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LETTER FROM THE EDITORS

Welcome to the third volume of the *Academy of Marketing Studies Journal.* The Academy of Marketing Studies is an affiliate of the Allied Academies, Inc., a non profit association of scholars whose purpose is to encourage and support the advancement and exchange of knowledge, understanding and teaching throughout the world. The *AMSJ* is a principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to publish empirical and theoretical manuscripts which advance the discipline, and applied, educational and pedagogic papers of practical value to practitioners and educators. We look forward to a long and successful career in publishing articles which will be of value to the many marketing scholars around the world.

The articles contained in this volume have been double blind refereed. The acceptance rate for manuscripts in this issue, 25%, conforms to our editorial policies.

As editors, we intend to foster a supportive, mentoring effort on the part of the referees which will result in encouraging and supporting writers. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge; and, in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

The Editorial Policy, background and history of the organization, and calls for conferences are published on our web site. In addition, we keep the web site updated with the latest activities of the organization. Please visit our site and know that we welcome hearing from you at any time.

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MANUSCRIPTS

SITUATIONAL ASPECTS OF NEED FOR AUTONOMY AS A MODERATING VARIABLE IN THE AUTONOMY-PERFORMANCE RELATIONSHIP AMONG INSURANCE AGENTS

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ABSTRACT

The relationship between salesperson autonomy and performance is well researched in the literature. Little research has, however, investigated the moderating effects of need for autonomy on this relationship. This study found weak support for the moderating effect of need for autonomy on the relationship between agent performance and perceived autonomy in an analysis of Midwestern insurance agents. Additional research is needed to determine whether more job/situation specific measures of these variables will more clearly delineate this effect.

INTRODUCTION

Studying the autonomy-performance relationship for insurance agents is important. Primacy is usually given to the personal selling side of the promotional mix (over sales promotion and advertising) in the insurance industry due to the complexity and diversity involved in the requirement to identify likely prospects, interest them in the product best suited for them, handle complex objections, and provide effective follow up after the sale (Dubinsky and Yammarino, 1985). Agent supervisors have a vested interest in maximizing agent production since agent performance has a direct bearing on agency revenue. Insurance agent supervisors should be particularly interested in any variable over which they have direct control that increases agent performance. One such variable is agent perceived autonomy (Yammarino and Dubinsky, 1990).

Churchill, Ford, and Walker's (1997) Model of the Determinants of Salesperson performance identifies perceived autonomy as a determinant of salesperson performance. Research supports the generally positive relationship between perceived job autonomy and salesperson performance (Yammarino and Dubinsky, 1990; Dubinsky and Yammarino, 1985). However, some researchers have found both non-significant (Yammarino and Dubinsky, 1990; Orpen, 1986; 1985; Parasuraman and Alutto, 1984; and inverse relationships (Orpen, 1979) between these two variables.

Although the reasons for these findings are unclear, it has been noted that when researchers fail to find expected relationships well supported in the literature, the presence of moderating variables is likely (Orpen, 1985; Griffin, 1981). A likely personality variable that may moderate this relationship is *need for autonomy*. Salespersons who perceive congruency to exist between their perceived autonomy and their need for autonomy should perform better than those who find discrepancies between their need for autonomy and their perceptions of the amount of autonomy they have in their job.

Although the likelihood of need for autonomy to moderate this relationship seems to be high, little attention has been given to testing this relationship.

Autonomy as a Need of Salespersons

Autonomy has been identified as an inherent part of a salespersons job (Yammarino and Dubinsky, 1990; Becherer and Morgan, 1982). Autonomy has been established as a psychosocial need for salespeople who have reached the establishment' stage of their career, supporting the idea that need for autonomy varies with respect to time on the job (Dalrymple and Cron, 1992). Autonomy is often a necessary part of the job since salespeople often are in a boundary spanning role between the customers on the one hand and the organization on the other (Yammarino and Dubinsky, 1990). Insurance agents in particular have been cited as needing autonomy (Comer and Dubinsky, 1985) although new insurance agents have been found to have less need for autonomy than do more established agents (Dalrymple and Cron, 1992; Rich, 1990).

That different sales people have different needs for autonomy is exemplified in the finding that differences in the need for autonomy among salespeople in general have been noted in the literature (Dalrymple and Cron, 1992) as well as among insurance agents in particular (Rich, 1990; Comer and Dubinsky, 1985). Additionally, internal salespeople such as manufacturer's agents, are thought to have a lower need for autonomy than that of external salespeople such as insurance agents (Mahajan, Churchill, Ford, and Walker, 1984).

Thus, it appears that although sales jobs in general have been seen to be highly autonomous jobs with respect to other types of non-sales jobs, sales jobs themselves can also be dichotomized into high and low needs for autonomy. Generally, salespeople in positions that are external to the firm such as insurance agents or manufacturers' agents have higher requirements for autonomy than do salespeople in internal sales jobs such as retail or company sales.

Need For Autonomy As A Moderating Variable

The search for personality variables that moderate the relationship between job characteristics and job outcomes is not new. Personality variables have been extensively researched in the sales literature in an attempt to find those key variables that determine successful sales performance. Sales performance has been identified as being dependent on salesperson personality traits (Howell, 1968). For generations, researchers have looked for some way to predict salesperson success based on either personal characteristics or personality traits (Comer and Dubinsky, 1985) but with little success (Lamont and Lundstrom, 1977). Indeed, most research done in reference to determining those variables that can best predict salesperson performance have assumed that high performance in all sales jobs is a function of some common reference group of factors or characteristics that apply to all sales situations (Weitz, 1981).

Yet recent research has found that personality variables do have some redeeming qualities in personnel selection (Tett, Jackson, and Rothstein, 1991; Barrick and Mount, 1991). These findings are, in part, a result of the fact that personality trait research has continued to be emphasized in empirical investigations throughout the eighties (Ford, Walker, Churchill, 1987). This may explain the intensive efforts of a great many researchers in using personality variables as attempts to find critical determinants of sales performance.

Practical Significance

The management of autonomy is a critical skill in managing professionals (Raelin, 1989). Autonomy is one of those concepts that, due to its importance to both managers and professionals, causes disagreements between the two in determining the extent to which management exercises its own autonomy without excessive incursion into the professionals autonomy and vice versa (Raelin, 1989). It is thus important to match the level of need within an individual to that situation that can best address that need. In other words, increased congruency between an individual's personality characteristics and their job results in increased performance, satisfaction and less stress. A lack of congruency results in decreased performance, satisfaction, and increased stress (George, 1992).

This research is focused on measuring the ability of need for autonomy to moderate the relationship between the salesperson's perceived job autonomy and his/her performance. The theoretical importance of this research derives from demonstrating that the unmediated (i.e. no intervening variable) causal path between job autonomy, as a variable controlled and administered by the organization, and salesperson performance is moderated by the salesperson's need for that autonomy. Performance should be higher when there is congruency between the salesperson's need for autonomy and his/her perceived job autonomy. Lack of perceived congruency in this relationship will reduce the effectiveness of the employee as compared to those who perceive their job autonomy to match their need for autonomy (George, 1992; Raelin, 1989).

From a practical viewpoint, this research will develop tools which the agent supervisor can use to determine the level of autonomy his/her agent's need. The organization can then either modify the agent's degree of perceived job autonomy so as to more nearly match his/her need for autonomy or attempt to hire agents who already have a need for autonomy that matches the required autonomy for the job. The former entails increasing the level of autonomy for those whose desires for autonomy exceed their perceived job autonomy or decreasing the agent's job autonomy where the agent perceives his/her job autonomy to exceed the level to which they want to be autonomous. The latter is considered the more realistic approach since it is inherently difficult to make enough modifications to a job so as to sufficiently meet the needs of the agent. When the two are found to be incongruent, the job holder either attempts to modify the job him/herself or, more likely, changes to a job that is congruent with his/her personality (Kohn and Schooler, 1982).

Since job autonomy is the only variable in the model that is both an organizational variable and an externally mediated reward that affects both his/her performance as well as his/her intrinsic job satisfaction, it is important that agent supervisors understand the subtleties involved. The sales manager should not contemplate increasing a agent's perceived job autonomy without first considering the degree to which (if any) the salesperson wants his/her perceived job autonomy increased. To do so is to invite reduced productivity as well as decreased job satisfaction.

PURPOSE

The purpose of this research is to show that need for autonomy moderates the relationship between agent perceived job autonomy and agent performance. More specifically, it is suggested that arbitrarily increasing an individual's perceived job autonomy, without considering his/her need for autonomy, as is being advocated with regard to the employment of empowerment (James, 1992), can result in organizational disappointment if the agent's performance does not increase as well. Conversely, this research may show that organizations that find little or no relationship between perceived job autonomy and performance may have agent's high in need for autonomy who perceive the job to be low in autonomy (or at least lower than they want) or they have lower performing agents low in need for autonomy who are finding more autonomy than they desire. In this case, increasing the autonomy of those with high needs for autonomy while reducing the level of autonomy for those low in need for autonomy may result in increased organizational productivity for all.

Instead of granting autonomy to everyone, organizations need to realize that need for autonomy should be a prerequisite for increasing a person's autonomy. A manager's greatest challenge may lie in his/her ability to effectively manage the autonomy needs of the professionals in his/her organization (Raelin, 1989).

Situational vs Personality Effects

Although organizational researchers have generally placed a low value on the relationship between personality variables and employee behavior, such attitudes are changing (George, 1992). A person-situation debate has been the focus of considerable discussion in the literature concerning the efficacy of which variable accounted most for individual dispositions and behavior (George, 1992). A review of the literature (Weiss and Adler, 1984) revealed that the majority support personality constructs as accounting for little if any behavioral or affective response. That these attitudes are changing is evident in the authors' follow-up study conclusions that, while personality is likely to be more important than previously thought, this is an area that requires more research due to its being largely ignored in the past (Alder and Weiss, 1988).

More recently, consideration of the ability of personality as an "explanatory construct" to explain organizational behavior has received greater attention (George, 1992). The person-situation debate that fueled the literature for decades has been noted to be a lesson in futility. The general conclusion is that neither personality variables nor situational variables account for a significant amount of the variance in either employee dispositions or behaviors (George, 1992). Rather, employee behaviors are influenced by both personal and situational variables (Pervin, 1985) in an interactive mode (Carson, 1989).

While the situational context is clearly important in determining behavior (Davis-Blake and Pfeffer, 1989), so to, and without taking anything away from the importance of situational determinants, are personality variables (Kenrick and Funder, 1988; Rowe, 1987). The work situation itself may be a function of the type (and personalities) of those working there (Schneider, 1987). In the development of his attention-selection-attrition (ASA) framework, Schnieder (1987) suggests that those individuals whose personalities best fit the work environment will be attracted to that type of work. These employees will maintain the type of work environment that is most congruent with their personalities. Thus, the employee's personalities will constrain the organizational behavior by attritting from the organization those individuals who do not support their personality requirements.

This is not to say that personality drives the work environment in its entirety. Rather, the employee personality/work environment fit works both ways. The workplace must both give the employee the atmosphere that best fits his/her personality and the employee must satisfy the requirements of the job. The better the fit, the better the outcomes (Rounds, Dawis, and Lofquist, 1987). These outcomes, as predicted by their personality traits, are more valid in the aggregate than for the individual (Epstein and O'Brian, 1985).

Thus, neither the situational context nor the personality traits appear to be more important than the other in predicting behavior. Rather, behaviors are influenced by both (Pervin, 1985) and often interact (Carson, 1989). Since it also appears that basic personality traits tend to be stable over time (Arvey, Bouchard, Segal, and Abraham, 1989) it is just as important to study personality determinants of behavior as situational ones (George, 1992). Indeed, when specific personality-outcome relationships are identified, and researchers clearly identify their hypotheses, personality variables have proven to be useful predictors of behavior (Hough et al., 1990). It is clear that both situational and personality variables affect performance.

Situational Moderators

In the sales literature, both customer type and product type have been found to moderate the relationship between organizational variables and salesperson performance (Ford, Walker, Churchill, and Hartley, 1987). Job type can affect performance (Yammarino and Dubinsky, 1990). Different jobs/positions, have different tasks to perform and different measures of that performance (Ford, Walker, Churchill, and Hartley, 1987). Organizational climate affects performance (Hall, 1985; Bloom, 1984) as can job longevity (Dalrymple and Cron, 1992; Pinch, 1985).

Many of the situational variables identified as influencing this relationship have need for autonomy as a common underlying factor. Salesperson's in the establishment stage of their career have been found to desire less autonomy than at other times in their job (Cron, Dubinsky, and Michaels, 1988). The newly hired have been found to want less autonomy than do those that have been working there longer (Katz, 1978). Thus, time in the job affects the employee's need for autonomy and his/her performance. At the time of hire, excess autonomy, when need for autonomy is low, may degrade performance since the salesperson doesn't yet possess the skills or customer/product knowledge necessary to perform well. Later, as the elements of the job become more familiar and confidence increases, lack of autonomy (when need for autonomy is higher) may decrease salesperson creativity and motivation to seek new prospects and adequately maintain accounts (Spindle, 1990). But, as time in the job continues the salesperson may plateau. Of the many reasons for this effect, lack of autonomy when need for autonomy is high, may be affecting performance (Cron, Dubinsky, and Michaels, 1988; Orpen, 1986).

Increased employee autonomy has been found to reduce the stress associated with an adverse organizational climate characterized by role conflict/role ambiguity (Dubinsky and Skinner, 1984). Additionally, as this organizational environment progresses, the salespersons need for autonomy increases. Meeting these increased needs helps to reduce the amount of perceived role conflict/role ambiguity and increase performance (Dubinsky and Mattson, 1979). Jobs have been found to vary in the amount of autonomy needed to perform the job (Hall, 1985). Matching an individual's need for autonomy to a job that requires that level of autonomy may increase his/her performance (Harrell and Alpert, 1979).

While it is clear that situational variables influence employee performance, it also seems that employee's need for autonomy is a common underlying factor of that influencing affect. Since many of these situational variables derive part of their performance affect from the more general effect of need for autonomy on these relationships, it seems that studying need for autonomy as a moderator of the organizational variable-performance relationship is more productive than in studying a series of specific situational variables that contain need for autonomy as an underlying influence on this same relationship.

Denying the usefulness of personality traits influencing performance is tantamount to ignoring the individual differences inherent in all sales people. While it is clear that the organizational situation exerts a strong influence on individual behavior, it is equally clear that individual differences exert a strong influence on their own behavior. Thus, personality research is just as important as situational research in understanding organizational behavior (George, 1992). Therefore, it is evident that the situation the salesperson may find him/herself in may influence his/her performance. Research into the situational moderators of the organizational and/or environmental variable-salesperson performance relationship continues (Ford, Walker, Churchill, and Hartley (1987). This study will contribute to that research.

NFA Moderates the Autonomy-performance Relationship

The moderating effect of need for autonomy on the relationship between perceived job autonomy and job performance has been virtually ignored in the literature. Studies that have found support for this relationship have often found only weak (Orpen, 1985) or anecdotal (Anonymous, 1990; Harrell and Alpert, 1979) support.

Purpose

Though need for autonomy has not previously been included as a personality determinant of salesperson performance in Churchill, Ford, and Walker's Model of the Determinants of Salesperson's Performance, this study hypothesizes such an inclusion. Need for autonomy is expected to moderate the relationship between Job Autonomy (as an organizational component of the Personal, Organizational and Environmental Variables construct) and performance because not all people want to have their jobs enriched (Hackman and Lawler, 1971).

DATA COLLECTION

Participants

One-hundred eighty-seven agents from a mid-western insurance agency participated in a mail survey of their need for autonomy and perceived job autonomy. The organization provided two measures of sales performance data: supervisor evaluations and the agent's production report for new business across seven lines of insurance over a one year period. One-hundred fifty-eight agents (84.49%) responded to the first wave mailing. A second cover letter reminding the agents of the first attempt and requesting their assistance (along with another copy of their senior vice president's memo) was mailed to the 29 non-respondents. Thirteen agents (77.82%) responded to the second wave mailing. The total of 171 responses (first plus second wave) results in an overall response rate of 91.44%. Of these, nineteen were not employed for the entire year resulting in 152 usable responses for an effective response rate of 81.28%. Of the 152 usable responses, some had missing values in one of the perception scales (evaluations, perceived autonomy, need for autonomy). In these cases, the mean response for all respondents on this item was substituted for these missing values (Nie, et al., 1975). This procedure was not used for any other variable. Missing data in objective performance data caused that case to be deleted.

Non-Response Bias Testing

To determine potential non-response bias the mean supervisor evaluations for the first wave (3.15; n = 158) were compared to the second wave (2.79, n = 13). No significant difference was found (t = 1.483; p = .139). The mean response supervisor evaluation for all responses collected (3.12; n = 171) was compared to the population supervisor evaluation mean (3.06, n = 187). No significant difference was found (t = 0.663; p = .491). Finally, the mean supervisor evaluations of those usable responses (3.122, n = 152) were compared to the supervisor evaluation mean of the population (3.06, n = 187). No significant difference was found (t = 0.611; p = .541). This analysis supports the lack of problematical non-response bias effects on the data.

Scales

A nine-item perceived autonomy scale, collapsed to form one measure (Breaugh, 1989), was used to measure perceived agent job autonomy. The sixteen item (True/false) Personality Research Form (Jackson, 1987) measured agent *need for autonomy*. Two scales measured performance: a supervisory rating scale and an objective measure of performance. Linear regression, canonical regression, and correlation analysis tested the strength of the autonomy-performance relationships. Moderated regression analysis determined the moderating effect of need for autonomy on the autonomy-performance relationship. A test for significant difference of means tested the hypothesized significant difference in the need for autonomy of insurance versus retail salespersons.

Measures Of Scale Internal Consistencies (Cronbach's ALPHA)

Each scale was tested for internal consistency using Cronbach's Alpha with the results presented in Table 1. These values on all scales demonstrate sufficient internal consistency measures, although the need for autonomy scale is barely within tolerance (Nunnally, 1967).

TABLE 1
Measures of Consistency Using Cronbach's Alpha

Performance Scale	Alpha
Supervisor Evaluation (13 Item Scale)	.95
Perceived Autonomy (9 Item Scale)	.85
Need For Autonomy (16 Item Scale)	.70

HYPOTHESES

Three primary hypotheses were tested:

Hypothesis 1: There is a significant positive relationship between perceived job autonomy and agent performance.

Hypothesis 2:	Insurance agents vary in their need for autonomy.
Hypothesis 3:	The relationship between perceived job autonomy and performance is moderated by agent need for autonomy.

FINDINGS

General support was found for the first hypothesis. Perceived autonomy is a small but significant predictor of agent performance for insurance agents. Perceived autonomy is a significant predictor of both objective and subjective measures of insurance agent performance.

Support was found for the second hypothesis as well: *need for autonomy* differs within the insurance organization. Agents relatively high in need for autonomy were significantly higher in their need for autonomy than were agents with a low need for autonomy.

Partial support was found for the third hypothesis: *need for autonomy* was found to moderate the relationship between perceived autonomy on one of eight measures of objective measure of insurance agent performance. However, no moderating effect was observed for *need for autonomy* moderating the relationship between perceived agent autonomy and seven of the eight measures of objective performance as well as the subjective supervisor evaluation measure of agent performance.

Hypothesis Testing

Hypothesis 1:	Perceived autonomy is a significant positive predictor of agent sales performance.

This hypothesis was tested using the redundancy index from a canonical correlation between the performance measures and perceived autonomy. The redundancy index was used in place of the canonical correlation due to the possibility of the canonical correlation overstating the relationship (Hair, Anderson, and Tatham, 1987). Testing the significance of the average correlation between the dependent variables and perceived autonomy yielded a significant correlation of .1589 ($p < .05$). To test the sub-hypotheses, perceived autonomy was regressed on each measure of performance individually. The results are presented in Table 2.

TABLE 2
Test for Significance of Perceived Autonomy as a Predictor of Agent Performance

MEASURE OF AGENT PERFORMANCE	p-value
Casualty Premium (1)	0.592
Casualty Premium (2)	0.975
Fire Lines	0.521
Commercial lines	0.653

Life	0.000
Health	0.071
Other	0.040
Overall Objective Measure	0.108
Supervisor's Evaluation	0.003

Clearly, Perceived Autonomy is a only a significant predictor of performance ($p < .05$) when performance is measured subjectively by supervisor evaluations and objectively by Life and Other insurance lines for this data. Note: 'Other' had a significant inverse relationship with perceived autonomy. Performance was measured both objectively and subjectively. Agent performance was measured by supervisor evaluations (13 item scale) and new business sold in seven lines of insurance: Casualty Premium, Casualty Premium (AG), Fire Lines, Commercial Lines, Life, Health, and Other. Analysis of the data indicates the hypothesized positive relationship between perceived autonomy and performance is generally supported. However, although the signs of the intercorrelations are in general positive, only two of the objective measures of performance are significantly correlated with perceived autonomy (Life; Other) and one of them (Other) has an significant inverse relationship with perceived autonomy. The identification of a positive significant relationship between the subjective measure of performance (supervisor evaluations) and perceived autonomy strengthens the hypothesized positive relationship.

Hypothesis 2: Salesperson need for autonomy differs among agents within the agency.

This hypothesis was tested by sorting the sample on need for autonomy and comparing the highest quartile with the lowest quartile. A significant difference of means test revealed that insurance agents highest quartile mean need for autonomy was significantly higher than the lowest quartile mean need for autonomy. Thus, hypothesis two is supported. Table 3 summarizes the findings.

TABLE 3
Tests for Differences in Need for Autonomy Among Insurance Agents

	MEAN	n	t	p
1st Quartile	1.558	38		
			30.054	< .001
4th Quartile	1.095	38		

Hypothesis 3: Need for Autonomy moderates the relationship between perceived agent autonomy and agent performance.

This hypothesis was tested using both moderated regression analysis and moderated canonical regression analysis. Need for autonomy was found to moderate the relationship between perceived autonomy and an objective measure of insurance performance (Other lines of Insurance) at $p < .025$ (Table 5). No other moderating effects were found. (Table 4). The test for the moderating effect of need for autonomy (NFA) on the autonomy-performance relationship (PA and Other) is to calculate an F-statistic comparing the coefficient of determination of the multiple regression (equation 2) to that of the moderated multiple regression (equation 3) as follows (Evans, 1985):

$$F = \frac{(R_3^2 - R_2^2)/(1 - R_3^2)}{K_B/(n - K_A - K_B - 1)}$$

such that: R_3^2 is the coefficient of determination for equation 3. R_2^2 is the coefficient of determination for equation 2. The sample size is n. K_A is the number of independent variables in equation 2. K_B is the number of variables added going from equation 2 to equation 3. Based on this: The calculated F-statistic is: F = 5.263; d.f. = 1,148. Since F = 5.263 (1,148) > F = 5.02 (1,∞), reject the null hypothesis and conclude that perceived autonomy moderates the relationship between perceived autonomy and this measure of insurance agent performance ($p < .01$). This procedure is used to test the canonical moderated regression using the redundancy in place of the canonical R^2. The redundancy index is used in lieu of the canonical R^2 to reduce the possibility of misinterpretation due to the potential for the canonical R^2 associated with the first canonical variate to overstate the explanatory power the set of independent variables has for the dependent variable set (Hair, Anderson, and Tatham, 1987). The redundancy index is determined by averaging the squared multiple correlations between the predictor variables (as a set) and each individual dependent variable . The average R^2 is then used to calculate the F-statistic used for the moderated multiple regression. The calculated F-statistic for each of the measures of agent performance (Table 4) shows that Need for autonomy only moderates the relationship between Perceived Agent Autonomy and the measure of performance specified as 'Other Lines of Insurance' since this is the only calculated F-statistic which exceeds the decision rule F-statistic of F = 3.84 ($\alpha = .05$).

