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FROM THE EDITORS

In this issue of *Quarterly Review of Business Disciplines,* Larry Zeff and Mary Higby, University of Detroit Mercy, write about East meets West and how Chinese business leaders adapt to and adopt a western culture of success – imitating best practices, gaining experience, and becoming innovation leaders of the world. Our next paper, College Students as Consumers…, written by Donna E. and George K. Danns, University of North Georgia, delves into the personal financial education needs of a diverse population of students. It recognizes the serious deficits in students' financial knowledge and a lack of personal financial education in today's college curricula.

Carol Gaumer and Kathie Shaffer, Frostburg State University, explore entrepreneurial ventures – their strengths – creating, organizing, managing – and their inherent challenges – pricing strategies and price incentives. Teddi Joyce and Charles Lubbers, University of South Dakota, and Brandon Nutting, University of Nebraska, discuss the differences in advertising between for-profit and non-profit universities and the messages being delivered. In our final paper, Rahul Kale and Paul Fadil, University of North Florida and Deepak Iyengar, Central Washington University, illustrate the effect of product substitution on customer service.

Margaret A. Goralski, *Quinnipiac University,* Editor-in Chief
Kaye McKinzie, *University of Central Arkansas*, Associate Editor

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EAST MEETS WEST: HOW CHINESE BUSINESS LEADERS ADAPT TO AND ADOPT WESTERN CULTURE OF SUCCESS

Lawrence E. Zeff, University of Detroit Mercy

Mary A. Higby, University of Detroit Mercy

ABSTRACT

China's rapid economic development over the past four decades is often explained by the clashing of its culture with those of the United States and Western Europe. A recent conference brought twenty Chinese business leaders from private companies to the United States. Their descriptions of China's culture differ dramatically from Hofstede, Hofstede, and Minkov's (2010) depiction and also strongly disagree with the notion that clashing cultures underscores China's rapid development. We present these descriptions and discuss how they differ with Hofstede's paradigm. Our findings indicate that there is a clash of cultures that occurs externally, while there are three additional sources of clashes that occur internally within China. Combined, they result in differences between today's Chinese cultural characteristics and Hofstede's measurements along three national culture dimensions: *Individualism vs. Collectivism, Power Distance* and *Long Term vs. Short Term Orientation*. These business executives have developed a two-step process to reach their goal of becoming the global leaders in innovation: locate companies with today's best practices, wherever they are, and import them into China's economy; gain experience with these best practices and become the innovation leader of the world. They are in the process of doing just this. Private companies in China are no longer relying on a five thousand year legacy. Instead, they are creating their own legacy of economic success, one that has brought them significantly closer to their goal of becoming the world's innovation frontrunner.

Keywords: Country culture, Culture clash, Sources of Chinese economic success, Economic legacy

INTRODUCTION

Dateline 1978: China opens up its economy to privatization. Purpose: to become the world's premiere innovation and economic leader.

Initially, culture clash occurred as Western business leaders (mainly from the United States and Western Europe) tried to establish new markets in China and had to adapt to Chinese values.

Four decades later, Chinese business has experienced dramatic growth. Executives, especially from the private companies continue their quest to reach the goal of global business leadership. They view goal attainment to be a two-step process. First, close the existing gap in economic performance and, second, with experience become the world's (industry's) leader in innovation. The initial interactions, when China first opened its markets to external investors and actors, represented a classic culture clash when West met East. American expatriates had to learn about Chinese culture before working there and being exposed to a very different set of values. And while culture sensitivity training is ongoing, Tung, Worm and Fang (2008) describe there are some common denominators (i.e., what has remained constant in China over time) and some variables (i.e., what is different) when negotiating for entry into China's markets. Common denominators include attitude toward time, importance of face, significance of hierarchy and a tendency to adopt a holistic approach. Variables include differences between: young and old; coastal regions and interior provinces; north, east, south, and west; and, large and small enterprises. We would add to this list the differences between private and state-owned companies.

Twenty top level Chinese business executives in the automobile parts industry, all from Tianjin, a highly industrialized area just southeast of Beijing, were travelling the world in search of these best practices. They came to Detroit to attend a gears exposition and wanted to have an additional learning experience. They asked for a special academic seminar and the result was the presentation of a Global Leadership Conference. A symposium was developed on country cultural characteristics of and differences between China and the United States. These executives were very aware of and sensitive to the important role played by culture and were specifically looking for the most successful cultures that support innovation. As they have been doing in all other areas of business, they were on the hunt for best practices in the cultural arena. This represents a dramatic change, however, since now we are describing how East meets West rather than the initial direction of culture clash.

CHINESE BUSINESS LEADERS VS. HOFSTEDE (CONFERENCE IMPRESSIONS)

A Global Leadership Conference was presented in Detroit in October 2015 highlighting cultural differences between the United States and China. The attendees recognized a need to improve, enhance and speed up the process of innovation within their own companies and understood the important role played by culture within both Chinese companies and, increasingly, with companies throughout the global business community with whom they did business. Participants in this seminar were leaders of private businesses existing within the context of Chinese state owned businesses and were very much aware that at present the major innovations came from outside China, mainly from Europe and the United States. Their goal was to determine "best practices" from these areas and import them into China today, while learning about these other cultures to be better prepared to hasten the innovation process tomorrow.

We asked one of the participants, born and raised in China and acting as a liaison between the presenter and the participants, to provide both advice on presentation format and, after the session, a summary and interpretation of what transpired at the seminar. She was very conversant in English and came from a very different cultural background than the presenter, who was born and raised in the United States. Our interpretations and perceptions of the comments and conclusions from the Chinese business executives reflect our different cultural backgrounds in much the same ways as Hofstede's national cultural dimensions might suggest. Out liaison suggested that the cultural framework presented by Hofstede was perhaps an excellent model to use in this seminar as she believed most of the executives were aware of, if not familiar with, it. She also indicated that the presentation should start from the conclusion and then provide support for it. As a result, all handouts and the overall format of the seminar were structured based on her recommendations. In this way, the participants would know where the speaker was going and would be sensitive to information that contributes to that conclusion. Moreover, our Chinese cohort indicated that the executives' value system was impacted not only by traditional Chinese culture and management philosophy, but also by Western (American) culture and management philosophy. These business leaders have been interacting and collaborating with United States/European business leaders for many years and these cultural collisions would provide much material to be integrated and absorbed into their present value system.

We therefore used country culture dimensions as noted in Hofstede, Hofstede, and Minkov (2010) and the differences between China and the United States (Hofstede, 2016). Additional country differences in values and culture were found in a study initially conducted at the University of Hong Kong in 1995 and then repeated in 15 other countries (Hofstede, 2004; Hofstede, Van Deusen, Mueller, Charles, & the Business Goals Network, 2002). It identified the five most important goals and the five least important goals attributed to successful business leaders (Hofstede, 2007). Comparing only the lists for China and the United States, we see:

For China	For United States
(most important) *Respecting ethical norms *Patriotism, national pride *Power *Honor, face, reputation *Responsibility to society	*(most important)* *Growth of the business *Personal wealth *This year's profits *Power *Staying within the law
(least important) *Creating something new *Game and gambling spirit *This year's profits *Personal wealth *Staying within the law	*(least important)* *Profits ten years from now *Responsibility to employees *Family interests *Continuity of the business *Creating something new

Hofstede, 2007, p. 416.

It is interesting to note that the only goal identified as one of the most important goals for business leaders in both the United States and China is "Power." Even more interesting is noting that three of the least important goals for Chinese business leaders, namely, "This year's profits," "Personal wealth," and "Staying within the law," are among the most important goals for U.S. business leaders.

Not only are the goals different between China and the United States, the basic cultural differences are quite dramatic. We use the information from the Hofstede Centre's web site to include the most up-to-date information (Hofstede, 2016). Note that the Hofstede Centre has placed an asterisk (*) by the scores for China which indicates they "are - partially or fully - not from Geert Hofstede but have been added through research projects of other researchers or have been derived from data representing similar countries in combination with our practitioner experience" (Hofstede, 2016, footnote), The most evident difference between Chinese and American societies relate to the national cultural dimension of *Individualism vs. Collectivism*. On a scale from 0 to 100, where 50 is considered average, China rates 20 (a very low degree of individualism and a very high degree of collectivism, among the most collectivist countries measured) while the United States rates 91 (an extremely high amount of individualism, the most individualistic country measured) (Hofstede, 2016).

A second dimension of national culture on which China and the U.S. differ is *Power Distance*. Large Power Distance cultures can also be called *respect* cultures (Hofstede, G., Hofstede, G. J., & Minkov, 2010). China scored 80 on this dimension and America, on the other hand, scored 40 (Hofstede, 2016). China's high level seems to be consistent with the goals of "Respecting ethical norms," "Power" and "Honor, face, reputation." America's low score is very consistent with the view of rugged individualism.

Finally, there is a huge discrepancy in the view of *Long Term vs. Short Term Orientation*. This dimension of national culture was discovered at the Chinese University of Hong Kong (Hofstede, 2007). Hofstede was concerned to what extent the results of cross-cultural research are influenced by the values not of the respondents, but of researchers, since most researchers at that time were Western and that might suggest that questions specifically relevant to Asian culture might not even be asked. A *Chinese Value Survey* form was developed with a purposeful Chinese bias. While the other dimensions were found to exist in Asian societies, a new dimension, originally called *Confucian Work Dynamism* was created. When this was applied to a large number of countries throughout the world, and people were unfamiliar with Confucius, the name of the dimension was changed to *Long Term vs. Short Term Orientation* (Hofstede, 2007). China scored 87 on this dimension (Hofstede, 2016), a very high score that suggests a long term view for business leaders. This perhaps explains why "This year's profits" was seen as one of the least important goals for business leaders. The United States' score of 26 indicates a very short term perspective (Hofstede, 2016) and explains why "This year's profits" is one of the most important goals.

After discussing the differences between the country cultures of China and the United States as described in the University of Hong Kong study cited earlier (Hofstede, 2007) and describing the results found from the Hofstede Centre (Hofstede, 2016), concentrating on the three country dimensions of *Power Distance*, *Individualism vs. Collectivism* and *Long Term vs. Short Term Orientation*, we had an open dialogue based on the perceptions of these twenty Chinese leaders. The first question raised by the conference participants was based on the belief that the major cultural difference between China and America dealt with the role of religion in the U.S. They believed that religion had to be considered in every interaction with business leaders from the U.S., while it was not a consideration with Chinese business leaders. This notion of religion, they asserted, was the major, perhaps even the sole, value that defined Western culture. Moreover, this value was also of consequence in the Middle East and other Muslim countries just like Christian values existed in the United States and other Christian countries (mainly of Europe). Many examples were provided that indicated how pervasive this concern really was, and that they had to be very sensitive to it. These leaders frequently indicated that time had to be set aside to allow for prayers to be said, five times a day for Muslims and twice a day for Christians. Of critical concern to the participants, then, was to be able to identify the basic American/Western culture that led to the legacy of successful economic results over the past century and a half which could then be transported to China as another one of the world's "best practices" for application in their own companies.

The Conference participants were very aware of and sensitive to the role of country culture and its impact on economic success. Their examples of the need for sensitivity toward religion reflect this understanding of the role that culture plays. These Chinese business executives actually viewed country culture as they did every other source of economic success, and the desire to learn from other economically successful countries regarding their cultures was very much in line with their desire to learn about other factors of success. In particular, they were travelling around the world to learn best practices that could be imported into China to help them gain the benefits of innovation leaders. Overcoming this present gap was best accomplished, they believed, by identifying these best practices wherever they originated until such time as China could become the innovator. This basic premise, gleaned from a remarkable self-awareness and willingness to learn from others, is the likely major reason for China's phenomenal economic growth and development in such a short period of time.

These corporate executives were trying to identify how to import this best corporate culture into their own businesses to enhance performance. One business leader presented his company culture as an example of how he had seen a European company deal with its employees and tried this same approach. It has been very successful as the company has maintained high profits for twenty-five consecutive years and his employees have been very productive. The European company treated its workers as members of a big family and provided many items important for families to live more comfortably. The Chinese executive provided his workers with housing and transportation to make sure they were "taken care of" as he would his own family members. He felt employees would help each other on the job as they would help their own family members. This culture permeated how work was accomplished in the company much like things would get done in the home. He was proud of the fact that every one of his employees had a house and a car to get to work every day – not as big or luxurious a house as he owned, but still they had their own house. He felt he had imported this corporate culture (treat company personnel as family members) and that it was the major cause for his company's economic success. All participants were looking for the same type of experience. And this one leader who had already implemented this corporate culture wanted to make sure this was the best he could do. That is, he wanted to see if the best practice in corporate culture had changed since this family atmosphere was created in his company. He was certainly willing to implement another culture if that one would lead to even better performance.

Another interpretation here is this CEO worked hard to create a company town with employee housing and company cars being provided to those who maintained loyalty to the company. Moreover, this action seems to fit the more traditional Chinese culture of collectivism – what many (most?) workers were raised and familiar with when they entered the work force. This suggests that while the upper level managers of private companies in China more reflected the scores along Hofstede's cultural dimensions of their U.S./Western European counterparts, the Chinese workers, even those in private companies, would score more like the traditional Chinese pattern on each of these dimensions. And these Chinese leaders had real difficulty with culture as a best practice not being easily transferable to their own companies. As Beer (2015) notes, however, a specific culture cannot be simply copied by another company or companies.

Hence, we suggested two things: religion was not the sole basis for American day-to-day business practice; and, you cannot simply transport a specific organizational culture from one company to another (see, e.g., Beer, 2015). Instead, we suggested they should be concentrating on HOW effective cultures are created and implemented, rather than WHAT effective cultures exist in American and European companies. When we presented the cultural differences described by Hofstede, Hofstede, and Minkov (2010) and the Hofstede Centre (Hofstede, 2016) as described above, the participants finally had some ammunition with which to fight our perceptions and support their own views. This group of Chinese business people was not really in agreement with and instead wanted to strongly object to the descriptions of Chinese culture and the values ascribed to successful Chinese business leaders as presented in the University of Hong Kong study (Hofstede, 2007). In fact, they were so adamant about the discrepancy between what these studies showed and what they perceived to be a more accurate description of Chinese values that we spent considerable time on just this issue.

We asked one of the participants, born and raised in China, to provide both advice on presentation format and, after the session, a summary and interpretation of what transpired at the seminar. She was very conversant in English and came from a very different cultural background than the presenter, who was born and raised in the United States. Our interpretations and perceptions of the comments and conclusions from the Chinese business executives reflect our different cultural backgrounds in much the same ways as Hofstede's national cultural dimensions might suggest. This Chinese participant suggested that the cultural framework presented by Hofstede was perhaps an excellent model to use in this seminar as she believed most of the executives were aware of, if not familiar with, it. She also indicated that the presentation should start from the conclusion and then provide support for it. As a result, all handouts and the overall format of the seminar were structured based on her recommendations. In this way, the participants would know where the speaker was going and would be sensitive to information that contributes to that conclusion. Moreover, our Chinese cohort indicated that the executives' value system was impacted not only by traditional Chinese culture and management philosophy, but also by Western (American) culture and management philosophy. These business leaders have been interacting and collaborating with United States/European business leaders for many years and these cultural collisions would provide much material to be integrated and absorbed into their present value system. So when the first participant to speak on this issue of Chinese culture responded to the results of the Hong Kong study presented in one power point slide, our Chinese associate should expect that integrated value system to be on display. And she did. Because they have experienced these cultural collisions between Chinese and Western cultures, and have learned key elements of Western culture, especially American culture, it was not surprising that the first comment indicated that "Game and gambling spirit" was not one of the least important goals for successful Chinese business leaders but instead was one of the more important ones. In addition, the goals of "This year's profits" and "Personal wealth" were now accepted by Chinese leaders as part of the framework learned from Western managerial techniques and philosophy, so much so that they are viewed as two of the most important goals. The traditional Chinese culture can be seen by the inclusion of "Power" and "Honor, face and reputation" as also being two of the most important goals for successful leaders in China. Hence, this manager suggested that perhaps a new hybrid culture was developing in China and this was the result of the two cultures clashing from business interactions. This perception is consistent with Fang's (2010) argument that the Asian concept of Yin Yang allowed the Chinese to hold two very different values at the same time. Discussion then moved to perceived differences between Hofstede's views of the national cultural dimensions and the participants' views of the applicability of the national scores reported by the Hofstede Centre (Hofstede, 2016). Any noted differences here are likely to be part of the impact of the cultural clashes from global business, including the changing goals of business leaders learned from their interactions with American and Western European business leaders.

The presenter for this session had a very different perception of the discussion. Rather than starting with the conclusion and following with some rationale for that conclusion, people in the United States typically learn by waiting to see what the ending of a presentation might suggest. Waiting might be only for a short time (the impact of technology and blogs, perhaps). These perceptions from an American cultural perspective revealed that the initial response was a more tentative introduction to the topic of disagreement with what was just presented and not the overall conclusion that our Chinese colleague indicated. Instead, while the same arguments were heard by the American author, he was more willing to wait until the discussion reached what was perceived to be a very different outcome. This became more apparent when a dramatic turn of events took place.

The participants strongly disagreed with the Centre! They suggested instead that China has completely disavowed its historical culture and value system. "When in the 1980s Deng Xiaoping allowed privatization in the Chinese villages, it amazingly . . . worked. It worked so well that its effects started the present Chinese economic boom" (Hofstede, 2007, p. 414). Since their goal is to enhance the Chinese economy (and their own companies), these participants argued that the only concern Chinese people have is whatever will lead to economic success. Their own culture, they suggested, was not as economically successful over the past 150 years as the American economy (and hence its culture). Therefore, China could abandon its history and adopt (or adapt) the Western European/American culture. They argued that China has begun to do just that. They believed that the U.S. culture has a longer recent history of success while China's culture, with respect to the global economy, is just being born. They were willing to give up 5,000 years of successful cultural history since it is not today the underlying factor for successful economic results. Note that on February 8, 2016, the Chinese New Year (the year of the Monkey) coincided with the year 4714 on the Chinese calendar – yet they have no "legacy" acknowledged by the 20 conference participants! And toward this end, they strongly indicated that Chinese culture is much more similar to the U.S. culture than Hofstede's (2016) dimensions suggest.

An incident that occurred during this conference best describes their passion for disagreeing with Hofstede's belief that the Chinese culture as presented on the Hofstede Center's website (Hofstede, 2016) based on relatively recent information (perhaps five or six years ago) is still accurate in describing today's culture. One of the participants, perhaps the most influential business leader attending the seminar, suggested that the five most important goals attributed to successful Chinese business leaders as presented by the University of Hong Kong study (Hofstede, 2007) were not really accurate. As the discussion continued, trying to identify what the five most important goals really were, he stood up from his seat, came around to the screen with the power point slide showing the comparison between Chinese and American leaders' goals, and exploded about how the goals were really the same. He then went on detailing how Hofstede's dimensions were no longer accurate as reflecting Chinese culture and that the dimensions today should indicate the same levels, especially for *Individualism vs. Collectivism* and *Power Distance*. And while most private business leaders might score closer to the U. S. on *Short Term Orientation* for most decisions they make, and certainly for day-to-day decisions, they did not rule out the notion that the State-owned businesses might score high on the *Long Term Orientation* dimension. Their discussion on and passion regarding this issue seemed to suggest this comparison of Chinese culture with that of the U.S. was almost like a red badge of courage.

