consumers' proficiency at recognizing foreign brand origins is predicted by variables such as socioeconomic status, past international travel, foreign language skills, and gender, amongst others. Brand origin recognition is based largely on consumers' association of brand names with languages that suggest country origins. One study even found that perception dissonance was created and that country of manufacturing had more of an impact on perception over country of brand creation, meaning that a car made under an American brand in China was not as attractive as a Chinese brand car made in America (Fetscherin and Toncar, 2010).

Keller (2012) describes the effect on consumers' perceptions that arises from attaching certain characteristics to a brand. In order to

create positive perceptions, a branding process must be developed as a platform from which to start a long-term, healthy relationship between consumers and corporations.

> The strategic planning for a brand starts with an understanding of an organization's business strategy…it is then the task of brand managers to translate the business strategy into a brand expression that can be translated using a marketing mix into actual products or services, with a specific price, to be sold at specific outlets, to be promoted through specific communications activities and channels, and be supported by a specific service. (Van Gelder, 2003, p. 2)

Retail clothing branding techniques help companies build and preserve relationships with their consumers.

The retail clothing industry is one in which products have short lifespans because fashion is constantly changing, forcing fashion designers to incorporate current trends with pervading clothing styles that represent the brand's image. Consumers are the main force of influence over competition within in the industry and their tastes directly impact sales. The supply chain of the industry is complex as there are many components that need to come together in order to take the right fashion design from a sketchbook fantasy to a tangible textile that accurately portrays the next big fashion trend. However, firms' strategies result in a decrease of their actual degree of "Americanization," as the term is defined in the dictionary, through exporting various components of their value chain so that products contain little to no American elements outside of style. This leads to the question of whether the "all-American" brand component will cease to add value to a firm's value chain and whether strategic operational changes will impact consumers' attitudes and perceptions of the all-American brand component.

Data and methodology

Data for this study were collected at two levels concurrently: for a heterogeneous group of consumers of Gap Inc. products, and for selected employees and management personnel at Gap, Inc.

Methodology to obtain consumer data

To assess consumer behavior with respect to what constitutes an "all-American" brand, a survey was created using Surveymonkey.com and

was distributed via Facebook and e-mail to Gap, Inc. customers. The survey was constructed to identify disconnect between how American clothing retailers operate in today's world and how consumers still perceive them to be. The survey consisted of two portions. The first portion included eight different questions which were designed to ascertain the demographics of the survey participants. The questions asked participants about their gender, age, and educational level. Each survey participant was also asked about the type of education he or she had received, whether he or she had a graduate level education. The purpose was to see whether or not a person's educational background in business (rather than in another field) would lead to a different perception. The first part also asked the participant to identify what characteristics, from a provided list, they perceived an "all-American" clothing retail firm should encompass. Participants were also given space to write in any other characteristics they thought best described an all-American retailer.

The second portion of the survey aimed to assess consumer perceptions in more depth. The portion started by asked participants to identify specific American clothing retailers that were "all-American" in their eyes. Subsequent questions were geared to discover which of the retailers, that participants had identified as "all-American," the consumers also shopped at regularly. This was asked so that when participants were asked whether or not they noticed where their clothing was made, it could be deduced that they were looking at clothing from one of the all-American retailers they had identified. From there, questions were asked to discern whether or not consumers noticed that the clothing retailers had exported their production processes and that their strategies had been globalized. Survey participants were asked to identify which countries they thought their clothing was made in and whether or not their clothing purchase decisions would differ if the apparel from an "all-American" retail store was made in China or in the United States. Survey participants were also asked to explain their logic and reasoning behind their choices.

In total, 119 surveys were completed. Of the participants, 40.3% were male and 59.7% were female. Their main demographic breakdown was the following: 68.1% of participants were between the ages of 18 and 25 years, 38.7% had received their Bachelor's degrees while the rest were still in college or had completed higher education, 25.8% of the 30 participants with a Master's or Doctorate degree had studied business,

8.1% held degrees in health, 12.9% in social science, and 6.5% in law or politics, and the remaining categorized their higher educational degrees as "other." Although the bulk of respondents were relatively young, there were 12 participants in the 26-to-35-year category, 2 in the 36-to-45 range, 10 in the 46-to-55 range, 9 in the 56-to-65 range, and 5 who were aged 66 or higher. Their combined survey results provided knowledge about how consumers define, identify, and perceive all-American retail brands.

Methodology to obtain employee and management data

To complete the triangulation of perception information, semi-structured interview questions were created to gauge the perceptions of employees and management of Gap, Inc. The interview questionnaire was pre-tested to ensure accuracy checks. The aim of the interviews was to see whether employees' or management's perceptions of the Gap, Inc. brand differed from consumers and from each other and to what extent. The questions were broken down into four categories: brand characteristics, manufacturing, brand competitiveness, and brand positioning. Each category had at least two main questions followed by additional questions. Questions pertaining to brand characteristics asked participants whether they perceived the Gap brand as being "all-American" and to explain their reasoning, as well as identify the brand's three main characteristics.

Questions in the manufacturing category asked participants where Gap, Inc.'s clothing was manufactured, and were aimed at throwing light on whether or not they thought location mattered in the brand's success and how it influenced perceptions. Brand competitiveness questions asked participants whether they believed all-American brand identities had advantage over other clothing brands in the national and international marketplace. Participants were also asked what brand/product qualities attracted consumers to Gap, Inc. Questions in the brand positioning section aimed to identify whether or not manufacturing location affect cost structure and brand positioning overseas. Participants were also asked how important it was for Gap, Inc. to stay an American brand versus a global brand. Interviews were obtained by contacting employees at Gap, Inc. through e-mail and visiting Gap, Inc. stores to see whether an employee would be willing to be interviewed. All interviews were with people located in the San Francisco Bay Area in California.

All-American brand perception: results

Consumers' overall perception

The overall results showed that consumers defined an all-American brand as one whose products are made in the United States (see Figures 1 and 2): 93.3% of all respondents believe that all-American retailers are defined as having products which are made in America, a definition which is consistent with the written dictionary definition of all-American; 68% characterized all-American as also being located in America; and 65% said all-American meant also being owned by an American. However, when results were broken down by age range, the perceptions varied slightly. Most consumers, or 35.9% of consumers, generally noticed where their clothing is manufactured and 44.7% noticed sometimes. When asked to identify which country their clothing was manufactured, surprisingly 57.6% of consumers said the United States was one of the countries where their clothing was made which means that consumers who do notice where their clothing is manufactured tend to buy more American-made clothing. Participants who admitted to not knowing where their clothing was manufactured guessed that their clothing was manufactured mainly in China or India (please see Figures 5.1 and 5.2).