TABLE 4: Test for Moderating Effect

PERFORMANCE MEASURES	F-STATISTIC
Other Lines of Insurance	5.263
Fire	1.730
Casualty (1)	1.204
Commercial	1.045
Casualty (2)	0.757
Health	0.608
Evaluations	0.325

Life	0.000
All Objective Measures of Performance	1.389
Canonical	1.360
$F_{(\alpha = .01; 1, \infty)}$ = 5.02	$F_{(\alpha = .05; 1, \infty)}$ = 3.84

Table 5 demonstrates the method of using moderated regression in testing for the moderating effect of need for autonomy on the relationship between perceived agent autonomy and performance as measured by 'Other Lines of Insurance'.

TABLE 5
Test for the Moderating Effect of Need for Autonomy on the
Perceived Autonomy - Performance (Other Lines of Insurance) Relationship

EQUATION	R^2
Other = Constant + PA	.028
t = (-2.069)	
p-value = (0.040)	
Other = Constant + PA + NFA	.039
t = (-2.072) (1.038)	
p-value = (0.040) (0.193)	
Other = Constant + PA + NFA + (PA)(NFA)	.072
t = (2.024) (2.469) (-2.300)	
p-value = (0.044) (0.014) (0.022)	

CONCLUSIONS

Data analysis provides mixed support across all three primary hypotheses. Although supervisor evaluations of performance had significant positive relationships with perceived autonomy, the objective measures of performance failed, in general, to have significant associations with performance. Only two of the seven measures of objective insurance agent performance had significant relationships with perceived autonomy. Thus, the hypothesized positive autonomy-performance relationship is not fully supported. Increasing agent autonomy apparently does lead to increases in supervisor evaluations of salesperson performance. However, such increases are not supported by objective measures of performance.

Insurance agents were found to differ significantly from each other in their need for autonomy. Agent supervisors need to be aware that empowering agents indiscriminately may not be appropriate. Some agents may have significantly lower needs for autonomy than others.

Support for the moderating effect of need for autonomy on the autonomy-performance relationship was weak. Need for autonomy only moderated the relationship between perceived autonomy and the 'Other Lines of Insurance' agent performance measure. Need for autonomy failed to moderate the autonomy-performance (supervisor evaluations) relationship for insurance agents. Need for autonomy also failed to moderate the autonomy-performance (aggregate objective measure) relationship as well as failing to moderate the relationship between perceived agent autonomy and seven of the eight separate lines of insurance as measures of agent performance. Although this data analysis seems to indicate that need for autonomy may be have little effect in determining the effect of autonomy on performance, additional evidence indicates that more specific measures of both variables may be needed to properly assess this relationship.

This study has provided some support for including perceived autonomy as a determinant of agent performance and has offered evidence of the possibility of adding need for autonomy as well. However, additional research using more job specific measures of both perceived autonomy and need for autonomy may be necessary before need for autonomy is identified to be a determinant of salesperson performance. More research needs to be conducted before disregarding the agent's need for autonomy in deciding how much or how little autonomy to give to agents.

Practical Significance

The results of this study should prove beneficial to insurance agent supervisors since positive associations between supervisor evaluations and agent autonomy and were found. The practical implications for the insurance agent supervisor are significant. Insurance agents in this study perceived their job to be relatively high in autonomy. This supports previous findings (Rich, 1990). However, agent need for autonomy was found to be much lower than previously thought (Barker et al., 1991).

Additionally, need for autonomy was found to moderate the relationship between perceived autonomy and the 'Other Lines of Insurance' measure of performance. The insurance agent supervisor needs to understand that although increases in perceived autonomy generally lead to increases in performance, the effect may be tempered by the agent's need for autonomy. That is, productivity may be greater when there is congruency between the agent's perceived autonomy and his/her need for autonomy. Agents with high need for autonomy who perceive their job to be high in autonomy or agents low in need for autonomy who perceive their job to be low in autonomy should perform better than agents who perceive their job autonomy to be higher or lower than they need.

However, insurance agent supervisors and retail sales managers are cautioned that the results of this study are exploratory. A more definitive study sampling from a multitude of different insurance agencies is necessary before the results can be generalized to the population of insurance organizations. Still, the results of this study are encouraging. Sales managers should now be more aware that sales people differ in their need for autonomy and that these differences may influence their productivity. Finding that insurance agents perceive their job to be high in autonomy while being low in need for autonomy is contradictory to findings that people tend to gravitate toward jobs that fit their personalities (Snyder, 1983; Kohn and Schooler, 1982). Further research is necessary to determine if this effect is specific to these data sets or represents a change in the population.

Limitations

The usefulness of this research is limited. Data was taken from only one organization of insurance agents. Both the need for autonomy and perceived autonomy scales measured the whole job rather than specific parts of the job.

Additionally, the perceived autonomy and need for autonomy measures were taken at a single point in time, yet the objective measure of performance was cumulative for a period prior to these measurements. The use of single sample representatives of only one type of salespeople prohibits generalizing the results of this study to the general salesperson population.

In using only one organization, the results cannot be generalized to other insurance organizations. A more complete study would include multiple organizations, selected at random, from the population throughout the United States. It was, however, beyond the scope of this research to sample from such a wide cross section of sales organizations.

In not specifically measuring need for autonomy/perceived autonomy with respect to specific areas of the job that have separate performance measures, the analysis was unable to determine the effects of implied relationships among the variables. The results of this study are, however, encouraging and provide guidance for further research.

Recommendations

The finding of a potentially situation-specific moderating effect of need for autonomy on the autonomy-performance relationship calls for more research into this area. Since it is recognized that employee behaviors are influenced by both personal and situational variables (Pervin, 1985), the hypothesized moderating effect of need for autonomy may manifest itself only under specific situational conditions. It may be necessary to measure agent need for autonomy within the various contexts of the job rather than on the job as a whole. This is indicated by the observation that employees maintain the type of work environment most congruent with their personalities (Schneider, 1987).

Researchers should measure perceived autonomy with respect to each part of the job that has a separate measure of performance. In doing so, we may discover that need for autonomy moderates the autonomy-performance relationship for some parts of the job but not for others. That is, future research into the moderating effect of need for autonomy on the autonomy-performance relationship may need to identify more specifically the perceived autonomy associated with specific measures of performance within the job rather than, as this study did, measuring perceived autonomy for the whole job.

Additionally, measuring perceived autonomy for each part of the job for which there is a specific measure of performance and comparing it to the person's need for autonomy in that particular part of the job may yield more conclusive indications of the specified moderating relationship. A person's need for autonomy may not only differ within the job (among agents) but within the agent him/herself depending on specific parts of his/her job. Therefore, we need to identify those areas of the job where need for autonomy is greater than in other areas. Measuring the moderating effect of need for autonomy in a specific area of the job on the relationship between perceived autonomy in this area and performance for this area has been largely ignored in the sales literature.

To provide support for generalizing the results, future research must overcome these limitations. Specifically, data should be collected from a random sample of a wide variety of sales organizations. This would allow for a more complete assessment of both the differences in perceived autonomy and need for autonomy among sales types as well as a comparison of the strengths of the perceived autonomy-performance relationship. Testing for the moderating effect of need for autonomy on the autonomy-performance relationship among many different types of sales organizations would allow for a more complete understanding of the conditions under which this relationship exists. Additionally, to facilitate the measures of association among the variables, it is important to use the same time frame when collecting the data. If the measure of performance is cumulative then the measures of perceived autonomy and need for autonomy should be as well. Clearly both perceived autonomy and need for autonomy could change throughout the period in question. Multiple data collection points may need to be scheduled throughout the year to facilitate the final measures of association. In this way, the association among the mean need for autonomy, perceived autonomy, and performance scores for the year as well as specific points in time could be assessed.

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EFFECTS OF SUBSTANTIAL OPERATING ENVIRONMENT CHANGES ON MODE OF INTERNATIONAL OPERATIONS

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ABSTRACT

This paper presents and analyzes a major strategic change process and identifies some basic factors contributing and giving impetus to that process in a single industry, the Finnish forest industry. A number of changes within the operating environment of the industry are identifiable. The primary change is one of gradual shift from joint marketing practices to one in which every company within the industry is operating a wholly-owned channel through which its products are moved to the main markets located outside of Finland.

INTRODUCTION

In the course of Finnish history, the forest industry is the one single industry on which the development and prosperity of Finnish society has relied the most. This has led to the prevailing situation in which Finnish society and the sentiment of the nation has taken the forest industry as "its own", something to take care of and nurture. It is the generally held view in Finland that the interests of the Finnish forest industry and of the Finnish state converge. This belief, in fact, can be accounted for by the fact that Finland is, of all industrialized countries, the one that depends on its forest industry exports the most (Raumolin, 1990). Compared with other major forest-industry product exporters such as Canada, which is the largest exporter, and Sweden, which is the fourth largest exporter, of the total exports in Finland, the share of forest industry products is some fifteen percentage units higher (Finnish Forest Industries Federation, 1999). This heavy forest industry dependency of Finland makes the development paths of Finnish companies worthy of study.

The devaluation policy of the Finnish government in the past illustrates the dependency of Finland on the forest industry most strikingly. For decades the business cycle of the forest industry seemed to govern the devaluations of the Finnish markka: As the cycle went into its slump, the government was forced to devalue the markka, thus giving some relief to the Finnish forest industry in the world market, helping it regain its competitiveness.

The forest industry, being of such importance to Finland, has raised the interests of Finnish scholars in many different fields of sciences and disciplines. Although their interest in the forest industry is wide-ranging, overall descriptions and analyses concerning the development of the industry are surprisingly few (see Näsi, Sajasalo & Sierilä, 1998; Näsi, Ranta & Sajasalo, 1998). In the international science arena, considering Finland's status as the leading exporter of printing and writing paper grades in the world, studies concerning the Finnish forest industry have remained so far under-represented.

When discussing the Finnish forest industry in the following sections, by definition, only the chemical forest industry (paper, paperboard and pulp industries) is considered. This leaves the mechanical forest industry outside the scope of the current paper.

AIMS OF THE PAPER

The aim of this paper is to identify some of the major changes which have affected the Finnish forest industry in past decades, to describe the changes, and to present a preliminary analysis of some effects of the most noticeable changes at the different levels of the industry's operating environment. The emphasis of the examination is placed on the role of jointly-owned marketing associations in the internationalization process of the Finnish forest industry companies, and the effect of the changes on it. The role of the associations in the internationalization process has thus far, by and large, remained unstudied.

METHODOLOGY AND DATA

This paper follows the basic ideology of case research (Yin, 1994). The data used are based primarily on publicly available archival sources of three origins: first, annual reports of the Finnish forest industry companies; second, magazine and newspaper articles dealing with the industry; and third, publications provided by the Finnish Forest Industries Federation, mainly as a source of statistical information.

In this paper, the notion of change is important and central. Descriptions of internationalization processes, as well as descriptions of any other strategic processes, (Melin, 1992) include information about change, and thus always need be understood within a process context. It is the very process of internationalization, or an epoch (Melin, 1992; Kutschker, Bäurle & Schmid, 1997) within it, that is the current paper's subject of interest.

SOME MAJOR CHANGES AT DIFFERENT LEVELS OF OBSERVATION

The changes that have faced the Finnish forest industry over the years may be observed from different angles and on different levels. Regardless of from which angle or on which level the changes are examined, crudely put, it may be stated that everything is linked with everything else, and that especially the changes on the higher levels influence or give impetus to changes on each lower level of the hierarchy.

Changes at the World Economy Level

Starting from the top of the hierarchy, changes may be examined on the level of the world economy. When examining the change on this level, it is especially interesting to observe the struggle for hegemony between different geographical areas which have the major forest industries. These focal areas compete against each other in the forest industry products world market. This rivalry between the different forest industrial production areas may be seen in the wider context of economic integration, as another manifestation of it. Economic integration is considered as the basic tendency of today's economic development, as well as of the future (Reinikainen, 1991).

When examining the change on the level of the world economy, the fundamental changes facing the Finnish forest industry, as well as other established forest industry producing areas, are linked to the new emerging challenger areas which operate to a great degree relying on the competitive advantages (Porter, 1985; Porter, 1990) based heavily on low-cost raw material and labor. Parts of South America and Southeast Asia are considered to be the major emerging forest industry areas posing the greatest threat to the established areas. Both South American and Southeast Asian producers have had to postpone their plans of major expansion for some time as a result of recent economic downturn in the areas.

Although the forest industry product markets, and as a result, the competitive setting within the forest industry - on the level of the world economy - may be considered global, in essence, the scene is more of a regional struggle; in it, the established forest industry regions defend their positions in the markets against the newcomers. Nordic and Western European forest industry companies are well-grounded in the European market; Canadian and US-based companies dominate the North American market; and Japanese forest industry companies hold strong positions in the Far Eastern markets. Because the new companies that have been able to strengthen themselves within the perimeters of their regions are now seeking growth in new areas outside their own traditional region, this relatively stable global setting is gradually changing (Pärnänen, 1990).

Another set of forces operating on the world economy level considered of potential influence are the regional free-trade blocks (EU, NAFTA, ASEAN), which in order to secure their trade policy goals, and to promote world-wide free trade interact within the GATT proceedings as trade blocks, while at the same time trying to negotiate the best possible deals to promote the individual member country's self-interest. From a Finnish viewpoint, forest industry products trade has never been a major cause of dispute between the trade blocks. The battles between the trade blocks have had in the past some reflective effects on the industry, however. One of these effects was the threat by the US to set sanction tariffs on certain European products, paper among them, if it were to be unable to reach an agreement with the European Union on the agriculture subsidies during the Uruguay round of the negotiations (Vihma, 1993). The threat by the U.S. created considerable anxiety, although the threat never materialized.

When examining the changes at the world economy level, the starting point for any analysis will inevitably be the theory of international trade based on the classical relative advantage theory within the field of economics which, simplified, is about the international division of labor: in other words, specialization of nations in certain lines of production in which the country has favorable preconditions for specialization.

Changes at the National Economy Level

If one is to examine the change which has faced the forest industry at the level of national economy, it becomes obvious that the strong linkage between the development of national economy and the world economy is evident in the case of Finland especially through the forest industry. The prevailing state of the world economy, whether it is growth or decline, is a major factor determining the demand conditions for paper, and forest industry products in general. In this way the state of the world economy plays a very significant role in the development of a small, open and export-dependent economy, such as in Finland. The changes in market prospects of a very important export industry have traditionally affected the development of the Finnish national economy through the cycles of the world economy in a very profound way, both in positive and negative ways.

The Finnish economy has been stated to be forest product-led, which it, in fact, has been. A concrete illustration of the situation is the devaluation policy of the Finnish government. The devaluations of Finnish markka followed closely the cycle of the forest industry for decades, until the devaluation policy became an unviable solution in consequence of the EU membership of Finland in the year 1995. The Finnish forest industry had previously benefitted from the devaluation policy in times of distress, and was able to count on the government to help the industry out by means of a devaluation when the price competitiveness of the industry was low (Lindholm, 1995). In practice, the devaluations may be seen as having worked in two ways benefitting the Finnish forest industry: first, as a defensive tool for the industry defending the gained market shares (Seppänen, 1991), and second, as an offensive tool to help the industry to gain new market share. The benefits gained by devaluations were not long-term, but short-term instead, as suggested by Alse & Bahmani-Oskooe (1995). As mentioned above, the devaluations as a means of relieving competitiveness problems of the Finnish economy are now history as a consequence of the EU membership and of Finland joining the European Monetary Union (Korhonen, 1997; Kasvio & Nieminen, 1998).

Over the last few years the business cycle within the forest industry has become ever more volatile. The highs and lows of the cycle have become greater and the duration of each cycle has decreased, i.e. the peaks and the bottoms follow each other at shorter intervals. One way of adapting to the more volatile business cycle has been the attempts of forest industry companies to grow in size and strengthen their financial standing by generating more assets as a back-up for poor times. This strategic change is noticeable within the Finnish forest industry, as well as within forest industries world-wide.

It has to be noted, though, that there exists variation between different areas regarding the growth of the companies, and especially the concentration of the industry. In Finland the industry has become very concentrated over the past two decades. In fact, in the year 1998 the three largest companies accounted for 90 percent of the industry's turnover as compared with the situation in the year 1980, when the three largest accounted for only about 40 percent (Finnish Forest Industries Federation, 1999). Finland may be considered as an extreme example of the concentration process in the Western European scale, since the concentration in the whole of

Western European forest industry is much lower. The ten biggest players' share of the industry's capacity is currently 50 percent.

The concentration in North America and Japan took place earlier, in the 1970s. Nevertheless, as other companies in other industries, the forest industry companies strive for a critical mass, as only the sufficiently large-scale companies of strong financial standing will be able to invest in the future into the R&D which is of growing importance as the customers grow larger and earn more bargaining power in demanding more customer specifically adapted products (Pärnänen, 1990).

When examining the change that has faced the Finnish forest industry still at the national economic level, there are some quite radical changes which are detectable in the forest industry. The share of forest industry production and exports of the total production and total exports have declined over the course of history. The forest industry, the mechanical forest industry included, was the dominant export industry in the early decades of Finnish sovereignty. Since then, the share of the forest industry products of the total exports has declined to less than one third of the total, and has remained relatively stable over the last years. In fact, the share of forest industry exports was 29 percent of the total exports in the years 1997 and 1998 (Finnish Forest Industries Federation, 1999).

Change at the Industry Level

When examining the change on the industry level, two features mentioned above, the concentration and growth as a strategic response to the changes on the level of world economy have had a profound impact on the structural development of the Finnish forest industry over the last decade and a half. A number of small-scale forest industry companies have been molded into a group of three companies having world-class status in their industry (Näsi, Ranta & Sajasalo, 1998; Näsi, Sajasalo & Sierilä, 1998). Examining the change still on the industry level, one finding that is easily distinguishable is the strategic choice of Finnish forest industry to concentrate increasingly on the higher value-added product grades, especially fine papers and printing papers of wide variety. The strategic change towards the higher value-added products is most strikingly portrayed by the growth of the share of fine papers and printing papers produced, which has essentially grown tenfold during the last forty years (Finnish Forest Industries Federation, 1999). The development has been increasingly towards higher value-added products from the 1980s until the present.

Another feature typical of the Finnish forest industry in comparison with its international competitors is its high level of technical or technological competitiveness. The average size of a Finnish forest industry company's paper or paperboard machine, measured by production capacity, is higher than of those of the prime competitors (Ehrnrooth & Kirjasniemi, 1987; Pekkanen, 1989; Jörgensen & Lilja, 1994). The Finnish paper and paperboard machines are also newert. Thus, Finnish companies have been constantly able to utilize the most modern and efficient technology in their pursuit of ever higher productivity and cost efficiency, which are in the processing industry, such as the chemical forest industry, of utmost importance for the long-term survival, success, and prosperity of a company.

One aspect of the technological competitiveness of Finnish forest industry and its sustainability over time needs to be mentioned, however. Even the most advanced production technology is readily available to almost all of those possessing the financial means needed, thus, the technological edge is not a very sustainable one. Nevertheless, the close interaction and long-term relationships between the Finnish forest industry companies and the leading supplier of large-scale machinery for the industry, Valmet Paper Machinery has given some non-imitable edge in the technology rivalry to the Finnish forest industry companies (Alajoutsijärvi, 1996). The close relationship between buyers and suppliers of related industries is another indicator of the historical dependence of Finland's national economy on its one major source of renewable raw material and companies refining that raw material. This dependence has created a wealth of know-how, both within the forest industry, and industries closely related to it, like forestry, chemical industry, consulting, research, information technology, construction, and above all engineering. The concentration of specific know-how related to forest industry has become recently referred to as the forest cluster (Lammi, 1994). The status of the forest cluster has traditionally been strong within the Finnish economy. It has been named as one of the central sources of Finland's future competitiveness, in the millennium to come, as well (Hernesniemi, Lammi & Ylä-Anttila, 1995).

Change at the Firm Level

Another change that may be considered a change at the industry level, but most of all at the next lower level in the hierarchy, the firm level, is the change of traditional ownership structure in the Finnish forest industry. The change in the ownership structure has taken place partly simultaneously, partly unconnected and after the process of concentration and growth within the industry, discussed above. Traditionally, every major Finnish forest industry company has been considered a part of a sphere (Näsi, Ranta & Sajasalo, 1998; Näsi, Sajasalo & Sierilä, 1998). The spheres' control was based on the control by ownership of major interest in the companies - forest industry companies among others - thus giving the sphere a decisive role in the decision-making regarding strategic decisions made at the top. The traditional sphere-control of the Finnish business life has been eroding in recent years, as the ownership structure of the companies has gradually become more widespread, and the central ownership has, to some extent, slipped away from the control of the spheres and their traditional cores of power, banks, insurance companies, private forest owners' interest groups, and the State of Finland.

The change in the ownership structures of the forest industry companies has been a quite recent phenomenon, as the process started as late as in the mid 1990s and has continued in an accelerating pace ever since. Certainly there has been a considerable number of ownership arrangements - acquisitions and mergers - within the Finnish forest industry over the course of its history, but a clearly dominating feature of them has been that the arrangements have been conducted within the perimeters of the spheres. Inter-sphere arrangements of major significance have been rare, almost non-existent, with only few exceptions (Näsi, Ranta & Sajasalo, 1998).

UPM-Kymmene, the previous number one company of the Finnish forest industry, has nowadays the most widespread, or dispersed, ownership structure of the Finnish forest industry companies. Its predecessors United Paper Mills and Kymmene were respectively dominated by two rival spheres prior to the KOP-Pohjola sphere's and SYP sphere's cores, commercial banks' KOP and SYP, merger in 1995 (Näsi, Ranta & Sajasalo, 1998). Certainly the newly merged bank, Merita sustained its significant role as an owner in UPM-Kymmene, but the Merita bank has consistently reduced its ownership in the company. Today, financing and insurance institutions to be reckoned among the Merita sphere, possess 15 percent of the shares of UPM-Kymmene. Nearly half of the company's shares are internationally held (UPM-Kymmene, 1999).

Previously a member of the State sphere (Näsi, Sajasalo & Sierilä, 1998), Enso has also proceeded in broadening its ownership base in fast paced and spectacular moves. The most outstanding event in the broadening of the company's ownership structure took place in the year 1998, when the first forest industry merger across the Bothnian Sea was finalized by Enso and Stora of Sweden. Even the possibility of such a merger had been for long time taken as a mere impossibility by the industry experts. Although the merger took place, the major ownership role of the Finnish State remained. The shares held by the Finnish State amounted to one fifth and secured its largest single owner status in the new company, Stora Enso. Another important group of owners is an old Swedish industrialist family, the Wallenbergs. The Wallenberg family owns through its investment company just over ten percent of Stora Enso. Other than Finnish and Swedish owners hold less than one fourth of the company's shares (Stora Enso, 1999).