Why were these Chinese business leaders so adamant about the elimination of cultural and organizational differences between China and the United States? Why were they so sure that the descriptions presented by Hofstede and his insistence that national cultures are so stable over time that information gathered less than a decade ago would certainly still be applicable is no longer a tenable argument as is relates to Chinese culture? How could they suggest that the goals identified in the Hong Kong studies (Hofstede, 2004; Hofstede, *et al.*, 2002) are no longer an accurate reflection of Chinese business leaders today? The notion of clashing cultures as described by these leaders in their interaction with their counterparts in China and in other countries necessary to enhance their companies' economic growth, and their willingness to learn and adopt new techniques from other people wherever they reside, seems to have both external and internal sources. The external source involves the culture clashes between the country culture of China with the country cultures of the United States/Western Europe, a classic country clash described by the Hofstede paradigm. Our Global Leadership Conference was intended to present and discuss this basic clash to help increase understanding of cultural differences for the Chinese attendees in their quest to improve opportunities for business growth and development. There are three sources of internal cultural clashes within China that have been identified both in the literature and by these Chinese business leaders. These clashes are consistent with the variable denominators of Tung, Worm, and Fang (2008), and include: the clashing cultures in China between younger and older generations, particularly between Millennials/Gen Xers and Baby Boomers (see, for example, Vieregge & Quick, 2011); the clashing cultures between Chinese state-owned enterprises and the privatized companies (represented by the participants in the Leadership Conference) (see, e.g., Lardy, 2014); and, the clashing cultures between geographic/economically developed areas within China itself (see, for example, Kwon, 2012).

CLASHING NATIONAL CULTURES

Fang (2010) develops an argument that critiques Hofstede's dimensions of country cultures and suggests they may no longer be reflective of cultures as they exist today. He suggests that several of Hofstede's assumptions are no longer supported. Fang (2010) suggests that Hofstede's paradigm is based on six assumptions:

> First, the complex phenomenon of culture can be tackled through simplification and stereotyping. Second, nation-state or nationality is adopted as the basic unit of analysis. Third, cultural difference is the focus. Culture and management skills are viewed as country-specific phenomena. . . . Hofstede's fourth assumption is that cultures can be analyzed in terms of four or five cultural dimensions along which each national culture is given a fixed indexing. . . . Fifth, Hofstede emphasizes that value determines and prevails over behavior, not the other way around. Sixth and finally, culture is stable over time because values are difficult to change over time. (pp. 156-157)

This last assumption is critical to the discussion regarding the legitimacy and relevance of

Hofstede's six dimensions. Hofstede states: "Cultures, especially national cultures, are extremely stable over time . . . . Differences between national cultures at the end of the last century were already recognizable in the years 1900, 1800, and 1700, if not earlier. There is no reason they should not remain recognizable until at least 2100" (2001, pp. 34, 36).

Fang (2010) has suggested that culture is like an ocean with ebbs and flows. He strongly disagrees with Hofstede's belief that country cultural values remain unchanged over decades and even centuries. Fang (2010) states that in the era of globalization and the internet a static approach to management is totally unacceptable. National cultures out of necessity are becoming "transparent, fluid, elastic, eclectic, virtual and mobile" (p. 166). He goes on to say:

> . . . we have to face up to the reality that today's borderless and wireless cultural learning, knowledge transfer, and synchronized information sharing fostered by globalization and new technology is bringing to the twenty-first century world of management a myriad of new challenges unknown to the Hofstede generation. (pp. 166-167)

Fang (2010) goes on to argue that cultural collisions are initially painful although they "help inspire and ignite invaluable cultural learning and management learning processes taking place on both sides, most probably leading to the integration of both cultures into a new hybrid culture" (p. 165). He suggests this is one reason why Hofstede's paradigm may no longer be as applicable to the increasing cultural interaction seen in today's global economy. In particular, he indicates how "Cultural differences are viewed essentially as a problem in the Hofstede paradigm in which the negative consequences of cultural collisions are warned and strategy which 'mitigate cultural clashes' (Hofstede, 2007, p. 419) is welcome" (Fang, 2010, p. 165). Much of Fang's position is based on the long-held value of the Yin Yang perspective, which he suggests supports the ability of Asian cultures in general and Chinese culture in particular to hold contradictory values at the same time. Thus, Hofstede's paradigm indicates how national cultures are either more individualistic (such as the United States) or more collectivistic (such as China). He argues how China is really a combination of individualism and collectivism, both at the same time and that Yin and Yang are both necessary to manage in the 21st century.

Researchers support Fang's (2010) view that cultural collisions between China and Western countries of the United States and Western Europe directly explain the speed with which China has developed and grown economically (see, for example, Lardy, 2014). Without these collisions, management philosophies within China would not have changed into more effective approaches used today. Without these cultural clashes, China would still be searching for many modern marketing and other basic business concepts. Further evidence of how important these Asian/Western collisions really are. Fang's (2010) reliance on Yin Yang and his insistence that "These new value orientations coexist with the old value orientations" (p. 165) underscore how we should be viewing the whole process of cultural change as eclectic, supporting his view of the major source for China's rapid economic development. It may also explain why he is so enamored with cultural clashes, what he calls the "beauty of cultural collisions" (Fang, 2010, p. 165).

The concept of cultural collision seems to be applicable when western cultures go east, for example when business leaders from the United States or Western Europe do business in China or other countries of Eastern Asia. That is, business leaders from the U. S. must learn about the cultural values of their Chinese counterparts and adapt their actions to better fit within the expectations more consistent with Chinese national culture and, perhaps, the more specific organizational cultures of the companies with which they are doing business. The same clash, however, does not really occur when Chinese business leaders travel to and conduct business in the West, according to our conference attendees. Instead, they indicated that Chinese business leaders, at least from privatized companies, are aware of a very different role that must be played. Western business people need to identify and adapt to the ways of doing business in China if they are to be successful in gaining and fulfilling contracts within the business sphere. Chinese business representatives, on the other hand, are interested not only in doing business and gaining contracts; they are also interested in learning and are on a quest to gain information about Western business practices and processes. This added role allows Chinese leaders to import the world's best practices into China and their own private businesses. Because of this additional role, a collision does not really take place. Moreover, a process of creating a hybrid culture never occurs. Adoption, rather than integration or adaptation, is the desired outcome by the privately held companies to enhance the growth and development of the business sector in China.

INTERNAL SOURCES OF CULTURE CLASH

National cultures might change with development in telecommunications, globalization of advertising and the commercialization of national cultures over the last 20 years (Fang 2010; Giroux, 1994; Mitchell, 1995). More recent research suggests updating the measures of national cultures, integrating the impact of generational change and acknowledging that different national cultures change over time (Kanousi, 2005; Kueh & Voon, 2007; Stark, Fam, Waller, & Tian, 2005; Yoo & Donthu, 2002). Note that most participants in the Hofstede studies were members of the Silent Generation (born 1925-1945) and early Baby Boomers (born 1946-1964) and the scores for the national cultures might be different for younger generations. Older generations experienced the era that knew no Internet, no mobile phone, no synchronized information sharing, no Wechat and no global MBA joint degree programs (Peng, 2007). The older generations of different nationalities lived in separation, physically and cognitively, from their childhood. "By the age of 10, most of the child's basic values have been programmed into his or her mind" (Hofstede, 2001). But today, younger generations have to face up to borderless and wireless cultural learning, knowledge transfer, and synchronized information sharing fostered by globalization and new challenges by new technology unknown to the older generations. Vieregge and Quick (2011) found that younger generations (born 1965-2000) from Asian cultures seem to be more individualistic than their older counterparts (born before 1964). Most of the Chinese business leaders attending our seminar belong to the "younger" generation, and their perceptions of Chinese cultural values were therefore dramatically different from those values identified by Hofstede's (2016) measures along his dimensions of *Individualism vs. Collectivism* and *Short Term Orientation vs. Long Term Orientation*.

The second internal source of culture clash in China is between Chinese state-owned enterprises and the private companies. The state-owned enterprises are obedient to the planning regime as opposed to being an independent decision-making unit as seen in the Western setting (Child, 1990). The culture of the state-owned enterprises is based heavily on the politics of fulfilling what is beneficial to the whole nation, i.e., national benefits take priority over individual gains and so collectivism is emphasized. This explains the greater importance given to the goals of responsibility to society and collectivism. They are less concerned with innovation, customers and outcomes than they are adhering to the plan, because the government provides resources, market sales and technology, even writing off debts (Lardy, 2014). On the contrary, the culture of the private companies emphasizes flexibility, diversity and adaptability. Since private companies are smaller than state-owned monoliths, process development is more creative and much quicker than is found in state-owned organizations. Owners and managers in private companies have autonomy to control and restructure their firms (Hsu, 1991). They have responsibility for profits and losses, as well as operation systems and management (Luo, 1999; Tsang, 1994). These cultures of private companies exclude responsibility for society at large and instead focus on benefits to individual employees and their families. Many private companies ignore issues of the environment, ethical norms and other social responsibility concerns while focusing solely on the objective of earning maximum profits. Huo and Randall (1991) suggested that regions that had a more open economic orientation in its political ideology, that is, allowed privatization vs. state-owned companies, had higher individualism. Our Chinese business leader participants are the managers of private companies, so it is reasonable that they disagreed with Hofstede's dimensions.

Finally, there is an internal culture clash based on the recognition that there is more than one culture in China. Kwon (2012) asks "Does China have more than one Culture?" (p. 79). To empirically answer this question, he compares a northern region (Taiyuan, about 300 miles southwest of Beijing) with a southern region (Shenzhen, about 10 miles north of Hong Kong) along Hofstede's cultural dimensions. Taiyuan is a major manufacturing area in northern China with a population of 3.4 million as of 2016 (Country Digest, 2016). Shenzhen was China's first Special Economic Zone created in 1980 (Wang, 2014) and has been transformed from a small market town and fishing community into a major financial center and metropolis in southern China of over 12 million people (Country Digest, 2016). This designation of a Special Economic Zone provided the basis for private corporation expansion in the region as China began to change its economic orientation toward a more open and capitalistic economy. Shenzhen's GDP per capita (fourth largest in China) was six times greater than Taiyuan's per capita GDP (74th largest in China), or 1,450.02 RMB versus 241.29 RMB (China Knowledge, 2013). Any regional differences are based in part on economics and geography. Economic development is negatively related to long-term orientation (Tang & Koveos, 2008). As expected, therefore, Taiyuan was statistically significantly more long-term oriented than was Shenzhen. And, Huo and Randall (1991) suggest that economic development reflects high individualism. Shenzhen, being more economically developed with a strong capitalist framework, was statistically significantly more individualistic than was Taiyuan. Since our business executives came from Tianjin, an economic area very consistent with Shenzhen, other regions of China were beyond the scope of this research.

Tung, Worm and Fang (2008) suggest that negotiation styles and practices are not the same throughout China. As more Chinese have been educated in western countries or have received western-style education in China, negotiation styles may differ substantially. Their data was collected from 38 western expatriates and Chinese executives who work in foreign-invested enterprises. The western expatriates were selected on the basis of having lived in China for a minimum of 5 years in order to more effectively respond to interview questions. These respondents were employed by 17 large European multinational companies. This study concluded that negotiation differences existed between coastal and interior regions as well as between younger and older Chinese negotiators (Tung, Worm, & Fang, 2008).

We seem to have an issue of "unit of analysis" whereby the Chinese leaders agree there is a cultural collision on an individual level, as when they must account for religious issues in the West with Christian concerns and Middle East with Muslim concerns, and that there is no issue of cultural collision on a national culture level when they have adopted the U. S. values of individualism and, therefore, the scores differentials along Hofstede's dimensions are no longer valid for China as a whole. All of this while acknowledging that state-owned business leaders are closer to Hofstede's description and different from the private sector in China. Thus, the four dimensions of clashing cultures are ways in which the single national cultural measurements are no longer applicable throughout China and that there is no one set of cultural values as Hofstede, Hofstede, and Minkov (2010) suggest (diverse because of: generational differences; economic/geographical differences; state vs private differences; and, the inclusion of Western values via either a Yin Yang perspective or direct adaptation and/or adoption).

DISCUSSION AND CONCLUSIONS

Capitalism had a rocky beginning in China. The Chinese currency was not ready for it. The Chinese government was not ready for it. The Chinese infrastructure was not ready for it. The Chinese cultural value system was not ready for it. Initial attempts from U. S. businesses to try to work within the embryonic stages of this new economic system led to confusion and lack of success. For example, American Motors Corporation (AMC) initiated a joint venture with Beijing Automotive Works (BAW) shortly after China opened its doors to outside investment in 1978 (Mann, 1997). This was the first attempt by an American automotive company to do so.

China was attracting attention in many different areas of the world due to its large potential market, low labor costs, new economic reforms and strategic location (Mann, 1997). In May 1983 after four years of negotiations, AMC and BAW agreed to form a joint-venture, Beijing Jeep Corporation Limited (BJC), to produce Jeeps in Beijing. This was a major agreement for the Chinese government; however, there were large cultural differences between the two organizations. AMC soon learned that once the agreement had been signed the real negotiations would begin. The Chinese were used to doing business based on personal relationships and had little regard for formal contracts. The existing Jeep Cherokee could not be built with the inferior parts available in China. Eventually, large loans, new capital funds and foreign exchange were provided under a special confidential agreement. It took an additional three years for the Company to begin final assembly of the Beijing Jeep.

More recent experiences suggest that capitalism is alive and well. Government regulations and difficult bureaucratic interactions no longer make business contacts in China to be an uncertain process. Instead, difficulties abound in the competition that exists, an expression of the extent to which China has grown into a more capitalistic economy. Our private company business executives were very much aware of this recent four-decade economic period in China since opening up its economy. And they are very focused on reaching their goal of becoming the world leader in innovation and business acumen. Closing the economic gap they perceive is a two-step process: adopt the present economic leaders' best practices and then extend the present approach to become the innovation leader.

Toward this end, the notion of culture is so critical from the perspective of the Chinese leaders because it is a critical element of economic success similar to any other best practice component of business achievement. We need to recognize that the culture "clash" is only an internal concern since the cultural differences externally are items to be copied and integrated into Chinese value systems and organizational culture. Hence, there really is no culture "clash" but only an acknowledgement that it, like other best practices that are copied and adopted, must first be identified (why they were so desirous of understanding the western culture) and then absorbed into the successful business organizational culture of their companies. Just another example of how they are so self-aware and why they have been able to change and grow at such a phenomenal rate of success.

The major lesson we learned in our experience with the Chinese business leaders is China's economic growth comes not from creating a hybrid culture, but from reducing an acknowledged economic performance gap through adoption of mainly Western practices. These twenty participants do not believe that a hybrid culture exists today. Instead, they agree with Lardy (2014), who suggests the capitalism in China today is not an adaptation of Western capitalism. Rather, it is Western capitalism plain and simple. Private company managers tend to use today's current imperatives, namely, responsiveness, improvisation, flexibility, and speed. As a result, private companies in China have a critical edge over their state-owned counterparts; private companies earn higher returns – 14% on average versus 4% earned by state-owned companies (see, e.g., Liu & Sui as cited in Hout & Michael, 2014).

To a person, Chinese business leaders attending the conference indicate the process for economic growth and expansion in China was more a direct result of identifying the major economic goal of world leadership and remarkable self-reflection than it is cultural collision. Once China established a new economic goal of becoming the world leader in innovation and opened up the economy to encourage privatization, it began its quest for creating a new history of economic success, initially by rejecting its own past to begin this journey. This was a process of adoption, not adaptation, of absorption, not exchange. From a positive perspective, growth came from internal strength; from a more passive perspective, growth came from accepting another's short term superiority.

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COLLEGE STUDENTS AS CONSUMERS: A DETERMINATION OF PERSONAL FINANCIAL EDUCATION NEEDS OF A DIVERSE POPULATION

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ABSTRACT

The effects of the Great Recession have made financial knowledge and adroitness in money management functional imperatives for consumers worldwide. As consumers, college students face unique financial challenges in addition to many broader financial challenges facing the wider population. Researchers point to a deficiency in US college students' financial knowledge and link this to a lack of personal financial education in college curricula. While there is no widespread urgency to improve students' financial literacy, some colleges are instituting programs to address this issue. Often a top-down approach is taken to the development of such programs with students having little or no input. Developing and applying a socialization model of the student as a financial consumer, this study identified students' agents of financial socialization, the important lessons and perceived adequacy of what they learned from those agents, and their current attitudes toward college-based financial education. It provides an understanding of college students' preferred delivery methods and desired program content for college financial education. Qualitative research was conducted at a state university in the Southeast. Ten focus groups including ethnic minority groups and a non-traditional student group were convened. Students saw their families as providing inadequate financial socialization, recognized and reported serious deficits in their financial knowledge and preferred their colleges and professors to fill this gap.

Keywords: college students; financial socialization; financial education; personal finance; consumer economics; financial consumer

INTRODUCTION

As consumers, college students are faced with unique financial challenges in addition to many of the broader financial challenges facing the wider population. Researchers (Jorgensen, 2007; Jorgensen & Savla, 2010; Solhiem, Zuiker, & Levchenko, 2011) have drawn attention to socialization agents - the family, peers, schools and work - which have impacted the financial knowledge of students as consumers. Still, there is much evidence to suggest that there are notable deficiencies in US college students' financial knowledge. Some attribute such deficiencies to a lack of personal financial education in college curricula (Cude et al., 2006a; Durband & Britt, 2012; Grable, Law & Kaus, 2012; Jobst, 2012). While there is no widespread urgency to promote students' financial knowledge, some colleges are instituting programs to address this issue. The popular delivery methods include counseling centers, peer-to-peer programs, workshops, seminars and courses. Invariably, the approach taken to the development of programs is one in which students have little or no input into program design. The results are deficits in the availability, use and effectiveness of financial education programs in the nation's colleges.

The Financial Education Imperative

The Organization for Economic Cooperation and Development (2005) defined financial education as:

> The process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. (p. 26)

Miller, Godfrey, Levesque and Stark, (2009) made a compelling case for enhancing the financial literacy of consumers in a society as a whole. They posited that doing so empowers and educates consumers, helps them make informed and better financial decisions, lessens the likelihood of consumers engaging in high-cost credit, helps in the understanding and management of risk, provides consumers with greater control over their financial future, enables more effective use of financial products and services, and enables consumers to evaluate and compare financial products such as bank accounts and credit cards (Miller et al., 2009).

The importance of financial education for college students lies in the fact that for many young adults college presents the first opportunity for them to make independent financial decisions (Durband & Britt, 2012; Jobst, 2012). Many students make independent decisions about student loan debt, the use of financial aid and loans, housing arrangements, work, and many expenditure choices**.** Most of these decisions have long-reaching implications for the financial lives of students. Although the financial knowledge and behaviors acquired through early financial socialization may help during the college years, some have expressed concerns that very few students entering college are fully prepared to manage their finances effectively (Cude et al., 2006a; Grable et al., 2012). Further, the financial knowledge of college students does not improve significantly as they progress through college (Grable et al., 2012). There is, therefore, a discerned need to improve the financial knowledge of college students to enable them to cope as individual consumers in a developed and constantly changing economy.

Purpose of Study. This study develops and applies a socialization model of the student as a financial consumer. Specifically, it pinpoints the agents of socialization responsible for students' financial knowledge, the important lessons and perceived adequacy of what they learned from those agents, and their current attitudes toward college-based financial education. This study also provides an understanding of college students' preferred delivery methods and desired program content for financial education in their institutions. Data for this study were derived through qualitative research conducted at a state university in the southeastern United States.