In the survey, consumers were asked to identify the brands they considered to be all-American. Macy's was the brand most recognized as all-American (Figure 5.3). Nordstrom came in second. Sears and
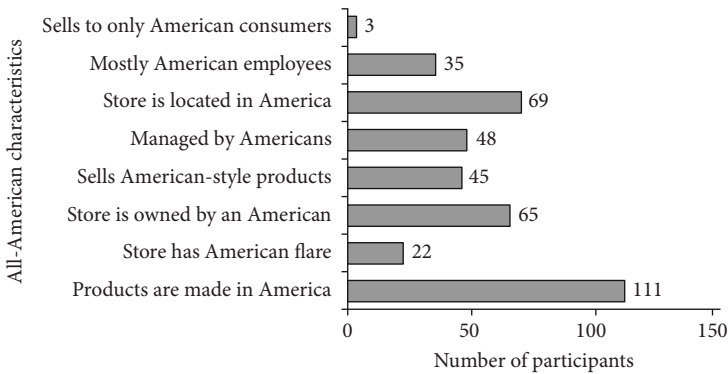
FIGURE 5.1   *Consumers' defining feature of an "all-American" brand is to have production made in America*
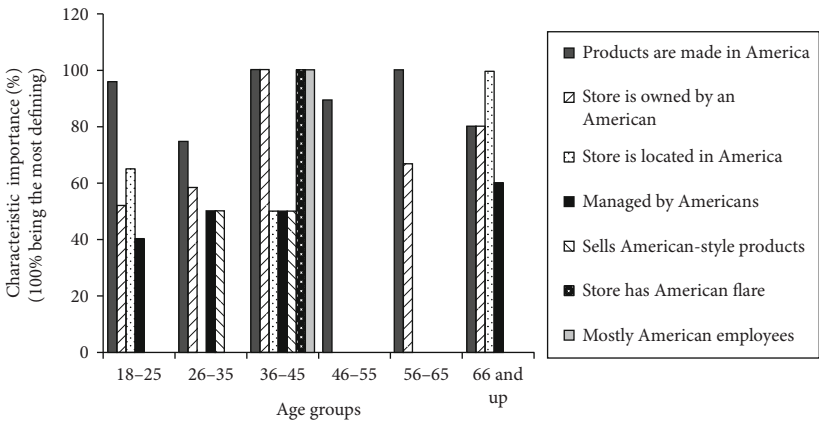
FIGURE 5.2 *Manufacturing location and store ownership are important features of all-Americanness irrespective of age*
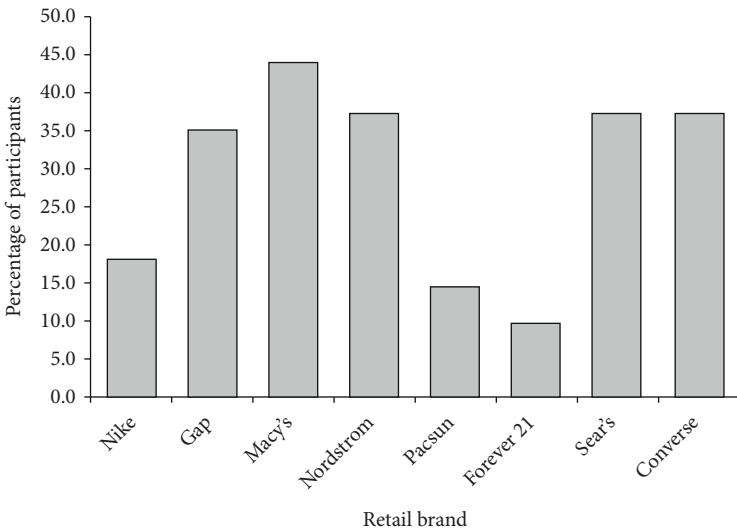
FIGURE 5.3 *Consumers' top "all-American" retail clothing brands*

Converse were recognized by 37.1% of participants as being all-American. Gap, Inc. was identified as all-American by 35.2% of all participants.

Almost every participant said they shopped at all the all-American brands they recognized (data not shown here). Half of survey participants

shopped at Macy's, 29% at Converse, 27% at Sear's, 27% at Nordstrom, 27% at Nike, and 22% at Gap. Other all-American retail clothing brands that were identified multiple times were: Abercrombie and Fitch, American Eagle, Levi's, and Hollister. Since the majority of the consumers defined an all-American retailer as one whose products are manufactured in the United States, and numerous participants claimed they noticed where their clothing was manufactured, it could be deduced from this research that the firms recognized by them as being all-American have products made in America. However, the reality is that all the firms surveyed here have clothing products manufactured outside of the United States.

Business-educated consumers' perception

A fourth of the total participants had business backgrounds, of which a little over half were female. Their responses to survey questions were much closer to reality than the other participants' responses. Hundred percent of the time, they said that all-American retailers would not sell just to American consumers, which is realistic in today's society where so much is bought online and shipped to all parts of the world regardless of whether a concrete retail store is present. Respondents who had business knowledge defined an all-American retailer as a having a variety of the characteristics they were presented with in the survey. All-American was defined not only as a retailer which sells products made in America, but also one that sells American-style products and has a store located in America (see Figure 5.4).

The defining characteristics for consumers with business knowledge in order of importance were: products are made in America, store is
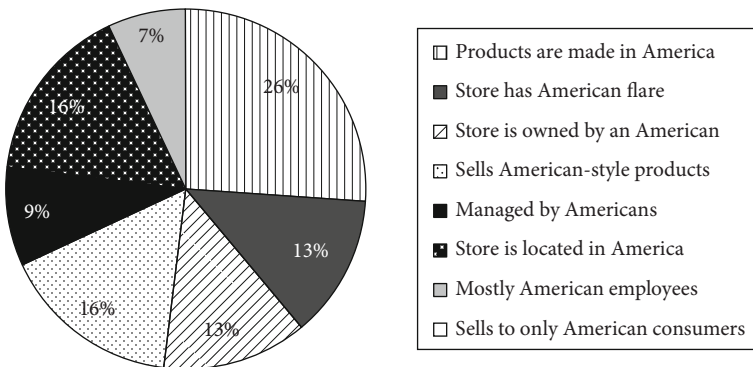
FIGURE 5.4   *"Style" emerging as an important "all-American" brand characteristic*

located in America, and store sells American-style products. This rank-
ing contrast slightly with the ranking of general consumers who ranked
as follows: products are made in America, store is located in America,
and store is owned by an American. Therefore, as business knowledge
increases, it changes consumer perception so that style takes precedence
over ownership. Business-educated consumers also perceive Gap, Inc.
more "all-American" than general consumers (Figure 5.5).

   Although not shown here in order to conserve space, the data reveal
that 100% of the business-educated participants who said they noticed
where their clothing was manufactured said that it was made in China
and 50% also said some of their clothing was made in the United States.
Although the reality would be that most clothing articles are made in
countries outside of the United States, this response could be a reflection
of the fact that they are more conscious of where their clothing is made
and therefore do have more articles that have been manufactured in
America. In contrast, although 100% of participants with business back-
grounds who said they did not notice where their clothing was made
guessed that it was made in China, 66.7% said their clothing articles were
also manufactured in the United States. Of all, 81% participants said they
would prefer an American made product over a Chinese one, given the
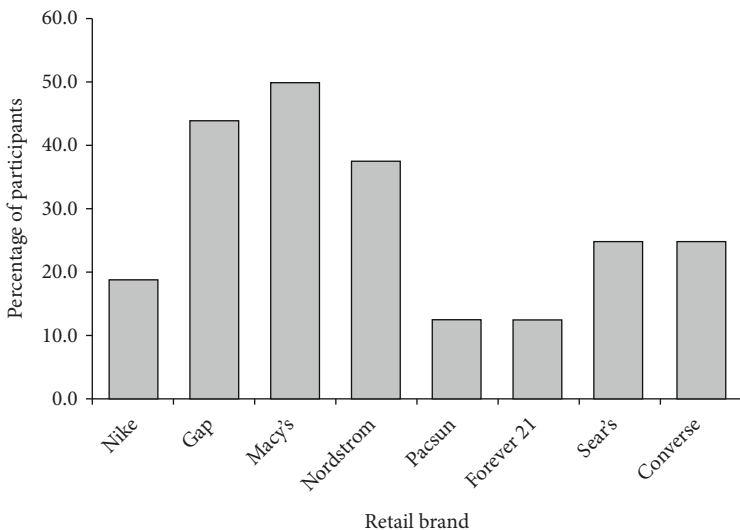
FIGURE 5.5   *Participants with business backgrounds identify Gap, Inc. more often
as all-American*

choice, because of the product's quality. However, 25% of participants who did not notice where their clothing was made listed price as the reason they would prefer the Chinese product.