The third player in the Finnish forest industry, Metsä-Serla and its alliance partner Myllykoski have distinctly different ownership structures from UPM-Kymmene and Stora Enso discussed above. Although Metsä-Serla is a listed company, the main owner and influence in the company is the cooperative of Finnish private forest owners. Metsä-Serla's alliance partner, on the other hand, is a family owned company controlled by the Björnberg family. The cooperative operating in the background of Metsä-Serla has had a steady ownership structure of literally thousands of private forest owners and farmers - around 120.000 of them, to be more exact. The cooperative has a long tradition of aspiring for a more substantial standing within the Finnish forest industry to secure the goals of its members, namely the selling of lumber at the best price possible. A good indicator of the cooperative's dominant position in Metsä-Serla is the share of votes it holds in the company. The cooperative holds nearly two thirds of the votes, by amount of shares equivalent of two fifths of all shares. Thirty-seven percent of the company's shares are held by international owners (Metsä-Serla, 1999).

SOME THEORETICAL CONSIDERATIONS OF INTERNATIONALIZATION

In this paper only a brief overview of some of the prevalent lines of theorizing on the internationalization of business activity is presented. The basic tenets and background presumptions of the presented theories are also covered just in brief. The internationalization of ownership referred to above is outside the primary scope of the paper, and will not be dealt with in greater detail. It needs to be mentioned about the internationalization of ownership, though, that it seems to be an expanding and ever increasing phenomenon, a form of international investment following somewhat different logic from foreign direct investment. It has become referred to as international portfolio investment (Hymer, 1976). As such the international portfolio investments are a vital part of the increasing economic integration world-wide seen as the undercurrent of economic development. Another point that needs to be made, is that in this paper, both internationalization and international business are seen in the wider sense of the concepts, as a generic or universal terms which encompasses all modes of international operations, export too. In a sense, the definition of internationalization proposed by Welch and Luostarinen (1988, 36) as 'the process of increasing involvement in international operations' is followed.

One of the well established and continuously cited theories within the field of international business is the eclectic (that is, carefully selected, yet diverse) theory or paradigm, as it has later become referred to by Dunning (1977; 1979; 1980; 1981; 1988). The eclectic theory is aimed at explaining why firms produce overseas. This task of explaining overseas production meant explaining the location, ownership and governance of the firm's value-adding activities. As the determinants of foreign production, Dunning identified in his works location, ownership, and internalization advantages. These OLI- advantages are seen to determine the preferences of the firm for three basic routes of servicing international markets: export, contractual resource transfers and foreign direct investments. Dunning did not refute previous theory, rather he synthesized previous theorizing thus contributing to greater understanding of the phenomenon (Weisfelder, 1998).

Historically seen the eclectic theory has been the dominant approach in international business within the internationalization research. In fact, the ideas presented by John Dunning in the late 1950s in his book titled "American Investment in British Manufacturing Industry" (Dunning, 1958) may very well be considered as the groundwork and starting point for the whole research tradition in international business dating back to the late 1970s (Rugman, 1998) having an economics-based approach to the analysis.

The early ideas of Dunning, and later the eclectic theory have had, with the ideas presented by Vernon (1966), very significant impact on the later developments in theorizing within the field of international business. Both Dunning's and Vernon's economics-based early works have been influencing the arise of internalization theory presented by Buckley and Casson (1976), which is considered to be the modern theory of the multinational enterprise, a firm-level theory, and having its antecedents in the works of Dunning and Vernon (Rugman, 1998). Also the internalization theory is an economics-based theory in its orientation. Apart from the works of Dunning and Vernon other contributors to the development of internalization theory are, according to Morck and Yeung, (1992) the works of Coase (1937), Hymer (1976), Caves (1971), Dunning (1973), Williamson (1975), Magee (1977) and Rugman (1981). Rugman (1981, 28) defines internalization as "the process of making a market within the firm". In order to be able to realize abroad the potential additional value of employing the intangible assets held by the firm, it must internalize the market, as intangible assets based on proprietary information cannot be exchanged at arms length. The internalization of a market can be accomplished by engaging in international direct investment.

A value maximizing firm will engage in foreign direct investment if the expected gains of applying its intangible assets abroad exceeds the expected cost of running a foreign subsidiary (Morck & Yeung, 1992). The concept of intangible assets of internalization theory bears resemblance with the concept of resources used within the resource-based view of the firm (Wernerfelt, 1984; Barney, 1991). In fact, Rugman (1996) goes even further to claim that resource-based view is fully consistent with the internalization theory approach to the study of multinational enterprise.

Another well established line of theorizing of internationalization is the internationalization process model, which is based on the behavioral theory of the firm (Cyert & March, 1963; Aharoni, 1966), and on the theory of the growth of the firm (Penrose, 1959). As the name itself reveals, central to the theory is the process through which the firm's commitment to international market gradually increases and the risk is reduced. The research tradition or school of thought which has become called the Nordic School of internationalization is based on the thoughts of Johanson and Vahlne (1977), whose theoretical creation has been later named variably as the Uppsala Model, or in brief, the U-model or IP-model, as an abbreviation for internationalization process model. The internationalization process model may be seen as one example of the natural development away from "number crunching" towards evolutionary dynamics called for by Buckley (1991), and towards a longitudinal view. The process model is in contrast with internalization theory in its basic orientation, as it is dynamic in nature. Both the internalization theory, as well as the eclectic theory have been criticized for being static and relying on cross-sectional methods (Macharzina & Engelhard, 1991; Melin, 1992; Li & Cavusgil, 1995; Kutschker, Bäurle & Schmid, 1997).

Other similar models in their orientation, central being the process of internationalization, have been presented by Johanson & Wiedersheim-Paul (1975), Bilkey (1978), Wiedersheim-Paul, Olson and Welch (1978), Luostarinen (1979), Cavusgill (1980), and Welch and Luostarinen (1988). The process model has gained an established position within the internationalization literature, and it has received support in numerous studies. On the other hand, there have been contradicting findings in studies which have raised criticism against the model presented by Johanson and Vahlne.

Hadjikhani (1997) sees as the main reason for the criticism against the Johanson and Vahlne's IP-model, the misinterpretation of it being of same basic origin as the stage model presented earlier by Johanson and Wiedersheim-Paul in 1975. The IP-model is different from the earlier stage model in that it does not assume the internationalization to proceed by distinguishable stages, but through an incremental learning process, in which managers gain experiential knowledge of the foreign markets by operating in them (Johanson & Vahlne, 1977). As the experiential knowledge accumulates into a firm (or rather the knowledge held by managers), it will proceed in its internationalization process into markets having greater psychic distance from the home market.

At the focus of this paper is an unique phenomenon in the internationalization process of the Finnish forest industry companies, namely, the utilization of marketing associations as a central mode of operation strategy in the international markets. Following the typology presented by Reinikainen (1991), the utilization of marketing associations may be regarded as commercial internationalization, as opposed to internationalization of production which has been termed also as internationalization in the second degree (Holm, 1994). Following this line of thought, the logical way of addressing the phenomenon is to adopt the process, or evolutionary, view of internationalization, in which the use of marketing associations like Finnish Paper Mills' Association - Finnpap, may be considered as being "lower level" internationalization than internationalization of production, which is typically considered the other extreme of the internationalization continuum. The other extreme of the continuum being, of course, the situation that a company has no international activity whatsoever.

The question of how to best determine and define the degree of internationalization has proven to be a tough dilemma for scholars in the international business field, and therefore, a widely accepted operationalization for the concept is nonexistent thus far. As there is no accepted definition of the concept, researchers have typically resorted to proxy variables to get a feel of how internationally committed a company is. One of the most widely utilized proxy variable in determining the degree of a given firms internationalization, is the foreign sales as a percentage of total sales, which appears as the degree of internationalization measure in several studies. Sullivan (1994) lists seventeen empirical studies from the year 1971 to 1990 that have used foreign sales as a percentage of total sales to describe the degree of internationalization of a firm.

Sullivan (1994) offers, not only a wide definition of the concept, by seeing a firm's degree of internationalization reflecting its dependence on foreign markets for customers and factors of production, and the geographical dispersion of this dependence, but also an operationalization of it. He proposes a measure of five items to describe the degree of internationalization of a firm - consisting of foreign sales as a percentage of total sales, foreign assets as a percentage of total assets, overseas subsidiaries as a percentage of total subsidiaries, psychic dispersion of international operations, and top managers' international experience - to be a measurement scale which contributes a meaningful method to facilitate progress in determining the degree of internationalization of a firm. A number of other measures have been proposed, but Sullivan's (1994) is one of the few, if not the only, composite measure of degree of internationalization.

INTERNATIONALIZATION OF THE FINNISH FOREST INDUSTRY

The forest industry has been historically considered as having been on the cutting edge of internationalization, especially the commercial internationalization, following Reinikainen's (1991) typology. It needs to be mentioned, however, that a forest industry company is in fact considered to be the first Finnish company to become a manufacturing foreign direct investment too, as Kymi acquired a paper-mill in the UK in the year 1930 (Huolman, 1992). In general, nevertheless, the Finnish forest industry companies have been latecomers in the manufacturing FDI scene.

For the commercial internationalization, there are very obvious explanations, the least of which is, by no means, the push factors of internationalization caused by the small size of the domestic market for forest industry products, in relation to the production capacity. Even in the dawn of the Finnish forest industry, the population base was insufficient to consume the amounts produced, thus leaving as the only viable option open to companies to export the excess production to markets where demand exceeded the supply. In good fortune for the Finnish forest industry companies, the markets in great demand were close by within the Russian Empire, a part of which Finland was in those days as a Grand Duchy.

The creation of the cartels, later to become called marketing associations, which endured as the dominant operating strategy for the distribution of the Finnish forest industry products in the international markets, was closely tied to the changing standing of Finland as a part of the Russian Empire. In the year 1855, after the exemption from duty of Finnish forest products exported to Russia was revoked, the forest industry was facing totally new challenges and the sights were gradually set increasingly towards the Western European markets (Ojainmaa, 1994).

Era Of Marketing Associations' Dominance

After Finland won its independence in the year 1917, the Finnish forest industry had already established a secure position as it had been able to grow and develop relying on the large Russian market. The Russian revolution, nevertheless, changed everything. As a result of the revolution, almost all trade between Finland and Russia ceased. The need to penetrate the Western European markets arose suddenly, and in order to be better able to penetrate the Western European markets, the Finnish pulp and paper companies linked up in the year 1918 (Ojainmaa, 1994). As a result of the linking-up, two marketing associations, or cartels as they were called at the time, were formed. The Finnish Paper Mills' Association - Finnpap, and The Finnish Pulp Mills' Association - Finncell which sold paper and pulp respectively. The function of both associations were to serve as an export channel for their member companies. Not only did associations take charge of the export markets, but also of domestic market, as Finnpap's domestic sales accounted for one fifth of the total sales.

Two additional associations were established in the 1940s. First of them was Finnboard - The Finnish Board Mills' Association - and it was established in the year 1942, and the other, Converta - The Finnish Paper and Board Converters' Association - was established in the year 1944. Finnboard sold paperboard, and Converta paper and paperboard-based converted products of their member companies (Karske, Koskinen & Moisio, 1993).

The mission of the associations were based on the idea of uniform prices for products of the same grade of the member companies. The marketing associations functioned as the world-wide outlet for their member companies' production, and as such, reduced the cost of marketing for individual companies. The use of jointly-owned marketing associations by the

Finnish forest industry may be considered as an original and unique way of operating in the international markets. The arrangement survived for 77 years before its cessation.

In a sense, the associations performed the task of making a market within a firm (Rugman, 1981) for the forest industry companies, as suggested by internalization theory (Buckley & Casson, 1976), without them actually having to be involved in other than the joint financing of the associations. The forest industry marketing associations' member companies could thus reap the benefits of internalized markets with a cost substantially lower than operating on markets internalized solely by themselves. Thus, in the value maximizing spirit, as argued by Morck and Yeung (1992) - engaging in foreign direct investment takes place, if the expected gains of applying company-held intangible assets abroad exceed the expected cost of running a foreign subsidiary - the forest industry companies were able to utilize scale economies by being able to operate simultaneously in more markets than would have been possible if one company had to weigh the benefits, and costs associated in running a foreign subsidiary on its own.

The marketing associations promoted Finnish paper, paperboard and pulp, explicitly as Finnish, not as a product of one individual company or its mill. The job description of the associations consisted, not only of promoting and selling the products of the member companies, but also other tasks performed in their behalf, such as market research, technical support, handling the monetary transactions, and various others.

For the association members, operating through marketing associations had its merits as well as drawbacks. It was the traditional and prevalent way of conducting business in the international export markets until the late 1980s, when the number of members of the marketing associations started showing first signs of eroding. This development was caused primarily by the changes in the strategies of the member companies, as well as numerous mergers within the industry. Nevertheless, until the year 1987, of all Finnish paper exports, 80 percent were handled by Finnpap. It was the single largest paper exporter in the world (Paper and Timber 2/1988).

Major Changes Affecting The Role Of The Associations

The changes that took place in the operating environment of the Finnish forest industry over the decades, namely: the economic integration; globalization; the threat posed to established producers by emerging forest industry regions; the increasing volatility of the industry's business cycle; the concentration of the industry through series of mergers and acquisitions, both world-wide, and in Finland; the shift towards higher value-added grades; the changing, previously sphere-dominated, ownership structure of the Finnish forest industry companies; and their increasing and deepening internationalization led to changes in the role of marketing associations as an export outlet, and the prevailing mode of operating in the international markets for the companies within the industry.

As a result of these changes, one company after another adopted a more customer oriented approach in their operation. They were aiming at more direct and close contact with their customers, especially in the converted products of paper and paperboard. This development was mainly driven by the change towards higher value-added products that required more tailoring for individual customers. As the degree of tailoring and customization to individual customers increases, a more direct relationship with the customer is the natural, and sometimes, the only viable alternative for operating in the market (Anderson & Catignon, 1986; Coughlan & Flaherty, 1983).

In reaction to the changes, the marketing associations also aimed for a more customer oriented mode of operation. Finnpap, the paper exporters' association, launched a development program in the mid 1980s to enhance the flow of information between the member companies, their customers, and the association. It created a mode of operation allowing the member companies as direct contact with their customers as possible through the association (Jyrkinen, 1985; Rinne, 1985). Prior to the reform marketing association and their sales subsidiaries acted as two intermediaries between the companies and their customers providing the two-way flow of information. Simultaneously with enhancing the flow of information, the build-up of a world-wide information system was initiated to secure real-time market information to member companies from the sales subsidiaries of the association.

The operations and the attitude of the marketing associations toward their member companies raised at times criticism among the members. One illustrative example of this is the criticism of major pulp producers, mainly the Kymi-Kaukas-Schauman group's, critique towards the pulp marketing association, Finncell. The group's view was that the association had forgotten its primary function of providing service to the members, and having adopted a dominant role in the relationship, ignoring the will of the owners (Talouselämä, 25/1986).

The cooperation between the associations and their member companies was not without friction, far from it, and at times the exchange of thoughts was quite intense and electrifying. Not only was there friction and tension between the associations and their members, but in particular, among the members themselves. Especially the continuing conflict between the two members of Finnpap, Enso-Gutzeit and United Paper Mills, concerning the policy to be followed by the association in the mid 1980s was frequently reported in the media. Thus, the reconciliation needed to effectively pursue joint marketing practices among rivalcompetitors was not always successful.

In the end, a structural change process of the Finnish forest industry initiated by the tightening international competition, the growing trend towards economic integration (Ojainmaa, 1994), the recession, and growing external pressures in the early 1990s ceased the losing-battle of the associations. The structural change reorganized the map of the Finnish forest industry through mergers in a way seen only once before in the history of the Finnish forest industry, when the major Finnish forest industry companies were formed (Raumolin, 1990). As a result of numerous mergers, the number of members of the associations declined. Smaller companies relying solely on the associations as their export outlet merged with companies that were relying in their international operations on organizations of their own.

The first company to abandon the marketing association cooperation, and to rely on sales organization of its own, was the State-owned Enso-Gutzeit. Enso-Gutzeit had been building up its sales network from the 1950s. The resignation of Enso-Gutzeit in 1986 was characterized by dispute and intense disagreement. Since the resignation of membership of Enso-Gutzeit, the future of the paper marketing association Finnpap was widely perceived as gloomy, and the future was predicted to be short-lived. Nevertheless, Finnpap proved to be a persevering organization which adapted on numerous occasions to the changing conditions around it.

The next significant change in Finnpap took place in the end of the year 1990. At that time Kymmene resigned from the association's membership. Kymmene had already been marketing the fine papers it produced through its own sales organization earlier, but since the resignation, it marketed all of its products itself relying solely on the sales organization the company had built up over the years. After the resignation of Kymmene, Finnpap was seen as having traveled to the end of its road, and to be ready to be buried. As before, however, Finnpap was able to adapt to the prevailing situation, and to continue as the export outlet for the remaining members of the association. The two most significant remaining members after Kymmene's resignation were United Paper Mills and Metsä-Serla.

The resignation of Kymmene changed the nature of the marketing cooperation profoundly, as earlier the marketing association had been representing the Finnish forest industry around the world as a whole, not differentiating among the companies. After Kymmene's resignation, the association represented primarily its two remaining principal owners, United Paper Mills and Metsä-Serla. For the first time in the association's history, it sold also paper produced outside of Finland, since the products of United Paper Mill's Shotton, UK and Stracel, France mills were marketed through the Finnpap channel.

Final Chapter for the Marketing Associations

All in all, the 1990s have meant rough times for the marketing associations. The changes brought about by the structural change in the Finnish forest industry narrowed the operating prerequisites of joint marketing practices provided by the marketing associations. Also the accelerating and deepening internationalization development of the Finnish forest industry has worked in similar way, not to mention the changes that have taken place in the forest industry product markets.

The changes in the marketing association struck Converta most severely. It had been taking care of the Soviet Union market of converted paper products, and its market disappeared as the whole state came crumbling down, throwing its economy in a turmoil. The members of the converted paper and paperboard products marketing association Converta had gradually taken over the marketing of their products in the principal markets in Europe and the rest of the world, thus leaving Converta without markets after the collapse of the Soviet Union. As a result, Converta decided to cease operation and it was dismantled in the year 1992 (Converta, 20.3.1992).

Also Finncell, the pulp marketing association reached its final destination. It had the same fate as Converta, and it was dismantled. The dismantling of Finncell took place in the year 1995. It led to Veitsiluoto, the largest member of the association, being transferred into the sphere of interest of Enso-Gutzeit as a result of Enso-Gutzeit acquiring one third of Veitsiluoto in the year 1994, and later merging with it in the year 1996. The marketing of pulp produced by Veitsiluoto was shifted after the year 1994 to deal with a new organization, set up and owned by

Enso-Gutzeit and Veitsiluoto. The quantity of pulp sold by the new organization surpassed the quantity available for trade to Finncell.

The development of the markets, as well as the strategic choices the Finnish forest industry companies had made, played a part in the dismantling of Finncell. The quantity of market pulp sold by Finncell had dropped in recent years to merely one fourth of the quantity which the association sold in its best days, when 2 million metric tons of market pulp passed through its channels (Keskisuomalainen, 28.3.1995; Helsingin Sanomat, 28.3.1995). One additional factor in the dismantling of Finncell was the fact that the Finnish forest industry companies used up an increasing proportion of the pulp they produced, and were able to market the remaining excess pulp through their own channels more cost efficiently than through intermediaries like Finncell. Market pulp in quantities large enough for Finncell to operate with was non-available. As an organization it thus became obsolete for its members.

For Finnpap and Finnboard the development took a differing path, and they were able to prove their usefulness to their members for the longest time of the marketing associations of the Finnish forest industry. Both associations did have to go through massive restructurings to adapt to prevailing conditions when the volume of paper and paperboard for trade declined, as a result of members' resignations from the membership. Both Finnpap and Finnboard were able to sustain their position as the main channel of their members in their volume products in the international markets as long as the legislation permitted the arrangement to exist.

Both Finnpap and Finnboard were dominated by one company only in the later stages of their existence; in both associations a lions share of the exported production came from the largest member in the association. The largest member of Finnpap was United Paper Mills, and its production accounted for 60 percent of the association's sales, the dominant member of Finnboard was Metsä-Serla.

Through mergers and cooperation arrangements the number of members of the marketing associations shrank further in the year 1995, as mentioned above, when Veitsiluoto's resignation, and the large-scale merger of Kymmene and United Paper Mills shook the foundations of the associations severely. The fates of Finnpap and Finnboard were considered sealed after these events. It was predicted by industry experts that suited parts of the associations would be incorporated with their largest member's organization. The industry experts' prophecy did come true on April 1 in the year 1996, when the associations were incorporated as parts of their largest members and became their wholly-owned sales organizations. April 1st marked the end of an era of joint marketing and cooperation in sales of the products in the Finnish forest industry, as it did mark also the vanishing of traditional names of Finnpap and Finnboard into history. Finnpap became a part of UPM-Kymmene's world-wide marketing organization, Finnboard became Metsä-Serla Sales (Finnpap News, 1/1996; Finnboard News, 1/1996).

RESULTS AND DISCUSSION

Of the many changes, the central change that took place within the Finnish forest industry was the termination of joint marketing, which was eventually ended by the European Union's competition legislation. The European Commission required cessation of joint marketing in conjunction with the merger of United Paper Mills and Kymmene, the two largest forest industry companies in Finland at the time of the merger in the year 1995.

What are the implications of the central change described above from joint marketing practices to wholly-owned marketing organizations in the Finnish forest industry? The Finnish forest industry companies will, as will the rest of the forest industry companies world-wide, strive for continued growth to sustain their competitiveness in the more global competitive setting of the industry, to increase the economies of scale, and to lower their unit costs. One powerful factor contributing to the growth aspirations, is the magnitude of required investments in the industry. A green-field paper-mill investment is typically an investment of at least US$400 million; a green-field pulp-mill an investment of at least US$500 million.

Especially in the Central Europe there are a number of small-scale forest industry companies, and the preconditions of their operation are narrowed by the continuing growth of company size. It is becoming ever more expensive to stay in the business and competition, which leaves the strategic options available for the small-sized companies, unable to grow, scarce. Thus, the structural change has not run its course yet, on the contrary, there is still potential for acquisitions and mergers within the European forest industry.

At the moment, as well as for the identifiable future, the Finnish forest industry companies are financially strong enough to engage in substantial acquisitions without being dragged into the besetting sin of the recent history of the industry, getting overly indebted. In fact, it seems that the forest industry shares have gained popularity recently, and that the markets too are anticipating future structural arrangements to take place.