LITERATURE REVIEW

Financial Socialization Agents

Gutter, Copur, and Garrison (2009) referred to financial socialization as "the process by which young people acquire and develop values, attitudes, standards, norms, knowledge, and behaviors that contribute to their financial skills and understanding" (p. 2). Several scholars have made important contributions to our understanding of the financial socialization agents of young adults, in general, and college students in particular (Fox, Bartholomae, & Gutter, 2000; Jorgensen & Savla, 2010; Lyons, Scherpf, & Roberts, 2006; Moschis, 1985; Pinto, Parente & Mansfield, 2005; Shim, Barber, Card, Xiao, & Serido, 2010; Webley & Nyhus, 2006). Most of these scholars have identified parents as the primary financial socialization agent. Some have also listed other family members along with peers, the media, the workplace and schools as other financial socialization agents. Socialization opportunities, then, come from individuals, organizations and institutions with whom or which individuals come into contact or maintain a relationship (Gutter et al., 2009). Such agents help shape young adults' financial learning, attitudes and behaviors (Shim et al., 2010). Financial socialization then, begins long before students enter college and continues throughout their adulthood. Activities such banking, saving, insurance and credit card use are key issues encountered by Americans as they perform daily financial transactions. Students learn about many of these issues from their socialization agents. In the context of the family people learn how and when to spend and save, as well as, how to prioritize such spending and saving (Payne, Yorgason, & Dew, 2014). College students identified savings, investing, use of credit, and managing finances as financial concepts and practices learned primarily from their parents, siblings and other family members (Solheim et al., 2011).

Deficiency in Students' Financial Knowledge

Despite evidence of early financial socialization, there remains deficiencies in the financial knowledge and financial behaviors of college students (Avard, Manton, English, & Walker, 2005; Chen & Volpe, 1998; Jones, 2005; Mandell, 2009; Markovich & DeVaney, 1997; Norvilitis & Santa Maria, 2002; Warwick & Mansfield, 2000). Some linked this deficiency to a lack of sound personal finance education in the college curricula (Chen & Volpe, 2002; Cude et al., 2006a; Durband & Britt, 2012; Grable et al., 2012; Jobst, 2012). Various researchers advocated formal and/or informal financial education as the vehicle to improve students' financial knowledge, change negative behaviors and help them avoid the negative impact of poor financial decisions (Cude et al., 2006a; Cunningham, 2001; Harnisch, 2010; Kazar & Yang, 2009; Peng, Bartholomae, Fox, & Cravener, 2007).

Many researchers believe that students are in need of further financial socialization or re-socialization to improve their financial knowledge and behaviors, and that college may be the key agent to fill this gap. Among the rationale for college financial education are that: (1) undergraduates have the intellectual ability to become financially literate; (2) college may be the last chance for financial education before students become independent adults (Jobst, 2012); (3) college presents an opportunity to educate students at important decision points; and, (4) a focus on personal finance can provide opportunities for problem prevention and early intervention (Durband & Britt, 2012).

College Financial Education

Evidence suggests that some US colleges have taken initiatives to provide their students with some financial education (Crain, 2013; Danns, 2014; Student Lending Analytics, 2008). Typically, programs are developed by academic or student service units with faculty, counseling staff, or peer counselors conducting or delivering courses and/or sessions to students (Cude et al., 2006b; Danns, 2014; Grable et al., 2012). Business schools, human science, and family and consumer science departments are the more prevalent academic hosts for financial education programs (Grable et al., 2012). When found in the student services unit, the programs may be hosted by the financial aid/financial counseling departments or some may even morph into full-fledged money management centers (Danns, 2014).

Colleges utilize a number of delivery methods to provide financial education including for-credit and not-for-credit personal finance courses, peer-to-peer counseling, seminars/ workshops, Internet resources, interactive activities, sessions embedded in freshman seminars and special events (Cude et al., 2006b; Danns, 2014; Goetz, Cude, Nielsen, Chatterjee, & Mimura, 2011; Goetz & Palmer, 2012; Grable et al., 2012). Often a top-down approach is taken by colleges in developing financial education programs. Administrators and faculty would develop these programs with their students, as the intended beneficiaries, having little or no input into the delivery and content. As a consequence, established training facilities and programs may be underutilized and the financial knowledge needs of students may remain largely unmet.

THE SOCIALIZATION MODEL OF COLLEGE STUDENTS AS FINANCIAL CONSUMERS

This paper draws on socialization theory (Macionis, 2014; Mead, 1962) to capture the social learning needs and financial role behavior required by college students as consumers in the spheres of their personal lives, within their colleges and the broader economic system. Through financial socialization students acquire the value orientations, knowledge, skills and habits necessary for their financial functioning in the economy.

For the college student, being a consumer is a role which evolves and is developed through socialization experiences in institutions such as the family and kinship networks, among peers, schools, clubs, their university, social media and the broader economic system. These agents of socialization may function to create and recreate the formative experiences of the role performances of the student as a financial consumer. Seeing the college student in the role of financial consumer is recognition of her/his capability for independent action. Such action may be influenced by one or more agents of financial socialization.

The heuristic value of the socialization model is that it draws attention to the role behaviors of college students as financial consumers and to the part played by the agents of socialization that mold their financial selves. Social learning theory (Bandura, 1977) which has tangential relevance to this paper holds that behavior is learned from the environment through the process of observational learning. The individual learns from modeling the behaviors of others such as parents, peers, teachers, people in the media and such "learning" is either positively or negatively reinforced until the desired behavior is produced (Bandura, 1977). Similarly, role theory has some bearing but focuses more on actualization of roles and the patterned predictability of role behavior (Macionis, 2014). Socialization theory encapsulates elements of both social learning and role theory and additionally emphasizes the role of the agents of socialization. It also provides a coterie of concepts which includes primary and secondary socialization, anticipatory socialization, re-socialization and organizational socialization (Macionis, 2014). These concepts are employed in our model, "*The Socialization Model of the Student as a Financial Consumer.*" Additionally, the media and the economic system as institutions are also depicted as agents of financial socialization. Figure 1 provides an illustration of "The Socialization Model of the Student as a Financial Consumer."

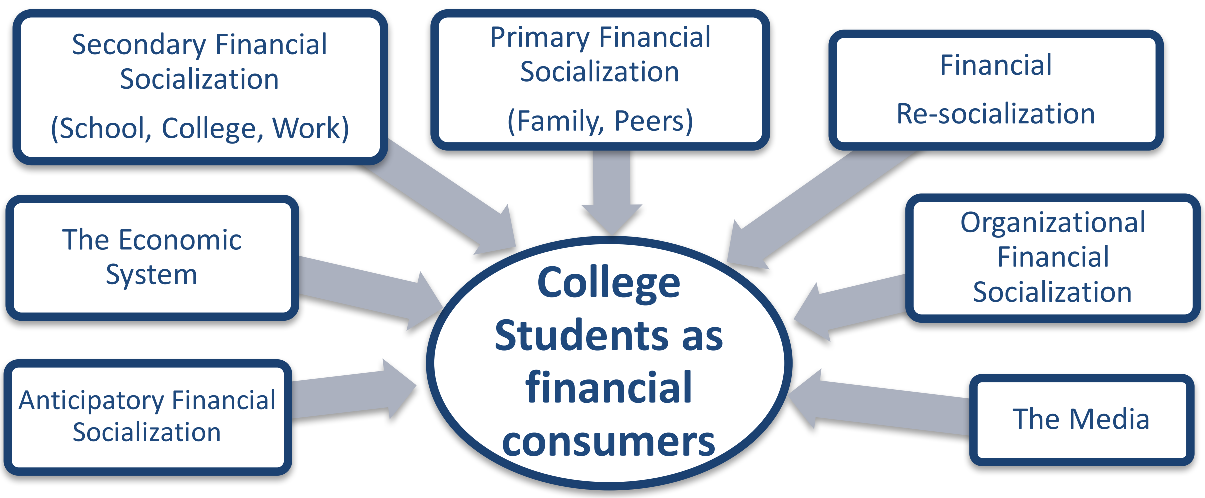

Figure 1. The Socialization Model of the Student as a Financial Consumer

As depicted in Figure 1, the primary financial socialization of the college student takes place within the key primary groups such as the family and peer groups. Through the family, friends and other such primary groups, some measure of informal financial education and financial knowledge is implanted and developed. From these primary socialization agents, core value orientations and emotional dispositions as a consumer may be acquired. Secondary socialization of the student as consumer takes place in secondary groups such as schools and colleges (See Figure 1) where the individual learns the behaviors and acquires the skills necessary for functioning in the wider society. In such institutions, the individual may be exposed to formal financial education programs or training. They may also derive experiential learning from their obligatory involvement in financial transactions in these institutions.

Anticipatory financial socialization of the student as represented in Figure 1 occurs when he/she actively seeks out financial education in order to prepare for future financial activities, occupations and social relationships. Financial re-socialization is the process of consciously seeking to discard acquired behavior patterns and reflexes as it pertain to the financial self, and actively cultivating and accepting new ones as part of a transition in one's life. Re-socialization may occur as a consequence of having made financial missteps and undergoing counseling to avoid dysfunctional repetition. Organizational financial socialization, as shown in Figure 1 refers to the process whereby the individual is exposed to formal financial education training in an organizational context. The expectation is that the individual will acquire knowledge and skills necessary to undertake his/her role in the organization. All colleges and universities avail their students some modicum of financial education through formal or informal training and experiences in college-related financial transactions.

The economic system is advanced in this model as a financial socialization agent. The economic system is the arena for the practice of financial role behavior. It is that system which provides information, opportunities and challenges but not necessarily formal training. Banks and other businesses, the stock market and lending agencies, for example, form part of the institutional structure of the economic system. In the economic system the financial consumer is treated as a player and must often learn through trial and error. The media are technologies designed to promote mass communication such as advertising, entertainment, information and in general seeking to impact consumer choices through expansive social networks. The media play a role in the financial socialization of college students. The concepts in "*The Socialization Model of the Student as a Financial Consumer*" are employed in enabling an understanding of the role behavior and financial education of the college student as a financial consumer.

STUDY OBJECTIVES AND METHOD

This study: (1) pinpoints the agents of socialization responsible for students' financial knowledge; (2) identifies the important lessons and perceived adequacy of what they learned from those agents; (3) explicates students' current attitudes toward college-based financial education; and, (4) provides an understanding of college students' preferred delivery methods and desired program content for financial education from their institution.

Qualitative research was undertaken to achieve the study objectives. Ten focus groups of undergraduate students ranging in size from four to twelve were convened on three campuses of a state university in the southeastern United States during a six-week period. There were three minority groups - African-Americans, Hispanics and Asians; one non-traditional students (25 years or older) group; one Corps of Cadets group; and, five general student groups comprised mainly of the majority Caucasian student population. Recruitment of participants was done through the university's student services administration, minority student associations, the Corps of Cadets administration, faculty, and through the snowball technique.

Focus group interviews were conducted in private facilities on the three campuses. All ten focus groups were moderated by the same researcher using the same semi-structured interview questions (See Appendix A). Care was taken to observe the established protocol of focus group moderating.

Data collection from the focus groups was done through two main sources – a demographic questionnaire and audio recordings from the interviews. Neuman's (2006) schema for qualitative data analysis was adopted. Audio recordings were transcribed upon completion of interviews and labeled by campus and group. Data processing steps included sorting and classifying raw data, open coding, axial coding, selective coding, interpreting and elaborating. After the transcription of all focus group interviews, the data were sorted by question and classified by group and question. Open coding involved an initial identification of emergent themes from individual group interviews. Another experienced researcher, not connected to the study, assisted in identifying themes from the data. Axial coding combined emergent themes from all groups by question. Themes were organized and linked, their differences and similarities noted, and other key analytical categories discovered. Themes were re-examined and further data, including quotations and responses from other questions that supported the themes, identified. The results are reported using themes and categories that emerged, quotations and additional support data.

RESULTS

Participants' Characteristics

There were ten focus groups comprising 72 participants. Groups ranged in size from four to 12 students. Forty-four participants (61%) derived from the campus with the highest enrollment. Twenty participants (27.8%) and eight participants (11.1%) respectively, derived from the other two campuses. The gender distribution across the 10 groups was 50% male and 50% female. Seventy-two percent were of traditional college age between 18 and 22 years old. Twelve point five percent (12.5%) were between 23 and 29 years and 15.3% were 30 years or older. There were student participants from all four colleges in the university - Business Administration (33.3%), Education and Health Sciences (16%), Arts and Letters (7%) and Science and Mathematics (20.8%). Ten students (13.9%) had not yet chosen a college of enrollment or were enrolled in two colleges. A majority of students (62.5%) indicated that their current degree objective was "Bachelor's" while 37.5% listed "Associate's." One-third of the total participants were freshmen, while 30.6% were sophomores, 20.8% were juniors and 15.3% were seniors.

Just over 40% of students participating in the focus interviews across all groups were Caucasians, 18.1% were African-American, 15.3% were Asian, 25% were Hispanic and one person listed his/her ethnicity as "other." Fifty-nine of the 72 participants (81.1%) were single. Eight participants or 11.1% were married while 5 participants or 6.9% were divorced, separated or widowed. The majority of participants (80.6%) had no children. Most students (90.3%) had some type of work experience and more than one-half (56.9%) were currently employed. Of the participants who reported working during the semester, the modal range of work hours was between 10 and 20 hours a week. Twenty-two participants worked more than 20 hours a week. Fifteen of the 72 participants (20.8%) reported living on campus (the university has only one residential campus). Thirty-two participants (44.4%) lived with their parents.

Qualitative Results from Focus Groups

Each focus group was asked 12 specific questions (see Appendix A) which formed the basis for the group interviews and responses. This paper reports on responses and themes relating to:

- Sources of financial knowledge - agents of socialization
- Important lessons learned from those agents
- Perceived adequacy of financial knowledge and education
- Feelings about receiving financial education from their university
- Preferred delivery methods and content areas of financial education

Sources of Financial Knowledge – Agents of socialization

To understand the influences on their financial socialization and financial activities student participants were asked: "Who taught you how to handle finances and what important lessons did you learn?" Many participants identified the traditional sources of primary socialization such as parents and other family members. Some also identified getting their financial knowledge through secondary socialization agents - mainly high schools, organizational socialization from their workplaces, the economic system including economic agents like banks and bankers, and from media sources including books.

The influence of parents and other family members. All groups with the exception of the non-traditional students' group invariably named "parents," "mom" or "dad" as the dominant party teaching them about money management. Several participants in the Hispanic focus group cited their "mom" as opposed to "parents" or "dad." Besides parents, other family members who were somewhat influential in the financial socialization were sisters, uncles and grandfathers. In some cases parents and family members did not directly teach participants. Participants reported learning informally by modeling how family members managed their finances. These findings underscore the role of the family as a primary socialization agent for providing financial knowledge and practices, and for being role models for students as financial consumers.

Self-taught and "trial and error." Many participants in the non-traditional group explained that they were "self-taught" or learned by "trial and error." However, this was not the only group with participants reporting being "self-taught." Some participants in the general student groups and in the Asian group also explained that they were self-taught or learned through "trial and error." Trial and error is effectively the experiential financial learning that students acquire as a consequence of their exposure to the economic system as a socialization agent. Some participants who learned from family members also reported teaching themselves. One participant in a general group, for example, said that although he learned from his father and uncle, he also learned through "*trial and error, maxing out my credit card and having to pay it off."* Some who reported being "self-taught" explained that they bought books, independent of their formal instructional environments, and learned through that medium. One such participant explained:

> *I was pretty much self-taught. What I know I learned from books. I went through a phase where I would buy those books… . They write about investment and personal finance. I took what I gauged from them and implemented it into my life.*

Another indicated:

> *For me, I learned from books. I read a lot of business books and I learn from them. I would read books and they would inspire me, like for example "Rich dad, Poor dad."*

The purchasing and utilization of books for self-instruction highlighted the influence of the media as a socialization agent.

Schools and colleges. Schools and colleges are usually important sources of secondary socialization but relatively few participants in the study reported high school or college as important sources of financial socialization. In most focus groups no participant had taken a personal finance course in high school. In two groups, one person each had taken such a course in personal finance. In the Hispanic focus group, five of the 12 participants recalled taking a personal finance course in high school. Participants in some groups recalled learning aspects of personal finance in the context of other courses such as economics, home economics, business essentials, computer studies and science and in a preparation class for work study.

The response from a large majority of participants to the question "Have you taken a course in personal finance at the college/university level" was "no." Within all focus groups only three out of 72 participants categorically indicated that they took a course in consumer economics (personal finance) in college. Some students in one group explained that they learned a little about personal finance, mainly future value of investment, from a computer information science class taken on their campus. A few students from three of the focus groups indicated that they attended a few ENACTUS[1] financial workshops.

Other sources of financial knowledge. Participants in this study learned about money management from their bankers, using the banks' online tools, the military (not the Corps of Cadets), books, observing others, from work, from workmates and from "*random people*." One non-traditional student learned from her job as a financial coach, while another learned from his bank teller who was also his friend. He explained:

> *I was taught by a bank teller, I went into the bank and a teller who was a friend of mine taught me what I know about IRAs, CDs, how to set up a savings account and how to use it properly. She taught me about spending and budgeting. The bank I use has a tool that helps me a lot, it automatically debits out my spending.*

These findings point to the role played by the economic system and the media in the financial socialization of students. The findings point also to organizational financial socialization of some of the study participants.

Important Lessons Learned about Money Management

Spending and saving. Lessons of frugality were among the main value orientations learned by respondents from those who influenced their financial lives. The themes of spending and saving resonated somewhat across all groups but somewhat less in the non-traditional group than in the other groups. Some respondents indicated that among the spending lessons they learned were to differentiate between wants and needs, and to spend as little as possible. For example, a participant explained that his parents entrusted him with a debit card in high school and taught him about limits to spending. Reinforcing the influence of parents, this respondent explained that: "*I got a speech* (from parents) *before coming into college and that helped me to be more frugal with my money*."

Use of credit cards and borrowing. The general focus groups, comprising predominantly Caucasian students, had participants who learned lessons about credit cards, especially from

[1]ENACTUS is an international organization that connects student, academic and business leaders through entrepreneurial-based projects that empower people to transform opportunities into real, sustainable progress for themselves and their communities (ENACTUS 2015).

parents. The use of credit cards was not mentioned among "important lessons learned" in the non-traditional group, the Corps of Cadets group, or in any of the minority groups. The lessons that participants in the general focus groups learned about credit cards were mixed. Respondents recalled being taught that credit cards were only to be used in an emergency and to have only one credit card. Some were taught never to have a credit card. Others were told that a credit card was necessary only to "build credit." Some respondents reported that their parents advised them to pay off their credit card always, and that paying interest on a credit card was not a good thing.

Several groups touched on the lessons they learned about borrowing in general. Some of the lessons learned through observation were mainly negative. One participant in the Asian group said he learned from his mother's experience as she was heavily in debt. A participant in one general group said he learned not to borrow money from people because "*you may not be able to pay it back.*" He recalled what he described as an awful experience:

> *"When I was 16, I started working and his* (student's father) *name was on my account and he owed a business some money and because his name was on my account, they got hold of it and took all my money."*

Another participant chimed in, "*I had a problem like that, I had an account with my mom, and the same thing happened. I took her off my account after that.*" For these two students, a joint account with parents was their negative experience about borrowing money.

Managing budgets. Participants who took a course in personal finance or who were taught some personal finance within the context of another course seemed to have learned about budgeting more than any other issue. Some participants had budgeting projects etched in their memories and recalled those hands-on experiences without being prompted by the moderator.

Other lessons learned. Among the other lessons learned were the importance of earning; keeping track of banking and other records; budgeting for specific items such as car payments, insurance and gas; examining options when opening bank accounts; and how to invest. A few respondents, primarily from the general focus groups reported that parents and other family members taught them about stocks and investments.