International consumers' perception

Most of the respondents were American and currently located in the United States; however, a small percentage (5%) of responses was obtained from participants with other nationalities: Taiwan, Japan, Germany, and Latin America. Their survey answers provided insight into how foreigners view "all-American." All but one German respondent thought than an all-American retailer should be defined as one whose products are made in the United States and most thought that the retailer should sell American-style products and have a store with American flare. Many participants identified Nike, Converse, and Macy's as all-American retailers; however, three also identified Gap, Inc. as all-American. According to these three, an all-American store is one where the products are made in America, the store has American flare, and the products were "American" style. Of the three, two preferred clothing made in America over clothing made in China due to the quality and style of the products, and the third preferred China due to lower priced clothing.

Many German consumers said that they would or maybe would buy articles of clothing from all-American retailers if they were all made in China simply because they would have no choice or would have to. Others admitted they preferred clothing made in America mainly because of the quality of the products and the style. One female participant summed up her feelings by saying: "many products that are made in America are more expensive and even though morally I feel against products made in China (that are made in a compromised work environment) I don't always have the money to buy the more expensive American goods." Another commented that "there are not enough stores that sell products only made in the U.S. and products made in China are way cheaper."

Overall, most German consumers view "all-American" as being made in America (Figure 5.6). However, European respondents were much more concerned about the quality and style of the clothing over the price of clothing from all-American brands. Although American consumers cited their reasons to preferring American made clothing more about helping the economy and being patriotic (choosing the survey answer, "I just care where the product is made") they were also aware, just like foreign consumers, of the poor labor practices that are found abroad and
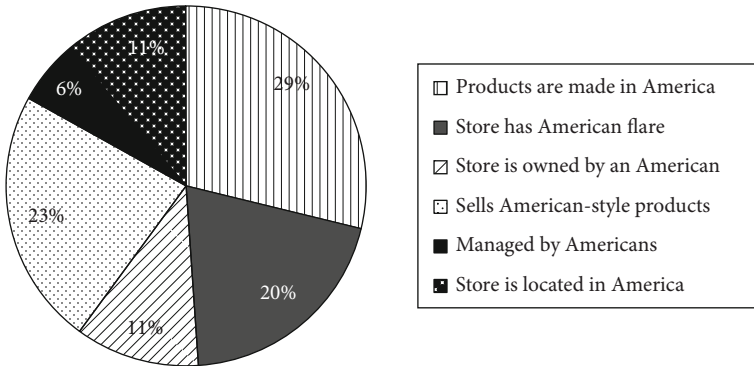
Legend:
- ☐ Products are made in America
- ■ Store has American flare
- ☑ Store is owned by an American
- ⊡ Sells American-style products
- ■ Managed by Americans
- ▪ Store is located in America

FIGURE 5.6   *Most German consumers equate "all-American" to made in America*

very adamantly against sweat shop conditions and child labor. The bulk of consumers (88.6%) would prefer an American-made product from an all-American brand over the same brand product made in China. Their main reason for preferring a product made in the United States was not price, but rather the overall quality of the product and the quality of the material. Only 38.1% listed price as a reason why they might prefer a Chinese product over an American one. When asked what they would do if an all-American retailer chose to manufacture all of its products in China, 50.5% said they would continue to buy the product, while almost 8% said they would definitely not buy product; 41.9% said it would depend on the quality of the product made in China.

When asked whether they would prefer a Chinese product or American product, 20% of Latin survey participants said they would prefer a Chinese product because of the lower cost and they did not perceive a difference in quality. When buying clothing, almost all were mostly concerned with the quality of the product's material and the price of the product. When asked which retailers they would consider to be all-American, participants' responses in this subgroup were inconclusive. One male participant even said that none of the retailers listed in the survey was all-American in his eyes. Forty percent agreed that Macy's and Nordstrom were all-American retailers and the rest of the retailers listed in the survey were recognized by 30% or less of respondents as being all-American. This response closely follows the research conclusions of Bennett et al. (2013) that concluded that consumer racism towards certain nationalities, although not inherently apparent, still

affect consumer purchasing behavior of certain brands. Their research showed that brands that were country specific tended to target consumers who identified themselves closer to that culture which inadvertently led brands to alienate certain groups of consumers.

Lower-level employees' perception

Gap, Inc. employees agreed that their company brand was all-American and came to this conclusion based on the brand's clothing styles and the fact that clothing designs are created in the United States. However, when proceeding down the corporate chain of command, it is easy to notice that lower-level employees are somewhat confused as to this definition. The firm is branded by all-American, which to upper-level employees means that it has American-style products. Lower-level employees define all-American more like consumers and, although they agree that Gap, Inc. is all-American, the definition of what that means is not as clear cut as with other level employees as they try to mesh their consumer perception with their lower-level job perception. Employees begin work at Gap, Inc. perceiving the company as all-American similarly to consumers and define "all-American" to mean that products are not only American in style, but also made in America. However, over time, they begin to understand the perception of upper management as well. Their perception was summed up by one interviewee who said the following:

> I think Gap is All-American because it started in the 1960s and has a reputation for being a brand for the common American, but the clothes are not made in America so that changes my perception of it. I also think it is All-American because of the type of clothing we sell (mostly jeans, casual wear and some work clothing for the average American). Also, Gap sells clothes for the whole family (Baby Gap, Gap Kids, and Gap) which makes it a family friendly store. There are also different price points (Gap Brand, Gap Outlet) making Gap fashion accessible to all. (personal communication, March 12, 2013)

It was found that lower level employees had a better sense of brand identity evolution. When asked whether Gap, Inc. would still gain acceptance as an "all-American" if its brand manufacturing process was switched significantly abroad, given its customer loyalty and the reputation that it has already established, respondents said that the brand would probably no longer be seen as all-American, which would be detrimental to the

brand since it still has a stronger presence in the American market than its overseas market.

Management's perception

Management perception of "all-American" emphasized that the definition was comprised of how American the clothing style and company branding efforts were. Management insisted that manufacturing location had no impact on to what extent a brand was considered to be "all-American" because by outsourcing manufacturing overseas, firms like Gap, Inc. could continue to offer American-style products to its consumers at the prices consumers wanted. In fact, Gap manufactures almost all of its clothing outside of the United States. However, to maintain the all-American consumer perception, it does commission some of its American holiday tee shirts, such as those pertaining to the 4th of July, to be manufactured in the United States—the times when people are more likely to feel patriotic and might actually look at where their clothing is made. However, when asked whether in the future the firm might start manufacturing further clothing articles in the United States, the answer was a resounding "no" simply because it would increase cost.