When considering globalization and deepening internationalization, the Finnish forest industry has internationalized over the years, not only in the commercial sense (Reinikainen, 1991), but also from the 1980s on production-wise, through foreign direct investments in a fast pace. It seems that the Finnish forest industry companies have been following more pluralistic motives for their global involvement in the geographical direction and modes of the involvement, as suggested by Dunning (1993) as a trend of globalization. Seen against this background the diminishing role of marketing associations becomes even more understandable. As the companies were establishing positions for themselves and becoming more closely tied to their principal markets in Europe through their wholly-owned marketing and sales subsidiaries, maintaining two parallel channels, one of which in non-direct control, may be considered not being in the best long-term interest of the individual companies.

Addressing the issue of globalization in the sense that Alahuhta and Lahdenpää (1991) define the concept, as limited globalization, in which it is not so much a question of covering world-wide presence in the markets, but instead, taking advantage of the similarities of areas and regions, instead of their differences. Globalization seen this way, it may be inferred that the Finnish forest industry companies are in good positions in areas set as their focal areas, both geographically and business-wise.

The Finnish forest industry companies have put special emphasis on the expansion of production of printing and writing papers close to the markets in which these grades are mostly consumed, that is, outside Finland. Recent statements by some of the top executives of the industry are very illustrative of this development. They stated that in the future most investments will be made outside Finland, as there are no realistic opportunities for new large-scale units to be located in Finland. In fact, for the first time in the history, in year 1997 two thirds of the total investments of US$3 billion of the forest industry were made outside Finland (Finnish Forest Industries Federation, 1999). Also, what was once considered to be the locational advantage for the Finnish forest industry, the closeness to the raw material, especially the primary fiber source, is in the new operating environment proving to be, in fact, a locational disadvantage (Ojainmaa, 1994) as the use of recycled fiber in both printing and writing paper grades is increasing. In order to be able to meet the demands for increased use of recycled fiber, it has been an absolute necessity for the Finnish forest industry companies to go where the recycled fiber is in abundant supply, that is, the Central Europe.

In 1997, one third of the paper and paperboard production capacity of the Finnish forest industry companies was located outside of Finland (Finnish Forest Industries Federation, 1998). The Finnish forest industry companies owned eighteen paper and paperboard production units abroad in 1997, sixteen of those units were in Europe, and two in the United States. Historically considered, the countries in which the production units were located have been the countries of most importance as export target markets. In a sense, the development has progressed along its "natural" path towards deeper internationalization and more demanding modes of operation, reflecting higher commitment to international business activities, as the internationalization process model (Johanson &Vahlne, 1977), and other evolutionary models (Johanson & Wiedersheim-Paul, 1975; Bilkey, 1978; Wiedersheim-Paul, Olson & Welch, 1978; Luostarinen, 1979; Cavusgill, 1980; Welch & Luostarinen, 1988) would suggest.

How do the changes that have taken place within the Finnish forest industry and in its operating environment affect the future strategy-making of the companies? One strategic implication of the development has been the diminishing of the role of the marketing associations. This was a result of a number of strategic decisions made in the companies related to their international operating modes to be pursued. The role of distribution channels is growing in importance as a competitive weapon in the forest industry, thus making the joint marketing of rival companies a non-viable solution for the future. The control over the distribution channels brings the customer in closer contact with the companies, and enables the companies to more accurately track and monitor the existing and rising needs of the customers, and to respond to them.

The abandonment of joint marketing practices yields also a total strategic freedom to the companies as compared with the need to reconcile the contradictory interests often present in the cooperation of rivals. In the prevalent situation, each company acts according to its strategies in the focal areas chosen, relying on its core competencies (Prahalad & Hamel, 1990). It may be inferred that the Finnish forest industry companies are on their way towards, not only limited globalization (Alahuhta & Lahdenpää, 1991), but towards a status of genuinely global actor with a world-wide presence in the global market place. The Finnish forest industry companies have, in fact, been present in the global market place for quite some time, but only through their representatives of jointly-owned marketing associations. In the new competitive setting, the strategic challenges facing the companies are ever more complex, and as the rate of change is accelerating, the need for flexibility and holistic approaches increases. What will assume the central role in the strategy-making of the Finnish forest industry companies, is the strategic vision (Mintzberg, 1994).

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FRANCHISEES' SATISFACTION: PRELIMINARY FINDINGS FROM NATIONAL STUDY

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ABSTRACT

The paper examines franchise owners' satisfaction with their businesses. Job satisfaction, its antecedents and outcomes have been a popular topic in organizational studies while few investigations have focused on entrepreneurial satisfaction. This is rather surprising since satisfaction has been emphasized as a fundamental measure for individual entrepreneurs (Cooper & Artz, 1993). Distinctively in franchising, satisfaction is a key concept in understanding channel member behavior (Robicheaux & El-Ansary, 1975).

A questionnaire of six pages was mailed to 815 franchisees representing thirty-six retail, service, and restaurant, café & fast food franchises. A nationwide sample represented more than forty percent of the total amount of franchisors and over half of all franchisees in Finland. Response rate of forty-two percent (n=339) was obtained after two mailings and a reminder post card. Subsequently, data were enlarged and non-response bias was investigated by conducting 143 phone interviews. After careful examination of the data sets no significant bias was discovered. Consequently, data sets were combined (n=482). The final response rate was nearly sixty percent.

Analysis centers on questions as follows: (1) How satisfied franchisees are with their businesses?; (2) What factors explain their satisfaction?; and (3) Does satisfaction or dissatisfaction affect franchise owners' commitment to their businesses? On the basis of past literature, two single item measures and set of multiple item measures for quantifying satisfaction were developed. Single item variables measured franchisees' overall satisfaction and their post engagement intentions. Four multiple item scales pertaining to franchise owners' business domains and one multiple measure tapping to franchisees' business environment were created by principal component analysis. Reliability and validity of the measures were evaluated. Employed statistical methods included multivariate analyses like a regression analysis and logistic regression.

Franchisees were found to be fairly satisfied with their businesses. The conclusion was also supported by the scores of the particular satisfaction. Also, franchisees appeared to be committed to their franchises. Particular satisfaction components explained some forty percent of the total variance of franchisees' overall satisfaction. Moreover, it is suggested that franchisees' satisfaction is not only firmly associated with their post engagement intention, i.e. proclivity to join up with the same franchise if given the opportunity, but also a causal

relationship exists between satisfaction and commitment to franchise system. Implications for both franchisors and franchisees are presented. Also, propositions for future research are given.

INTRODUCTION

Few investigations on entrepreneurs' satisfaction have been made. This is rather surprising, since satisfaction and its antecedents and organizational outcomes have been a popular topic among organizational behaviorists. "Push", like a job dissatisfaction from the former place of employment has been frequently proposed as weighty factor in the self-employment decision process (see e.g. Cooper 1971; Shapero 1975; Brockhaus 1980a). Also, numerous studies have been done to determine reasons for employee turnover.

In his empirical research, Brockhaus (1980a) found that entrepreneurs generally tended to be significantly less satisfied with their past job than normative population. According to his results prior dissatisfaction not only affected establishing a firm, but may also indirectly contribute to its success (Brockhaus, 1980b). Later, Brockhaus and Dixion (1986) examined job satisfaction that New Zealand entrepreneurs had with their past jobs. Entrepreneurial education and its impacts on job satisfaction were researched by Hornaday and Vesper (1982). They concluded that those who were "working for myself" and had entrepreneurial education, had higher general job satisfaction than those with the same education but who were "working for others." Cooper and Artz (1993) focused on the determinants of satisfaction of entrepreneurs in their longitudinal study. They emphasized satisfaction as a fundamental measure for individual entrepreneurs. They found the causal relationship between the performance and satisfaction - the higher the levels of performance, the higher the levels of satisfaction. In addition, they stressed the connection between satisfaction and intention to continue: "...entrepreneurial satisfaction bear upon decisions by individual entrepreneurs about whether to continue or close down their ventures,..."

More recently, Jamal (1997) and VandenHeuvel and Wooden (1997) have conducted research dealing with entrepreneurial satisfaction. Jamal did not find expected difference in job satisfaction between the self-employed and salaried people, although the self-employed experienced significantly higher job stress and reported more psychosomatic health problems than did their non-self-employed counterparts. The findings of the study conducted by VandenHeuvel and Wooden provided a more sophisticated picture of the job satisfaction of self-employed people. They concluded that self-employed contractors were not generally found to be significantly more satisfied with their jobs than wage and salary earners, but this result hinges on the degree to which contractors are independent of the hiring organization. The higher the perceived independence was, the greater was satisfaction experienced and vice versa. Thus, self-employed people are not a homogenous population as past research has implicitly assumed.

While there is dearth of research on the small business owners' entrepreneurial satisfaction in the field of entrepreneurship, plenty of inquiries on the franchise owners' satisfaction have been made in the field of marketing. Latter orientation has developed from the management needs of the channel of distribution. This study derives theoretical framework from both research orientations. Satisfaction is researched in the franchising context. Specifically, the analysis centers on franchisees' overall satisfaction, and explaining their overall satisfaction via particular components of satisfaction pertaining the business domains. Finally, the relationship, that is a potential dependence and causality, of the satisfaction and commitment is examined.

BACKGROUND

The notion of job satisfaction has been defined by Locke (1976, 1300) as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences. By using a theoretical framework based on discrepancy theory, the entrepreneurial satisfaction is shown to be related to a gap between actual rewards or performance and the individual's goals or expectations. The discrepancy theory is well-established among the body of literature organizational behavior and psychology dealing with determinants of job satisfaction. Past empirical findings provide a strong support to discrepancy theory, since nine out of ten studies which applied it found a significant relationship between subjects' satisfaction levels and a perceived gap between what they currently have versus what they anticipated to have (Michalos, 1986). Therefore, in this study, franchisee's satisfaction is defined as a fit or perceived congruence between franchisee expectations and experience.

Satisfaction is one of the key concepts in understanding channel member behavior (Robicheaux & El-Ansary, 1975). Walker (1971) found that satisfied franchisees had the following characteristics: (1) they expressed a favorable attitude towards both the various controls in their agreement and the income/inputs ratio associated with their operations; (2) they were working fewer hours and earning more money than they had expected; and (3) they perceived the parent company as fair-dealing and their unit as successful. In similar vein, Hunt and Nevin (1974) suggested that franchisees' satisfaction may lead to higher morale, larger collaboration, rarer terminations of co-operation relations, fewer lawsuits, and decreased needs to seek protective legislation. According to Robicheaux and El-Ansary (1975) satisfaction among channel partners results in greater productivity within the channel of distribution. Likewise, Lusch (1976) proposed that satisfaction in the channel can reduce friction between parties, lower dysfunctional conflict, and increase channel efficiency. Also he argued that franchisee satisfaction is based on a domain of items over which the franchisee could be satisfied or dissatisfied with the franchisor.

Later, Hing (1995) applied a buying behavior theory in the franchising context. Her analysis centered on post-purchase franchisee satisfaction and intentions raising from satisfaction or dissatisfaction. According to her findings, satisfaction led to positive intentions, i.e. favorable word-of-mouth and attitude of purchasing the franchise again. Lately, Morrison (1996 & 1997) examined franchisees' job satisfaction, personality traits, organizational commitment and performance. She found that certain traits along with three job characteristic factor related to franchisor support, operational characteristics, and franchisor restrictions had significant influence on franchisee job satisfaction. Moreover performance, organizational commitment, congeniality of franchisor relations and intention to remain had significant positive correlation with satisfaction.

Table 1
Literature analyzed for the creation of satisfaction measurements

Report	*Research design*	*Satisfaction*
Rosenberg & Stern (1971)	mail survey: a manufacturer, 11 distributors, 250 dealers	single-item, 5-point scale, satisfaction with other channel member's performance
Walker (1972)	laboratory simulation: manufacturer-retailer bargaining, 72 student subjects	semantic differential scale, attitude toward channel member
Hunt & Nevin (1974)	mail survey: 815 fast food franchisees	dummy variable: whether or not franchise would take up a franchise again
Lusch (1976)	mail survey: 1,200 car dealers	multi-item: 16 items in domain, 4-point scale, a single item scale
Brown & Frazier (1978)	pilot study, 26 personal interviews: owners/general managers of new car dealerships	perceptual rating, 7-point scale
Michie (1978)	mail survey: 1,000 car dealers	15 items, 5-point scale
Wilkinson (1979 & 1981)	personal interviews: 4 suppliers, 31 manufacturers, 15 retailers (i.e. 121 dyads) personal interviews: 60 hotel managers, 2 brewery suppliers	single-item, 5-point scale, satisfaction with other channel member's performance 8 dimensions, 5-point scale
Dwyer (1980)	laboratory simulation: bilateral duopoly channel setting, 80 student subjects	multi-item semantic differential scale
Ruekert & Churchill (1984)	mail survey: 548 retail and wholesale companies	two sets of multi-item: 21 and 16 items; single-item: global assessment, 7-point scale
Schull, Little & Pride (1985)	mail survey: 1,052 real estate broker franchisees	22 items - four dimensions, 5-point scale
Lewis & Lambert (1991)	mail survey: 204 fast food franchisees	satisfaction with role performance: 8 business functions - included 117 items, one-item: overall satisfaction with role, one-item: satisfaction with business decision
Hing (1995)	mail survey: 209 restaurant franchisees	multi-item: 17 items, 5-point scale single-item: would buy a franchise again, single-item: would recommend favorable
Spinelli & Birley (1996)	mail survey: 2,816 franchisees from various businesses	analysis of franchisees perceived exit cost of franchise relationship, multiple items
Morrison (1996 & 1997)	mail survey: 1,596 franchisees from 4 businesses: restaurant, non-food retailing, business services,	modified 20-item Minnesota Job Satisfaction instrument, single item: global job satisfaction,

	automotive products & services	5-item: intention to remain

METHODOLOGY

Sample

The sample was composed by using an annual publication of the Finnish Franchising Association (FFA). The association's yearbook is actually the only source of franchise statistics and records in Finland. Consequently, the franchisors' addresses were derived from the franchise catalogue of "*Franchising in Finland 1998."* Every franchise system listed in the publication (n= 84) was contacted by telephone and fax, and requested to take part in the study. Thus, the sample is a convenient sample not a random one. In total, thirty-six franchises were interested in participating and provided addresses of their franchisees. Company-owned outlets was excluded from the sample. Sample description is shown in the Table 2.

Table 2: Sample Description

Business	*Franchisors* Sample (Population)	*Franchisees*
Retail	16 (38)	510
Service	13 (30)	154
Restaurant, Café & Fast food	7 (16)	151
Total	36 (84)	815

The sample represented more than half of the total amount of the franchisees and over forty percent of all franchises in Finland. A majority of the franchises willing to participate in the study were members of the FFA. Nevertheless, fifteen non-member franchises were finally included in the sample.

A six-page pre-tested questionnaire containing 110 variables was mailed to 815 franchisees representing thirty-six franchises. To motivate informants a complimentary copy of the research report was promised to those who requested it. Also, a strict confidentiality and anonymity was emphasized. No names of the franchises nor the franchisees who participated in the research was published. The data were statistically treated, thus no single franchise or franchisee is identifiable from the results. After two weeks from the initial mailing, a post-card reminder was sent to respondents who had not yet corresponded. The second mailing was carried out two weeks after the reminder. The response rate obtained was some forty-two percent or 339 cases.

Subsequently, 143 phone interviews were performed primarily for evaluating potential non-response bias, and secondary to enlarge data of key variables. A shortened form of the mail questionnaire, covering sixty-five original variables, was used for the structured interviews. On the average, completion of an interview took thirty minutes. After data input process the data files were reviewed for detecting probable mis-entries. Thorough investigation for possible differences between responses of the data sets was carried out. Both background and satisfaction variables were examined in the analysis. However, no significant bias was found. Consequently, the data sets were combined into one file consisting of 482 cases. The final response rate was sixty percent.

Instruments

To measure franchisees' overall satisfaction with their businesses, a single-item variable was created (see Table 6 for detailed description). The metric scale ranged from one to five. The question of total satisfaction underlies the discrepancy theory, and is widely used in the former studies (see e.g. Morrison, 1997). Second single item, non-metric measure was created to quantify franchise owner's post engagement intentions, i.e. would they do it again (see Table 7 for specific description). Likewise, this question is a classic one in the past researches (see e.g. Hunt & Nevin, 1974; Ruekert & Churchill, 1984; Lewis & Lambert, 1991; Hing, 1995). A set of metric variables to measure (scale: one to seven) franchisees' satisfaction with their business domain and business environment was created. Subsequently, those 26 items were included in a component analysis to generate fewer sum variables and components of the particular satisfaction (see Table 4). This kind of approach of faceted satisfaction has been broadly applied since the study of Lusch (1976).

RESULTS

The demographic data of the respondents are given in Table 3. The participation rate of women in franchising, nearly fifty percent, appears to be much higher than in other self-employment. Slightly less than one third of the self-employed people are females in Finland. The service intensity of franchising may partly explain females' higher participation rate. Respondents' age ranged from 18 to 64, average being around 42 years. Mostly informants were married. Franchisees represented a highly-educated group, six out of ten had a college degree, compared to the average education level of Finnish small business owners. Some one third had previous self-employment experience when they entered into franchising, while a majority had a salaried job in the private sector. Interestingly, equal amounts of respondents were either unemployed or had a public sector job when they signed a franchise contract.. The length of franchise experience ranged from one month to twenty years, the average being four years and one month.

The majority of the franchisees' firms were limited companies. Also, they were micro-enterprises, employing less than ten employees and generating an annual turnover of 1.6 million Finnish marks (i.e. roughly $275,000) on the average. An extensive portion of the franchisees were single-unit owners.

Multiple item measures were extracted by employing principal component analysis with varimax rotations (SPSS 9.0). Five distinct and interpretable components emerged (see Table 4). Final solution covered 23 items out of 26 original ones. The reliability of the 23-item linear combination was .92, indicating coherent selection of the items. Two items which were omitted due their statistical properties were: "outlet's site" and "other franchisees' performance." The former appeared to be a unique variable which was not strongly loaded in any component. Top levels of satisfaction with outlet's sites was recorded (mean 5.70, SD 1.34). The latter had the lowest standard deviation of all variables, thus it had low discriminating power. Its mean score (4.79, SD 1.04) showed that a fair satisfaction exists. It also implies that free riding is generally not perceived as a prevalent problem in the sampled franchise systems. All variables had a loading exceeding .45 - and no cross loadings rose. Similarly, communality values were more than .55 giving the highly explanative outcome for the solution (71% out of the total variance). Factor scores of the components were saved as variables, as well as conventional sum-variables were compressed.

Table 3
Demographics for the Combined Sample (n=482)

Subject		%	*Enterprise*		%
Sex	Male Female	53.1 46.9	*Business Form*	Proprietorship Partnership Limited co.	22.7 17.7 59.6
Age	< 35 years 35 to 44 45 to 54 55 to 64	26.4 26.8 40.3 6.5	*Annual Turnover*	< 1.5 million FIM 1.5 to 2,999,999 3.0 to 4,499,999 4.5 or more	37.6 25.8 16.2 20.4
Marital Status	Married Divorced Single Widowed	85.8 7.1 6.5 .6	*Number of Full-time Employees*	None 1 to 2 3 to 9 10 or more	36.9 30.1 26.8 6.2
Education	Vocational School College Degree University Degree Other	20.0 59.0 7.4 13.6	*Number of Part-time Employees*	None 1 to 2 3 to 9 10 or more	30.7 36.2 12.7 20.4
Occupation prior a	Student Unemployed	2.9 9.0	*Number of Other Family Members*	None One	58.9 32.6

franchise	Entrepreneur Employee in the: Private sector Public sector	31.0 47.7 9.4	*Involved* *Number of Outlets*	Two or more One Two Three or more	8.5 82.7 11.7 5.6
Tenure as a Franchisee	Less than a year 1 to 2 3 to 4 5 to 6 More than 6	16.3 25.8 23.2 12.3 22.4	*Initial Investment* includes a franchise fee	< 100,000 FIM 100,000 to 199,999 200,000 to 299,999 300,000 to 399,999 400,000 or more	34.6 22.9 11.6 10.4 20.5

Table 4
Components of Particular Satisfaction

ITEM	I	II	III	IV	V	Communality h²	Rank/Mean	SD
franchisor's services	.834					.843	14 / 4.48	1.38
quality of franchisor's services	.828					.802	13 / 4.57	1.35
franchisor's overall performance	.793					.807	12 / 4.61	1.39
communication	.780					.705	9 / 4.67	1.47
franchise agreement	.587					.638	15 / 4.47	1.42
own opportunities to influence	.582					.559	22 / 3.89	1.54
development of the business format	.543					.609	8 / 4.96	1.33
current profitability		.901				.867	17 / 4.44	1.58
financial standing		.824				.703	11 / 4.63	1.65
anticipated future profitability		.769				.696	10 / 4.64	1.46
past profitability		.767				.669	16 / 4.46	1.57
personal incomes		.750				.647	20 / 3.99	1.63
perceived own status		.595				.706	7 / 4.97	1.50
known brand			.841			.743	2 / 5.61	1.35
franchisor's market position			.828			.776	5 / 5.30	1.24
image			.815			.760	1 / 5.77	1.15
franchisor's competitiveness			.718			.660	6 / 5.25	1.28

customer orientation of the business			.474			.552	3 / 5.50	1.04
reputation of franchising				.890		.753	19 / 3.95	1.23
familiarity of franchising				.818		.849	23 / 3.81	1.25
performance of FFAssociation				.784		.685	21 / 3.93	1.18
work load					.776	.685	18 / 4.29	1.56
work contents					.711	.629	4 / 5.45	1.17
Eigenvalue	4.97	4.29	3.49	2.29	1.31	16.35		
Percent of Variance	21.6	18.6	15.2	10.0	5.7	71.1		
Alpha (loadings >.45 entered)	.91	.90	.86	.84	.65			

The convergent validity (i.e. correlations) and reliability (i.e. Cronbach's Alphas) of the created satisfaction measures were tested. All the correlations came out positive, as expected, and statistically significant. Results of the validity evaluation is presented in Table 5. Moreover, five measures of the particular satisfaction showed very sufficient reliability. High alpha values confirmed the internal consistency of the summed scales.

Table 5
Correlations of the overall satisfaction and particular satisfaction measures

	Overall Satisfaction	Sum 1	Sum 2	Sum 3	Sum 4	Mean (SD)
Ongoing Support (Sum_1)	.517**					4.53 (1.14)
Finance (Sum_2)	.559**	.535**				4.53 (1.28)
Market Performance (Sum_3)	.347**	.585**	.309**			5.49 (.98)
Franchising Climate (Sum_4)	.156*	.397**	.259**	.359**		3.90 (1.07)
Work as a Franchisee (Sum_5)	.418**	.464**	.480**	.373**	.286**	4.87 (1.19)

Sum-variables: 7-point scale
* < .005
** < .000

Even though, one fifth of the franchisees were somewhat dissatisfied with their businesses, mostly franchise owners tended to be relatively satisfied (see Table 6). A clear majority, six out of ten respondents were satisfied, while every fifth turned out be very satisfied indicating that their experiences of franchising had been unexpectedly positive.