Perceptions about adequacy of financial education

When asked the question: "Do you think we adequately teach young people about financial management in the US," the groups in general responded with a resounding "*No*." Some participants emphasized "*No, not at all*" while some said "*absolutely no*" and many proffered reasons for their negative responses. One student simply said "*They do not teach young people enough about personal finance.*"

Inadequacy of formal financial education. Some students spoke very passionately about the inadequacy of what they learned and why they wanted to know more. Some participants complained that no one volunteered to help them in a university setting. One student said: *"They talk about it but they don't really teach it."* One participant who sought help from a financial aid office lamented: "… *they spoke to me for five minutes… They literally took me to the computer* *and say here, you go check this and that was it."* Some students explained that even if they did economics and finance, their courses had nothing to do with personal finance. One student summarized the feelings of other group members on not learning enough about personal finance in this way:

> *It is sad because personal finance is something people need to survive, you see people, and hear on the news all the time of people being in a lot of credit card debt and it is getting worst and more emphasis needs to be placed on it.*

Inadequacy of parental financial knowledge and teaching. A theme across some groups was that while parents were expected to teach personal finance to children, some parents themselves were not financially healthy or were not equipped to impart such knowledge. Some students, especially in the Asian group, explained that parents were complaining a lot about finances and that many times parents did not have good financial habits. One student explained:

> *Parents themselves are complaining all the time about not having enough money but they are not turning around and re-examining and saying what is it we are doing or not doing in our personal lives to make a difference…. But nobody is examining and seeing that entertainment is taking up all the money that we need to pay bills, having a car…. Kids are watching this and when they grow up they are doing the same."*

Another student, after explaining what she learned in her sociology class about the plight of the American family, said, "*This means that they (*the parents*) do not know how to manage it (*money*)."*

Feelings about receiving Financial Education through their University

The idea of receiving financial education through their university was very popular in all groups. Very positive themes emerged from the groups. Some of the actual responses included, "*that would be great*;" "*good idea*," "*great idea*," "*It would be nice,"* "*I am very open to this," "I would attend this," "beneficial to everyone," "very beneficial," "It would be great," "Bring it on," "I think it should be a requirement,"* and *"absolutely great." "High school prepares you for college; college should prepare you for life."*

The non-traditional focus group participants, in particular, were unwavering in their belief that financial education in college is a necessity. One participant in that group said, "*Even at my age it would good."* Another non-traditional student participant said, "*Just like they have requirements for English, math and history, financial management should be a requirement…"*

Acquiring financial education in college for the non-traditional students would be a form of re-socialization. Most of the non-traditional students who lived on their own and or have a family reported dire financial hardships including loss of jobs, foreclosures, loss of retirement savings, homelessness and inadequate income. For the traditional students, receiving financial education through the university would satisfy both financial re-socialization needs as well as anticipatory financial socialization needs.

Delivery Methods and Content

Personal finance course. When asked specifically about the preferred method of financial education delivery, by far the most popular choice of the groups was a personal finance course. This was the case for all campuses and almost all groups. Only two groups did not mention a course as a preferred delivery method. These were the Asian group and one general group. But, generally students felt it would be good to have a course. Students seemingly trusted their professors to teach them about personal finance. One student opined: *"It would be nice to have classes in college that teach you how to manage money better."*

Students in some groups expressed the opinion that personal finance should be a required course for graduation or should be offered in the core curriculum. Some expressed the view that they had to take many courses that they deemed unnecessary or irrelevant and could not understand why personal finance is not offered as a core course. Three such comments were:

> "*We all took English in high school and then we have to take two English classes here. You are taking money out of my bank account… if you want to teach me personal finance, something that is real and relevant I understand that."*
>
> "*I think a lot of my classes are irrelevant and I'm paying a lot of money for them, I think everyone should be required to take a course in personal finance."*
>
> "*I think it should be a requirement; I mean; I am taking a recreational dance class as a requirement for PE, why not personal finance?"*

Some students explained that with a course, one is required to listen and pass, as opposed to seminar-type presentations where even if one is forced to go he/she may not listen. Some students explained that workshops go to waste, are badly timed, are put on the agenda and easily forgotten.

Many participants in one focus group comprised of many business majors, said that "the classroom" was the best place to deliver personal financial education. Some members in this group wanted much more than one course in personal finance. One participant explained that it could be a series of courses or a certificate. Another explained that there should be "*an introductory course*" and then "*an advanced course*."

Other delivery methods. To a much lesser extent, some students were of the opinion that workshops, seminars, group discussions and personal counseling sessions would also be acceptable means for delivering personal financial education. Some students argued that some workshops were not useful as they required prior knowledge of other topics.

The Asian group liked the idea of seminars, workshops and group discussions. Themes of "relevancy," "interaction" and "experience sharing" also emerged from this group. They explained that to capture students' attention workshops/seminars/group discussions should be interesting and interactive; games should be played; students should be asked how to solve problems; scenarios should be given to them and their experiences shared.

Negative reactions to online course/setting. A significant theme permeating many groups was that an online course or any information via the Internet would not be a good idea. Several students across groups said that they were easily distracted by the Internet. One student from the Corps of Cadets group said, "*I do not think that an online course or setting would help… You get distracted.*" Another followed up, "*You would probably go online to look at financial information but then there is Facebook, there is YouTube, Twitter, everything else and you would get side-tracked."* Students in one general group made these comments in relation to online material and courses: "*Not through the Internet*." "*I disagree with any online course*." "*It should not be online." "You get totally distracted. You bump it off and you're done." "You do 30 minutes and you're done when you do things online. You find everything else to do so you don't go back to it.*" In other groups sentiments were similar with some students saying, "*Definitely not through the Internet*" or simply "*online would not work*."

Financial education content

Students were asked what content areas they would like to learn more about and some areas were listed by the moderator in the question. The areas listed by the moderator were saving, spending, budgeting, investing, borrowing, insurance, keeping financial records, school loans, credit cards, home purchasing and renting. In response, some students said "*all of the above*." But, every group went on to outline the areas that would be of greatest interest to them. Themes of "budgeting" and "investing" recurred more than any other area but students presented arguments for most of the content areas.

Budgeting and Investing. Most groups and several participants identified budgeting and investing as key content areas for them. Students seemed to have real concerns about their budgeting abilities and some linked it to spending. One such student emphasized the need for budgeting as a content area in this way: *"Spending just happens, but if you learn about budgeting you can mitigate the spending."* One female student said, "*I really need the budgeting. If I could only learn how to budget the right way it would really help me a lot.*" Others simply said: "*Budgeting is the groundwork" "We need budgeting now."* and *"I don't know much about money and budgeting."* One student recognizing the inadequacy of his primary socialization explained: *"I do not know much about budgeting and investing. My mom does not know much about that either… and I learn my stuff from her."*

Many other students wanted to learn about investing. Some students expressed their need for investment education in these ways: *"Investing - many persons are uniformed about this; investing is a tricky thing." "Investing… I want to know about stocks, CDs, bonds, bank accounts."* "*Investing is a big one*." Another student indicated what she wanted to learn about in this way: "*investing, buying bonds… knowing the advantages and disadvantages of each and how to make your money grow best…. outside of just putting money in a savings account*."

Credit cards. Some students, especially in the African-American and Asian groups, wanted to learn about the use of credit cards. One African-American group participant said, "*the use of credit cards…definite yes*!" Everyone in the group agreed. In the Asian group "credit cards" was the first content area identified. Many others in the group voiced their agreement. One student commented that, "*It is basically borrowing money you don't have"* and another indicated that: "*a lot of people don't know much about credit cards. If you are a student they charge 24%.*"

Borrowing and student loans. Some groups indicated that college was a good time and place to start a discussion about borrowing for home purchasing and cars. Some students expressed concerns that they were unfamiliar with issues such as mortgages, interest rates and other terms used in connection with loans. Some expressed concern that without adequate knowledge of these issues they will be at a disadvantage in the market place. The issue of student loans was also of some concern for students on all campuses, but especially for students on the residential campus. One participant who was also a student worker in the Financial Aid office on a non-residential campus explained why the subject of student loans should be discussed as a personal financial education topic in colleges: "*A lot of students get offered loans and they just go ahead and take it without seriously looking into it."* Another student continued this thought: *"I think a big one is loans. My teacher was telling me that a lot of students aren't paying back their loans and it is causing a problem even with others getting grants.*"

Other content areas. Other content areas mentioned by the groups were insurance and savings. Outlining the importance of saving as a topic area, one student who linked spending and saving said, "*It is very important for us to have discipline with our money because you do not want to look one day at your account and see zero."*

Dealing with financial institutions. A sub-theme that emerged from the discussions about content areas was mistrust of financial institutions and financial personnel. On quite a few occasions, students indicated that they needed to know because they could not trust financial institutions. One such comment was:

> *… and if you do not know anything about buying a house, the real estate agent is going to completely abuse this situation… It is like going into a used car lot… If you don't know what you want they will completely rip you off."*

In a discussion on credit cards one student said *"… I don't know how it works until it's too late."* Another chimed in: "*And that is purposeful by the credit card companies. They don't want you to know that.*" In another group one student asserted that: "*A lot of times banks rely on the ignorance of the population in terms of making more money for themselves."* A similar sentiment was echoed in another group when one student explained why he wanted to know more about loans and borrowing. He said, "*When you talk to the banks they really don't tell you everything."*

CONCLUSIONS, STRENGTHS, LIMITATIONS, AND IMPLICATIONS

Developing and applying a financial socialization model of the student as a consumer, this study identified agents of socialization responsible for students' financial knowledge, the important lessons and perceived adequacy of what they learned from those agents, and their current attitudes toward college-based financial education. Consistent with the financial socialization theoretical perspective, focus group interviews provided evidence that parents and other family members are the most influential persons teaching traditional undergraduate students about money management. Lessons of frugality, saving, credit-card usage, financial record keeping and budgeting for specific items such as car payments, were among the more popular issues taught by the family as an agent of primary financial socialization.

For students in the Asian and the African-American groups, "parents" were almost the singular influential source of financial knowledge. In marked contrast, non-traditional undergraduate students did not mention the family as an agent of financial socialization. This could be because they are grown adults with their own families and may have long moved beyond what they learned from their families of origin. These non-traditional students explained that they were largely "self-taught," learned by "trial and error," or learned from work. Some non-traditional students reportedly learned from the hard-knocks dealt them by the economy as an agent of socialization. This study found that the family as an agent of financial socialization cannot be solely relied upon. College students turned to or are impacted by alternate agents of financial socialization like schools, colleges, the media, their jobs and the economic system. Some of these latter institutions are more likely concerned with their own financial interests rather than that of students as financial consumers.

Schools and colleges are usually important sources of secondary socialization. This study found, however, that relatively few students had taken a course in personal finance in high school or at the college level. For most focus groups participants schools and colleges were not reliable agents for acquiring financial knowledge.

An important finding from this study is that students in general felt inadequately informed about personal finances. Although many learned from parents, many participants pointed out that parents themselves were not financially healthy or were not fully equipped to impart relevant knowledge. Some explained that parents were complaining a lot about finances and many times their own parents did not have good financial habits. The family may be a necessary agent for financial socialization but not an adequate one. Indeed, some students pointed to dysfunctional financial socialization derived from their families and were reluctant to model such financial behaviors. What some learned was "how not to" rather than "how to."

Financial socialization is an ongoing process that follows individuals throughout their adult lives. Many students confirmed that their parents were unable to contemporize what they wanted to know at this stage of their lives. This financial socialization hiatus may have been impacted by the challenges of new technology, financial products and financial regulations which are rapidly evolving and unsettling the financial knowledge of primary and even secondary financial socialization agents. Dilworth, Chenoweth, and Engelbrecht (2000) provided an additional explanation by pointing out that parents and their children may hold different ideas about financial planning and goal setting and this may be related to their respective stages of life.

The research findings from students in these focus groups affirmed the conclusion of Durband and Britt (2012), Harnisch (2010), and Cude et al. (2006a) who posited that there is a role for colleges to teach personal finance and to educate students at important decision points in their lives. The idea of receiving financial education through the university was very popular with all groups of students. The non-traditional focus group participants in particular were unwavering in their belief that financial education in college is a necessity. This finding was contrary to the belief by some educators who feel that non-traditional students had learned what they needed to know about personal finance from their experiences (Danns, 2014). The non-traditional students who reported learning by "trial and error" also reported experiencing perilous financial situations which proved costly to their financial lives.

The preferred method to receive financial education and by far the most popular choice of the groups was a personal finance course. This was true for all campuses and almost all groups. Students trusted their professors to teach them about personal finance. Students in many groups expressed the opinion that a course should be required for graduation or offered in the core curriculum. These results support the view of Cude et al. (2006a) who argued that colleges may want to require that a personal finance course or financial life skills course be included as a general education requirement for graduation.

To a much lesser extent than a personal finance course, some students opined that workshops, seminars, group discussions and personal counseling sessions would be acceptable means to deliver personal financial education. Some students also felt that more than one delivery method should be used to accommodate students. However, there was never full agreement on these methods by any group. Some students argued that financial literacy workshops go to waste, are badly timed and are put on the agenda and easily forgotten.

There were very strong student opinions against online financial education. Several students across the focus groups said that they are easily distracted by the Internet and would not concentrate very long on any financial education material delivered online. This position is at variance with the findings of Goetz et al. (2011) who, based on a survey conducted with University of Georgia students, reported that 80% of students were interested in learning about financial matters via online resources. Lyons & Hunt (2003) also reported that students liked online resources.

Students in this study recognized that there were deficits in their understanding of personal finance and willingly shared what they wanted to learn. Among the popular content areas that students wanted to learn about were: budgeting, investing, credit cards, borrowing, student loans, insurance and savings.

This study found that beyond the family, no other socialization agent seeks to provide systematically for the financial socialization for college students. Even in colleges and universities where students must pay for their education this felt need is either not addressed or done so inadequately.

Strengths and Limitations

In keeping with the traditions of qualitative research, this study provided rich descriptions of students' actual experiences, their thoughts about the adequacy of their personal financial knowledge and their perceptions. One of the strengths of this study is that it sees financial socialization as an ongoing and lifelong process with the need requirements of individuals changing over the stages of the life cycle. Further it recognizes that while the family as a primary agent of socialization may lend direction to the financial lives of students, parents and other adult role models may themselves have limitations in their own financial literacy. Students recognize that they can no longer rely only on parents and family, but must turn to their college as a secondary agent of socialization and a new prime focus of learning in their lives.

A further significance of this current study is that it gave students a voice in expressing their financial literacy needs and an input into possibilities for financial education programs. This is in contrast to studies that have tested students' financial knowledge and based on results drew conclusions about their financial literacy deficits and what remedies are required. There is a paucity of emphasis on what the college students themselves, as independent actors in the economy and in the financial socialization process, feel that they need to know. This current study is also significant in that it does not focus on the student exclusively as a dependent variable in the financial socialization process. Instead it acknowledges the role of the student as a consumer with independent capability to act in the financial market place and interact with agents of financial socialization such as colleges.

A limitation of this study is that apart from the primary and secondary socialization agents more focus could have been given to the other agents of socialization identified in our model. While students recognized that they learned from agents such as the media and the economy, focus group questions were not designed to derive or explore fully what students learned specifically from these agents. Students spoke more about what they learned from their parents, other family members, from projects in various classes and from experiential learning. Another limitation is that while participants provided some demographic data via a questionnaire, this study was unable to link answers to specific student characteristics (e.g. students' age, major, hours worked etc.) in conformity to the human subjects' protocol of the qualitative method employed. Rather, the broad characteristics of the groups had to suffice in the elaboration of the study results.

Implications

Implications for students. An important finding of this study is that students themselves, as financial consumers, recognize the limitations of their personal financial knowledge, the inadequacy of what they know and their vulnerability in making financial choices. Students in this study were of the opinion that college is the place for them to learn more about personal finance, and that such knowledge should be imparted from a trusted source such as a professor. Many students in this study felt that there should be room in the university's core curriculum for a personal finance course rather than some of the current courses. Students may want to advocate for change in this regard and lobby university administrations and faculty to include such a course offering in the core. The problem with this is that core curriculum issues at the tertiary level can be complicated, with administrators often unwilling or unable to navigate the system to permit new courses once the core is set. It may be time for students to lend their voices to this issue that affects them in fundamental ways.

Implications for universities' policies and practices. Some state colleges and universities already have initiatives and programs that seek to address the financial literacy needs of students. These include workshops, seminars, guest speakers, money management centers, sessions within freshman seminars and other initiatives. The university at which this research was conducted has some of these facilities and hosts some events. Yet, many students in the focus groups did not know of the facilities nor did they attend events. Some who attended events complained of very poor attendance and under-utilization of facilities. The importance of these findings is that they are derived from students themselves who are the intended beneficiaries of financial education programs in colleges, many of which are developed and implemented without reference to the students. The under-utilization of some of these programs may suggest less than effective use of university resources. State universities' policy makers may better serve students by seeking their opinions and employing financial education delivery methods that students are more disposed to.

Implications for future research. This study presents several areas for interesting future research. This study draws attention to other socialization agents outside the family, for example, the media and the economy. Little research has been completed on the impact of these agents on the college students' financial knowledge and or financial activities. The financial socialization model did not focus only on the process of acquiring personal financial education and knowledge. It highlighted also the role performance of students as financial consumers and their relations with different socialization agents which often have competing agendas. The family, for example, may encourage the student to save and budget while other socialization agents may encourage them to spend. The financial role behaviors and coping mechanisms of college students in the light of the competing socialization agents can be a subject for more research.

While this study pointed to some differences in the socialization of non-traditional and ethnic focus groups represented in this study, there is opportunity for further research in this area to truly understand their financial education needs. Non-traditional students, in particular, are a neglected focus in financial education research, yet, they are an integral and growing part of the changing landscape in state colleges and universities. Policy makers at some state colleges and universities believe that non-traditional students may not benefit from financial education programs (Danns, 2014). This current study found that non-traditional students felt just as deficient in their financial education and knowledge as traditional students. There is scope for further research in this area.

Finally, this study joins other scholars to call for financial education in colleges. College students are indeed at a vulnerable place in their financial lives. Beyond the family there is no other agency that commits to offering them financial education they think they need. Students claim that they are paying for college and they require that the curricula be adjusted to reflect personal finance as a mandatory course offering. Failure to provide financial education to college students leaves them vulnerable to the economy.

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APPENDIX A

MODERATOR'S GUIDE FOR FOCUS GROUP INTERVIEWS

1. Who taught you how to handle money and what important lessons did you learn?
2. Are you satisfied with your financial management activities in college?
3. How do you manage the following: a budget, student loans, credit cards, insurance, other loans, and your regular payments?
4. Does thinking about money stress you out, motivate you, get you angry or what? Why?
5. Did you do a course in personal finance in High School? If you did, was it very relevant to your life at that time?
6. Have you done a course in personal finance at the college/University level?
7. Do you think we adequately teach young people about financial management in the US?
8. Do you know of any programs offered by the (Name of University) to help students with money management issues? If so, what do you know?
9. Do you know other students that use the facilities?
10. How do you feel about receiving financial management information and financial education through this University?
11. How do you think this information/knowledge should be imparted to students (seminars, workshops, courses, online, through the Internet, group discussions, and counseling sessions?)
12. What are the content areas you would like to learn more about? (Saving, spending, budgeting, investing, borrowing, insurance, keeping financial records, school loans, credit cards, home purchasing and renting)

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STRENGTHENING ENTREPRENEURIAL VENTURES: PRICING STRATEGIES, SOCIAL BONDS, AND STRUCTURAL INTERDEPENDENCE

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ABSTRACT

The entrepreneur is one who creates, organizes, and manages a business in pursuit of profit (Shane, 2012). These individuals are inherent risk-takers, given that many new businesses fail. Entrepreneurial ventures generate wealth, new money. "Existing businesses may remain confined to the scope of existing markets and may hit the glass ceiling in terms of income" (Seth, 2015, p. 14). New and/or improved services, products, or technologies facilitate new markets to be developed, employment opportunities offered, and new wealth created. Strengthening the entrepreneurial enterprise can occur on three levels, through: pricing strategies, social bonds, and structural interdependence. Each level is successively more complex and enduring. It is the authors' hypothesis that entrepreneurial businesses are particularly good at social bonding and structural interdependence. However, pricing strategies and price incentives prove way more challenging for the average entrepreneur.