Management attributed the firm's success with the style and quality of its products, as well as its high level of CSR activities both at home and abroad. The styles that the firm offered gave customers an every-day look that would not go out of style or wear thin with each passing season. Management also emphasized that Gap, Inc. participated in helping communities to have a higher standard of living and vigorously ensured that the firm's ethics and morals were upheld overseas. This meant the firm conducting regular audits of its manufacturing facilities to ensure that employees are not underage and working conditions are safe. This is especially important since today's advanced technology has created a rapid flow of information across distances and any foul activity could ruin a brand overnight. They consider this to be part of the American ethics and brand.

Conclusion

The concept of what constitutes an all-American brand has evolved in today's globalized world. The classic dictionary definition of all-Americanness that focuses primarily on attributes related to the American production location or American origin is changing. Retailers from

America, who cater to their home market, as well as a sizable market abroad, are emphasizing their brand based on its American characteristics, while consumers are blindly accepting their marketing tactics and letting the tactics influence their perceptions. Although this study looked at Gap, Inc. only, the analysis of this study reveals that consumers in the United States perceive an all-American retail clothing brand as one that is essentially made in the United States. They also perceive a variety of well-known other brands as all-American when, in fact, barely any one of them has their products made in the United States. Consumers abroad also falsely perceive all-American retailers as those with products made in America and believe that brands being marketed as "American" meant that the products were produced in America. However, the study also reveals that such false notions dissipate as consumers become more educated and acquire business knowledge and managerial expertise, in which case style takes precedence over manufacturing location in the definition of what constitutes an all-American brand (see Figure 5.7). And this is how management perceives an all-American brand. So,
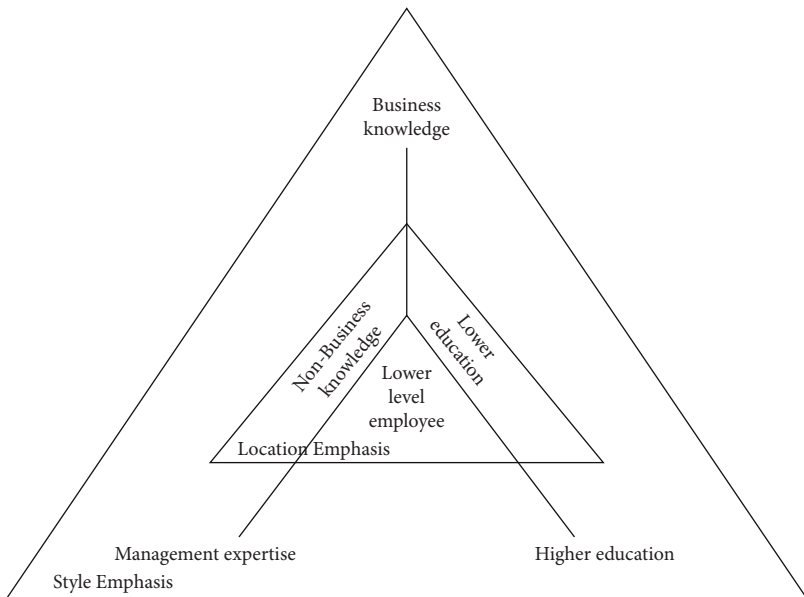
FIGURE 5.7   *As people gain business knowledge, higher education, and management expertise,* style *becomes more important than* location *in the definition of all-American brands*

clearly, consumer perception of brand is aligned with the class dictionary definition while management's perception transcends the classic definition of "Made in America."

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6

US Securities and Exchange Commission Charges Thornburg Mortgage, Inc. for Fraudulent Accounting

Ariel Shead and Marjorie Maguire-Krupp

▶

Abstract: *Thornburg Mortgage Company (TMC) was a rising star among mortgage companies in the United States, second only to Countrywide Mortgage. It virtually came out of nowhere in the 1990s to become a publicly traded company whose stock was traded on the NASDAQ. That's the "good." The "bad" is what happens next. As the housing market and related mortgage business boomed, it became too good to be true. As the financial stability of Thornburg Mortgage became increasingly volatile, the executive management team became scared. What transpired next was unthinkable. This chapter explores the impact on company's accounting practices, financial statements, management representations to the public, the corporate image, and the related outcomes when there is a radical decline in the "tone at the top." The research further analyzes the impact of greed, fear, and fraud in the post-Sarbanes–Oxley business environment.*

Survey of corporate fraud

The situation in which one finds that they do not have enough money to pay the debts they owe is a very uncomfortable yet common situation. Many times people and companies borrow money to finance either their lifestyle or the operations of that company. Credit is one of the methods used for financing the operations for a company. It is usually used as a means to rate a company's credit and, if they can, pay back the obligation they owe. With that stated, all credit is not bad. However, when a company, even a person, cannot pay back the debt they've borrowed over time, then there is an issue. An example of this very issue was Thornburg Mortgage Company (TMC). Thornburg's Chief Executive Officer (CEO) Larry Goldstone, Chief Financial Officer (CFO) Clarence Simmons, III, and Chief Administrative Officer (CAO) Jane Starrett attempted to deceive the public, and even their auditor, of the "liquidity crisis" they were facing.

Overview of Thornburg Mortgage Company

TMC was in the "lending business that focused on "jumbo" and "super-jumbo" adjustable rate mortgages (ARMs)" (Commission, 2012). Thornburg had a great reputation to maintain as it was the second largest mortgage company (second only to Countrywide Mortgage and its stock was on the National Association of Securities Dealers Automated Quotations (NASDAQ), which is "a major world stock market" (NASDAQ, 2013). Throughout the decade prior to their fraud, Thornburg had received esteemed awards, which raised their reputation and subsequently caused some executive management decisions that would eventually cause the downfall of the company.

As stated earlier, businesses utilize debt to keep the operations of their company progressing. The same went for Thornburg, which "needed constant access to financing, which included money borrowed from various lenders" (Commission, 2012). Among these lenders were "Credit Suisse First Boston, Greenwich Capital Markets, Inc., and Citigroup Global Markets Limited," to name a few (SEC, 2012). With the borrowings that Thornburg undertook, they had an obligation to keep their liquidity at a certain level. If they breached that obligation at any time, the lenders were able to declare a "margin call" (SEC, 2012). If there is a violation of

the margin call, the lender then had the right to declare the company in default. The issue came partly from the liquidity crisis; however, the big issue came from the aforementioned executives "fraudulently overstating the company's income by over $400 million ahead of its bankruptcy" (O'Toole, 2012).