Table 6

Overall Satisfaction: *"Taking as a whole, how has franchising met your expectations?"*			
Value & Response	Frequency	Percent	Cum. %
1 fallen short of my expectations considerably	18	35644	
2 fallen short of my expectations slightly	79	35565	35508
3 met my expectations	290	60.7	81.0
4 exceeded my expectations slightly	66	35654	94.8
5 exceeded my expectations considerably	25	35465	100.0
Total	478	100.0	
Mean (SD)	3.00 (.82)		

The same amount of respondents who expressed that franchising had met their anticipation, inclined to commit to their current franchise, while seven percent were readily joining up with other franchise system. Fewer than every seventh informant showed that they were prone to establish an independent business in the future instead of continuing as a franchisee. Respectively, similar amounts of franchisees were hesitant of their decision. Less than five percent indicated that they would not be interested in any kind of self-employment. The smallest group were those who said that they wouldn't consider any franchise opportunity. The franchisees post engagement intentions are shown in Table 7.

Table 7 Post engagement intentions: *"Based on your experience, would you take up a franchise again if given the opportunity now?"*			
Response	Frequency	Percent	Cum. %
It is not likely that I would be a small business owner at all	23	35645	
I would rather set up an independent business	63	35473	35690
I cannot say if I would enter into franchising	63	35473	35460
I would not join up with any franchise system	13	35612	33.8
I would join up again but not with the same franchise system	34	35436	40.9
I would join up again with the same franchise system	283	59.1	100.0
Total	482	100.0	

A strong correlation was revealed in the cross tabulation analysis when examining the relationship between the franchisees' overall satisfaction and their post engagement intention. Satisfaction and commitment were significantly associated (Chi-Square <.000). Some 93 percent of those who were likely to sign the franchise contract again with the same franchisor if offered the chance, were those whose original expectations were met or even exceeded. On the other hand, less than one out of five discontented franchise owners pointed interest towards continuing the franchise contract with the same franchisor. As a matter of fact, the difference of total satisfaction score between those who would sign the same franchise contract and those who would not, turned out to be very significant (Mann-Whitney Test for mean ranks <.000).

Table 8
Linear Regression Analysis for overall satisfaction and particular satisfaction measures

Dependent: Overall satisfaction R Square .395			Beta	T	Sig. T
Ongoing Support Com_1			.3181	35467	.0000
Finance Com_2			.4390	9.665	.0000
Market Performance Com_3			.1642	3.616	.0004
Franchising Climate Com_4			-.0049	-.109	.9132
Work as a Franchisee Com_5			.2734	75121.264	.0000
Constant				73.236	.0000
Source Regression Residual	Sum of Squares 96.073 146.923	DF 5 293	Mean-Square 19.2147 .5014	F 38.318	Sig. F .0000

Turning to particular satisfaction and its role in explaining overall satisfaction, a linear regression analysis was employed (see Table 8). Only one component of particular satisfaction, “Franchising Climate” failed to explain overall satisfaction. Otherwise, all independent variables appeared to be significant. The model explained nearly forty percent of the total variance, which may be regarded as high. Moreover, the significance of the F-value showed adequacy of the model.

Finally, the components of particular satisfaction with overall satisfaction were analyzed to find out whether they predict franchisees’ commitment and propensity to continue in the same franchise system. As stated earlier, a strong correlation exists between satisfaction and tendency to remain in the same franchise system. However, this association is not necessarily a causal relationship. A logistic regression was employed for the purpose. A dichotomized dependent variable was created by recoding the nominal scale pertaining franchisees’ post engagement intention. The variable is described in the Table 7. Respondents who were unsure of their decision on joining up with a franchise were excluded from the analysis. Franchise owners who said that they would take up a same franchise was encoded value 1 - while value 0 was assigned to all others. After a few iterations, it appeared that overall satisfaction and three components of particular satisfaction significantly explained intention to stay in the same franchise system. Results of the logistic regression are given in Table 9.

Table 9 Logistic regression analysis of franchisees' post engagement intention							
Dependent: join up with the same franchise	B	S.E.	Wald	df	Sig.	R	Exp(B)
Overall Satisfaction	.770	.254	9.214	1	.002	.150	2.159
Ongoing Support (Com_1)	.815	.190	18.430	1	.000	.226	75124
Finance (Com_2)	.605	.191	75124	1	.002	.158	1.830
Work as a Franchisee (Com_5)	.615	.181	11.511	1	.001	.172	1.849
Constant	-1.439	.771	3.485	1	.062		
Method: Enter	Chi-Square	df	Sig.	Percent Correct Overall:			
Goodness-of-fit-test	75130	8	.454	80.95			

The results of the logistic regression analysis should interpret cautiously and with restraints. Positive coefficients of the satisfaction indicate that the probability to join up with the same franchise increases. This impact is significant among all the satisfaction measures included in the model. While the goodness-of-fit-test indicates a proper model and the level of correctly classified cases is also good, the -2 log likelihood refers to an inadequate model. However, cross tabulation analyses indicated again that strong positive and statistically significant (p <.000) dependence exists between the "Ongoing Support", "Finance", and " Work as a Franchisee" variables of particular satisfaction and intention to join up with the same franchise system. As assumed, those who wanted to join up with the same scored higher on these satisfaction measures than their counterparts who preferred other options. All the T-test results were significant at the .000 level. This does not apply to "Franchising Climate" and "Market Performance" which were excluded from the logistic regression model due to their insignificance.

DISCUSSION

The paper set out to explore three research questions. First, how satisfied are franchisees with their businesses? It was found that generally franchise owners tended to be rather satisfied with their businesses. While a whopping majority (60.7%) stated that franchising met their initial expectations, there was two groups of similar size, both accounted one fifth of the respondents, who had either unexpectedly positive or negative experiences. The mean, median and mode of the overall satisfaction was 3.00 indicating average satisfaction level on the scale varying from one to five.

The second research question penetrated to particular reasons which may explain franchisees' satisfaction or dissatisfaction. It was discovered that four out of five measures created to quantify franchisees' particular satisfaction explain significantly their overall satisfaction. In detail, linear regression pointed out that the components which accounted franchisees' overall satisfaction were as follows: *"Finance"* (i.e. profitability and financial standing of the franchisee's business, and his/hers personal income), and *"Ongoing Support"* (i.e. franchisor's services and their quality, franchisor's overall performance), *"Work as a Franchisee"* (i.e. franchisee's work load and tasks) and *"Market Performance"* (i.e. known brand, franchisor's market position, image, and franchisor's competitiveness). These particular components of satisfaction explained statistically forty percent of the total variance of overall satisfaction. Also, the mean scores of the particular satisfaction supported the conclusion that franchisees are mostly fairly satisfied. The mean scores varied from 3.90 (for "Work as neutral to somewhat satisfied or satisfied.

The last research question was: "Does satisfaction or dissatisfaction affect on franchise owners' commitment to their businesses?" Results showed that a strong positive and statistically significant correlation exists between the satisfaction and post engagement intention, i.e. inclination to continue in the same franchise system. Thus, those who wanted to take up the same franchise if given the opportunity had significantly higher satisfaction scores than those who preferred other options instead of staying in the same franchise system. Also preliminary support was found that satisfaction indeed causes the increased probability to continue in the same franchise system. Distinctively, "Ongoing Support", "Overall Satisfaction", "Work as a Franchisee" and "Finance" were components of satisfaction which had considerable impact on the decision of whether to remain or turnover. Rather surprisingly, "Market Performance" did not contribute the model. Nonetheless, the empirical findings of Spinelli and Birley (1996, 324) may explain this observation: "Clearly, a principle reason for utilizing franchising as a growth mechanism is to build brand equity. Franchisees do not equate the relationship with an equity building exercise...These assets are less transferable than other assets and therefore if the franchise relationship is ended, these assets are lost (or diminished more than other assets which are more transferable)." To find more empirical evidence to verify the model, i.e. the causality between satisfaction and intention to continue with the same franchise, a discriminant analysis will be utilized in the further analysis.

By and large the results of this study are congruent with earlier findings regarding profiles of Finnish franchisees and their businesses (Koiranen, Hyrsky & Tuunanen, 1997a; 1997b). Only one earlier study on franchisees' satisfaction has been reported in Finland (Koiranen, Hyrsky, Tuunanen & Laakso, 1997). That exploratory inquiry was carried out with a much smaller sample. The results of the study have real value in Finland. Cross-cultural considerations should be done with some constraints. For instance, franchising culture is still in its infancy in Finland - the average starting year of franchise systems is 1989 (Tuunanen & Koiranen, 1998). This immature stage is revealed as short franchisee tenure of respondents or low portion of multiple-unit franchise owners (for the comparison see e.g. Gallup, 1998; Morrison 1996).

Implications of the study are interest to both of franchisees and franchisors. Franchise owners' satisfaction has an effect on the future success of franchising via desirability of career as a franchisee. Dissatisfied franchisees' post engagement intentions have at least dual consequences. First, the goodwill, like image and reputation of the franchise system, will be damaged and diminished. Less contented franchisees are not likely to recommend the franchise to others (Hing, 1995). Consequently, this will harm the recruiting future franchisees. In this study, respondents ranked current franchise owners the second most important information source when making the decision whether to take up this franchise. Nearly, six out of ten prospects did consult the current operating franchise owner. Second, a franchisee turnover is a costly and dysfunctional incident to franchisor. It may even temporarily disturb customer service at a certain location. The harmful consequences may accumulate now, when there is a tense competition of scarce qualified franchisee candidates. To sum up the discussion on implications concisely, it may establish that findings of this study pinpoint certain factors that are crucial in intensifying franchisees' commitment and avoiding their harmful turnover. Also, these results determine particular components of franchising relationship that potential franchisees should look into when considering entering into franchising.

Findings of this study can be verified through replicating the research. Cross sectional research design may be regarded a limitation of the study. Longitudinal research would be a fruitful avenue to reveal dynamics of the franchisee satisfaction. Also, a follow up research would expose the reality of franchisees' post engagement, i.e. did those franchisees really resign who manifested that they would prefer other options instead of continuing in the same franchise system and vice versa.

Efforts were made in avoiding weaknesses that might considerably diminish the value and usefulness of the results. First, the study was made with a relatively large sample. Response bias was properly examined, although the initial response rate was high and suggesting minor bias. Created measures were based on extensive literature analysis. Also the validity and reliability of the scales were evaluated. Results can be generalized to the population of the study. Bearing in mind representativeness of the sample, findings portrait the actuality of Finnish franchisees' businesses and attitudes.

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BARRIERS TO EXPORT FOR NON-EXPORTING FIRMS IN DEVELOPING COUNTRIES

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ABSTRACT

This paper examines barriers to export for non-exporting firms in the context of a developing country by surveying two hundred seventy seven firms with headquarters located in Istanbul. The authors discuss a group of barriers facing firms and explain how these barriers are related to one another. The results showed that the most important barrier to export as perceived by business executives is "lack of financial resources" followed by "inadequate market information provided by government." Analyses also showed that there are strong relationships among different types of export barriers. Furthermore, firm size is related to perception of barriers to export.

INTRODUCTION

Although all businesses both from developed and developing countries face some sort of barriers to entry in global markets, companies in developing countries have additional barriers that they must overcome. Firms from developing countries are especially affected by global competition and protective measures such as, tariffs, quota, monetary barriers, and non-tariff barriers imposed by the governments of the countries in which they wish to market their products. Presence of barriers to export usually makes the domestic market more attractive and influences companies to lose interest in entering international markets.

Barriers to export for manufacturing firms have been the focus of a wide range of research interest since the 1980s. A handful of empirical studies have been conducted concerning the perception of barrier to export by non-exporting firms and how these barriers relate to one another. However, similar attempts to study barriers to export remain much more limited in developing nations. Based on the literature review conducted, previous research examining barriers to export for developing country firms, have not considered the relationship between external and internal barriers to export. In developing nations, understanding barriers to export and the relationships among them is particularly important and may provide valuable information for public and private sector bodies seeking to promote exports.

LITERATURE REVIEW

Shepherd (1979) defines barriers to entry in any market as anything that decreases the likelihood, scope, or speed of the potential competitors' entering into the market. Porter (1980) proposed six major sources of barriers to market entry. These barriers were; 1) cost advantages incumbents; 2) product differentiation of incumbents; 3) capital requirements; 4) customer switching costs; 5) access to distribution channels and 6) government policy. Karakaya and Stahl (1989) tested the relative importance of these barriers in domestic markets. Cavusgil and Naor (1987) indicate that financial and personnel resources are crucial factors in overcoming barriers to entry in international markets. Similarly, Many types of resources are consumed by foreign involvement, and inadequate resources, financial and non-financial, decrease a firm's activities in international markets (Cavusgil & Zou, 1994).

Although most of the barriers discussed for domestic market entry are similar in international markets, some barriers are different mostly due to international marketing environments. Kotler (1986) states that barriers in international markets may include discriminatory legal requirements, political favoritism, cartel agreements, social and cultural biases, unfriendly distribution channels and refusal to cooperate by both business executives and foreign governments.

Yang, Leona and Alden (1992) group export barriers into three categories: 1) external barriers, 2) operational barriers, and 3) internal barriers. For numerous firms, the most important external factors that cause barriers to entry into international markets consist of tariff and non tariff barriers, foreign exchange rate, fluctuations, competition in foreign markets, government policy, foreign business practice, and different product and consumer standards in foreign markets (Barker & Kaynak, 1992; Bauerschmidt at. al., 1985; Leonidou, 1995; Czinkota & Ursic, 1983; Ditchtl, Koglmary & Muller, 1986; Kaynak & Kothari, 1983; Kedia & Chokar, 1986; Robino, 1980; Tseng & Yu, 1992; Yang et al., 1992). Similarly operational barriers consist of receiving payments from foreign buyers, making arrangements for transportation and shipments, clearing customs, getting representation in international markets (Kedia & Chokar, 1986; Yaprak, 1985), and managing international channels of distribution (Gilliland & Bello, 1997). Internal barriers include past experience in foreign markets, lack of managerial commitment, and lack of human and capital resources (Barker & Kaynak, 1992; Bauerschmidt, Sullivan & Gillespie, 1985; Cavusgil & Nevin, 1981; Yaprak, 1985). A study attempting to determine similarities and differences between European and US managers' perception of export barriers found that the European managers regarded export barriers as a challenge arising from firm specific conditions, while the US managers interpreted the barriers to export as consequences of country specific conditions (Sullivan & Bauerschmidt, 1989). Barker and Kaynak (1992) list the most important export barriers as follows: too much red tape, trade barriers, transportation difficulties, lack of trained personnel, lack of export incentive, lack of coordinated assistance, unfavorable conditions of international markets, slow payments by buyers, lack of competitive products, payment defaults, and language barriers. Similarly, Karakaya (1993) suggests 14 different export barriers including cultural barriers, language, access to distribution channels, customer switching costs, government policy, product adaptation, stability of currency exchange rate, expected local and global competition, changes required in promotional activities, nationalism, political environment, economic environment, corruption, and cost advantages held by local companies.

A study in non-electrical machinery, electrical and electronic equipment and measuring, analyzing, and controlling instrument industries in the U.S. indicated the presence of five different group of export barriers: government policy, procedural and technical complexity, contextual differences, perceived strategic limitations and local competition (Sharkey et al., 1989). The same study also discovered that inactive exporters perceived existence of more barriers compared to active exporters. However, there was no difference between inactive exporters and non-exporters in their perception of export barriers.

Entry barriers into Japanese markets for American companies have been studied by many researchers (see Alden, 1987; Shimaguchi & Lazer, 1979; Namiki, 1989; Simon, 1986). A study of 28 executives from small U.S. computer firms showed that competition from Japanese companies and Japanese buyers' preferring Japanese products are the most important barrier in Japanese computer market (Namiki, 1989). In the same study Japanese imitation of new products, high tariffs, and cultural differences were also found to be important barriers to entry. A study conducted in hardwood lumber industry in the eastern U.S. by Ifju and Bush (1993) examined perceived barriers to export and determined that non-exporting firms with no interest in becoming exporters considered themselves too small to export and were satisfied with the domestic market. Non-exporting companies with desire to export indicated that a lack of information concerning international markets prevented them from exporting.

INTERNATIONAL MARKETS ENTRY AND BARRIERS TO EXPORT FOR BUSINESSES IN DEVELOPING COUNTRIES

Cultural Barrier is a common barrier to entry in international markets and is regularly cited in textbooks and journal articles. This barrier is particularly important for companies located in developing countries who are attempting to export their products to already developed countries because the cultures of the two categories of countries are likely to be very different. According to Kahler and Cramer (1977), culture probably affects all areas of marketing: product design and acceptance, communication methods, the role of family members in the purchasing process, relationship with distributors, and physical distribution. Cultural barrier may also create or contribute to the formation of other barriers in international markets in several different ways. The language as a part of culture may be a barrier for companies marketing their products internationally. The language barrier affects market entry from variety of perspectives such as branding, packaging, instructions for installation and using products, warranty information, communication with distribution channel members, and promotion (Karakaya & Stahl, 1991). Ricks (1986) presents some interesting examples, which signify the importance of this barrier. For example "Let Hertz put you in the driver's seat" translated literally into Spanish means "Let Hertz make you a chauffeur." Another example is the trademark toothpaste brand name "Cue" is a crude slang expression for derriere in French speaking countries. In addition, meanings change within the same language used in different countries. For example, the words for "bus", "gasoline", and "cookies" in the U.S. are "lorry", "petrol", and "biscuits" in England (Terpstra, 1983).

The products of developing country firms may be marketed in foreign markets as is, or it may be modified to fit the different countries market conditions. This can sometimes be costly and impossible because of production technology. The higher this cost is, the higher the barriers to export. The most common modifications include the language used on the product's packaging, product specifications and color preferences. Countries with similar cultures would require very little or no change in product. Planning the necessary changes during the product development stages should make the modifications easier. The cultures and government policies in foreign countries, as indicated earlier, will play a crucial role in product design an adaptation strategy.

Foreign government policy has become one of the most important barriers affecting the way foreign companies enter into international markets (Keegan, 1984). Even producers of products in high demand may be excluded from markets by discouraging policies of foreign governments. Cateora (1987) indicates that government may establish a whole host of export barriers including tariffs, quota, boycotts, monetary barriers, and non-tariff barriers, in order to encourage development of domestic industry and protect the existing industry. Other governmental factors related to barriers to entry into international markets consist of discriminatory government procurement policies, restrictive customs procedures, selective monetary controls and discriminatory exchange rate policies, restrictive administrative and technical regulations such as antidumping regulations, size regulations, safety and health regulations (Keegan, 1984). A recent study conducted by Lee and Swagel (1997) indicate that nations tend to protect industries that are weak, in decline, politically important, or threatened by import competition. The foreign government policy barrier is especially high for firms from developing countries because of the lack of bargaining power or clout they may have with foreign governments. In recent years, however, the government induced barriers to exporting has changed in character with numerous bi-lateral agreements, and the accords such as GATT, EU, and NAFTA (Forker, 1997). For example, a firm cannot enter the European Union market unless it meets the ISO 9,000+ standards.

Many companies with export potential never involve in exporting just because their governments do not encourage them enough. A series of studies have found that it is often easier to encourage existing exporters to increase their involvement in international markets than to encourage those who are not exporting to begin the process (Phillips et al., 1994). On the other hand, often times, non-exporters are not aware of export incentive programs offered by their governments (Kumcu et al., 1995). Phillips et al. (1994) claim that the main reason for not engaging in export markets is the fear by non-exporting companies that their products are not marketable in international markets. Consequently, non-exporting firms are preoccupied with the domestic markets. A study by Kau and Tan (1989) found that managers of exporting firms have better foreign language skills and more international experience and are better educated than managers of non-exporting firms.

Products of firms from developing countries do not only compete with local products. The competing products also come from developed, underdeveloped, and other developing countries. The attractiveness of a market usually increases the number of competing firms. Thus, competition tends to be strong in these markets. Many developing country firms choose to enter the western world markets because of their attractiveness. Intensive competition in these markets usually forces firms to reduce prices and settle for lower profit margins, which then cause many to prefer to remain in their domestic markets with higher profit margins. An empirical assessment of non-exporters' perceptions on the factors that hinder the initiation of export activities found that the most severe impediment to the export initiation is the increasing competitive pressures in the world market (Leonidou, 1995).

Exporting is not always feasible or desirable, even when a firm has a marketable product in other countries. A company may not be able to export because of relatively high cost of domestic production and marketing. The cost structure of a firm may be so high that it cannot effectively compete in foreign markets (Kahler, 1983). Firms in developing countries usually use old technology which influence their production costs to be relatively higher than competitors in developed countries. Also, new production technologies often provide product differentiation advantage. This situation can create disadvantage and can translate into barriers to market entry for firms in developing countries. However, one should note that the cost of labor in developing countries are usually low which may sometimes offset the cost effects of old technology employed

Most distribution channels may prefer to carry domestic products simply because of the proximity of the suppliers. They are not likely to handle products from other countries unless they can be assured of continuous supply, and be given monetary incentives. Japanese distribution channels are good examples for the “access to distribution channels” barrier. The distribution system in Japan is complex and acts as a barrier to entry with a large number of small distributors and the length of the channels (Alden, 1987; Shimaguchi & Lazer, 1979).

Firm size may also play an important role in the perception of export barriers. Smaller firms are at a resources disadvantage and may, therefore, face greater export barriers when compared to larger firms. Smaller firms may also be more barrier averse due to a their inability to access international market information. Previous studies on this issue have produced inconsistent findings. While some studies found a positive relationship between firm size and the number of exporting firms, others yielded opposite findings (Calof, 1994). Very small companies do not tend to export; there is a correlation between firm size and desire to export for small manufacturers, but after a certain size this correlation dwindles (Hirsh & Lev, 1973; Cavusgil, 1980). Similarly, a study conducted by Bonnaccorsi (1992), indicate that firm size does not have significant impact on export intensity of individual firms. A recent survey of 242 small and medium sized manufacturing firms in Wisconsin showed that there were three barriers that were perceived to be both important and difficult to overcome (Moini, 1997). These were adapting products for foreign markets, knowing export procedures, and advertising in foreign markets. However, Moini (1997) state that these barriers could be considered unsubstantial, existing only in the minds of small non-exporters who have not attempted to export yet.

Free trade agreements such as the Canada-U.S. Free Trade Agreement and NAFTA are likely to lower the barriers to entry for small firms. However, this is only true if small firms can mobilize their internal resources necessary for greater exporting activity (Campbell, 1996). Indeed, as Campbell's study showed free trade agreements do not influence small firms' export behavior. Strategic commitment to pursue export markets aggressively, rather than tariff barriers, determines success in exporting.