Keywords: social bonding, structural interdependence, customer relationship management

INTRODUCTION

Entrepreneurial businesses are uniquely situated for the 21st century. Their strengths are the very things valued in today's business world: the ability to respond quickly to environmental challenges due to a lean hierarchical structure; a creativity and "thinking outside the box" that seems to be lacking in big companies; and a closeness to customers that allows them to form relationships that ensure continued success in the future (Stephenson, 2014; Hitt, Ireland, Sirmon, & Trahms, 2011). Entrepreneurs typically start out small and recognize the importance of each and every customer to the survival of the fledgling enterprise. The founder has an intense dedication to making the business work, driven by personality characteristics and the fact that his/her reputation is tied up in how well the business does (Stephenson, 2014). These forces combine to make the new enterprise flexible and customer friendly.

LITERATURE – STRENGTHENING THE ENTERPRISE

Relationship Marketing

Earlier decades brought significant deregulation to many different types of industries, but hit particularly hard, was the service industry. Coupled with the lower growth of the same era, service industries, like financial services, airlines, and long-distance telephone carriers struggled to retain customers (Hitt, et al., 2011; Berry, 2002). The cost of constantly chasing new customers in the face of increased competition became wasteful since many finally realized that devoting at least some portion of the available marketing resources to the retention of current customers, just may be more cost effective. In fact, Berry (2002) contends that there can be a greater net gain if more customers are retained out of a smaller new customer base than if fewer are retained out of a larger new customer base.

Schneider recognized early that academic literature focused mainly on attracting new customers, rather than the retention of the current customers with little to no attention being paid to the consumer evaluation of products or services and the impact on organizational effectiveness and profitability (1980). However, the decades since have seen a shift in the literature and entrepreneurs' attention away from attracting new customers and towards the retention of customers already captured by the company. Dubbed 'relationship marketing' in 1983 by Berry, the emphasis was on "building long-term satisfying relations with key parties, customers, suppliers, distributors -- in order to retain their long-term preference and business" (Kotler, 1997, p. 12). In short, relationship marketing is about "transforming indifferent customers into loyal ones" (Berry, 1995, p. 236). The new focus occurred for a number of reasons. Customers were unhappy with the old paradigm where merchants looked at each sale as a wholly *new* transaction, failing to recognize the importance of long-term customers to the success of business. Entrepreneurs were faced with an increasingly competitive world where new customers were harder and harder to come by, forcing them to belatedly realize that it was more cost effective to serve already existing customers than to continually attract new ones.

Peppers and Rogers (1993) called relationship marketing 'one-to-one marketing,' because they see the success of such efforts being in the enterprise's ability to treat customers as individuals and not as part of a segment or group. Peppers and Rogers exhort entrepreneurs to focus their efforts on 'share of customer' as opposed to 'share of market.' Conducting business in this way means that emphasis is placed on getting more of your current customers' business as opposed to indiscriminately selling more of your product to whomever walks in the door. In the latter model, one time customers are as important as long-standing customers, and there is no attempt to draw distinctions between the two.

Relationship marketing is not a new concept; rather, it is a return to an old way of doing things. Entrepreneurs started out being based on relationships. Small neighborhood shops knew their customers by name and could anticipate their purchasing needs. But, as economies of scale and sophisticated distribution techniques allowed merchants to mass produce goods and deliver them worldwide, intimate relationships were lost. Consequently, producers and sellers became further and further removed from those who bought and used the product. It's interesting how evolution sometimes brings you back to the very place you started. The 2000s have seen resurgence in customers' desires to form relationships with their suppliers, forcing businesses to realize that customers want more than just a quality offering- they want an understanding of their individual problems and a willingness on the part of business to respond to their personal needs. This return to the development of relationships between buyers and sellers is the type of marketing that entrepreneurial businesses do best. They grow their businesses one customer at a time, and the retention of each customer is an important long-term goal that should be factored into the evaluation of organizational effectiveness and profit planning.

Customer Relationship Management (CRM)

In a world full of social media and electronic overload, relationships can suffer. For entrepreneurs, Customer Relationship Management or CRM has become a valuable tool. It is a tool to cultivate customers and create loyalty. A satisfied customer is just that, one who received what he/she expected, nothing more. The goal is to turn that one positive exchange into an on-going relationship. CRM seeks to 'house' unique details about a customer, like: milestones, birthdays, special interests, spouse's name, etc. into a database so an entrepreneur can sprinkle this information into verbal and written communications with the customer (Stephenson, 2014). CRM, when used optimally, facilitates a lasting relationship with the customer and fosters loyalty, even refers. There are many CRM software tools available to entrepreneurs at a cost (Stephenson, 2014).

Customer Focus of Entrepreneurial Businesses

Entrepreneurial businesses are particularly well-suited to engage in customer-centric relational-bonding because of the personality of the founder and the developmental stages of the business. The founder of the business, the entrepreneur, has been portrayed to have high levels of commitment to the business (Cyert & March, 1963; Drucker, 1985; Hitt et al., 2011) and customers (McClelland, 1987; Stephenson, 2014), and a propensity for anticipating problems and dealing with them proactively (Hornaday & Aboud, 1971). In addition, the entrepreneur is intuitive, (Stevenson, Roberts, & Grousbeck, 1989), willing to take risks (Lansberg, 1988), creative (Drucker, 1985), independent (Hunt & Morgan, 1995), flexible, has a high tolerance for ambiguity (Fernald, Solomon, & Tarabishy, 1996; Ibrahim and Ellis, 1994), and a management style which allows him/her to effectively seize opportunities when they are presented (Hitt, et al., 2011; Stevenson et al., 1989). These traits allow the entrepreneur to respond quickly to customers' needs and concerns in a way that tells customers their patronage is valued. The entrepreneur's struggles to create the business also ensure that the customer will take center stage in the process.

A new business is a fragile institution. It normally starts out with little capital and few buyers. It is literally willed into existence and sustained by the personality and talents of the founder and entrepreneur (Adizes 1989; Hitt, et al., 2011; Lansberg, 1988; Peiser & Wooten, 1983) who works side by side with his/her employees to ensure the survival of the operation. This "hands on" approach by the owner/manager gives him/her a unique perspective of the concerns of the customer. Absence of a track record forces the founder, and his customers and suppliers, to take risks an established business person might not take (Churchill & Lewis, 1983). For example, the entrepreneur may be forced to take on marginal customers and suppliers, while customers and suppliers must rely on promises that may or may not be fulfilled. As a result, a certain level of trust must be established in the relationship between the entrepreneur and those he must depend on to grow the business (Ward & Arnoff, 1991).

The interdependence that develops between the entrepreneur and his/her customers in the professional arena may spill over to the entrepreneur's personal life (Kets de Vries, 1993). Friendships may develop out of business relationships or, alternatively, an entrepreneur's first customers may actually be his/her personal friends and/or family members (Donnelley, 1964).

As the business takes off, the entrepreneur will continue to value those who helped ensure the success of the enterprise. In a study of selected service industries, Day, Dean and Reynolds (1998) found that "entrepreneurial SMIEs engage in a much more measured, calculated and effective approach to what is at the heart of the relationship marketing concept-customer retention and development" than non-entrepreneurial businesses do (p. 835). It is popular in businesses today to say the customer is king, but to act otherwise. However, small, startup businesses must live by this creed if they want to survive.

Benefits to Entrepreneurs

The neoclassical theory of perfect competition subscribes to the long held presumption that buyers and sellers pursue their own interests and will seek to maximize their own benefits above all others (Hitt et al., 2011; Hunt & Morgan, 1995; Maradan, Pradhan, Dash, Jayakumar, & Chatterjee, 2017; Stephenson, 2014). However, this opportunism is challenged by relational logic which inherently assumes that both parties will share in the benefits and the burdens over time (Dwyer, Schurr, & Oh, 1987). Opportunism should become more unexpected when buyers and sellers engage more frequently and become relationship partners. The primary motivation for businesses to engage customers in long-term relationships is that it positively affects operational effectiveness and enhances the bottom line. Heskett, Jones, Loveman, Sasser, and Schlesinger (1994) postulate a Service-Profit chain operating in businesses that directly links revenue growth and profits to customer loyalty. Customer loyalty is built through a chain of events that begins with the company providing a good product and work environment, which leads to employee satisfaction and results in employee retention and productivity. Thus, long-term productive employees provide the customer with good service value that leads to customer satisfaction and loyalty. Loyal customers, Heskett argues, are the primary determinants of financial success.

Support for Heskett's theory comes from a number of studies which show that loyal customers buy more product, cost less to serve, and are an important source of new business through customer referrals (Reichheld & Sasser, 1990). The impact of customer loyalty on revenue growth and profits is demonstrated by Reichheld and Sasser (1990) whose studies indicate that a 5% increase in customer loyalty can produce profit increases of 25-85%, depending on the industry. Additional research indicates that loyal customers can result in market share gains of 6% a year (Stephenson, 2014), and attracting new customers is five times more expensive than keeping current ones (Glanz, 1994; Lele & Sheth, 1987). Heskett’s Service-Profit Chain is particularly relevant to entrepreneurial businesses because it gives them a blueprint for how to grow and maintain a successful long term operation in a way that closely tracks how they already do business. Customers can also benefit from relationship marketing. Being able transact with the same business establishments time after time takes the hassle out of buying and develops a level of trust that ensures peace of mind (Berry, 1995; Doney & Cannon, 1997). Decision-making is reduced and the individual frees up time for other endeavors (Sheth & Parvatiyar, 1995). In addition, developing a satisfying relationship with a seller means that the customer gets his/her needs met in a more constructive way because the business owner is personally involved with the customer and attuned to the customer's requirements.

Levels of Customer Focus

Based upon Berry and Parasuraman's original research (1991), three seeds to a customer-focused enterprise were identified: strategic pricing, social bonding, and structural interdependence. These are explored below, but with a *modern* focus.

Strategic Pricing

The first, pricing strategies and price incentives, is a seemingly relatively easy and potentially transitory way to encourage customers to repurchase the product. Pricing strategy is the reasoned choice made from a set of alternatives that will serve to meet the organization's objectives. Businesses may utilize multiple pricing strategies (e.g., value based pricing, everyday low pricing) (Bolton & Shankar, 2003), but it is generally agreed that the cost of producing, or the cost of acquiring the goods, plays at least some significance in establishing prices. In cases where those costs increase sellers can practice self-interest and pass on the entire increase to the buyer, can practice opportunism and increase prices greater than the cost increase, or move toward establishing a relationship with the buyer by either fully or partially absorbing the increase themselves (Doyle, 2010). The extent to which a seller invests in buyer relationships should potentially influence price if the relationship is valued. For example, if the buyer sets a low price and absorbs cost increases it may imply that they are willing to sacrifice short-term profits in exchange for customer loyalty. However, it is difficult for small, entrepreneurial businesses that are many times strapped for cash; to fully absorb cost increases even in cases where forming a long-term customer relationship is vital.

Frequency marketing programs are good examples of such efforts in which a customer is rewarded with frequent flier miles or free merchandise after so many purchases. Again, it is particularly difficult for small, entrepreneurial businesses to compete at this level because they can't generate enough product to keep their costs low enough to sell below their competitors. Consequently, larger businesses are usually the price leaders in the marketplace. But, the good news is that customers attracted by price are not the most stable and will likely bolt when they find a better deal. In fact, customers who buy on price are very adept at playing one business off against another until those who compete on price find themselves caught in a destructive downward spiral that demands more and more concessions until it is unprofitable to be in business at all. This never-ending price competition is particularly evident in the airlines, telephone, and credit card businesses today.

Social Bonding

Social bonding, the second level, is a more permanent way to tie a customer to the business. In this scenario, customers and suppliers become friends. For example, first names are used when business contacts are made; meetings, both arranged and spontaneous, occur in social settings; and written greetings are exchanged at birthdays and holidays. The theory behind this approach is that it is easier to walk away from doing business with a faceless, nameless entity than it is to walk away from doing business with someone you know and see in Rotary on Tuesday mornings.

Social bonding explains the cachet of small intimate gift stores and apparel shops that generally charge much more than department and discount merchants but can do so because they provide a friendly environment where the loyal customer is made to feel special. In this environment salespeople will make suggestions based on their knowledge of the customer's tastes, will invite customers to special sales and events, and will call customers to inform them when the store has received merchandise the customer would be particularly interested in. While it's not as easy for large stores to compete in this way, some are trying to build social relationships in other ways. For instance, Sears introduced a 'Guys Holiday Shopping Week' in early 2000s after research showed that one-third of the men surveyed said "the holiday shopping experience was more grueling than painting a house" (Cuneo, 2000; Doyle, 2010). In addition to setting aside a special week for men, the store distributed booklets with suggestions on what to buy wives, family members, friends, and even co-workers, with a nominal coupon. In later years, they introduced, the 'Softer Side of Sears' to cater to the modern female consumer. This is an effort to motivate women to "snap up its apparel and boost lackluster sales" (Chandler, 2000, p. 11).

Hasbro Games Group and Pizza Hut have teamed up in Toronto to offer family game nights at local Pizza Huts. These nights allow families to think of Pizza Hut as more than just a place where they can get a good meal but as a place where their family can spend enjoyable time together (Hasbro, Pizza Hut, Mattel…, 1998). Nieman Marcus schedules in-store breakfasts with distinguished speakers to tie the customer to the company in ways other than through shopping (Talmadge, 1995). Other companies, such as Teach and Play Smart and Williams-Sonoma, encourage customers to interact with and try out the products so they feel comfortable with what they buy. Teach and Play Smart also sponsors storytelling, maskmaking and video screenings targeted at not only children but parents and teachers. Borders Books likes to think of its establishments as community centers where people can gather to "hear poetry readings and lectures, see demonstrations and attend children's programs" (Hasbro, Pizza Hut, Mattel…, 1998). Years ago one of the company's stores in Dallas brought in "Vampire" author Anne Rice not only for the traditional book signing but for a costume party with prizes and a blood drive. Subaru sponsors an Outback Rendezvous that includes one-on-one consumer contact with adventure sports such as kayaking, mountain biking, and rock climbing. With these types of events customers have a fun experience in addition to being able to purchase the product and, consequently, feel more connected, in a personal way, with the manufacturer or retailer (Hasbro, Pizza Hut, Mattel…, 1998).

Structural Interdependence

But "warm and fuzzy" marketing is easily copied, so the real competitive advantage in customer-focused or relationship marketing is taking place at the third-level where structural relationships are built. This is the most enduring stage because it ties buyers and sellers together in a mutually beneficial relationship, which significantly affects how each does business. At the third-level of relationship building, the seller customizes the product to the buyer's needs, and by so doing, links the two together in a way that is difficult to sever. The most obvious example of this is the relationship between a company and its computer hardware/software provider. Once a certain technology is chosen, businesses will resist changing because the switching costs associated with using another vendor are high. And the vendor may have invested significant dollars in customizing the products for the customer, so s/he is equally committed to continuing the relationship.

In the case study of Vani Kola, creator of the software business, RightWorks, showed the company went from an idea to a 50-person, multimillion dollar company in four years. A web-based business that specializes in start-to-finish corporate procurement systems; RightWorks customizes its $250,000+ product to a customer's business needs. Fujitsu was impressed with Kola's wares, but her product did not mesh with a system the company was already using. No problem, Ms. Kola reconfigured her software in 45 days to fit what the company was doing. Fujitsu became an enthusiastic customer (UPS, FedEx Struggle to Keep Up…, 1998). In the age of the 'web,' where buyers and sellers are located all over the world, the quick movement of goods from one location to another becomes a significant issue. FedEx has set up partnerships with companies that allow it to coordinate the arrival and delivery of the companies' parts and products, saving the company's inventory holding costs and significantly cutting the shipping time to customers. Fujitsu became dependent upon FedEx, so much so that it moved its distribution center from Portland, Oregon to the FedEx hub in Memphis, Tennessee. The two companies could take delivery of parts, assemble products, and ship them out without excessive delays. This arrangement cut Fujitsu's delivery time then by as much as two-thirds, thus increased profits by 25%. FedEx also allowed Fujitsu to hook into its computer network so it can track deliveries and bill customers upon receipt of goods (Smart, 2000). Now, Amazon has become an emerging market leader in distribution.

Hospital supplier giant, Baxter International, established similar relationships with its customers. Baxter shares business risks with some customers by jointly setting targets and sharing savings or losses. The company's consultants work with hospitals to cut supply expenses by streamlining distribution, standardizing certain goods, and delivering them only when needed. Both FedEx and Baxter have found a way to integrate their businesses with their customers' businesses, so totally that one cannot do business without the other. FedEx's Brent Meyers confirms this: "It's hard to say which is FedEx and which is Fujitsu, we're so integrated. We're just an extension of Fujitsu from the time that part is picked up in Japan until the laptop is delivered to the final customer" (Meyers, 1999, p. 4). Empire Blue Cross & Blue Shield of New York tracked patient information from a variety of health care sources to get a total picture of the care being delivered. Empire uses this information to consult with the patients' health care providers to flag potential problem areas, such as inappropriate prescription use, or to recommend preventative treatment that will forestall future medical interventions (Jeffrey, 1999; Smart, 2000). While somewhat controversial, because it involved the privacy of a patient's medical records, the ability to integrate information related to individuals' overall health care treatment holds the promise of ensuring better health care service at lower costs.

Then came the rise of entrepreneur turned big business, Amazon. Half of all online shopping searches are on Amazon and now, half of all U.S. households are subscribed to the membership program Amazon Prime (Heller, 2016). As a retailer, its market power is unrivaled. Amazon, in an effort to constrain rising shipping costs, created its own distribution operation in an effort to directly compete with UPS and FedEx (Amazon's newest ambition…, 2016). Amazon went head-to-head with major shippers for mainstream business delivery. Customers like this option (Heller, 2016).

These examples of second and third level relationship building primarily deal with large companies that are trying very hard to integrate a personal touch into their businesses (second level) or become an indispensable partner with their customers where both parties benefit (third level). This is not particularly easy for such companies which have historically depended on moving large volumes of standardized products. But, because customers are demanding such relationships, large businesses are scrambling to be responsive. Unlike large companies, entrepreneurs are particularly adept at building relationships at the second and third level for a number of reasons: their commitment to customers on an individual basis was a major factor in their initial success, and their greater challenge in competing in the pricing area can be somewhat overcome by striving even harder in other means of customer alliance development (Doyle, 2010).

Relational Bonding in Entrepreneurial Companies

Entrepreneurial companies have been practicing relationship marketing since the beginning of time. It is only over the last decade or so that larger, less-entrepreneurial enterprises have come to the realization that a customer-focus in this way can positively affect organizational effectiveness and enhance profits. In order to capitalize on a consumer-centric approach, one that seems to come naturally to entrepreneurs, they must formally integrate relationship marketing techniques that they have practiced informally in the past into their future business strategies. This can be done adopting Peppers, Rogers, and Dorf (1999) four step process for practicing one-to-one marketing.

Identifying customers**:** While entrepreneurs have an excellent sense of whom their customers are and what they need, the challenge is to get a better handle on such information. This can be done by keeping records of customers' names, addresses and telephone numbers through the use of guest registers, and the capturing of information from checks and house accounts. Having customers sign-up for special drawings can also help entrepreneurs determine who has shopped in their stores.