Analysis of funds

According to Google Finance (2008), the years 2006 and 2007 were years of great revenue for Thornburg Mortgage, with total revenue in the 2 billion range. This was a period of a housing boom in the United States when mortgages were readily extended to potential homeowners to further stimulate home ownership and the economy in general. Consequently, between quarter four of 2007 and quarter one of 2008, the trend of Thornburg Mortgage's growing debt was shown on the balance sheet and in the statement of cash flows. Moreover, by the beginning of 2008 the debt-to-assets percentage was 100% (Google Finance, 2008). By 2008, total equity was in the negative and debt was the only means of financing. According to the Income Statement, TMC's net loss jumped from –$605.89 million in the fourth quarter of 2007, when Thornburg's three infamous executives plotted to keep their liquidity issue quiet, to a loss of –$3,306.43 million in the first quarter of 2008, when the executives' plan backfired.

The financial statements between quarter four of 2007 and quarter one of 2008 shows the plot of the executives to pay the margin calls, as shown in Figure 6.1. Thornburg owed immediately before the statements for 2007 were due, in order to show Thornburg had "successfully" paid back their debt, and overstating the net income. Afterwards they were going to have a huge intake of cash to up their liquidity to get out of default and be rid of the current margin calls. On the contrary, "more margin calls began to come in within hours of filing 2008 10-K statements and their stock prices dropped within that period as well" (Commission, 2012).

This series of events led to Thornburg to file a Form 8-K with the US Securities and Exchange Commission (SEC) in order to show their inability to pay back their obligations, and the numbers they displayed on the new financial statements did not seem reasonable to their external auditors, who in turn flagged the SEC, who brought up charges, in 2012,

Loaner Needs a Loan

Thornburg Mortgage crashes 85% in less than a week.

WWW.AGORAFINANCIAL.COM

FIGURE 6.1   *Thornburg Mortgage Company performance chart*

of Goldstone, Simmons, and Starrett for "violations of antifraud, deceit of auditors, reporting, record keeping, and internal controls provisions of the federal securities laws" (Commission, 2012). Later they even restated their financials for 2007.

Due to the "heavy losses associated with the subprime mortgage crisis, Thornburg filed for bankruptcy in May 2009," making it the "seventh largest bankruptcy in U.S. history" (O'Toole, 2012). The reputation of Thornburg had been diminished due to its inability to repay outstanding debts, and going bankrupt because of its inability. Of course Goldstone, Simmons, and Starett lost their positions in the company. According to the litigation, the SEC requested the court to

> Permanently restrain and enjoin each of the defendants from violating any of the rules in their (SEC) complaint: [they are] permanently prohibited from acting as an officer or director of a public company, each of the defendants [must] disgorge any and all ill-gotten gains, together with pre-judgment interest, derived from the improper conduct set forth in this complaint, [and] each defendant has to pay civil money penalties in an amount to be determined by the court, plus post-judgment interest. (SEC, 2012)

Conclusion

In this whole experience, one learns the importance of having ethical executive management, effective auditors, and keeping an open line of communication with the auditor or auditors. Had the aforementioned executives done so, much of this could have been avoided. There still would have been the issue of the breaches of contract between multiple lenders, however the financials would not have needed to be restated based on fraud, and the SEC would not have been able to press charges of fraudulent maneuvers against the CEO, CFO, and CAO. Also one can recognize and understand the role of the SEC. Besides forming policies, they enforce them. Should there be a decision to no longer abide by the rules set, the SEC then ensures that whoever breaks the law pays the consequences at an extremely high price.

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7

Drops in the Glass: The Influence of Alcohol Advertising on Young Adults

Melody Burks, Ulysses J. Brown, III, Jun Wu, and Anshu Saxena Arora

▶

Abstract: *Socializing on college campuses is one of the most favorite pastimes of many young adults. Along with all this socializing come parties and social events that include the consumption of alcoholic beverages. Underage drinking has also become a major problem among many of America's universities and colleges. Advertising methods such as happy hours and free giveaways, along with identifiable social symbols and icons not only persuade today's youth to drink by making it a cool thing to do, but can also have an affect how much they consume. The chapter explores the following questions: Does the amount of television viewing affect young adults' drinking habits and amount? How do attitudes toward and perceived of advertising influence the amount of alcohol consumed? What socially responsible roles can alcohol advertising play to sensitize today's youth against the harmful effects of drinking?*

Introduction

Alcohol use among college students is one of the leading drug problems on college campuses. At least 1,400 college students die each year due to causes related to alcohol (Begin and Liu, 2006). This may be due to the increased behavior of binge drinking among college students. Young adults of the new generations are bombarded more and more with alcohol advertisements. Since more and more of the baby boomers are getting older, the alcohol industry has a greater need to recruit drinkers at a younger age. The use of favorable icons such as sports figures and entertainers has become the main focus of numerous advertisements since these are very appealing to young adults. There has been sufficient evidence that the degree of alcohol advertising exposure to young adults is strongly and directly associated with intentions to drink, age drinking begins, drinking habits, and the amount consumed (Begin and Liu, 2006).

According to the Center on Alcohol Marketing and Youth Report of 2003, even with the increases in federal support for drug education in the public educational system and increasing public recognition of the seriousness of alcohol problems among youth, alcohol advertising continues to present drinking as glamorous and a consequence-free normal way of life. The alcohol industry continues to maintain that its advertising aims only to increase market share and not to encourage underage persons to drink. The Beer Institute and the Distilled Spirits Council of the United States both have industry advertising guidelines, which companies within the alcohol industry are supposed to operate within, but these guidelines are full of loopholes.

The Beer Institute's guidelines state that the advertising done by a beer company cannot "suggest that any alcohol laws can be broken" and that "brewers should act as good corporate citizens" (2006). There are specific prohibitions such as using Santa Claus as a "spokesperson" and from using beer logos on games, toys, and clothing meant for those under the legal drinking age. The enforcement of these guidelines are however, left up to the individual companies. The Distilled Spirits Council does not allow advertising on college campuses or in college newspapers, but companies who are in licensed retail establishments located on a campus are exempt (2011). It is a balancing act for all companies to gain a larger market share and trying to be socially responsible. Companies always have a "drink responsibly" tag at the end of their advertisements to meet the minimum public expectation for being responsible, but the question

becomes, "Is this enough to warn young adults of the dangers of underage drinking and the addiction that can follow from abuse?"

Literature review

More than 80% of college students drink alcoholic beverages (O'Hare, 2003). There has always been a debate on college student's alcohol use and the environmental factors that affect them. Over a 14-year period four national surveys were conducted aimed at trying to understand the influences of college aged drinking. The first College Alcohol Study (CAS) conducted in 1993 found that 44% of students who drank did so at a binge drinking level. Binge drinking is defined by the CAS as drinking five or more alcoholic beverages at one sitting (Wechsler and Nelson, 2008). A review of numerous other studies nationwide has found a binge drinking rate of 40% to be consistent even when taking into account various sampling and analysis methods (O'Malley and Johnson, 2002). This choice by many college students to drink at high levels of intoxication and the influences of this choice has led to the current research.

There have been many studies that suggest that consumer's attitudes towards products are influenced by their attitude towards advertising. It has been found that college students hold a positive attitude toward alcohol advertising (Wyllie et al., 1998). One study has found that young adults who have greater exposure to alcohol advertising are more likely to use alcohol products in the future (Garfield et al., 2003). Young adults are more likely to model the behaviors they see in alcohol advertisements because they see them as fun and exciting. Ads with which they can relate to are more likely to be remembered and may have a direct effect on their purchase, consumption, and attitudes toward alcohol advertising. A young adult's perception of the influence advertising has on them and their attitude towards bans on alcohol advertising may be affected by their positive attitude toward advertising.