EXTERNAL AND INTERNAL EXPORT BARRIERS

In a study of barriers to market entry, Karakaya and Stahl (1989) presented a comprehensive literature review which included 25 barriers to entry in domestic markets. This study adapts some of the 25 barriers as they apply to international markets and includes others that are particularly applicable to developing country firms attempting to enter international markets. Extending the work of Yang, Leona and Alden (1992) as discussed earlier in this paper, we divide barriers to export into two categories, internal and external export barriers, and examine the relationships among internal and external barriers. The external and internal export barriers include the following:

External Export Barriers

1. Inadequate market information provided by government
2. Presence of profitable domestic market
3. Competition in international markets
4. Lack of knowledge of available government incentives
5. Foreign Government Policy
6. Bureaucracy
7. Inadequate demand in international markets
8. Access to distribution channels

Internal Export Barriers

1. Production technology of the company
2. Lack of Financial resources
3. Inadequate investment for entry into international markets
4. Competitors' price advantages due to economies of scale
5. Heavy advertising and selling expenses by competitors
6. Product adaptation
7. Lack of company owned distribution channels
8. Lack of trained personnel for exporting

HYPOTHESES

Having the literature review in mind, the following hypotheses are developed:

H1: There are significant relationships among external export barriers
H2: There are significant relationships among internal export barriers
H3: Firm size is related to the perception export barriers.
H4: There are differences among industries in the perception of export barriers.

METHODOLOGY

The data collection instrument was a self-administrated questionnaire and was personally distributed to 300 companies and collected after a week. The sample was randomly selected from a list of 2,300 non-exporting member firms of the Istanbul Chamber of Commerce and Industry. The sample represented six industries, including food, chemical, machine, metal, nonmetal, and textile manufacturing that had the highest export potential. According to the Turkish Economic Development and Planning Agency, these industries were the most promising and they were favored by the government through long term low interest loans and reductions in import duties for import of raw materials. The questionnaire was carefully prepared with the assistance of executives from manufacturers that volunteered to participate in the preparation phase of the study. Top managers who were in positions to make export decisions (e.g. vice presidents of marketing, strategic planners etc.) were asked to complete the questionnaire. The instrument contained 16 export barriers, which were formulated as dichotomous questions (yes/no), and demographical information about the companies. The executives were asked to indicate whether they perceived a list of variables dealing with export as barriers.

Two-hundred-seventy-seven non-exporting companies responded to the survey. Industries represented were: textile (21.3%), chemical (20%), machinery (18.4%), metal (18.1%), food (12.3%) and nonmetal (10%).

RESULTS

Table 1 shows that inadequate market information (48.7%) and competition in international markets (45.5%) are the two most important *external barriers* perceived by the non-exporting firms. These barriers also appear in other studies and the findings are consistent with the studies conducted by Bauerschmidt, Sullivan and Gillespie (1985); Ifju and Bush (1993), and Leonidou (1995). Nearly half of the companies cited that these two barriers affect them to be non-exporters. The third and fourth most important barriers were inadequate demand in international markets (39.4 %) and presence of profitable domestic markets (37.5 %). These findings support the suggestion of Phillips et al. (1994) that the preoccupation with the domestic market becomes a barrier to export. Furthermore, this study determined that access to distribution channels (30.7%), bureaucracy (29.6%) and foreign government policy (27.4%) follow the other barriers to export. These findings support the results of some previous studies, which indicated that they were major export barriers (Kaynak & Kothari, 1983; Keng & Jiuan, 1989). Lack of information about the availability of government incentives is the least mentioned external barrier (18.1%).

Table 1. Perceived External and Internal Export Barriers

Barriers to Export	Number of Companies	%
External Barriers:		
Inadequate market information provided by government	135	48.7
Competition in international markets	126	45.5
Inadequate demand in international markets	109	39.4
Presence of profitable domestic markets	104	37.5
Access to distribution channels	85	30.7
Bureaucracy	82	29.6
Foreign Government Policy	69	27.4
Lack of knowledge of available government incentives	50	18.1
Internal Barriers:		

Lack of Financial Resources	146	52.7
Inadequate Investment for Entry into International Markets	125	45.1
Production Technology of the Company	111	40.1
Competitors' Price Advantages Due to Economies of Scale	98	35.4
Lack of trained personnel for exporting	96	34.7
Heavy Advertising and Selling Expenses by Competitors	88	31.8
Product Adaptation	83	30.0
Lack of Company Owned Distribution Channels	77	27.8

Lack of financial resources (52.7 %), inadequate investment for entry into international markets (45.1 %), and production technology employed (40.1 %) are the three most important *internal barriers*. These findings do give credence to the views raised by Bilkey and Keng and Jiuan (1989); Tesar (1977), and Tseng and Yu (1991) that financial resources and inadequate investment are major barriers for export initiation. These barriers are followed by competitors' price advantages due to economies of scale (35.4%), lack of trained personnel for exporting (34.7%) and heavy advertising and selling expenses by competitors (31.8%). The two least perceived barriers are product adaptation (30%) and lack of company owned distribution channels (27.8%).

Relationships Among External Barriers

Hierarchical log-linear analysis was utilized in examining the relationships among the eight external barriers to export: inadequate market information provided by government (INFO), competition in international markets (COMPET), inadequate demand in international markets (DEMAND), presence of profitable domestic market (DOMESTIC), access to distribution channels (DISCHN), bureaucracy (BUROC), foreign government policy (FORGOVR) and lack of knowledge of available government incentives (INCENT). Log-Linear Analysis procedure allowed analysis of data in a multiway table form (Bishop et al., 1975) to obtain a description of the relationships among these variables. The results show that models with four-order effects are suitable in representing the data (Table 2, upper portion). The model selection for lower order effects was accomplished using the backward elimination procedure.

Table 2. Relationships Among External Barriers

Relationships Among Barriers to Export	DF	Chi-square	Significance Level
Eight-way	8	.112	.7376
Seven-way	9	.685	.9999
Six-way	37	1.514	1.0000
Five-way	93	23.086	1.0000

Four-way	163	419.656	.0000
Three-way	219	198.687	.8340
Two-way	247	525.363	.0000
One-way	255	1971.549	.0000

In different partial analysis, the final models contain one five-order interaction, one four-order interaction, eight three-order interactions and thirteen two-order interactions with statistically significant chi-square values (Table 2, lower portion). There are strong relationships among inadequate market information, competition in international markets, inadequate demand in international markets, presence of profitable domestic market, and lack of knowledge of available about government incentives. There are also strong relationships among access to distribution channels, foreign government policy, presence of profitable domestic market and lack of knowledge of available government incentives. Table 2 also shows that there are three and two--way interactions among external barriers such as inadequate market information provided by government, presence of profitable domestic markets and lack of knowledge of available government incentives and insufficient demand in international markets.

Table 2. (Continued) Relationships Among External Barriers			
Tests of PARTIAL Associations			
Barriers to Export Relationships	DF	Partial Chi Square	Significance Level
INFO*DEMAND*DOMESTIC*INCENT*COMPET	1	6.167	.0130
DISCHN*FORGOVR*DOMESTIC*INCENT	1	10.48	.0012
INFO*DEMAND*DISCHN	1	5.420	.0199
INFO*DISCHN*FORGOVR	1	6.142	.0132
DISCHN*FORGOVR*DOMESTIC	1	4.090	.0431
DEMAND*DISCHN*INCENT	1	4.635	.0313
INFO*DOMESTIC*INCENT	1	5.132	.0235
DEMAND*DOMESTIC*INCENT	1	3.192	.0740
DEMAND*DISCHN*COMPET	1	3.789	.0516

INFO*FORGOVR*COMPET	1	7.040	.0080
INFO*DEMAND	1	6.527	.0106
INFO*DISCHN	1	3.573	.0587
DEMAND*DISCHN	1	4.556	.0328
DEMAND*BUROC	1	4.511	.0337
DISCHN*BUROC	1	6.530	.0106
BUROC*FORGOVR	1	8.782	.0030
INFO*DOMESTIC	1	7.753	.0054
DEMAND*DOMESTIC	1	2.875	.0900
DOMESTIC*INCENT	1	7.115	.0076
DISCHN*COMPET	1	6.966	.0083
BUROC*COMPET	1	6.908	.0086
FORGOVR*COMPET	1	26.84	.0000
DOMESTIC*COMPET	1	7.775	.0053

Relationships among Internal Barriers

The hierarchical log-linear analysis was employed again to examine the relationships among external barriers to export: financial resources (FINANCE), inadequate investment for entry into international markets (INVEST), production technology of the company (PRODTECH), competitors' price advantages due to economies of scale (PRICE), lack of trained personnel for exporting (PERS), heavy advertising and selling expenses by competitors (PROMO), product adaptation (PRODADAP), lack of company owned distribution channels (DIST). The results show that models with four-order effects are suitable to represent the relationships among barriers (Table 3, upper portion). In different partial analysis, the final models contain twenty-three four-order interactions, two three-order interactions and ten two-order interactions with statistically significant chi-square values (Table 3, lower portion). The relationships among production technology, inadequate investment for entry into international markets, product adaptation and lack of company owned distribution channels barriers appear to be the most important with a 20.484 chi-square value.

Table 3. Relationship Among Internal Barriers

Relationships Among Barriers to Export	DF	Chi-square	Significance Level
Eight-way	8	.092	.7618
Seven-way	9	.520	1.0000
Six-way	37	3.213	1.0000

Five-way	93	41.881	1.0000
Four-way	163	250.232	.0000
Three-way	219	277.150	.0047
Two-way	247	1401.362	.0000
One-way	255	2973.368	.0000

Table 3(Continued). Relationship Among Internal Barriers

Tests of PARTIAL Associations

Barriers to Export Relationships	DF	Partial Chi-square	Significance Level
PRODTECH*FINANS*INVEST*PRODADAP	1	7.023	.0080
FINANS*INVEST*PRODADAP*PRICE	1	18.21	.0000
PRODTECH*FINANS*PRODADAP*PROMO	1	11.39	.0007
FINANS*INVEST*PRICE*PROMO	1	6.584	.0103
PRODTECH*PRODADAP*PRICE*PROMO	1	6.058	.0138
PRODTECH*FINANS*INVEST*DIST	1	7.422	.0064
PRODTECH*FINANS*PRODADAP*DIST	1	3.917	.0478
PRODTECH*INVEST*PRODADAP*DIST	1	20.48	.0000
FINANS*INVEST*PRODADAP*DIST	1	7.860	.0051
PRODTECH*INVEST*PROMO*DIST	1	3.621	.0571
FINANS*INVEST*PROMO*DIST	1	4.360	.0368
FINANS*PRICE*PROMO*DIST	1	6.870	.0088
INVEST*PRICE*PROMO*DIST	1	5.527	.0187
PRODTECH*FINANS*PRODADAP*PERS	1	4.861	.0275
FINANS*PRODADAP*PRICE*PERS	1	6.595	.0102
INVEST*PRODADAP*PRICE*PERS	1	2.086	.1487
FINANS*PRODADAP*PROMO*PERS	1	12.653	.0004
PRODTECH*PRICE*PROMO*PERS	1	4.868	.0274
FINANS*PRICE*PROMO*PERS	1	6.196	.0128
PRODADAP*PRICE*PROMO*PERS	1	10.218	.0014

Table 3(Continued). Relationship Among Internal Barriers			
Tests of PARTIAL Associations			
Barriers to Export Relationships	DF	Partial Chi-square	Significance Level
PRODTECH*INVEST*DIST*PERS	1	12.610	.0004
FINANS*PRICE*DIST*PERS	1	10.451	.0012
PRODADAP*PRICE*DIST*PERS	1	5.903	.0151
FINANS*INVEST*PRICE	1	3.982	.0460
PRODTECH*INVEST*DIST	1	3.675	.0552
PRODTECH*FINANS	1	6.574	.0104
PRODTECH*INVEST	1	5.735	.0166
FINANS*INVEST	1	8.139	.0043
PRODTECH*PRODADAP	1	5.385	.0203
INVEST*PRODADAP	1	4.408	.0358
PRODADAP*PROMO	1	7.226	.0072
INVEST*DIST	1	4.281	.0385
PROMO*DIST	1	15.940	.0001

Impact of Company Size and Industry on Perception of Export Barriers

The influences of company size and industry on both external and internal export barriers were analyzed using logistic regression (Table 4). Table 4 contains Wald statistics, which is the square of the ratio of the coefficient to its standard error, significance levels and partial correlation (R) between barriers to export and company size and industry. Company size as a predictor of export barriers was statistically significant for inadequate market information provided by government, presence of profitable domestic markets, inadequate demand in international markets, production technology employed by firms, lack of financial resources, inadequate investment, lack of trained personnel for exporting, lack of company owned distribution channels, heavy advertising and selling expenses by competitors and competitive price advantage due to economies of scale. One should note that all of the R-values are negative indicating that smaller companies perceive these specific barriers higher compared to larger companies in the study.

Table 4. Relationships Among Company Size, Industry and Barriers to Export.						
	Size			**Industry**		
External Barriers	**Wald Statistic**	**Significance p-values**	**R**	**Wald Statistic**	**Significance p-values**	**R**

Inadequate market information provided by government	8.67	0.00	-0.13	3.53	0.61	0.00
Presence of profitable domestic markets	4.91	0.02	-0.08	4.08	0.53	0.00
Competition in international markets	1.27	0.25	0.00	6.71	0.24	0.00
Lack of knowledge of available government incentives	0.21	0.63	0.00	1.31	0.93	0.00
Foreign Government Policy	1.24	0.26	0.00	16.2	0.00	0.14
Bureaucracy	0.48	0.48	0.00	5.81	0.32	0.00
Inadequate demand in international markets	3.88	0.04	-0.07	1.92	0.85	0.00
Access to distribution channels	2.25	0.13	-0.02	1.67	0.89	0.00
Internal Barriers	**Wald Statistic**	**Significance p-values**	**R**	**Wald Statistic**	**Significance p-values**	**R**
Production technology of the company	6.62	0.10	-0.111	10.18	0.07	0.02
Lack of financial resources	13.66	0.00	-0.174	3.08	0.68	0.00
Inadequate investment	7.76	0.00	-0.123	8.28	0.14	0.00
Competitive price advantage due to economies of scale	2.87	0.09	0.049	5.77	0.32	0.00
Heavy advertising and selling expenses by competitors	3.02	0.08	-0.050	10.65	0.58	0.04
Product adaptation	2.13	0.14	-0.019	1.37	0.92	0.00
Lack of company owned distribution channels	3.50	0.06	-0.068	8.75	0.11	0.00
Lack of trained personnel for exporting	3.76	0.05	-0.070	8.53	0.12	0.00

Interestingly, the logistic regression results showed that only two of the export barriers, foreign government policy and production technology employed, were statistically significant in predicting any association with industry. This is evidenced by the fact that some industries are subject to more barriers than others are. For example, firms in chemical industry perceive foreign government policy as a higher barrier compared to the firms in other industries in the study.

DISCUSSION AND CONCLUSIONS

One of the major objectives of this study was to identify the most important internal and external barriers to export in a context of a developing country (e.g., Turkey). The two most important export barriers identified for Turkish non-exporting firms were: inadequate market information provided by government and financial resources. It appears that firms in developing countries are likely to seek direction and guidance from their governments for exporting rather than conducting marketing research studies themselves. More than half of the companies in the study indicated that lack of financial resources is a major barrier to export. It is highly likely that firms in developing countries such as Turkey expect governmental financial assistance in order to export. The other important barriers to export were: competition and inadequate demand in international markets, presence of profitable domestic markets, inadequate investment for entry into international markets and production technology employed by firms.

This study also determined that there are relationships among external barriers and among internal barriers as discussed earlier. In addition, this study expanded on past research by examining the importance of firm size in explaining export behavior in the context of a developing country. There is a statistically significant negative relationship between firm size and perception of various export barriers as shown in the results section.

The findings suggest clues for government officials as to how non-exporters can be encouraged to export and overcome barriers to export. For example, Turkish government could help non-exporting firms by providing information on foreign markets. Workshops and briefings tailored to specific foreign markets could serve such a purpose. Non-exporters, for instance could be informed of upcoming foreign trade missions and be encouraged to participate. Similarly, the findings suggest some managerial implications for non-exporting firms. for example, while firms cannot partially or fully control the external export barriers, they can certainly attempt to overcome internal barriers to export. Lack of Financial Resources and Inadequate Investment for Entry into International Markets were perceived as the two most important internal barriers to export. Most governments have export incentive programs, which provide tax reduction and low interest loans as well as foreign market information. Therefore, non-exporting companies should take advantage of these programs if they exist and encourage their governments to provide assistance if they do not exist. Firms in developing nations could also form strategic alliances with firms in other countries that are geographically contiguous as suggested in a study by Waldron (1997).

This study examined only a limited number of relationships between company characteristics (size and industry) and perception of barriers to export. It did not include company characteristics such as managers' foreign language proficiency, experience in exporting, length of time a company has been in business, and capacity utilization. Future research could include these and other relevant factors in an attempt to further our understanding of export and non-export behavior of firms in developing countries.

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MATERIALISM: THE CONSTRUCT, MEASURES, ANTECEDENTS, AND CONSEQUENCES

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ABSTRACT

Building upon a conceptual framework proposed by Belk and in the context of an extensive literature review, we discuss the antecedents (innate/learned) and consequences (bad/good) of materialism. In discussing antecedents, we propose that innate materialism may be affected by gender and age. Moving from aggregate to individual factors, we propose that acquired materialism may be rooted in social structure, religion, politics, advertising, Diderot effects, socio-economic status, childhood socialization, role commitment and insecurity, and locus of control. Moving from individual to aggregate factors, we propose that negative consequences of materialism may include life dissatisfaction, decreased self-esteem, social alienation, possessiveness, shoplifting, family contentiousness, and environmental degradation. Positive consequences may include enhanced self-esteem, the staffing of socially valued occupations, wealth creation, a more equal income distribution, and protection of the environment. We also discuss current measures of materialism and suggests that they are insufficiently reliable and valid.

INTRODUCTION

What is materialism? In common usage, this word refers to the belief that material objects are important and valuable. Thus, a materialistic person is someone who values material objects highly and, shifting from a psychological to a sociological perspective, a materialistic culture is one in which most people value material objects highly. This is a neutral definition of the word's core meaning. But the word generally has a secondary meaning as well, an implicit -- usually negative -- value judgment. Thus, when people are described as being materialistic, they are usually held to have an inordinate preoccupation with material things to the exclusion of more important spiritual or intellectual concerns. In this article, we set aside these negative, value-judgment connotations of the term and, thus, leave open the possibility that materialism may have positive as well as negative consequences. As we use the term, then, materialism merely denotes the degree to which individuals or groups value material possessions. People exhibit high materialism if material possessions are important to them, low materialism if material possessions are unimportant.

Materialism is an increasingly important topic because it has increased, especially among young people (U.S. Department of Education, 1988). In a recent national study, Easterlin and Crimmins (1988, 1991) found that, compared with their counterparts in the 60's and 70's, young people today place more emphasis on earning a lot of money but less emphasis on work. That is, they are more eager to have things, less willing to sacrifice to get them. Green and Astin (1985) found that, on political and social questions, college students were more liberal than earlier generations, but ironically, also more materialistic.

Using content analysis of magazine advertising as an indicator of consumption values, Belk and Pollay (1985a) examined the evolution of consumer values longitudinally and found that materialism in the U.S. has increased during this century. In the 80 years surveyed, they found that pleasure appeals steadily increased, with ads portraying more comfortable and luxurious lifestyles. Consumption was increasingly represented as an end in itself, rather than as a means to some other end such as consumer well being.

While materialism does seem to be increasing and while critics often hold marketers responsible for this, in their view, unfortunate increase (Lasch, 1979), there is not a great deal of empirical work that examines the antecedents and consequences of materialism. This paper reviews available evidence on possible antecedents and consequences and suggests research propositions which might be investigated in future research.

FOUR PERSPECTIVES ON MATERIALISM

Despite calls for the development of such a theory (Solomon, 1983), no comprehensive theory of materialism yet exists. Consequently, this paper will be organized not by an integrated theory but by conceptual framework, a modified and expanded version of a 2 x 2 matrix proposed by Belk (1983). As Figure 1 illustrates, this matrix is based on a broad classification of materialism's antecedents (innate/learned) and two alternative value judgments about its consequences (good/bad).

This first section of the paper discusses one or more thinkers located in each cell of Belk's matrix. The second major section discusses scales that have been developed to measure materialism, scales which generally reflect the perspective of one of the matrix cells. The third major section examines antecedents of materialism, initially treating possible innate causes of materialism, then discussing external factors that may result in a learned predisposition to be materialistic. The fourth major section discusses negative and positive consequences of materialism.

Innate and Good

In the first cell, materialism is held to be innate and good. Human beings are born with a desire for material possessions, and those possessions produce pleasures which are their own justification. Thus, hedonism is a reasonable and salutary lifestyle. The value system implicit here is relatively simple. It represents a kind of pre-critical natural attitude.

This point of view, sometimes called Epicureanism, was articulated by the ancient Greek philosopher Epicurus, who distrusted abstract reasoning, believing that nothing was more real than the immediate sensations of pleasure and pain (Copleston, 1963). Epicurus demonstrated that adopting a hedonistic perspective need not imply a life of crude animalism. Wise hedonists understand that certain actions and possessions may give short-term pleasure but long-term pain. They manage their lives in such a way as to maximize pleasure and minimize pain. To the extent that material possessions produce more pleasure than pain, they should be sought and enjoyed.

Innate and Bad

In the second cell, materialism is held to be innate and bad. Human beings are viewed as being born inherently corrupt or fallen, imbued with an unreasonable and unholy desire to amass things. Left to their own materialist impulses, they will wallow in at least four of the seven deadly sins: greed, envy, gluttony, and pride. As this catalog of sins suggests, this view has been most prominently embodied in religion, and it probably represents an ancient critical response to the natural attitude represented in the first cell. Though religions -- as we shall see -- differ greatly in their attitude toward materialism, most seek to moderate material desires in the name of a higher spiritual reality. Most call upon adherents to wholly or partly transcend the desire for material things by means of divine grace, meditation, or ascetic renunciation. Attention is thus turned from the distraction of material things to the real business of the soul -- the quest for salvation.

In Christianity, this view is articulated in Jesus's parable of the rich man and Lazarus (Luke 16: 19-31) and in St. Paul's spirit/body dualism (Romans 7: 14-25). In Hinduism, it is articulated by Upanishadic seers who claim that salvation is best attained by freeing the soul from the tyranny of things (Noss, 1969, p. 97). In Buddhism, it is represented in the Buddha's great renunciation of his princely life (Hesse, 1922; Noss, 1969). Pushed to its logical extreme, the lifestyle implied by this cell is the ascetic life of a monk or wandering holy man. Though it remains important, in the United States the influence of this perspective diminished greatly between 1880 and 1930, giving way to the perspective typical of the next cell (Leach, 1993; Lears, 1983).

Acquired and Good

In cell three, materialism is viewed as being acquired and good. Though people are not born with a desire for and a capacity to create wealth, they should be taught to desire comfort for themselves and accompanying prosperity for the larger society. Social progress results when people want a nice home, several cars, a good education for their children, an ample investment portfolio, and are taught how to attain these things.

This cell represents the middle class or bourgeoisie point of view (Gay, 1984; LaWita, 1994; Lippman, 1943). It has been articulated by spokespersons such as George Guilder (1981) and George Will (1991), who argue that consumption contributes to fulfillment. But while especially characteristic of free market conservatives like Guilder and Will, it tends to be the pre-critical attitude of Americans across the political spectrum. As we shall see, this perspective was implicit in the work of Mochis and other consumer behavior researchers who first undertook the empirical study of materialism in marketing.