Differentiating among customers**:** Identifying customers by their name, address and telephone number is just the first step. This information must be put to work by marrying it to the customer's buying habits and purchases. Every time a business has an interaction with a long term customer, the business should record the outcome of that interaction. Through such records, the business can not only better serve the customer when s/he is ready to buy but can anticipate the customer's future purchases. This type of intimate knowledge of customer preferences will serve to strengthen entrepreneurial customer relationships. The danger in not keeping such records is that you are relying on memory to address customers' needs. While ok for a small business, as the clientele expands it becomes more and more difficult to use this method. In today's marketplace customers expect you to remember their tastes, especially if they come in on a regular basis.

Failure to do so may mean customers will seek out other establishments where they feel their business is more appreciated. Entrepreneurial businesses that track customer buying habits include beauty shops that record hair color formulas for each customer so they can easily recreate a color the customer likes. Hair styles could be handled in a similar way, through entering notes on a customer's record and taking a picture of the cut and style each time a customer comes in the shop. A review of a customer's file before his/her next visit will allow the business owner to refer back to information exchanged during the last visit and will convince the customer that the entrepreneur has been listening to his/her concerns. This type of activity helps cement the special relationship that has developed between the entrepreneur and the customer and helps to ensure that the customer is satisfied with the final product.

***Interacting with customers*:** A 'relationship marketing world' demands two-way communication between the customer and the entrepreneur. To accomplish this, business owners must do more than just direct marketing messages at customers. They must engage in conversation. There are several ways to accomplish this: face to face in the business or a social setting, or through written or telephone contacts and surveys. Many large businesses must rely on the latter, but small, entrepreneurial firms are particularly well equipped to engage their customers in meaningful personal dialogue. Entrepreneurs should build into each customer contact a feedback mechanism that helps the entrepreneur determine how the customer has evaluated the contact and what, if any, changes could be implemented in the fixture. This feedback mechanism could be as simple as asking, "What do you think of our new spring wardrobe?" to taking a valued customer to lunch to explore in depth what the customer thinks about the business.

Since the entrepreneur cannot always be on site when every customer appears, his/her enthusiasm for personalized customer contact must be imparted to the employees. This can be done through example and written mission statements but can be driven home by encouraging social interactions between the two. Salespeople should know the names of people who come in the store on a regular basis and make sure the customers know their names as well. Whenever possible, entrepreneurs should invite customers to a "coffee and cookie break" in the store. The dynamics of a relationship change when people "break bread" together. The atmosphere becomes one of friends interacting as opposed to a commercial venture. Other ways to interact positively with customers include sending mailings announcing special events that are open only to valued patrons; becoming active in the community so customers see you in different settings and get to know you on different levels; and engaging in reciprocal relationships with other businesses and organizations. Contributing goods and services to charitable organization fundraisers gives a business positive visibility and can create loyal customers from those involved with the charity.

***Customizing your product or service*:** Customization requires entrepreneurs to track customer purchases and preferences in order to address individual needs and wants. Typically, service firms do this well (Doyle, 2010; Seth, 2015). It may mean customizing a product or customizing the service that goes with the product. Small dress shops many times will have seamstresses available to "remake" clothes that don't fit customers. They will also put whole outfits together, suggesting jewelry, shoes, and purses to go with the clothes the customer has bought. Both the customer and the businessperson benefit from this type of special treatment - the customer spends more in the shop, but is happier doing so because she feels her individual needs have been met. Customization demands flexibility. It is a company's job to figure out a way to say "yes" to the customer. Operating with hard and fast rules about what your business will and will not provide the customer is the death knell for establishing long-term relationships. It is only when the customer's requirements come first that customer loyalty can be developed.

MANAGERIAL IMPLICATIONS

In today's competitive environment customers are looking for personal attention and a special relationship from those from whom they buy products and services. With value placed on relationship marketing by both buyers and sellers, entrepreneurs must also attempt to compete in this arena right beside much larger and more established businesses. Whether entrepreneurs like it or not, they must acknowledge that even the largest of box stores are now proud of the customer loyalty that they have earned even if it is mainly based on "everyday low prices."

While it may be more manageable for entrepreneurs to compete in areas like social bonding and structural interdependence, it proves more difficult to establish in-roads with pricing and price incentives. Entrepreneurs, if successful in establishing meaningful relationships through social bonds and interdependence, can compete successfully by offering enhanced products and services with *competitive* prices, without resorting to drastic price cuts detrimental to them. And possibly, over time, be better able to be more price-competitive. Dollars not spent on finding replacement customers can be spent on customer retention. In the planning process, it is wise for entrepreneurs to plan in some price concessions for maintaining the customer base in lieu of spending even larger amounts to continually attract new customers. With a committed focus on customer retention through relational bonding, consumers are ensured of being treated as a more valuable commodity and marketing resources are spent more wisely. In an era of more and more constraints being placed on available resources, entrepreneurs must plan wisely from start-up to retain customers verses continually replacing them.

CONCLUSION

Entrepreneurs, in a market economy, are motivated by profit opportunities. Entrepreneurs provide price quotations to others as an invitation to trade and, on occasion barter. In the long run, competition between entrepreneurs subjugates price in favor of the customers' willingness and ability to pay. With so much competition, even global competition, the customer is more in charge than ever. That means entrepreneurs need to offer better-designed pricing options. Both customers and entrepreneurs today live in an exciting time. With a renewed focus on the consumer, specifically customer retention, entrepreneurs move toward a customer-centric enterprise. Successful entrepreneurs operationalize relational bonding in the form of customer-focused strategies, events, promotions that foster 'warm and fuzzy' connections. They use pricing strategies/incentives as a means to entice trial and reduce the risk of purchase. This is especially important for an entrepreneur given the levels of competition (local, regional, and online). Structural interdependence requires entrepreneurs to look for better avenues to reach customers. Amazon, as a case study, would be a prime example of structural interdependence given its thriving membership program and own distribution network. It is only when the customers' requirements come *first* that customer loyalty can be developed and maintained. A true customer-focus positively affects organizational effectiveness and enhances profits for entrepreneurs.

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DIFFERENCES IN ADVERTISING OF FOR-PROFIT AND NON-PROFIT UNIVERSITIES

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ABSTRACT

External economic pressures and a shift from a manufacturing economy to a more knowledge-based economy have many people turning to higher education. To meet educational and training demands of the workforce, traditional, non-profit colleges and universities as well as for-profit institutions use multiple techniques to attract new students and influence enrollment decisions. Many institutions use video advertisements and television commercials as a way to reach prospective students. This exploratory study uses content analysis to assess the message variables in non-profit and for-profit institutional communication, specifically video advertisements prior to the enactment of the federal gainful employment regulations, high profile for-profit institutional closures and Federal Trade Commission litigation related to misleading advertisements that appeared on television, radio, print, online and other media. Results of the content analysis suggest non-profit institutions used advertising messages that are more transformational and emotional in nature to attract and recruit their primary demographic as well as speak to myriad stakeholders including parents and alumni. For-profit institutions more frequently used informational messages but employed a more balanced approach or tempered the informational messages with an emotional approach in messaging. Differences were also found based on message variables of belonging and presentation of future opportunities.

Keywords: For-profit institutions, non-profit institutions, advertising, marketing

INTRODUCTION

The 2015 and 2016 closures of high-profile, for-profit institutions including Corinthian Colleges and ITT Technical Institute coupled with DeVry University's December 2016, $100 million settlement of a Federal Trade Commission lawsuit based on allegations of misleading prospective students with advertisements could be a sign of the for-profit education bubble busting. Since 2000, for-profit institutions have served approximately 11% of the nation's undergraduate population (Public Agenda, 2013).

State and federal investigations that have included charges of predatory lending and false advertising, coupled with the federal gainful employment regulations, impact the college and university requirements for Title IV funding. This regulation also requires for-profit higher education institutions and non-degree programs at community colleges to meet minimum thresholds of debt-to-income rates.

With some form of postsecondary education a real economic necessity, coupled with questions about institutional accountability, students face tough choices about where to turn for higher education. For students 18-55 who do not hold an associate's or bachelor's degree, the most common sources of information on higher education are people they know and advertisements on television, billboards, and other media (Public Agenda, 2013). In one study, 64% of students between the ages of 18 and 55 not holding any type of degree learned about colleges from advertisements (Public Agenda, 2013).

While individuals are struggling to find non-advertisement information about colleges and universities, those same institutions are under increasing pressure to improve enrollment figures. The total number of high school graduates is expected to decrease in all ten of the graduating classes between 2014 and 2023 (Western Interstate Commission on Higher Education [WICHE], 2016). Between 1991 and 2011, the 25-44 year old population in the United States increased only 1%; however, adult enrollment in both undergraduate and graduate programs increased by more than 50% (Eduventures, 2012). Moreover, the federal government and others have set ambitious higher education attainment goals for the nation. For example, the Lumina Foundation calls for 60% of Americans to attain "high quality degrees and credentials" by 2025, up from the approximately 40% in 2011 (Lumina Foundation, 2012).

In addition to the increasing pressures to recruit, much has been written about the current budgetary issues and shortfalls facing higher education. Higher education's significant challenges include reductions in state appropriations, changing student expectations, growth in distance learning, erosion of public trust, the continued expanding role of technology, and public pressures centered on accountability (Altbach, Gumport, & Berdahl, 2011).

These changes in the higher education landscape pit institutions against each other for enrollment and resources. Yet, not even a generation ago, colleges and universities thrived in an environment of stable funding, increasing student enrollment, predictable student needs and learning patterns, and limited overt competition among schools. Twenty years ago economic, demographic, and political changes forced colleges and universities into an ambiguous arena—one that looks more and more like a competitive marketplace (Gioia & Thomas, 1996). This increased competition for students, faculty, and resources means institutional survival is about creating, enhancing, and maintaining a strong image in the marketplace. Thus, the current investigation seeks to learn more about one of the most commonly used recruitment tools: the video advertisement.

REVIEW OF LITERATURE

For-Profit Institutions

In the 1990s, two-thirds of for-profit colleges enrolled students in training programs (such as cosmetology and truck driving) lasting less than one year (Eduventures, 2012). According to the United States Senate Health, Education, Labor & Pensions Committee (2012), while certificate and diploma programs continued to grow, the primary program growth in for-profits were degree programs. Between 2004 and 2012, the number of associate degrees awarded by for-profit colleges increased 77% and the number of bachelor's degrees awarded increased 136% (2012).
For-profit institutions, like University of Phoenix and Ashford University, compete against the traditional, non-profit public colleges and universities. Initially, these for-profits offered

specialized programs that met at convenient times for a working adult or classes that were only online (Anctil, 2008). Academic convenience and providing marketable skills that would lead to a good job were a common positioning statement, and for consumers seeking a degree, for-profits provided that flexibility. In 2009, for-profit institutions comprised 43% of all postsecondary institutions in the U.S. and approximately 10% of the undergraduate enrollment (Institute for Higher Education Policy, 2012). Yet, this sector received 25% of the total Department of Education student aid program funds (United States Senate Health, Education, Labor & Pensions Committee, 2012). It is clear that for-profit education with its favorable demographics and alternative solutions for higher education created competition for both the adult learners seeking knowledge and skills directly relevant to the workplace as well as for traditional-aged students desiring online learning and flexibility.

Institutional Recruitment and Service Marketing

The higher education literature frequently focuses on the strategies and tactics colleges and universities use to reach the marketplace. Colleges and universities employ several techniques to recruit students—face-to-face communication, direct mail, social media, electronic communication, websites, telemarketing, print and multimedia advertising, etc. The initial goal of recruitment promotional materials, television commercials and taglines is to reach prospective students while building an image and expectations. The ultimate goal is to persuade students that a particular institution is better than the others and thus, influence enrollment. Dimensions of image commonly recognized as influencing the college selection process include academic reputation, campus appearance, cost, personal attention, location, distance from home, career placement, size, social activities, and program of study (Huddleston & Karr, 1982). It is how institutions match those features with the market's needs and demands or appeal to the market that determine enrollment success.

Higher education recruitment requires making connections with services and relationships between and among a variety of constituencies, and the student decision-making process is complicated (Anctil, 2008). According to Dann (2008), the service marketing principle revolves around a customer receiving an experience or emotion or other benefit. Many institutions use the demonstration of experience and benefit at the core of their messaging.

Harris (2009) proposed five major themes that were consistent throughout most institutional messages (campus characteristics, academics, co-curricular engagement, prestige building, and mission/purpose). In their 2012 study on commercials used by 120 NCAA FBS schools Clayton, Cavanagh, and Hettche built on Harris' work and added belonging as a central theme/message. The next section reviews literature on adverting and branding in higher education.

Advertising and Branding in Higher Education

A core element of traditional marketing is differentiation, and for a university, differentiation from its peers is viewed as central to its messaging (Clayton et al., 2012; Klassen, 2000; Parmeswaran & Glowacha, 1995). Stephenson, Heckert, and Yerger (2016) stated that branding techniques are used in higher education as a means to differentiate institutions within the marketplace to attract prospective students. For higher education, the institutional brand reflects not only the distinguishing features, but also the capacity to satisfy students' needs while helping potential students make smart enrollment decisions (Bennett & Ali-Choudhury, 2009). And as part of the institutional brand, the brand promise reflects those features that people choose to buy into whether or not those features are emotional, tangible or invisible, which are translated as part of the marketing message (Bennett & Ali-Choudhury, 2009).

Institutional marketing budgets are then spent with an eye toward persuading students that a school is different and offers benefits no other school can match. In its benchmark report on the cost of recruiting undergraduate students, Noel-Levitz (2011) found that for the 2010-2011 year, the median cost per enrolled undergraduates at four-year private colleges was $2,185 and $457 per enrolled students for four-year public institutions. These expenditures are made as institutions attempt to differentiate themselves from the competition as a means of increasing student enrollment.

Zemsky, Wegner, and Massy (2005) argued that within higher education marketing, there is a struggle to distinguish institutions based on quality, value, and services. This is consistent with Noel-Levitz’s (2012) study that demonstrated the factors most important in the college selection process were cost, financial aid, and academic reputation.

Clayton et al. (2012) and Harris (2009) offer descriptions of the importance of brand development messaging in higher education. Within higher education, there is an additional need to facilitate relationships and understanding beyond the product and its user. The audiences likely to view college/university marketing materials generally, and commercials specifically, may reach well beyond prospective students and include faculty, staff, state officials, alumni, donors, current students, employers, and the general community.

In a study of enrollment offices, Noel-Levitz (2011) reported that in spite of the recent budget challenges for higher education that included higher education budget reductions in most states, enrollment office budgets at four-year public have been consistent and even increased between 2009-10 and 2011-12.To reach prospective students, traditional, non-profit institutions engage in multiple promotional activities including campus visits/open houses, website promotion, brochures, direct mail, electronic mail, and advertising.

For the for-profits, advertising is front and center in their marketing efforts. In addition to billboards and radio and television advertising, it is estimated that the Apollo Group (University of Phoenix) spends nearly $400,000 a day just on its Google advertising (Chen, 2012). From 2000 to 2009, enrollment in the for-profit sector tripled (Institute for Higher Education Policy, 2012). Clearly, marketing and advertising pay.

Advertising Messaging

The informational (rational) view can be distinguished from the transformational (emotional) view. The informational view seeks to provide factual information about a brand while the transformation message is about the experience of using the brand and having a sense of shared meaning with the brand’s consumers (Hwang, McMillan, & Lee, 2003). In other words, a rational approach related to a college or university degree would focus on the functional need for the degree or the measurable benefits one would see in terms of career earnings or advancement. Whereas the emotional appeal works to target some psychological or symbolic need and stirs up emotions.

While extensive research exists regarding the informative and the transformative appeals used in advertising, only a few higher education studies on institutional advertisements (commercials) offer insights into the content of television commercials. The advertisements used in these studies focus on colleges and universities commercials that have football teams with televised games (Clayton et al., 2012) or during various college football bowl games (Harris, 2009; Tobolowsky & Lowery, 2006). Those studies exclude the for-profit institutions, as they do not field athletic teams. Thus, the current investigation attempts to determine the message elements in higher education recruitment videos. Additionally, the study attempts to locate differences in the message elements employed by non-profit and for-profit institutions.

RESEARCH QUESTIONS

The literature review leads to several research questions that this study was designed to explore.

RQ1: Are there differences in the audio messaging elements used by for-profit and non-profit institutions to promote their brand in video advertisements?

RQ2: Are there differences in the visual messaging elements used by for-profit and non-profit institutions to promote their brand in video advertisements?

RQ3: Are there differences in the audio approaches (music dominated, voiceover dominated, on-screen talent dominated) in for-profit and non-profit institutional messaging in video advertisements?

RQ4: Are there differences in the messages (informational vs. transformational) used by non-profit colleges and universities and for-profit institutions in their video advertisements?

RQ5 Does the commercial approach (rational, emotional, or balanced) differ between non-profit colleges and universities and for-profit institutions in their video advertisements?

METHOD

The goal of this study is to examine the differences in advertised messages between traditional universities (not-profit) and for-profit universities prior to the 2016 Federal Trade Commission lawsuits and the shuttering of some of the for-profit institutions as part of the Department of Education's investigations. A content analysis was employed using a codebook developed by Clayton et al. (2012) to examine the advertising messages of NCAA universities. The codebook constructed by Clayton et al. contains three distinct categories for analysis. These categories are broken down into audio depictions, video depictions, and message type. Coders reviewed/coded the video advertisement at least three times, once for each of the three areas on the coding sheet.

Two criteria were established for the selection of universities for this investigation. First, we wanted to select the universities with the largest enrollments. For traditional universities, community colleges were excluded because they do not offer bachelor's degrees. For the institutions selected in the for-profit sector, in addition to being in the top 10 based on enrollment, the universities had to conduct degree programs leading to at least a bachelor's degree. Second, it was important to select materials that were developed prior to the public debate on for-profit universities that occurred in 2013-2015 and led to the 2016 FTC Lawsuits. Thus, the decision was made to use materials from 2012. The sampling frame for this particular study includes the top ten universities by enrollment for both for-profit and traditional universities from 2012 based on data selected from the Institute of Education Sciences (IPEDS) using online and campus-based enrollments.

Figure 1. Universities Selected for Video Advertising Analysis

For Profit (alpha order)	Non-profit (alpha order)
Ashford University	Arizona State University
Capella University	Florida International University
Colorado Technical University*	Michigan State University
DeVry University	Ohio State University
ITT Tech**	Pennsylvania State University
Kaplan University*	Texas A&M University
Strayer University	University of Central Florida
Touro University	University of Florida
University of Phoenix*	University of Minnesota
Walden University	University of Texas at Austin

* Institutions that have undergone restructuring since data collection in 2012.
** Institutions that have closed since the data collection in 2012.

Using the selection criteria outlined in the previous paragraph a total of 31 advertisements representing the 20 selected institutions (see figure 1) were discovered and were included in the analysis. Seventeen of the 31 videos represented the ten for-profit institutions. The commercials for each university were selected from advertising campaigns for each university prior to the gainful employment regulations and obtained from university websites or university sponsored YouTube channels in 2013 and identified as institutional commercials. All 31 advertisements used were 15, 30, or 60 seconds in length. Four of the advertisements used were 15 seconds, four were 60 seconds and the remaining 23 videos were 30 seconds.

Coders for this study included the lead author and a second coder who works in higher education marketing and was not affiliated with the project or any of the institutions selected. The two coders worked independently and overall agreement between the two coders was 97%.