Social consequences of alcohol use can have far reaching effects on many. According to Saffer (2002), advertising is a source of information for young adults about the cost and benefits of alcohol use. Images portrayed in alcohol advertising create the experience that for a nominal cost, the viewer can have the fantasy that is portrayed. Positive social consequences may be influenced by the positive attitudes young adults have on alcohol use. Greater self-confidence, feeling more outgoing and relaxed around others, and having an easier time expressing oneself are

all positive social consequences explored in this study. Saffer hypothesizes that positive expectancies about alcohol among college campuses will change actual or intended drinking behavior (2002).

The alcohol industry denies that their advertising has an effect on underage drinking, despite their continued use of glamour, attractiveness, fun, and excitement which appeals the most to young adults. Smith and Goldman stated in their study that underage drinkers have a belief that drinking will improve their social lives (1995). Frequent advertisements that show exhilarating behaviors that could become dangerous once alcohol is introduced, such as boating and skiing, are repeatedly viewed by young adults. Previous research has shown that ads by the alcohol industry contribute to positive expectations from drinking and those expectations lead to the use of drinking (Zwarun et al., 2006).

Advertising comes in all media forms, with television advertising being the most used. A 1998 study hypothesized that increased hours of television would lead to the increase use of drinking. It found that with each increase of one hour per day of viewing television that there was an associated 9% increased risk of intentions to drink over the next 18 months (Robinson et al., 1998). It also found that television viewing influenced the onset of drinking, but not the continued use of alcohol. Since the study has found that greater television exposure is a factor for the onset of alcohol use, implications support public policy of looking at ways to restrict or even ban the type of advertising the alcohol industry uses.

There has been growing concern among policy makers, advocates, and American people about the methods and amount of advertising that are directly and indirectly targeted towards young adults. One study shows that more than 60% of adults support banning alcohol advertisements in the media (Wagenaar et al., 2000). With billions of dollars spent on alcohol advertising every year, more people are demanding harsher guidelines and even federal regulation over the alcohol advertising industry. Currently the Federal Trade Commission (1999) supports self-regulation among the alcohol industry stating that self-regulation is a more effective way of addressing concerns that advertising not be directed to an underage audience. The overall consensus in the alcohol industry is that advertising not be directed to the underage population and that more than 50% of the audience targeted in advertising must be of legal drinking age.

In the 2006 study by Begin and Liu concluded that student's attitude towards bans on alcohol advertisements are favorable only after they have

considered the effects the ads will have on themselves and on others. They suggest that to reduce alcohol abuse among college students counter alcohol advertisements such as public service announcements and corporate sponsored ads must not only decrease the positivity associated with the ad, but also must increase the negative effect to the other person. The debate about corporate responsibility among the alcohol industry continues to be an ongoing battle. In 2001, the alcohol industry spent more than $811 million on television advertising alone (Center on Alcohol Marketing and Youth, 2003). This amount of expense purchased about 209,000 commercials which promoted alcoholic beverages. In very small comparison, the alcohol industry produced only 2,300 drink responsible ads which amounted to a mere $23.2 million. Only 2.9% of the advertising money spent was on the corporate responsibility of these companies to discourage underage and responsible drinking (Center on Alcohol Marketing and Youth, 2003). Where is the self-regulation in this?

Conceptual framework

The Message Interpretation Process Model (MIP), shown in Figure 7.1, says people gradually internalize messages using various combinations of both rational and emotional theories. The theories used include the decision-making theory, the social cognitive theory, and the theory of persuasion (Austin et al., 2006).

The decision-making theory stems from using one's rationale to make the best choices. It is not based on emotions but on what is the best outcome. This theory is widely used in the economics and business fields of study. It focuses on a set of actions that need to be taken, a set of alternatives or conditions that may result, and the known payoff or risk that will result (Brown, 2011).

The social cognitive theory according to Bandura says that people will imitate the behaviors they see as long as they value the outcomes (Pajares, 2002). Individuals will react and behave in accordance to what their personal beliefs, previous behaviors, and environmental influences are. Advertisements are a great example of why marketers use them. On a basic level people learn by doing what they see others do. The social cognitive theory takes into account one's morals and values along with the influences of their surrounding environment which in the end helps one to develop an opinion or behave in a certain way.

The persuasion theory developed by McGuire says that attitude and behaviors will change based on how persuasive the communication is (Jost and Banaji, 2008). Advertisers love this since it means that the more persuasive their advertisements, the more they will be able to sell. All these theories collectively say that messages are interconnected and help individuals process information that gradually leads to a behavioral decision. If the depiction in the advertisement is relevant to the viewer, then that individual is more likely to imitate what they see (Austin et al., 2000). This is one reason why the alcohol industry is so successful in advertising their products; they use images and scenes, which the young adults can easily relate to.

Austin et al. (2006) developed their hypothesized model (Figure 7.2) based on the MIP model. They wanted to further explore the emotional aspect of decision making.

In their study they examined how positive forms of alcohol advertising influenced the decision making of young adults through their desire to be like those in the ads, being able to identify with the ads, and also how being skeptical of the motives of companies influenced the persuasive value of the ads. Austin et al. concluded that how individuals interpreted the messages of the ads are just as important as the manner in which the individual is exposed to ads. Both have an influence on young adult
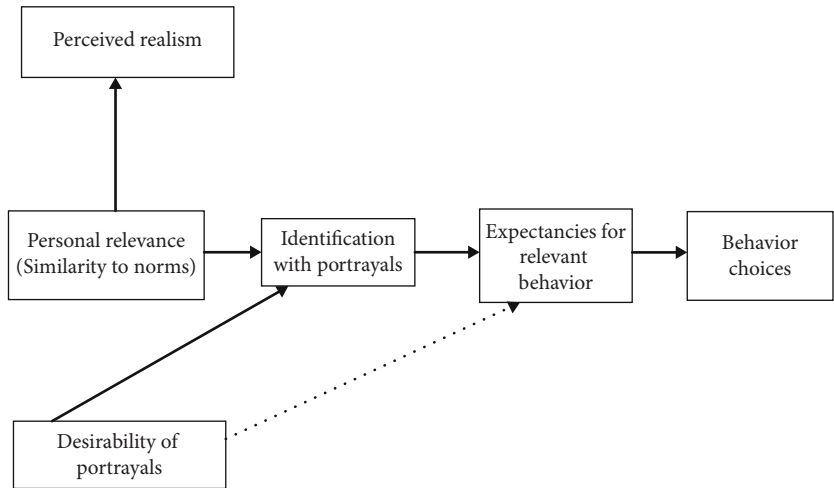
FIGURE 7.1   *Message Interpretation Process (MIP) model*