Acquired and Bad

In cell four, materialism is viewed as being acquired and bad. Human beings are not born with a tasteless and unreflective lust for material abundance, for some individuals and groups have sought to be part of nature rather than its master. To preserve itself, consumer capitalism must foster in people the unnatural and false belief that happiness flows from a superabundance of possessions. This belief is bad both because it is false and because the lifestyle it leads to is environmentally unsustainable. Modern middle class consumers are blinded by a kind of "false consciousness," a set of illusions which lead them to believe they are expressing themselves and meeting their own needs when, in reality, they are pawns of a social system that consumes them.

Spokespersons for this point of view include the more deeply critical environmentalists -- Paul Ehrlich (Ehrlich, Ehrlich & Holdren, 1977), Dave Foreman (1987) -- and neo-Marxist critical theorists like Jürgen Habermas (1973). It has been articulated in marketing by exponents of critical theory (Murray & Ozanne, 1992) and by self-described radicals (Kilbourne, 1987). In research focused specifically on materialism, this perspective is reflected quite clearly in the work of Belk (1983, 1984, 1985, 1987a, 1987b) and Pollay (1986), somewhat less clearly in the work of Richins and Dawson (1990, 1992).

MATERIALISM MEASURES

A number of materialism measures have been developed. One convenient source, the *Handbook of Marketing Scales* (Bearden, Netemeyer & Mobley, 1993), contains measures developed by Moschis and Churchill (1978), Inglehart (1981), Taschian, Slama, and Tashchian (1984), Belk (1984, 1985), Richins (1987), Scott and Lundstrom (1990), Richins and Dawson (1992), and a description of a copyrighted scale developed by Yamauchi and Templer (1982). Along with the scales, this source reports indices of reliability and validity provided by the original authors. Reported reliabilities were for Moschis and Churchill .60, Tashchian, Slama, and Tashchian .82, Belk .64 to .73, Richins .61 to .73, Scott and Lundstrom .80, Richins and Dawson .80 to .88, and Yamauchi and Templer .69 to .80.

Of these measures, those by Belk and Richins have been most widely used in marketing. But while Belk's scale (or one of his subscales) has been used in a number of studies, reliability has been either unreported (Belk, 1989b; Wallendorf & Arnould, 1988) or low (Dawson & Bomossy, 1990; Ger & Belk, 1990; Rudmin, 1990). When Cole *et al*. (1992) assessed the validity as well as the reliability of the Belk (1985) and Richins (1987) scales, their survey (N = 234) did not replicate Belk's original factor structure (possessiveness, nongenerosity, and envy), and the reliability of both his overall scale (.54) and his subscales (.42, .29, .57) was low. The Richins scale performed better, producing a .80 Cronbach's alpha for five of the seven items. There was some convergence across the two scales (.49) and both scales exhibited some nomological validity, for they correlated negatively (as hypothesized) with the measure of life satisfaction (-.365, -.348, and -.374 for the Belk and -.317, -.274, and -.287 for the Richins measures).

This negative relationship with life satisfaction is consistent with Belk's (1984) and Richins' (1987) previous findings and with their *a priori* expectations. However, the findings may be an artifact of the measures. Both researchers seem to view materialism as being acquired and bad. Belk's scale and both of Richins' scales (1987) and Richins and Dawson (1992) tend to associate negative emotions with materialism, positive emotions with a lack of materialism. Thus, items Belk coded positive for materialism begin with phrases such as: I get very upset..., I worry..., I don't like.... Items coded negative for materialism begin: I don't get particularly upset..., I enjoy..., I don't mind.... Items Richins coded positive for materialism begin: My life would be better if..., It sometimes bothers me quite a bit that..., I'd be happier if.... Of the two items in the happiness subscale coded negative for materialism, one begins, "I wouldn't be any happier if..." and the other reads, "I have all the things I need to enjoy life." As these phrases indicate, life satisfaction tends to be implicit in items coded negative for materialism, life dissatisfaction in items coded positive. Thus, it is possible that, in these scales, the core meaning of materialism -- a high valuation of material things -- has been confounded with a tendency to experience negative emotions.

Compared with Belk and Richins, earlier researchers on materialism generally adopted a less critical perspective. Moschis and his colleagues, who first introduced the concept into empirical marketing research, conceived of materialism in relatively positive terms as an "orientation emphasizing possessions and money for personal happiness and social progress" (Churchill & Mochis, 1979; Mochis & Moore, 1978, p. 607). They explored the socialization process by which children and adolescents become materialistic and acquire consumption skills, measuring materialism with a scale adapted from Wackman, Reale, and Ward (1972). This scale seems to be less reliable than the Belk and Richins scales but is also less clearly value laden.

The scale proposed in another relatively early study, Tashchian, Slama, and Tashchian (1984), gives a positive valence to materialism (e.g., growth in material consumption helps raise the level of civilization; material growth makes for happier living). But this scale is not suitable for broad use since several items pertain to energy use and conservation. The Inglehart (1981) scale measures two constructs: *materialism* (approximately the bourgeois perspective in our 2 x 2 matrix) and *post materialism* (approximately the critical perspective). Unfortunately, this scale tends to tap political, not consumption attitudes (e.g., protect free speech; maintain order in the nation). So the tasks of developing positively valenced and value neutral measures of materialism have not yet been completed.

No marketing researcher has contributed more or been more influential on the topic of materialism than Belk. In addition to developing and validating his scale, he has applied it in cross-cultural contexts (Belk & Bryce, 1986; Ger & Belk, 1990; Tse, Belk & Zhou, 1989) has explored the use of products for self-identification (1988); and has examined the relationship between advertising and materialism (Belk & Pollay, 1984; 1985; Tse, Belk & Zhou, 1989), comic books and materialism (1987, 1989), and Christmas and materialism (1987, 1989). He has also been a leader in the non-traditional naturalistic investigation of materialism (Belk, Sherry & Wallendorf, 1988; Belk, Wallendorf & Sherry, 1989; O'Guinn & Belk, 1989). Using these non-traditional, interpretivist methods/measures (Hudson & Ozanne, 1988), Belk and his colleagues have uncovered positive aspects of the relationship between people and things that were not apparent in Belk's positivistic work. They have shown that quite ordinary material objects can become sacred to consumers and can bring deep meaning into their lives (Belk, Wallendorf & Sherry, 1989). Thus, as an interpretivist, Belk may be situated in the bourgeois rather than the critical cell of our 2 x 2 matrix.

POSSIBLE ANTECEDENTS OF MATERIALISM

If materialism is an important factor in many consumption choices, then it is important to understand what causes it. In this section we discuss a number of potential causes within the two broad categories -- innate and acquired -- suggested by our 2 x 2 matrix. Since there is no integrated theory of materialism, ideas about the causes of materialism may be derived from a wide variety of theoretical and ethical perspectives. Generated as they are by different perspectives, the propositions laid down here are only loosely connected to each other and are, in some cases, contradictory. Our purpose is to review past research and generate ideas in the hope that future research will lead to the development of one or more comprehensive theories of materialism

Innate Materialism

As the acquisitive behaviors of various insects, birds, and mammals indicate, it is possible that materialism is, at least to some extent, a biological rather than a socially acquired attribute (Ellis, 1985; Litwinski, 1942; Saunders, 1990; Waller *et al*., 1990; Wrightsman, 1974). For both theorists and policy makers, it makes a great deal of difference whether materialism is the one or the other (Dittmar, 1992). But distinguishing between nature and nurture is difficult because both usually play a role in causing a phenomenon (Hundert, 1991). And even if materialism has a biological foundation, it may be a manifestation of a more fundamental impulse such as an effectance motivation--the drive to control one's environment (Furby, 1978). Since there is likely to be little controversy about the idea that materialism can be, at least in some degree, an acquired attribute, the idea that needs to be further investigated is the following:

Proposition 1: Some proportion of a person's tendency to value material possessions may be explained biologically and may be present at birth.

Sex Differences. Moschis and Churchill (1978) found that males tended to be more materialistic than females (cf. Jensen & Jensen, 1993). Other researchers have found that even when very young, girls tend to be more interested in people, boys in things (Ley & Koepke, 1982). This difference may be related to the male tendency to value the intrinsic, instrumental function of things, the female tendency to value the expressive, relationship-enhancing function of things (Csikszentmihalyi & Rochberg-Halton, 1981). It may also be related to infant boys' preference for hard, arousal-enhancing objects and infant girls' contrary preference for soft, arousal-reducing objects (Furby & Wilke, 1982). It has been suggested by sociobiologists that these differences may have been adaptive for a sexually dimorphous species that existed in a hunting economy (Csikszentmihalyi & Rochberg-Halton, 1981). These differences suggest the following proposition:

Proposition 2: Males may be biologically predisposed to be more materialistic than females.

Age Differences. In exploring the possibility that some materialism may be innate, the theories and methods of developmental psychology are likely to prove invaluable, for researchers will need to generate measures of materialism that are applicable to children. Previous work in this discipline, most notably on cognition, suggests that, whether present at birth or not, innate materialism may emerge as part of the development process (Piaget, 1973). Unscientific observation provides some support for this expectation, at least as it applies to Belk's (1984, 1985) conception of materialism. Costello (1986) has observed that children tend to be more possessive, nongenerous, and envious than young adults, and young adults exhibit these attributes more than adults. Thus, there is some reason to think that materialism is, in part, developmental.

Proposition 3: Children are likely to be more materialistic than young adults and young adults more materialistic than older adults.

Acquired Materialism

While biology may play a role, some proportion of the tendency to be materialistic is almost certainly acquired. This section discusses factors that may influence the learning of materialism. Some of these antecedents are group difference variables that account for differences in materialism between cultures or subcultures, others are individual difference variables. Though they cannot be entirely separated, in general this section begins with group (macro/sociological) and concludes with individual (micro/psychological) difference variables.

Social Structure. The broad pattern on which a society is organized probably influences the level of materialism in that society. Consequently, well-conceived social taxonomies may prove to be good predictors of materialism. One such taxonomy was developed by Tönnies (1887) and replicated more or less closely by other prominent sociologists (e.g., Durkheim, 1893; Parsons ,1949; Sorokin, 1927).

Tönnies (1887) argued that human association tends to approximate one of two ideal types, *Gemeinschaft* (roughly community) or *Gesellschaft* (roughly society). *Gemeinschaft* is the ancient and traditional pattern of human interaction. It includes all relatively intimate forms of living together, including families, villages, small towns, and religious congregations. *Gesellschaft* is of more recent vintage. It is an artificial aggregation of human beings who are connected with each other only by a political or commercial contract (Tönnies, 1887, p. 64).

Major metropolises where relationships tend to be anonymous and merely commercial are relatively pure examples of *Gesellschaft*.

Each pattern of social organization has both strengths and weaknesses. *Gemeinschaft*'s strength is that it serves our need for intimacy and stability. In a *Gemeinschaft*, the group is prior to the individual; consequently, individuals are always situated geographically and socially, are always connected to others not only by blood and proximity but also by conscience (Tönnies, 1887, p. 52). Status tends to be a given, a product of who one is, not of what one does or has. *Gemeinschaft*'s weakness is that it limits one's range of personal and economic choices. Since one's status is established by birth and long acquaintance, it is hard to change.

Gesellschaft's strength is that it fosters freedom, economic efficiency, and their natural by-product, change. It is economically efficient because it rejects special-interest protectionism, e.g., the nepotism that is not only normal but obligatory in a *Gemeinschaft*. A *Gesellschaft* commodifies people and things, thereby eliminating non-economic considerations. People move from place to place, from career to career, as the needs of a fluid and dynamic economy dictate. Their status is determined by what they do or own, not by the bare fact of their existence. The *Gesellschaft*'s weakness is its tendency to produce identity crises, to leave people perpetually insecure (Tönnies, 1987, xviii). They are insecure because earned status can be lost if one does not do what is expected (see Fromm, 1956, p. 36).

One overarching proposition and a number of corollaries flow from this basic sociological distinction. The proposition reads as follows.

Proposition 4:	*Material things are likely to be more highly valued in a Gesellschaft than in a Gemeinschaft.*

The rationale for this proposition is that people are more likely to be materialistic when their social status must be established and marked by material goods, as in a *Gesellschaft*, than when it is given by birth and long acquaintance, as in a *Gemeinschaft*.

The various corollaries of Proposition 4 specify domains in which it is likely to operate. As indicated in the discussion above, population density is one factor that distinguishes a *Gemeinschaft* from a *Gesellschaft* and determines whether one's status is ascribed or achieved. The first corollary is based on this factor.

Corollary 4a:	*People in cities or urban areas are likely to value material things more highly than people in small towns or rural areas.*

Another factor that distinguishes between Tönnies' two ideal types is blood relatedness, for the paradigm instance of *Gemeinschaft* is the family. Because family members generally have ascribed rather than achieved status, other things being equal, materialism should be lower when people are embedded in an extended-family network than when they are not.

Corollary 4b:	*People who live with or near immediate or extended family are likely to value material things less than those who don't. And the larger and closer the family network, the lower the level of materialism.*

This corollary and the next may be supported by studies showing that people who are proximate to kin and close friends tend to be less well-off financially than those who are less proximate (Coleman 1977, 1983; Rainwater, Coleman, and Handel 1979). These studies may reflect a tradeoff between a *gemeinschaftlich* maintenance of close relationships and a *gesellschaftlich* acquisition of material wealth.

Length of acquaintance is another factor that distinguishes between *Gemeinschaft* and *Gesellschaft*. People who have lived in one place for a long time may be more secure in their personal and social identities, but such place attachment will often exact an economic cost in foregone opportunities. Corollary 4c is based on this supposition.

Corollary 4c:	*The longer people have lived in a given place, the less materialistic they are likely to be.*

Nations differ in the degree to which they approximate Tönnies' ideal types. But as a general rule, industrialized nations tend to be more *gesellschaftlich*, less-developed nations more *gemeinschaftlich* (Punetha, Giles &Young, 1987). As a consequence, material goods are likely to be more important in industrialized countries. Pasadeos (1992) found, in a study comparing advertising in Germany and Spain, that level of economic development seems to influence level of materialism: German ads depict more "having," Spanish ads more "being and doing." Corollary 4d follows from these differences among countries.

Corollary 4d:	*The more developed a nation is economically, the more materialistic its people are likely to be.*

The United States is the paradigm *Gesellschaft*. Except for the small number of indigenous people, all Americans are here because they or their ancestors left places where the family had been longer settled. In this new country composed of people who have diverse cultural and ethnic backgrounds, tradition has a much lighter weight than it has in places where a particular group have lived together for centuries (de Toqueville, 1945/1840). And consistent with their immigrant history, Americans have tended to remain mobile, moving from place to place more frequently than citizens of most other nations. In their ever new settings, Americans have had to prove their worth by what they own or do. This history has been reinforced by an individualistic ideology that sets the United States apart even from other nations of immigrants such as Canada and Australia. Empirical evidence that Americans are especially materialistic (Miller, 1991) reinforces this rationale. Taken all together, these factors suggest Corollary 4e.

Corollary 4e:	*People in the United States are likely to value material things more than people in other nations.*

Religion. As we suggested in the discussion of our 2 x 2 matrix, most religions seek to moderate the desire for material pleasures so that adherents will not be distracted from the joys of the spirit (Lamb, 1992; Lau, 1989). Among the religiously committed, the result seems to be a lower valuation of material things (Gallup, 1991; Gallup & Jones, 1992; Goltz & Larson, 1991; Jensen & Jensen, 1993). Proposition 5 expresses this idea.

Proposition 5: Religious people may be less materialistic than nonreligious people.

While almost all religions constrain materialism in some degree, denominations differ in their attitude toward the acquisition of material things, some being very critical, others celebrating acquisition, if it is subordinate to some larger religious vision (O'Guinn & Belk, 1989; Wright & Larsen, 1992). Proposition 6 focuses on this difference among denominations.

Proposition 6: Adherents of different religions are likely to differ in their level of materialism.

Since there are many different denominations, there are many potential corollaries to Proposition 6. But though this proposition is in some ways more applicable to other places (e.g., India with its rich and sophisticated tradition of religious thought), we focus on several denominational distinctions which are relevant in North America.

In Protestant theology, salvation is generally held to flow from the grace of God, not from the sacraments or other works (Bonhoffer, 1959). However, grace being imperceptible, Protestants have tended to view material blessings as a sign of God's grace (Falwell, 1980) and have, therefore, diligently sought after them. Weber (1930) and Tawney (1944) went so far as to argue that the rise of Protestantism was responsible for the rise of capitalism with its material abundance. Recent research suggests that Protestants continue to exhibit a strong commitment to the work ethic and associated acquisitiveness (Chusmir & Koberg, 1988; Giorgi & Marsh, 1990).

For Catholics, on the other hand, capitalism may be more problematic, there being "a long Catholic tradition of suspicion toward capitalism and all its works" (Berger, 1985, p. 32). Michael Novak (1993), a prominent lay Catholic writer, has held the Church and its unease with capitalism in some measure responsible for the lack of material progress in South America and other predominantly Catholic regions. And to a degree not matched by Protestants, Catholics have traditionally honored as a spiritual ideal the ascetic lifestyle of the monastery. These factors suggest Corollary 6a.

Corollary 6a:	*Protestants are likely to be more materialistic than Catholics, and Protestant nations more materialistic than Catholic nations.*

Important as they are, differences between Protestants and Catholics are eclipsed by differences between Protestant sects. Mainline Protestants such as Episcopalians, Methodists, and Presbyterians have been more inclined to embrace a left-leaning social gospel (the critical perspective in our matrix), evangelicals such as Baptists, Nazarenes, and Missouri Synod Lutherans more inclined to embrace the ideology of the right (bourgeois perspective) (Jelen & Wilcox, 1992; Leege, 1992; Falwell, 1980). Some evangelical thinkers have even adopted traditional economic concepts such as return on investment, proclaiming "the gospel of prosperity" in which contributions to the church are framed as a kind of investment that will result in material blessings (Barnhart, 1988; Cardwell, 1984; O'Guinn & Belk, 1989). These considerations lead to corollary 6b.

Corollary 6b:	*Members of evangelical Protestant denominations are likely to be more materialistic than members of mainline denominations.*

It is possible that religious groups who have suffered religious persecution (e. g., Jews, Mormons, Baha'is) or been outside the denominational mainstream (North American Hindus and Buddhists, Coptic Christians in Egypt) may value things more than groups which have not had these experiences. Denominations that have been persecuted may have had ample opportunity to learn the survival value of wealth. Those outside the denominational mainstream may appreciate more than others the capacity of wealth to enhance social status.

Corollary 6c:	*Members of religions that have suffered sustained persecution may value material possessions more than members of unpersecuted sects.*
Corollary 6d:	*Members of religions outside the denominational mainstream may value material possessions more than members of mainstream sects.*

Politics. One key dimension of political ideology -- relative valuation of economic freedom and economic equality -- may be correlated with materialism since it bears directly on the ownership of property. Materialism will probably be higher in people who espouse a free market ideology (Friedman 1962; Hayek 1960) than in those who embrace a redistributionist ideology (Galbraith 1958). This idea is expressed in Proposition 7.

Proposition 7: People who value economic freedom more than economic equality are likely to be more materialistic than those with the opposite values.

As a general rule, Republicans (or conservatives) are more likely than Democrats (or liberals) to value economic freedom, Democrats (liberals) more likely than Republicans (conservatives) to value economic equality (Rokeach, 1971). Since free markets tend to be efficient and produce abundance and since the quest for equity sometimes exacts a price of reduced material abundance (Kaitala & Pohjola, 1990), it seems likely that Republican advocates of economic freedom will be more materialistic than Democratic advocates of economic equality. Hicks (1974) and Tang and Tzeng (1992) provide empirical support for this supposition.

Corollary 7a:	*Republicans are likely to be more materialistic than Democrats, conservatives more materialistic than liberals.*

Because the United States has a first-past-the-post electoral system which favors large coalitions over small single-issue parties, American ideological and party labels tend to be rather imprecise, gathering together people with quite diverse views. The label *conservative* is a case in point. Conservatives can be divided into rather distinct camps, the free market conservatives (called liberals in Europe) and the social conservatives (sometimes called Tories). Free market conservatives embrace change and material progress, social conservatives are often suspicious of it (Hayek, 1960; Kirk, 1986) as the essays of prominent southern agrarians, collected in *I'll Take My Stand* (Rubin, 1976) make very clear.

Corollary 7b:	*Free-market conservatives are likely to be more materialistic than social conservatives.*

Like conservatives, liberals can be divided into distinct camps, social (ACLU) liberals and economic (redistributionist) liberals (Heilbroner, 1979; Thurow, 1975). These groups may differ in level of materialism.

Corollary 7c:	*Social liberals are likely to be more materialistic than economic liberals.*

While materialism is very likely related to both religion and politics, the precise nature of the relationship is problematic, for while it is possible that a religion or political ideology might foster materialism, it is also possible that materialism might motivate the choice of a religion or ideology. Consequently, religion and politics are properly viewed as antecedents of materialism only in cases where people were raised in that tradition. In cases where the belief system was chosen as an adult, correlations with materialism should probably be viewed as an effect of materialism, not as a cause.

Advertising. No potential cause of materialism has received more attention and criticism than advertising. While empirical results do not always support the assumption (e. g., Ellison & Cole, 1982), in their hypotheses, most researchers and commentators (e.g., Belk & Pollay, 1985; Lasch, 1979; Richins, 1987; Williams 1980) agree: advertising causes an increase in materialism. The following proposition expresses this consensus expectation.

Proposition 8: The more exposed people are to advertising, the more materialistic they are likely to be.

Arising out of this proposition are corollaries which specify groups who are exposed to a great deal of advertising and who should, therefore, be more materialistic. We focus on two of these groups, children and the poor. Children watch, on average, four hours of television and more than 50 commercials a day, more than 18,000 commercials a year (Goldberg & Gorn, 1978; National Institute of Mental Health, 1979; Schudson, 1984), so if advertising increases materialism, they should be relatively materialistic. Advertising should also affect the poor more than other income groups, since they watch more television (Leiss, Kline & Jhally, 1990; Mander, 1977; Marchand, 1985).

Corollary 8a: Children are likely to be more materialistic than adults because they watch more television.

Corollary 8b: The poor are likely to be more materialistic than other income groups because they watch more television.

For cultural, legal, and infrastructural reasons, countries differ in their level of advertising. Corollary 8c follows from these differences.

Corollary 8c: People in countries with high levels of advertising are likely to value material possessions more than those in countries with low levels.

In a study of the relationship between television viewing, materialism, and life satisfaction, Richins (1987) found that the correlation between television viewing and materialism was significant, but only for viewers who thought TV ads were realistic. Proposition 9 reflects this finding.

Proposition 9: The effects of television viewing on materialism may be moderated by the perceived realism of ads such that ads increase viewer materialism when viewers perceive the ads to be realistic.

This moderator should have especially pronounced effects on children, for they often do not distinguish the program from the advertisements and, thus, fail to perceive the commercials' selling intent (National Institute of Mental Health, 1979). In addition, they are relatively unbridled by reality constraints. These considerations imply a corollary identical to Corollary 8a in effect but different in cause.