RESULTS

Using content analysis of the 31 video advertisements of 15, 30, and 60 seconds in length, audio and video messaging in the commercials were examined. The for-profit institutions utilized an average 1.8 different visual components and 2.1 audio components for 3.9 message elements per video advertisement. Non-profits averaged 6 video and 2.1 audio for a combined 8.1 message components per video advertisement.

Research Questions

The remainder of the results section will provide results related to the previously presented research questions.

RQ1: Are there differences in the audio messaging elements used by for-profit and non-profit institutions to promote their brand in video advertisements?

RQ2: Are there differences in the visual messaging elements used by for-profit and non-profit institutions to promote their brand in video advertisements?

In an attempt to determine if institutional messages differed in for-profit and non-profit institutional video advertisements, 21 variables (see Table 1) used by Clayton et al. (2012) were used to explore the commercials' message elements. As expected, several variables differed in their visual and auditory depictions. Elements of scenic beauty, NCAA Athletics (which were exclusive to the non-profits in this sample), performing arts, nostalgia, and study abroad were more likely to be presented visually, and these variables were not present in any of the for-profit messaging. However, students were more frequently shown or discussed as being in a classroom in for-profit university commercials (7 compared to 2 of the non-profit institutions).

Combining the visual and auditory elements, the message elements of belonging and future opportunities were the most frequently used. The future opportunities element was more frequently stressed in the for-profit messaging, while belonging was more frequently featured the non-profit video advertisements. Clayton et al. (2012, pp. 202-204) defined belonging as, "students or alumni having a unique, shared experience/bond, or focus on the community aspect of the university." This sense of belonging was demonstrated a combined 19 times in traditional universities compared to six times of for-profit universities. The opposite was true when considering the variable future opportunities. Clayton et al. defined future opportunities as, "references that suggest or imply that a college/university education will lead to success in one's future life" (pp. 202-204).

Table 1. Message Elements in Television Advertisements for College and Universities

Message Elements	Visual			Audio			Combined			
	Profit N, %	Nonprof N, %		Profit N, %	Nonp N, %		Profit N	Nonp N	Tot	Diff
Belonging	2, 11.8	10, 71.4		4, 23.5	9, 64.3		6	19	25	13
Future Opportunities	9, 52.9	6, 42.9		9, 52.9	1, 7.1		18	7	25	11
Human Knowledge	1, 5.9	4, 28.6		6, 35.3	5, 35.7		7	9	16	2
Student Oriented	5, 29.4	3, 21.4		5, 29.4	-		10	3	13	7
Graduation	2, 11.8	8, 57.1		2, 11.8	1, 7.1		4	9	13	5
Research Accomplishments	1, 5.9	7, 50.0		1, 5.9	3, 21.4		2	10	12	8
NCAA Athletics	-	10, 71.4		-	1, 7.1		0	11	11	11
Individuals in laboratory	3, 17.6	7, 50.0		1, 5.9	-		4	7	11	3
Students in Classroom	5, 29.4	2, 14.3		2, 11.8	-		7	2	9	5
International Reach	-	4, 28.6		1, 5.9	3, 21.4		1	7	8	6
Performance Arts	-	6, 42.9		-	1, 7.1		-	7	7	7
Scenic Beauty	-	5, 35.7		-	1, 7.1		-	6	6	6
Volunteerism/Service	-	4, 28.6		1, 5.9	1, 7.1		1	5	6	4
Embrace Ethical Discourse	1, 5.9	1, 7.1		2, 11.8	1, 7.1		3	2	5	1
Non-NCAA Athletics	1, 5.9	3, 21.4		-	-		1	3	4	2
History/Nostalgia	-	1, 7.1		-	2, 14.3		-	3	3	3
Study Abroad	-	3, 21.4		-	-		-	3	3	3
Faculty of Distinction	1, 5.9	-		1, 5.9	-		2	-	2	2
Alumni of Distinction	-	-		-	-		-	-	-	-
Student Scholars	-	-		-	-		-	-	-	-
University Administrator	-	-		-	-		-	-	-	-
	31	84		35	29		66	113		

When combining visual and audio messages, seven (41.2%) of for-profit universities video advertisements had the element of students in a classroom compared to just two (14.3%) of traditional universities videos. Advertisements for traditional universities showed students at graduation in nine (64.2%) of the messages compared to four (23.6%) of for-profit universities. This variable was demonstrated in for-profit university advertisements a combined 18 times compared to just seven times in non-profit university videos.

Informational advertising provides the consumer with factual, relevant brand data that is obviously important and accepted by the consumer as verifiable (Puto & Wells, 1984). For-profit universities were more likely to take an informational approach with ten (58.8%) of advertisements taking that approach, while only two (14.3%) of the non-profits were informational.

Addressing the research questions, RQ1 and RQ2, the results from the content analysis as presented on table 1 suggest that being shown working in a classroom is more important for the for-profit institutions (seven of the nine instances of students in classroom). Additionally, non-profit institutions are far more likely to use messages of belonging, research accomplishments, NCAA athletics, performance arts and visual beauty of the campus. For-profit advertisements were more likely to suggest that enrollment in the institution would lead to future opportunities as well as featuring the elements of graduation, being student-oriented, and showing students in a classroom. The difference between the number of times an element was used in for-profit advertisements and the non-profit advertisements is noted in the far right column of table 1.

RQ3: Are there differences in the audio approaches (music dominated, voiceover dominated, on-screen talent dominated) in for-profit and non-profit institutional messaging in video advertisements?

Although present in all the video advertisements reviewed, music was not the dominant approach. As noted in table 2, the voiceover was clearly the most frequently used audio approach, with almost two-thirds of the non-profit and over three-fourths of the for-profit ads featuring a voiceover as the dominant audio characteristic. In general, there were no major differences in the major audio approach taken by non-profit and for-profit institutions.

Table 2. Use of Audio Approaches in Non-profit and For-profit Video Advertisements

	Music	Voiceover	On-Screen	Total
Non-profit	3, 21.4%	9, 64.3%	2, 14.3%	14
For-profit	2, 11.8%	14, 82.3%	1, 5.9%	17

The codebook used by Clayton et al. (2012) also examined the overall message elements of the advertisements. These overall message variables examined if the advertisements were informational (the message had verifiable factual information) or transformational (associations of unique experiences with the institution). The approach (rational, emotional, or mixed) and the style elements of the commercial were also categorized.

RQ4: Are there differences in the messages (informational vs. transformational) used by non-profit colleges and universities and for-profit institutions in their video advertisements?

The review of literature discusses the importance of brand value as well as advertising appeals based on informational or emotional approaches. As noted in table 3, in the case of the non-profit messages, 12 (85.7%) were rated as connecting the viewer to a unique set of psychological characteristics or an emotional appeal to evoke a positive feeling with the institution. Only two of the non-profit videos were viewed as having informational as the dominant advertising message.

Table 3. Use of Messages in Non-profit and For-Profit Video Advertising

	Informational	Transformational	Total
Non-profit	2, 14.3%	12, 85.7%	14
For-profit	10, 58.8%	7, 41.2%	17

For the for-profit institutions in this sample, ten (58.8%) instances of the advertising messaging were informational, providing the viewer with factual, relevant information about the institution, while seven (41.2%) were transformational. Thus, while the for-profit ads were more balanced in the message category, the non-profit video advertisements strongly favored transformational messages.

RQ5: Does the commercial approach (rational, emotional, or balanced) differ between non-profit colleges and universities and for-profit institutions in their video advertisements?

An emotional approach was viewed as an appeal to feelings not reason. As indicated on table 4, ten (71.4%) of the non-profit videos were seen as presenting an emotional commercial approach while four (28.6%) videos presented a balanced (rational and emotional presentation). None of the non-profit video advertisements were seen as taking a rational approach only to messaging. The for-profit advertisements used in this study were more evenly split in their approach. Seven (41.2%) were viewed as emotional, seven (41.2%) balanced, and three (17.6%) rational.

Table 4. Use of Commercial Approach in Non-profit and For-profit Video Advertising

	Balanced	Emotional	Rational	Total
Non-profit	4, 28.6%	10, 71.4%	0	14
For-profit	7, 41.2%	7, 41.2%	3, 17.6%	17

DISCUSSION

While traditionally the student bodies at non-profit and for-profit institutions have differed, market pressure on most traditional, non-profit institutions caused them to respond with increased marketing and advertising (Anctil, 2008). More than just a collection of characteristics designed to brand an institution, video advertisements match product elements with the needs and interests of particular student populations. The initial results of this study indicate that while both types of institutions use advertising as a portion of their promotional activities, there are differences in how traditional, non-profit universities, and for-profit universities use messages to entice students.

At the time of these campaigns for-profit institutions seemed to be capitalizing on the record numbers of Americans that were turning to higher education to give them an edge in the job market. And, in turn, for-profit institutions became one of the fastest growing sectors of higher education and featured messages related to future opportunities. For any institution, increasing enrollments generally means more fiscal resources. Numerous educational studies show that students are interested in future opportunities, and positioning advertising around an appeal to future employment may be an area where traditional, non-profit institutions came up short in presenting a sense of future opportunities compared to the for-profit institutions. Instead, as noted on table 1, traditional non-profit institutions emphasized a sense of belonging, research accomplishments, athletics, performance arts, and the beauty of the campus.

Rational appeals in advertising messaging tend to focus on the features of a product and/or the benefits derived from the product. This demonstration of a rational-based appeal is of particular interest in this study because according to the 2012 Freshman Survey, the ability to get a better job was a very important reason to go to college and ranked as a very important reason to attend college with an all-time high of 88% of respondents (Sander, 2013). And, by 2016's Freshman Survey, the job outlook response was at an all-time high, where 60% of students said whether a college's graduates land good jobs was a 'very important' consideration in choosing a school (Kueppers, 2016).

For-profit universities are less likely to be coded as using transformational elements/approaches in their video messaging. This along with other variables suggests that for-profit university commercials are less likely to attempt to develop a sense of belonging between the student and the organization and more likely to focus on future opportunities. The accountability and transparency components of the gainful employment regulation are designed to ensure that students receiving federal aid are enrolled in programs that prepare them for gainful employment in a recognized occupation. These advertisements might have foreshadowed some of the recent for-profit litigation as the claim of future opportunities upon graduation touted in advertisements coupled with the debt-to-income ratio is at the center of for-profit closures and the 2016 DeVry lawsuit.

Emotional message elements in advertising make the experience of using the product richer and more enjoyable while connecting the experience of the advertisement to the brand (Puto & Wells, 1984). The dimensions of image that build on the brand promise are often intangible, thus it was not surprising that 85.7% of the non-profit advertising messages were transformational in nature in an attempt to persuade students that the institution is different and offers benefits no other school can match. It is how institutions match those features with the market's needs and demands or appeal that may determine brand position.

In the case of message elements promoting a sense of belonging, the non-profits, clearly put greater emphasis on belonging with the tone of their messages. Using the definition of belonging from Clayton et al. (2012), where belonging was operationalized as visually capturing students or alumni having a unique, shared experience/bond or focusing on the community aspect of the university or speaking to members of the institution being 'one', or place heavy emphasis on the collective nature of the community 'we', non-profits put greater emphasis on trying to arouse emotions or positive feelings that would enhance the uniqueness of the experience.

Adult prospective students are looking for a positive and empowering educational experience, and they hope to enter a program that trains them directly for a job all while having instructors who care about them and know how to teach (Public Agenda, 2013). Interestingly, both traditional and for-profit university advertisements were more likely to be coded as emotional or balanced as opposed to rational. The use of this approach may have been crucial in positioning the for-profits as not being different (educationally) than the non-profits and attracting a broader audience.

Although the number of for-profit and non-profit institutions in this exploratory study is limited, the study does illustrate the need for research in the area of the higher education advertising messages, message placements, as well as expenditures. A 2012 Senate investigation found that 15 of the largest for-profit colleges received 86% of their revenue from federal student aid programs and spent 23% of their budgets on some form of student recruitment including advertising, while non-profits spent less than a percent of their revenues on recruitment (Douglas-Gabriel, 2015).

The results of the current investigation offer several topics for further investigation. This study did not attempt to examine data regarding message placements or budgetary expenditures, so those areas are important ones for future investigations. While reviewing the type of audio approach, one factor not reviewed was whether or not the talent was male or female. There are a variety of studies that examine the tonality and gender of the voiceover artist in terms of building audience trust and brand recall. Both of which may be important to successfully reaching and enrolling students in for-profit and non-profit institutions.

This study investigated the advertising messages of for-profit and non-profit institutions prior to the implementation of several federal regulations and high-profile lawsuits aimed at for-profit institutions. All video advertisements were content analyzed based on the coding frame used by Clayton et al. (2012). In the case of institutional advertising if understanding the wants and needs of prospective students can help those students make better enrollment decisions, it is worth examining the link between the advertising messages and the type of appeals used. A unique characteristic of this study was the ability to examine for-profit and non-profit higher educational advertisements created in an era of limited federal oversight. With the changes in state and federal regulations, future research might include a larger sample size of non-profit and for-profit institutions' advertising messages since the implementation of these regulations, how attractive the messaging appeals are to students, and which content messages resonate with students.

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PRODUCT SUBSTITUTION AND CUSTOMER SERVICE: A SIMULATION STUDY

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ABSTRACT

This paper illustrates the effect of product substitutability on customer service. A situation is considered in which we have two products, which could serve as substitutes for one another. This means that in the case of a retailer, if product A runs out of stock, then customers purchase product B instead. In such a system, intuitively, one would expect that such substitutable demand should affect the inventory control of the related items. We find that, as expected, product substitution does indeed result in the improvement of customer service. However, the importance of these improvements is dependent on the existing levels of customer service. In addition, we find that the benefits of product substitution outweigh the loss. In fact, we find that we are never worse off as a result of product substitution.

Keywords: product substitution, customer service, inventory management, operations management

INTRODUCTION

Product substitution occurs in a number of practical situations. A customer at a store desiring to buy a particular brand of color paint might end up buying some other brand if the originally desired brand is out of stock. A passenger at a travel agent might change plans of travelling by air and travel by rail if tickets for airlines are unavailable. A customer desiring a carton of one-gallon milk might be willing to accept two cartons of milk of half gallon each in case the one-gallon cartons are out of stock. For example, Anupindi, Dada, and Gupta (1998) found that about 82%-88% of customers are willing to buy substitute products if their preferred product is not in stock. In such a situation, intuitively, one would expect that such substitutable demand should affect the customer service of the related items. This paper investigates the effects of substitutable demand on customer service.

The paper is organized as follows. The first section outlines the relevant literature on product substitutability and motivates the research issues. The next section describes research methodology employed. Next follows the results of the research, which is followed by the managerial implications. The paper concludes by outlining the possibilities for further research.

LITERATURE REVIEW

As will be described in more detail later, our research addresses the impact of product substitution on safety stock. There are two streams of literature in operations management, which are of relevance to our research. Inventory management/optimization models dealing with the impact of product substitution and inventory consolidation or pooling models dealing with the statistical economies of scale arising out of inventory centralization/consolidation.

At an abstract level, the extant literature in inventory management/optimization models dealing with the impact of product substitution have addressed a wide spectrum of research questions. From specific inventory model perspective, existing literature deals with reorder-point/economic order quantity models, newsboy models, periodic order quantity models etc. Some papers focus on cycle stock inventory while others focus on safety stocks. Some articles use joint product replenishments while others do not. From the objective function perspective, some focus on profit maximization while others focus on cost minimization. Some articles attempt to use optimization modeling while others use approximation heuristics/algorithms. So the existing research deals with a myriad of issues and the papers focus on some aspect of the inventory substitution effect. We would present a brief sampling of this existing research starting with the earliest of such efforts to the more recent ones.

One of the earliest studies is McGillivray and Silver (1978). This research investigated the impact of substitutability on the inventory levels of two substitutable items. They considered the (R, S) system or the periodic review system of inventory control, where inventory is reviewed every R periods and units are ordered to restore the inventory levels to the order up-to levels S. They showed that in case of perfect substitution of one product for another, the best policy is to stock only the substitutable item. They assumed the two units to be identical in all respects, i.e. inventory carrying cost, profits, etc. They came up with a heuristic to arrive at the optimal values of safety stock to achieve a desired level of customer service, as measured by stock out probability.

Some other studies analyzed the effect of product substitutability in the context of single period inventory or newsboy models. Parlar and Goyal (1984) studied the two-product single period newsboy problem with product substitutability. The model had an objective function for expected profit per period, and they analyzed necessary conditions to obtain approximate values of the optimal order quantities. Parlar (1988) used game theory to model the substitution of demand in a single period newsboy problem. He assumed that the two decision-makers (players) that make the ordering decisions know the substitution rates and the demand densities for both products. Since each player's decision affects the other's single-period expected profit, game theory was used to find the order quantities under different strategies of co-operation, irrational competition, and Nash equilibrium. Parlar showed the existence of unique Nash solution. He demonstrated that in case of irrational competition on the part of one player, the optimal solution for the other player reduces to the classical single period newsboy solution. Also, he demonstrated that the joint optimal solution is achieved when the two players co-operate, and that both players are better off, or at least not worse off as compared to Nash solution. Parlar (1984) formulated a two-period perishable inventory problem as a Markov decision model to generate optimal ordering policies. In this case, the fresh product and the one period old product serve as substitutable products. Pasternack and Drezner (1991) developed a model to describe the total expected profit from stocking two short-lived commodities (single period inventory structure) with stochastic demands in which substitutability between products may be possible. They assumed that revenues obtained from substitution would be different than the price of either of the products. They derived formulas for optimal stocking levels and showed that in the case where either of the two products can be used as a substitute, inventory levels for the two products move in the opposite direction with changes in the transfer revenue. In other words, as the transfer revenue increases, the inventory levels of the substitutable item increases and of the other item decreases.

More recently, Chen, Feng, Keblis, and Xu (2015) addressed product substitution as a supplier driven phenomenon in a single period inventory model context. An example would be when a customer books a compact car from a rental company (the supplier), if the car type is unavailable, the rental car company may instead offer the customer a full-size car. Here, the substitution is carried out by the supplier instead of the customer. The supplier comes up with profit maximizing inventory levels for the products in question in with and without customer service objectives (in terms of in-stock probability of the concerned products). Krommyda et. al. (2015) considered the case of two substitutable products in the context of demand stimulation where the existing inventory levels of the two products impact the product demand. The objective was profit maximization. Orders for the two products are placed jointly. They demonstrated that effects of product substitution and demand stimulation are two important factors that should be considered by the retailer when making inventory decisions. When the demand stimulation effect is taken into account, it led to significant increase in retailer's profits. Further, it was found that it is always profitable to let the less profitable product stock-out first. Zhang, Huang, Cheng, Want, and Fernandez (2016) investigate the phenomenon of probabilistic selling through product substitution in situations where a customer may make a purchase decision based on imperfect information e.g. buying airline tickets on priceline.com where the specific airline is revealed after the customer purchases the product. Their results showed the probabilistic selling through product substitution may benefit a seller with higher expected profits and lower inventory. Maddeh, Kharbeche, Pokharel, and Ghoniein (2016) model a situation of multiple substitutable products in the context of classical economic order quantity model with joint replenishment where they arrive optimal ordering quantities with the objective of minimizing costs. Some of the interesting findings are that high holding cost of one product may lead to higher order quantity for another product, high shortage cost of one product may lead to lower order quantities for another product. The numerical analysis indicated significant cost improvements in the situation of joint order replenishment with substitution over the case of no substitution. Khishtandar and Zandieh (2017) used a multi-objective optimization formulation in the context of the classical economic order quantity reorder point model with product substitution. The paper compares various algorithms with the objectives of: minimizing total cost, the frequency of stock outs, and the number of items stocked out. Mishra (2017) investigated the case of two substitutable products in the context of a single period inventory model with joint replenishments and with the objective of cost minimization. As one may expect, the results of the analysis showed that the total optimal costs were significantly lower in the case of inventory substitution over without substitution. Basiri and Heydari (2017) model a two stage supply chain where a green or environmentally friendly product may be substituted for a traditional product. The retailer sets the price and decides the sales efforts while the manufacturer controls the products green quality. They find that offering a green substitutable product may create a win-win situation for both retailer and manufacturer possibly in terms of higher sales volume and more profits.