Note: Decisions are partially logical and partially emotional (Austin & Knaus, 2005).
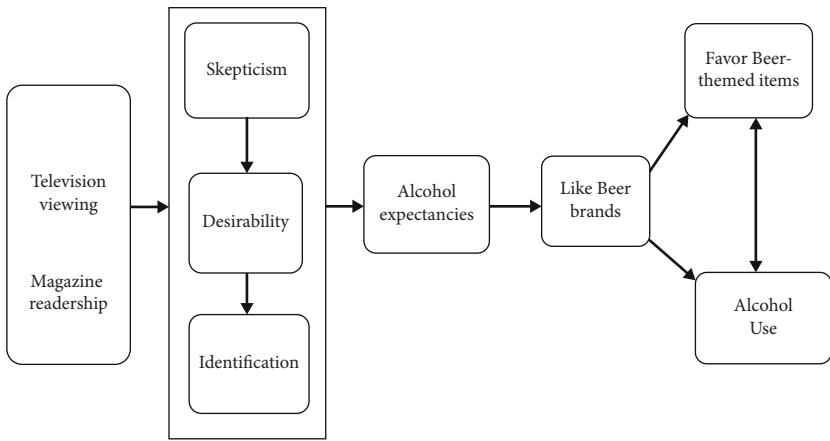
FIGURE 7.2   *Hypothesized model*

alcohol use. They also found that the portrayals of alcohol use predicted one's desire to be like those in the ads which in turn predicted the liking of alcohol brands and positive expectancies. Their study found no significant correlation between skepticism and one's alcohol use.

Alcohol use among college students and the related problems that stem for this behavior are topics widely researched. Reasons for alcohol consumption are multifaceted and each can have a direct effect on the amount of alcohol consumed. In this chapter, we have develop the Advertising Influence Model (Figure 7.3), which looks at some of these multifaceted reasons as it relates to advertising.

In Figure 7.3, it is hypothesized that amount of television viewed, perceived influence of advertising, and overall attitudes toward advertising will have a strong effect on the amount of alcohol young adults consume. Whether young adults support restrictions and bans on alcohol advertising and how they view the positive and negative social consequences may also have positive correlations with how much young adults consume.Also we explore corporate social responsibility and the role alcohol advertising plays in sensitizing today's youth against the harmful effects of drinking.

Methodology

The survey packet was administered via a paper format to various students at a HBCU (Historically Black College and University) in the southern
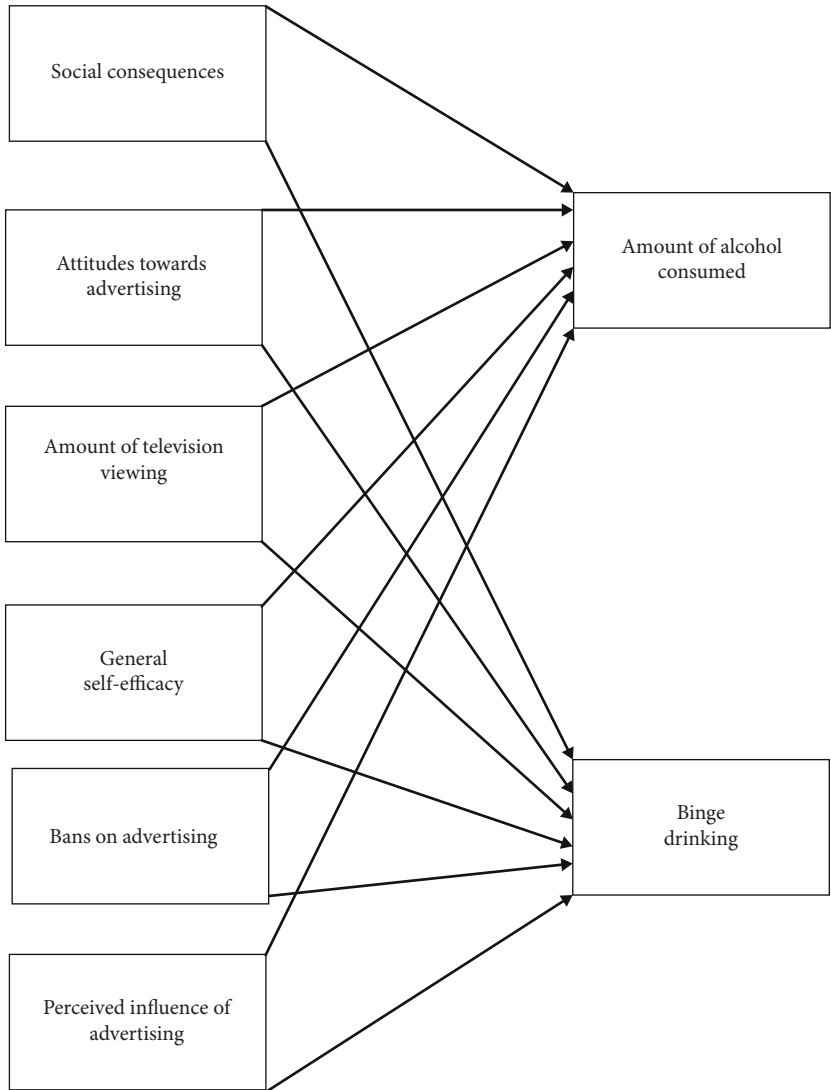
FIGURE 7.3   *The influence of advertising on alcohol use among college students*

part of the United States. Participation was voluntary and students were chosen at random from a variety of backgrounds and majors.

The survey assessed the following items: social consequences, binge drinking, attitudes towards alcohol advertising, perceived influence of those advertisements, bans on alcohol advertising, drinking intentions,

and general self-efficacy. The survey took approximately 15 minutes to complete.

Participants

Of the 207 questionnaires distributed, 207 participants responded. Table 7.1 describes the varying demographics of the participants.

TABLE 7.1   *Demographical characteristics*

Sample Population (n=207)	% of Sample
Gender	
Male	45.4
Female	53.6
Ethnicity	
African-Americans	81.2
Caucasian	13.5
Hispanic	2.4
Other	2.4
Age	
17–23	66.7
24–29	19.3
30–41	9.1
42–53	3.9
Class Rank	
Freshman	12.6
Sophomore	41.5
Junior	28.5
Senior	14.0
Graduate	1.9
Enrollment Status	
Full Time	87.9
Part Time	11.6
Employment status	
Working full-time	17.5
Working part time	44.0
Not working	38.2
Average hours worked per week	
0 hours worked	37.2
1–10 hours	11.2
11–20 hours	22.8
21–31 hours	10.7
32–40 hours	11.7
41+ hours	3.9

Continued

TABLE 7.1   *Continued*

Sample Population (n=207)	% of Sample
Grade Point Average	
2.00–2.49	4.3
2.50–2.99	32.0
3.00–3.49	38.8
3.50–4.00	15.4
Major	
Business	26.1
Other	71.0
Demographical characteristics	
Hours of television watched per day	
No television watched	5.8
1–2	26.5
3–4	31
5–6	15
7–8	5.8
9–10	7.7
11+	4.3
Drinking category	
Drinkers	74.4
Non-drinkers	25.1
Average number of drinks consumed	
No of drinks consumed	23.2
1	12.1
2	21.3
3	16.9
4	11.1
5+	14.4

Measure

Eight constructs were used in this study to develop and test the model hypothesized in Figure 7.1. A Likert-type response scale was used in six of the surveys. Two constructs used a write-in response on the BIF (Background Informational Form).

Binge Drinking.   This scale contained ten items to be assessed on a strongly disagree to strongly agree scale. The Cronbach alpha for the scale was .82 above the recommended minimum threshold level (Nunnally, 1978).