RESEARCH QUESTIONS

Thus, as discussed above, the existing literature does deal with some of the interesting issues arising out of product substitution. However, there still are many interesting questions left unanswered. For example, when does product substitution give you a significant benefit? More specifically, is product substitution equally worthwhile for various levels of customer service? In other words, is the effect of product substitution significant when your present level of customer service is low or high? Another issue is, if you allow a particular product to substitute for some other product to enhance its customer service, does the customer service of the product being substituted suffer? In such a situation, does the loss offset the benefit of product substitution? There are some significant gaps in the literature that this research seeks to address.

THE SIMULATION MODEL

The problem considered in the study is shown in Figure 1 (See Appendix A). We consider two products, Product A and Product B. Both the products can substitute for each other, in case either product is out of stock, with some given probability of substitution. First, a demand for a given product is met out of the existing inventory of the product being demanded. Should the product being demanded be out of stock, the other product substitutes for the demand, with some pre-specified probability. If the other product is also out of stock, then a stock out results. In this paper, our objective is to illustrate the effect of product substitutability on customer service as measured by the fill rate. Fill rate is essentially the percentage of product demand met out of safety stock while the next replenishment order is yet to be received.

Thus, our focus is primarily on how demand is met out of the safety stock. We are not interested in that part of order fulfillment when demand is being met out of the cycle stock. Hence, the simulation begins with the start of lead-time, or when the product order is placed with the supplier. Every simulation replication starts with a product order being placed with the supplier, with the inventory on hand being equal to the reorder point and safety stock for both of the products. At the start of the day, first the incoming shipments are received, if any. Daily customer demands are first fulfilled from the existing product inventory of the product being demanded. In case of product stock out, a portion of the daily demand, determined by the probability of substitution for the concerned product is transferred to the other product, and the other portion of the demand, which can't be transferred, is stocked out. Based on the availability of the other product, the transferred demand is met through the inventory of the other product. At the end of the day, the number of units stocked out, if any, is recorded for both products. This number is added to any previously stocked out units, if any, during the same replenishment time period. Also, at the end of every day, the current inventory status is checked with the reorder level, and if the existing inventory is less than or equal to the reorder point, an order is placed with the product's supplier. At the start of the next day, the same cycle is repeated. At the start of the day, if any incoming supplier shipments are received, that marks the end of that particular replenishment cycle. At the end of every replenishment cycle, all the data statistics such as the number of products stocked out for either product are recorded, and the statistics are cleared to start the recording for the next cycle. We repeat this for forty replenishment cycles for every simulation replication.

In case of stock out of either product, the demand that would be satisfied by the other product would depend upon the probability of substitution. If this probability is a fraction, that means not all units stocked out could be satisfied by the other product, even if the other product is available. Thus, though a portion of unmet demand would be satisfied owing to substitution, still there would be a stock out. Thus, if we use some other measure of customer service such as probability of stock outs, it is quite possible that we would be doing much better in terms of customer service, as we are satisfying more customers, thanks to substitution, still we will have same probability of stock out. For this reason, we use fill rate as our measure of customer service.

The simulation parameters and their values are shown in Table 1. The values shown are for both, Product A and Product B. We make forty replications for every parameter combination. As shown in the table, we have four variables at five levels each, and two variables at three levels each. Thus, we have a total of 5,625 parameter combinations. We replicate each combination for forty times, thus we have a total of 225,000 replications in the simulation.

Table 1. Simulation parameters and their values

Parameter	**Values**
Probability of substitution	0.0, 0.25, 0.50, 0.75, 1.00
Desired fill rates	0.80, 0.85, 0.90, 0.95, 0.99
Order quantity factor	1, 2, 3
Daily demand distribution	Normal (Mean = 100, SD = 20)
Lead time distribution	Normal (Mean = 10, SD = 1.634)

RESULTS

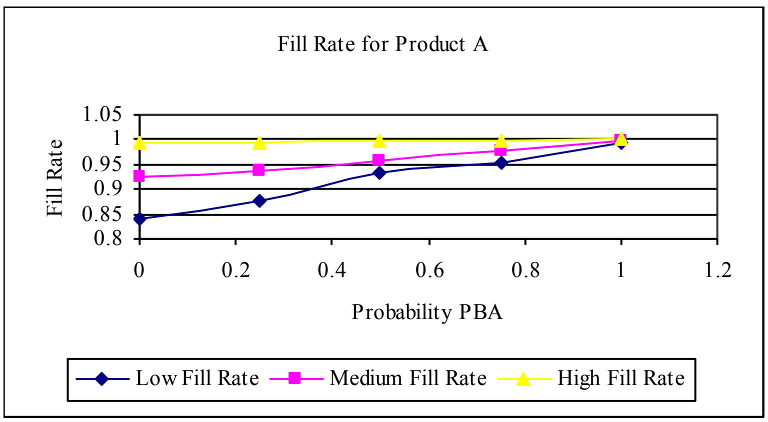
We first investigate whether there is any benefit of product substitution in terms of customer service. It is very intuitive, given the nature of product substitution and the existing literature, that product substitution should result in improved customer service.

As shown in Table 1, we have five levels of fill rates. We present our analysis at three of these levels; low (0.8) medium (0.9) and high (0.99) fill rates. We use the following notations for further analysis and presentation of findings

PAB = Probability of Product A substituting for Product B
PBA = Probability of Product B substituting for Product A

Figure 2 presents the fill rates for Product A at different probabilities of substitution of PBA, with PAB being held constant at 0. Figure 2 is in the expected direction. However, there is an interesting observation to be made. The improvement in customer service seems to be dramatic when the initial desired fill rate is low. When the expected fill rate itself is set at a higher level, though there is improvement in customer service owing to product substitution, the improvement seems only marginal.

Figure 2. Fill Rate for Produce A



So, does the importance of customer service improvements due to product substitution depend upon the existing level of customer service? Tables 2, 3 and 4 present statistical treatments to answer this and other interesting questions that we subsequently raise in this section. The tables are a series of t-tests on differences of means. The base case for the mean differences is both the probabilities of substitution being zero (PAB = PBA = 0). We present the confidence intervals for the mean differences. By the design of the tests, if we do not have a zero in the confidence interval, this implies that the particular test is significant. On the other hand, if there is a zero in the confidence interval, it implies that the particular test is not significant.

To analyze whether the importance of customer service improvements due to product substitution depends upon the existing level of customer service, the relevant t-test of mean difference is the second row of the three tables. The test is significant at 0.1 and 0.01 level at low fill rate, at 0.1 level for medium fill rate, and is not significant at high fill rate. Thus, this trend shows that the importance of customer service improvements due to product substitution indeed depends upon the existing level of customer service. The benefit of substitution seems to be statistically significant only when the existing customer service is low. Though it does seem that substitution helps at all levels, it seems to make a meaningful difference only when the existing customer service level is low.

Thus, whether significant or not, product substitution seems to improve the customer service for a product which is being stocked out. However, one might argue, for example, when you substitute Product B to meet the demand for Product A, would it hurt the customer service of Product B? In other words, as one might argue, are the customer service improvements worth the increased stakeouts that might result for the other product?

Figures 3, 4 and 5 give an initial evidence for this question. These figures show the change in fill rate of product A, both when PAB is fixed and when PBA is fixed. All the figures show that the improvement in fill rate of A with increasing PBA is more striking than the deterioration in product A's fill rate as a result of increasing PAB. Thus, this gives us preliminary evidence that the benefits of product substitution might outweigh the loss.

Figure 3. Low Fill Rate

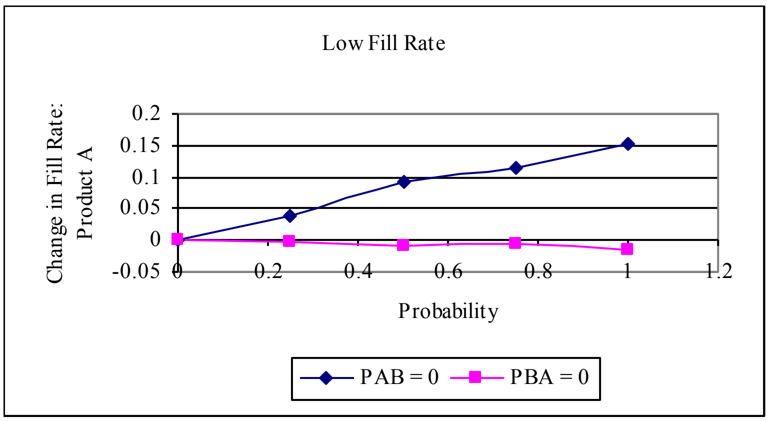


Figure 4. Medium Fill Rate

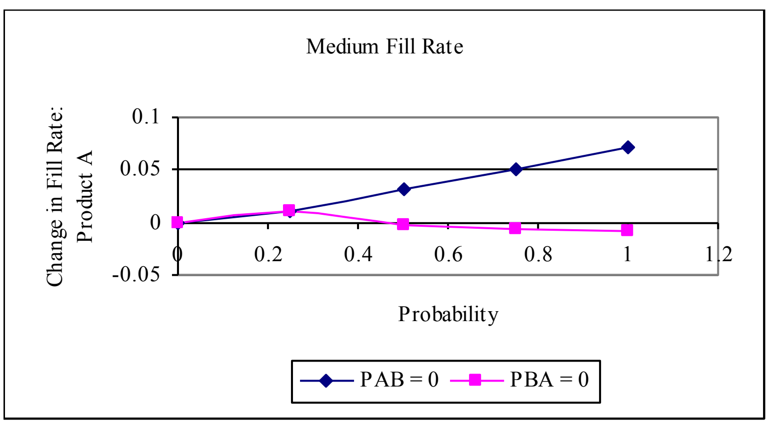
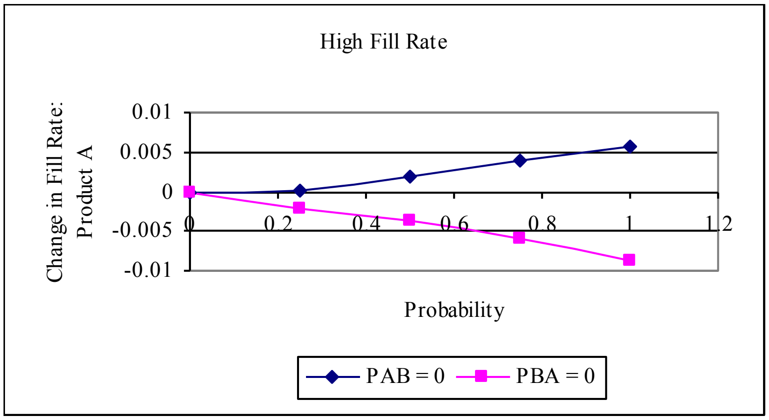


Figure 5. High Fill Rate



To rigorously examine whether indeed this is the case, we present the t-test of differences. The relevant test statistics are presented in Table 2, 3 and 4 in rows 3. As is evident, the statistical significance is not much affected, and the test for low level of fill rates remains statistically significant, indicating that the benefits of substitution indeed outweigh the losses.

Table 2. Low Fill Rate: Paired T-Comparisons with the base case; PAB = 0, PBA = 0

Probabilities	**Confidence Interval (0.1)**	**Confidence Interval (0.01)**
PAB = 1, PBA = 0	(0.036, -0.067)	(0.052, -0.083)
PAB = 0, PBA = 1	(0.181, 0.124)	(0.189, 0.115)
PAB = 1, PBA = 1	(0.193, 0.104)	(0.206, 0.091)

Table 3. Medium Fill Rate: Paired T-Comparisons with the base case; PAB = 0, PBA = 0

Probabilities	**Confidence Interval (0.1)**	**Confidence Interval (0.01)**
PAB = 1, PBA = 0	(0.114, -0.131)	(0.151, -0.168)
PAB = 0, PBA = 1	(0.142, 0.002)	(0.163, -0.019)
PAB = 1, PBA = 1	(0.135, -0.003)	(0.156, -0.024)

Table 4. High Fill Rate: Paired T-Comparisons with the base case; PAB = 0, PBA = 0

Probabilities	**Confidence Interval (0.1)**	**Confidence Interval (0.01)**
PAB = 1, PBA = 0	(0.018, -0.036)	(0.026, -0.044)
PAB = 0, PBA = 1	(0.012, -0.001)	(0.014, -0.003)
PAB = 1, PBA = 1	(0.012, -0.005)	(0.015, -0.008)

One interesting question to examine might be, whether product substitution does at all hurt the customer service of the product being substituted? In other words, are we ever worse off with product substitution? Row 1 of Tables 2, 3 and 4 present the relevant statistical test. The t-test of mean differences show that there is no significant difference in the customer service levels with or without substitution. That is, if product A is substituted for product B, without the benefit of product B substituting for product A, the customer service of product A is not statistically different from the case when neither products substitute for each other. This gives a convincing evidence to assert that we are never worse off with product substitution.

One can explain this result as follows. When a product substitutes for another product, it might be doing so from either cycle stock or from safety stock. When it substitutes for another product from cycle stock, there is no reason for its customer service to get affected. On the other hand, when it substitutes from safety stock, there again are two possible scenarios. The product could be either in a high demand phase or a low demand phase. Again, when the product is in a low demand phase, substituting it for another product might not cause any undue problems for its own customer service. Its only when the product substitutes for another product out of the safety stock and being in the high demand phase, that there is some reasonable chance of its customer service being affected. However, the probability of this happening seems to be very low, and that might explain our result.

MANAGERIAL IMPLICATIONS

The results in this research have some useful managerial implications. We have shown that product substitution improves customer service. This implies that in the presence of substitutable products, it's possible to achieve higher fill rates with less safety stocks. Thus, managers can achieve desired customer service levels with lesser safety stocks than that mandated by the traditional inventory management models, which does not take product substitution into account.

However, as our results indicate, this improvement is dependent upon the existing level of customer service. Specifically, the customer service improvements seem to be meaningful only when the existing levels are low. Thus, those products that have low customer service levels, for reasons such as limited product availability, saving on inventory cost, etc., would benefit the most.

Managers might be concerned when allowing products to substitute for the demand of other products out of the fear that it might adversely impact the customer service of the product being substituted. However, our results show that one is never worse off with product substitution. Thus, our results imply that managers should encourage product substitution wherever possible, without any second thoughts, as this could only improve customer service.

LIMITATIONS AND FURTHER RESEARCH AVENUES

We have analyzed the benefits and losses of product substitution solely on the basis of customer service as measured by fill rates. However, though it might be beneficial to substitute in terms of fill rate, things might be different when consideration is given to issues such as the price of the product etc. There is an opportunity to include such considerations in our modeling.

Various parties such as customers or suppliers, etc. can initialize product substitution. For example, Gateway computer can substitute an 8 GB hard-disk for a customer order of a computer, when a customer has requested a hard-disk of only 4 GB. When does it make sense for Gateway to adopt such a policy? One would suspect that it would be based on the price differential between the two products. It might make sense only when price differential is not large. There exists an opportunity to investigate such issues in our modeling context.

In the presence of product substitution, individual product customer service levels tend to understate the true customer service being achieved. Thus, measuring customer service by the traditional measures might be misleading. There is a need for some composite measure of customer service, which would present a better assessment of the true customer service being attained, taking into consideration product substitution.

In this paper, we have assumed individual ordering of the products. However, firms might have a policy of joint ordering of products, to save on ordering costs. It would be reasonable to believe that in case of joint ordering, the impacts of product substitution might be different from that observed in this study. For instance, in the case of joint ordering, one may not get the benefit of lead-time pooling, and that might lessen the benefits of product substitution from that observed in this study. It might be interesting to extend this study to investigate such issues arising out of joint ordering of products.

To the best of our knowledge, there isn't any study in the literature that presents analytical models to predict customer service levels based on different levels of product substitution. There is an opportunity to do analytical modeling to address this issue, based on similar lines on the inventory pooling literature.

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APPENDIX A

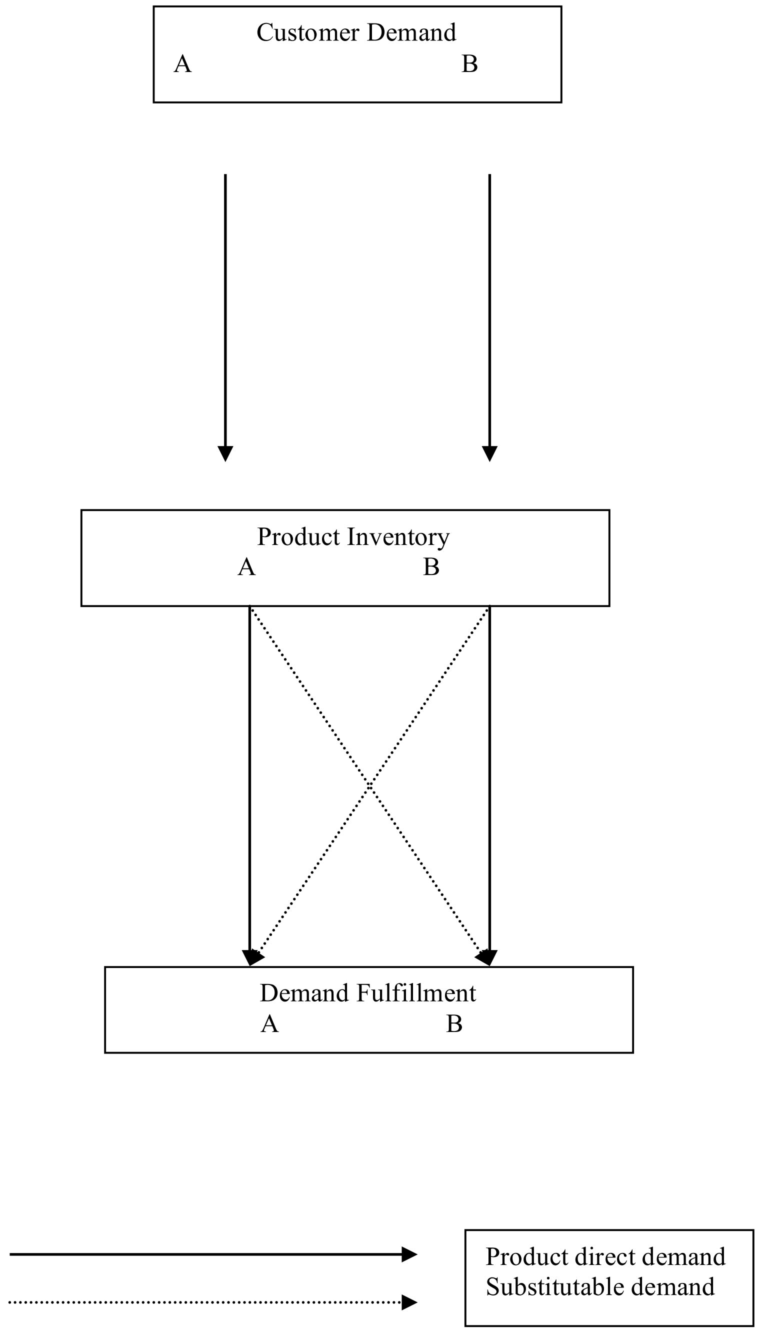

Figure 1

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