Attitudes Toward Advertising.   This was developed by Begin and Liu in their 2006 study and contains five scale items. One item had to be reverse coded so that high scores on all items indicated a strong positive attitude towards alcohol advertising. The Cronbach alpha was .73.

Perceived Influence of Advertising.   This six-item scale was developed by Begin and Liu (2006). It asked participants whether alcohol advertising had an influence on their purchase, consumption, or attitude toward alcoholic products. The survey also asked whether participants thought advertising had an influence on other students. The Cronbach alpha was .88.

Bans on Advertising.   A five-item scale which measured whether or not participants supported restrictions on alcohol advertising. Also developed by Begin and Liu in their 2006 study had a Cronbach alpha of .89.

Social Consequences.   This 15-item scale, developed by Austin et al. (2006), was assessed on a very unlikely to very likely measurement. It contained a positive consequence scale in which participants had to rate how likely it would be for them after having consumed three or four drinks would experience a positive behavior such as feeling happy, more confident, more relaxed. On the negative consequence items, participants were asked to rate how likely it would be for them after having consumed three or four drinks would experience a negative behavior such as getting a hangover, getting in trouble with the police, or doing something they might regret later. The Cronbach alphas were .95 and .90 respectively.

General Self-Efficacy.   An eight-item scale that measures one's self-efficacy. It was developed by Chen et al. (2001) and had a Cronbach alpha of .94.

Hours of TV Viewing.   On the BIF, students were asked to write in how many hours of television they watch per day.

Number of Drinks Consumed.   On the BIF, students were asked to write how many drinks they consumed in one sitting on average.

Data analysis and results

The Influence of Advertising on Alcohol Use Among College Students model, presented in Figure 7.1, was tested using Structural Equation Modeling (SEM). The model evaluates the hypotheses using LISREL 8.80 (Joreskog and Sorbom, 2006). The major strength of SEM "is that using latent variables permit estimation of relationship among theoretically interesting constructs that are free of the effects of measurement unreliability" (Mathis and Brown, 2008, p. 64).

Results

Table 7.2 provides the means, standard deviations, and the zero-order correlations. Fit indices give whether the model is an overall fit to the

TABLE 7.2 *Means, standard deviations, zero-order correlations*

	Variable	Mean	SD	1	2	3	4	5	6	7	8
1.	Drinks	2.42	2.11	1.00							
2.	Binge	19.87	7.82	.638**	1.00						
3.	Consequences	43.14	11.60	.166*	.331**	1.00					
4.	Attitudes	13.64	4.64	.529**	.600**	0.253**	1.00				
5.	TV hours	4.29	3.42	.100	.142	-.101	0.19	1.00			
6.	Efficacy	34.86	5.55	0.70	.041	.127	-.064	-.076	1.00		
7.	Bans	14.21	5.89	-.427**	-.377**	0.40	-.489**	0.92	-.105	1.00	
8.	Perceived	15.66	5.97	.163*	.241**	.209**	.272**	.099	.005	-.110	1.00

n = 207; Reliability estimates are on the diagonals in parentheses.

* p ≤ .05 ** p ≤ .01

Drinks =	Drinks Consumed
Binge =	Binge Drinking
Consequences =	Social Consequences
Attitudes =	Attitudes Toward Advertising
TV Hours =	Amount of Television Viewing
Efficacy =	General Self Efficacy
Bans =	Bans on Advertising
Perceived =	Perceived Influence of Advertising

Note: * Significant at the 0.05 level; ** Significant at the 0.01 level.

data. Indices with values greater than 0.90 means the model is a good fit to the data (Hair et al., 1998). Absolute fit measures, chi-square, and the goodness-of-fit (GFI) index all tell how well the covariance matrix determined by the hypothesized model reproduced the observed covariance matrix (James and Brett, 1984).

According to Table 7.3, the baseline model has acceptable fit indices. The chi-square is low at .023 and the degrees of freedom is equal to 1 which is representative of an over identified model. The over identified model is the preferred model when using SEM.

The p-value is non-significant and the RMSEA is less than .10, which is indicative of an acceptable model (Steiger and Lind, 1980). The

TABLE 7.3   *Fit indices for the baseline measurement model*

Model	$X^{2(df)}$	p-value	RMSEA	GFI	NFI	CFI	IFI
Baseline	.023 (1)	0.089	0.000	1.00	1.00	1.00	1.00

Statistics are based on a sample of 207 participants.
Degrees of freedom are in parentheses after the Chi-square value

RMSEA	= Root Mean Square Error Of Approximation
GFI	= Goodness-Of-Fit-Index
NFI	= Normed Fit Index
CFI	= Comparative Fit Index
IFI	= Incremental Fit Index
df	= Degrees Of Freedom

TABLE 7.4   *Unstandardized path coefficients for the structural model*[1]

Parameter	Path Coefficient	T-Value	R^2
Drinks consumed[2]			35%
Consequences	0.02	1.75	
Attitude	0.18	5.78	
TV Hours	0.08	2.24	
Efficacy	0.03	1.76	
Bans	−0.09	−3.80	
Perceived	0.01	0.43	
Binge drinking[2]			22%
Consequences	0.05	1.12	
Attitude	.59	3.76	
TV Hours	.28	1.58	
Efficacy	-.16	-1.74	
Bans	-0.05	-0.44	
Perceived	.04	.43	

Notes: [1] Statistics are based on a sample of 207 participants.
[2] These are the dependent variables in the models; the independent variables are listed underneath.

goodness-of-fit, normed, comparative, and incremental fit indices all are above the recommended threshold level of 0.90. As shown in Table 7.4, attitudes towards advertising and TV hours significantly and positively affect drinks consumed. For binge drinking, only attitudes towards advertising had a positive effect on it. Bans on advertising had a negative effect on drinks consumed.

Discussions and conclusion

The current study sought to find out whether the amount of television viewed, perceived influence of advertising, and one's overall attitudes toward advertising had a positive effect on the amount of alcohol consumed. The results demonstrate that the numbers of drinks consumed were positively influenced by one's attitude toward advertising and the number of hours one viewed television. Drink consumption was inversely influenced by one's opinion on alcohol restrictions and bans; those who supported more restrictions were less likely to drink as much than those who were against restricting advertising. Young adults' views on what positive and negative consequences they would encounter after drinking and their opinion of whether they feel to be influenced by advertising were not significant indicators of how much a young adult would consume at a sitting.

From this study, an implication for the alcohol industry would be that since the amount of television viewed is a direct indicator of how much a young adult will consume, companies should take more time to be socially responsible and watch what they put on television. Fewer alcohol advertising should be done during peak times that young adults are found to watch television. More company-sponsored advertising that reminds young adults of the consequences of not drinking responsible and the issues that can evolve should be increased. Implications for colleges would include more anti-drinking campaigns on campus, more sanctions for those who are caught drinking that are underage, and also more university-sponsored educational classes should be implemented to help young adults cope with alcohol abuse. Instituting a hotline for students struggling with alcohol abuse would be a good idea to implement behavioral controls with alcohol drinking. This could be sponsored by a company in the alcohol industry showing support and corporate social responsibility to control alcohol abuse in American youth.

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