Corollary 9:	*Children may be more materialistic than adults because they are more likely to perceive ads as being realistic.*

According to Puto and Wells (1984), there are two kinds of advertising: *informational* and *transformational*. These two kinds may have different effects on materialism. Informational advertising clearly and logically reports factual data about a product, seeking to inform its audience. It speaks to specific needs the consumer already has but doesn't know how to satisfy. Transformational advertising associates product use with attractive psychological or social states which would not be associated with the product without exposure to the advertising.

In most countries, the law and/or custom constrain advertising for some or all product classes (Boddewyn, 1981; United Nations, 1979). A study by Tse, Belk, and Zhou (1989) of advertising over a seven year period (1979-1985) in three different Chinese societies (mainland China, Hong Kong, and Taiwan) found that ads were more informational in mainland China, more transformational in Hong Kong, and somewhere in between in Taiwan, but becoming more transformational. Thus, ads on the mainland emphasized utilitarian aspects of products. Ads in Hong Kong and, to a lesser extent, Taiwan, emphasized image, luxury, and social display. In these three societies and others where advertising is restricted by law or custom, Proposition 10 may apply.

Proposition 10:	*Materialism is likely to be higher in countries where transformational advertising (involving symbols of social status, wealth, and conspicuous consumption) is prevalent than in countries where it is not.*

Wealth. An economic analysis suggests that poor people will be more materialistic than rich people since material goods they acquire will have more marginal utility. Consistent with this idea, Inglehart (1990) argued that the poor place a higher subjective value on material security because they face greater economic insecurity than the rich. Singhal and Misra (1992) and Rokeach (1971) provide empirical support for this supposition. Rokeach found that the lower a person's income, the more likely they were to rate highly the value of "a comfortable life," probably a good surrogate measure of materialism. This economic reasoning (and Maslow's hierarchy of values which is consistent with it) leads to a proposition identical to Corollary 8b in effect but different in cause.

Proposition 12:	*Poor people are likely to be more materialistic than rich people because material goods have more marginal utility for them.*

Wealth Recency. Symbolic self-completion theory (Wicklund & Gollwitzer, 1982) suggests that there is a strong relationship between commitment to an identity, confidence in that identity, and compensatory actions with regard to that identity. When people are strongly committed to a particular role and yet have doubts about how fully they embody it, they tend to compensate by refusing to admit weaknesses and by accumulating possessions consistent with that role (Braun & Wicklund, 1989). In areas as diverse as athletics, law, and business, it has been shown that people who lack experience or expertise are more likely to acquire and display role-consistent possessions (e.g., clothing) than people who are confident in their role identity (Gollwitzer, Wicklund & Hilton, 1982; Gollwitzer & Wicklund, 1985; Solomon & Anand, 1985). Social class is an especially important domain in which status insecurities and efforts to compensate may be operative. *Nouveau riches* are most notorious for "vulgar" displays of wealth (Costa & Belk, 1990; LaBarbera, 1988), but the principle may be applicable to other social groups as well.

Proposition 13:	*The more recent one's attainment of a higher class status, the more materialistic one is likely to be.*

Childhood Socialization: Moschis and his colleagues (Churchill & Moschis, 1979; Moschis & Moore, 1982) have shown that parents influence the level of materialism in children. And some parents try to motivate or control their children using material rewards such as food, toys, and other goods (Belk, 1985). While the use of material rewards appears to be counterproductive for motivation and control (Kohn, 1990; 1993; Rubin, 1986), it may socialize the child to be materialistic.

Proposition 14:	*People whose parents frequently used material goods to reward/punish them are likely to value material possessions more than those whose parents do not use material rewards or punishments.*

Conversely, parents who embraced values of the 1960's counterculture generally sought to minimize the importance of material things in the lives of their children (Eiduson, Cohen & Alexander, 1973). It is possible that the children of these parents will exhibit low materialism.

Proposition 15:	*Children whose parents have embraced countercultural values are likely to be less materialistic than other children.*

Locus of Control. Locus of control (LOC) is the degree to which individuals judge the reinforcements they receive to be a product of their own efforts or attributes (internal LOC) or of outside forces (external LOC). It is rooted in beliefs about the causal connection between behavior and rewards/punishments. External LOC types (low on Rotter scale) attribute their success/failure to outside factors like luck, fate, and the behavior of others, while internal LOC types (high on Rotter scale) explain outcomes by their own attributes and choices (Rotter, 1966).

Locus of control may be related to materialism because both pertain to a focus on external versus internal factors. Like external LOC types, people who are materialistic may anchor judgments about status and accomplishment in material things which are inherently external to the self. Like internal LOC types, people who are not materialistic may look at less tangible factors. Kasser and Ryan (1993) found a substantial negative correlation (-.48) between self-actualization and financial aspiration. Hunt *et al*. (1990) posited a connection between locus of control and materialism and found, as hypothesized, that materialism was related to external locus of control.

Proposition 16:	*People with an external locus of control are likely to value material things more highly than those with an internal locus.*

Quest for Autonomy and Security. As children enter their middle years, they try to establish boundaries between themselves and their parents. Object-relations theorists in clinical psychology have suggested that autonomy is enhanced when a child plays the autonomous possessor role. Along with enhancing autonomy, possessions may compensate for the lost mother figure, thus increasing self-confidence and decreasing insecurity (Solomon, 1986). As for adults, their possession orientation has been found to correlate highly with their desire for and sense of control (Kasser & Ryan, 1993). Proposition 17 expresses these relationships.

Proposition 17:	*As the need for autonomy increases, materialism is likely to increase.*

The Diderot Effect. Consumer researchers have argued that many possessions are elements of a set -- called a "Diderot unity" (McCracken, 1988) or "product constellation" (Solomon, 1983) -- in which one product implies others that are consistent with it, as a BMW automobile might imply a Rolex watch but be inconsistent with a Timex. According to McCracken (1988), the "Diderot effect" is a function of two factors that maintain cultural consistency in a set of possessions: (a) the drive to avoid purchasing products that are inconsistent with one's existing product constellation, and (b) the drive to realign the constellation if one does acquire an inconsistent product. One realigns by discarding elements of the old set that are now inconsistent, replacing them with new products which create a new, culturally consistent product constellation.

In their advertising and other promotions, marketers generally seek to introduce new possessions and thereby activate the second of these two drives, for the drive to realign a constellation encourages still more new purchases whereas the drive to preserve the existing constellation may discourage new consumption. In some promotions, marketers may create material desires where none previously existed by giving away part of their product (a razor handle), hoping to motivate the consumer to complete the constellation by buying other parts of the product (blades). McCracken argues that successful marketing may create a "Diderot rachet effect" in which gifts or new purchases continually activate the second Diderot drive and thus establish a constant disequilibrium in the product constellation. The cumulative effect may be high materialism, an endless upward spiral in the number and quality of possessions, and yet, perpetual consumer dissatisfaction since the constellation of possessions never attains a stable, culturally consistent equilibrium.

Empirical research supports the existence of the Diderot effect. Wright (1993) found that the purchase of a home led to the disposal of cheap particle board furniture and the acquisition of higher quality furniture along with other products culturally consistent with home ownership, e.g., satellite dishes, home improvement supplies, lawn and garden equipment. Some consumers had consumption plans associated with their new home that spanned as many as five years. On the other hand, when people lost or were forced to dispose of a key possession, similar Diderot effects were invoked, but in the opposite direction. Selling their home and moving to a retirement community caused older consumers to discard possessions acquired over a lifetime. So depending on whether products are acquired or lost, Diderot effects may substantially increase or substantially decrease materialism and, thereby, make one's attitude consistent with one's material circumstances.

Proposition 18:	*Whether acquired actively through purchase or passively through receiving a gift, new possessions are likely to invoke Diderot effects that increase the pre-acquisition level of materialism; disposing of or losing possessions is likely to invoke Diderot effects that reduce materialism.*

POSSIBLE CONSEQUENCES OF MATERIALISM

This section discusses possible consequences of materialism. As with the causes, ideas on the consequences of materialism may be derived from a variety of theoretical and ethical perspectives since there is no integrated theory of materialism. Based upon our 2 x 2 matrix, the consequences of materialism are here classified as either bad or good. Both sections, negative and positive, begin with consequences for the society and conclude with consequences for the individual.

Negative Consequences of Materialism

In this section we discuss possible negative effects of materialism on the environment, community involvement, family togetherness, attitudes such as possessiveness, nongenerosity, and envy, life satisfaction, and shopping behaviors.

Environmental Degradation. The production and consumption of material goods clearly has an effect on the surrounding environment. However, the precise nature of that effect is controversial. Stances in the controversy are presented in alternative propositions (19 and 26) that highlight negative and positive effects.

The critical perspective (cell 4 of our matrix) highlights negative effects of materialism on the environment. Thus, Durning (1992) points out that Americans daily consume close to their own weight in basic raw materials, in the process spewing out byproducts harmful to the environment: radioactive waste, ozone-depleting chlorofluorocarbons, greenhouse gases, pesticide runoff that pollutes water, sulfur dioxide that causes acid rain, and last but not least, garbage. The Worldwatch Institute (Associated Press, 1992) has pointed out that the richest fifth of humanity is responsible for the bulk of this consumption. They note, too, that developmental policies generally aim to lift the other four fifths of humanity to an equal or greater level of consumption. Strained by the burden of one billion people living like Americans, the environment may be devastated by five billion such consumers and still more by ten billion, the probable population of the earth in the next century. This perspective therefore suggests Proposition 19.

Proposition 19:	*The higher the level of materialism and material prosperity, the higher the level of environmental degradation.*

Community Involvement/Social Alienation. Leiss, Kline, and Jhally (1990) have argued that advertising and other marketing techniques overemphasize the private pursuit of material satisfaction and result in inattention to communal concerns like the upkeep of public spaces and the creation of a safe and pleasing urban environment. This supposition has received empirical support. Kasser and Ryan (1993) found a negative correlation between community feeling and aspirations for financial success. This relationship is expressed in Proposition 20.

Proposition 20:	*The higher the level of materialism, the lower the level of concern for maintaining community spaces and other social infrastructure.*

Cushman (1990) argued that people in the United States presently have an "empty self," a self that is lonely, alienated, and lacks purpose. He attributes this development to increasing industrialization and the supplanting of other values by materialism, developments we elaborated on in our discussion of the *Gemeinschaft*/*Gesellschaft* distinction. Cushman's argument is expressed in Proposition 21.

Proposition 21:	*The higher the level of materialism, the higher the level of alienation.*

Family Contentiousness. Money and its uses are a major cause of family difficulties (Broderick, 1979). When people are materialistic, family conflicts about money and material possessions may be especially common.

Proposition 22:	*The higher the level of materialism, the higher the level of conflict in a family over money and possessions.*

Marriage partners often quarrel over the purchase and use of material things. If one or both partners spends irresponsibly or asserts personal control of jointly owned property, these conflicts may be more likely to arise. Since materialism may motivate possessiveness and irresponsible spending, it may also increase conflict between spouses (Paduska, 1992).

Corollary 22a:	*The more materialistic a couple, the greater the likelihood of spousal conflict over consumption choices.*

Peggy Charen, president of Action for Children's Television, has argued that children have become more insistent and contentious about toy purchases as a result of changes in children's programming and the marketing of toys. The findings of Goldberg and Gorn (1978) and Rubin (1986) support this claim. Rubin found that preschool children and elementary school students who watched a lot of television were more likely to argue with their parents about food and toy purchases than children who were light television viewers.

Corollary 22b:	*The more materialistic a child, the greater the likelihood of conflict with parents over consumption choices.*

Possessiveness, Nongenerosity, and Envy. If one accepts Belk's definition of materialism, it is tautologous to suggest that materialism causes possessiveness, nongenerosity, and/or envy, for he views these attributes as defining subdimensions of materialism. However, if our more neutral definition is used -- i.e. materialism is a tendency to value material objects highly -- the relationship between materialism and possessiveness becomes an empirical question. One could conceivably value objects highly while not feeling possessive toward one's own or envious of others' property. One might even generously share highly-valued possessions.

That said, materialism, as we define it, is likely to foster possessiveness, nongenerosity, and envy. Most people incorporate their possessions into their self-concept, thus creating an "extended self" (Belk 1988). For materialistic people, this material component of self is more salient than for nonmaterialistic people. As a consequence, materialistic people risk more when they loan and suffer more when they lose an object. Because their risk and suffering are greater, they are likely to be especially protective of their property, hesitant to loan it out, careful to guard it from theft.

Proposition 23:	*The more materialistic people are, the more likely they are to be possessive, envious, and/or nongenerous.*

Life Satisfaction. Religious teachers (Jesus, Mahavira) and philosophers (Plato 1973; Hegel 1977) have long celebrated the joys of the spirit and intellect above and in opposition to those of material things. Belk draws upon the existentialism of Sartre (1943) to support a claim that people can't find happiness through materialism. In Belk's reading, Sartre distinguishes among three levels of existence: having, doing, and being. In *having*, the lowest of the three states, people tend to be preoccupied with acquiring material goods. In *doing*, they are preoccupied with action rather than possession or consumption. In *being*, the highest level of existence, they find serenity in their identity as free beings, in who they are rather than in what they "have" or "do."

Empirical work done to date seems to support this long-standing position of religious leaders and philosophers. In this stream of research, no relationship among variables has been more widely supported than the negative correlation between materialism and life satisfaction. In a meta-analysis of studies treating the correlation (Belk, 1985; Cole *et al*., 1991; Dawson &

Bamossy, 1990, 1991; Richins, 1987; Richins & Dawson, 1992; Sirgy *et al*., 1993), Wright and Larsen (1993) found a stable, medium-sized negative correlation.

This relationship may result from materialistic people comparing themselves with those who are more affluent. Such social comparisons may create feelings of dissatisfaction with one's standard of living, and since materialistic people value material possessions highly, the feelings of dissatisfaction may spill over on other life domains, thus causing overall life dissatisfaction (Wachtel & Blatt, 1990).

On the other hand, as Wright and Larsen (1993) note and as our discussion of the negative valence of materialism scales suggests, this finding may be an artifact of the researchers' perspective, methods, and measures. Thus, though it has considerable support, the relationship proposed in Proposition 24 needs to be further investigated. This is all the more true because it has immense policy implications.

Proposition 24:	*People who are materialistic are less likely to be satisfied with their lives than people who are nonmaterialistic.*

Shoplifting. Shoplifting is a major problem for retailers in the United States and elsewhere. Surveys indicate that as many as 60 percent of consumers have shoplifted at some point in their lives (Klemke, 1982; Kraut, 1976), and more that 200 million shoplifting incidents occur annually in the United States (Baumer & Rosenbaum, 1984). Shoplifters report three main reasons for shoplifting, one experiential (thrill seeking), one social (peer pressure), and one economic (desire to possess stolen objects) (Baumer & Rosenbaum, 1984). Thus, materialism appears to play a role in motivating this behavior. As Marchand (1985, p. 234) has observed, marketers induce consumers to adopt "a new logic of living in which the older values of discipline, character-building, self-restraint and production-oriented achievement [become] subordinate to the new values of pleasure, external appearance, and achievement through consumption." In the context of these new more materialistic values, increased shoplifting is not surprising. Proposition 25 follows from these considerations.

Proposition 25:	*The more materialistic consumers are, the more likely they are to engage in shoplifting.*

Positive Consequences of Materialism

In this section we discuss possible positive effects of materialism on the environment, income distribution, wealth creation, and career choices.

Environmental Protection: As mentioned in our discussion of Proposition 19, the critical perspective (cell 4 of our matrix) suggests that materialism has a negative effect on the environment. People with the bourgeois perspective (cell 3) take a different view. Discussing problems like nuclear waste disposal, ozone depletion, and global warming, they argue that current science doesn't sustain the claim that there is a serious problem and that, to the extent there is, technological fixes are available or can be developed (Ray, 1990). Drawing upon economic theory (Grossman & Krueger, 1994), they argue that material progress actually results in a cleaner environment since environmental cleanliness is an economic good. As with other goods, rich people can afford more environmental protection and cleanliness than poor people. As evidence they point to the fact that the worst environmental problems tend to exist in the poorest countries where consumption (and resources for environmental protection) are low. Since materialism may lead to greater wealth creation (Proposition 30), this reasoning leads to the conclusion expressed in Proposition 26.

Proposition 26:	*The higher the level of materialism and material prosperity in a country, the higher the level of environmental protection.*

Income Distribution. The income distribution pattern in a society is an important societal attribute, an attribute that is closely tied up with level of development and that may be influenced by the level of materialism in the society. On the broad relationship between income distributions and level of economic development, the data are clear. Placing economic development on the *x* axis and degree of income inequality on the *y*, the relationship takes the form of an inverted U, called the "Kuznets curve." Incomes are relatively equal at very low levels, relatively unequal at moderate levels, and relatively equal again at the highest levels of economic development (Lecaillon *et al*., 1984). What is unclear and controversial are the causes of this pattern. Economists and sociologists offer alternative hypotheses (Simpson, 1990) that have different implications for how materialism affects income distributions, though both suggest that where materialism is high, incomes will tend to become more equal.

Economists (Chenery & Syrquin, 1975; Isaacs, 1981; Kuznets, 1963) build upon the ideas expressed in proposition 12 -- that poor people have a higher marginal utility for wealth and will, therefore, be more motivated to seek it. As a consequence, once a developmental path opens up, they have a greater incentive to work hard to amass greater wealth. Over time, their greater striving makes them more wealthy and closes the gap between them and the rich. In this analysis, the level of societal materialism should be highest at moderate levels of development where income differentials are large but the relatively poor masses believe a path is open for them to achieve wealth.

Proposition 27:	*Societal materialism is likely to be highest where development is moderate and income disparities relatively large.*

Sociologists, on the other hand, tend to emphasize the importance of political power. Marx (1977) was an early exponent of this point of view (Husami, 1980). He argued that ideologies which devalue material acquisition are generally foisted on the masses by an elite that controls the material resources in the society. This wealthy elite establishes nonmaterialistic ideologies to distract attention from the unequal distribution of wealth. Thus, Marx viewed religion, the preeminent nonmaterialist ideology, as an opiate which sedates the dispossessed majority with hope of a heavenly afterlife full of material abundance (or blissful nonbeing), things denied them in their present circumstances. If the masses abandon nonmaterialist illusions and become more materialistic, they may also become more politically active, demanding a larger share of societal wealth. Some contemporary sociologists (Hibbs, 1977; Lenski, 1966; Muller, 1988) adopt a similar position, suggesting that education and democratization explain the reduction in income inequality as a society develops. Based on this analysis, the level of materialism should be highest where the income distribution is most equal.

Proposition 28:	*Societal materialism is likely to be highest where development is most advanced and income disparities are relatively small.*

Wealth Creation. In materialistic societies, wealthy people tend to be regarded as being meritorious, poor people as being characterologically deficient because they exhibit less money-making prowess (Veblen 1899). Slater (1980) claims these attitudes characterize contemporary Americans, who generally believe the wealthy deserve better treatment. Because wealth has high status in a materialistic society, people in the society, and especially the poor, may be motivated to seek it. Dasgupta (1989) found evidence for this in a study of Indian immigrants to the United States. These relatively poor immigrants from a less materialistic society tended to adopt America's materialistic values, seeking wealth, and then engaging in conspicuous consumption of big houses, expensive cars, and other signs of material success. High motivation and effort to achieve wealth may result in high levels of wealth creation. In other words, societal materialism may be an important cause of societal wealth.

Proposition 30:	*Where societal materialism is high, wealth creation will also be high. Where materialism is low, wealth creation will be low.*

The effects proposed in this section may be moderated by the effect proposed in Proposition 12 which indicates that once wealth is attained, it tends to be devalued (Blumberg, 1974).

Occupational Choice. Level of materialism may be important in the choice of an occupation, for people will generally be better able to indulge a taste for acquisition if they work at a well-paid occupation. Thus, high materialism should motivate people to move into occupations that are well paid. If we assume that wages are an index of an occupation's value to the people who pay the wage (a controversial assumption, but one that probably has at least some merit since supply/demand factors generally affect wages), high materialism may benefit society by keeping unpopular but socially valuable occupations well staffed.

Proposition 31:	*Materialistic people are more likely than non-materialistic people to be involved in occupations that are well paid.*

CONTRADICTORY PROPOSITIONS

A number of the propositions set forth in this article lead to opposite conclusions and, thus, seem contradictory. In some cases, the contradictions are real, in other cases they are only apparent, and in still other cases, they are real but explicable by a moderator. Instances of real contradictions are the mutually inconsistent competing hypotheses embodied in propositions 19 and 26 and in propositions 27 and 28. High materialism and material prosperity cannot both increase (Proposition 19) and decrease (Proposition 26) overall levels of environmental degradation. And materialism cannot be highest both when development is moderate and income disparities large (Proposition 27) and when development is high and income disparities small (Proposition 28). These real contradictions must be resolved by testing the competing hypotheses to see which one receives empirical support.

No such test is required when contradictions are merely apparent. In these cases, the propositions specify independent causal factors that have opposite effects but are not otherwise connected to each other. Implicit in these propositions is the proviso "all other things being equal." Given that proviso, the apparent contradictions disappear. For instance, Proposition 12 suggests that poor people are likely to be more materialistic than rich people whereas Corollary 8c suggests that people exposed to a lot of advertising (rich people in developed nations) are likely to be more materialistic than those exposed to little advertising (poor people in less developed nations). While wealth and exposure to advertising may be positively correlated when nations are the unit of analysis, the two factors are distinguishable. It is, therefore, possible to test the effects of wealth on materialism, holding ad exposure constant as a covariate, and visa versa. The same is true for most other propositions set forth in this article.

There are, however, a number of propositions and corollaries, all tied up in one way or another with degrees of affluence, that make opposite predictions which cannot be easily reconciled. Thus, while it may be compatible with Corollary 8b, Proposition 12 (poor people are likely to be more materialistic than rich people) is not so easily reconciled with corollaries 4d (the more developed the nation, the more materialistic the people) and 4e (Americans are more materialistic than other people). It seems contradictory to claim both that poor people are more materialistic than rich people and that rich nations are more materialistic than poor nations. These two claims may, nevertheless, be compatible if, as relative deprivation theorists claim, the effects of poverty are moderated by levels of aspiration.

Relative deprivation theorists (Runciman, 1972; Stouffer, 1949) argue that three conditions must obtain for people to feel deprived: they must (a) lack some desirable object, (b) know others who have the object, and (c) believe it is feasible for them to obtain the object. The poor by definition lack many desirable things, so they invariably meet the first condition. (This explains why, other things being equal, the poor may be more inclined than the rich to be materialistic.) However, many impoverished people in impoverished societies may not personally know anyone who is well off. Consequently, they may not meet the second condition for feeling relatively deprived and wanting more things. And even if they do know or know of people who are well off, given a hereditary and/or otherwise entrenched social hierarchy in their society, they may not, as the third condition requires, believe that it is feasible for them to acquire things that others have.

In the context of relative deprivation theory, seemingly incompatible propositions and corollaries in this article may be reconcilable. Among approximate social equals, those who are most poor may be most materialistic as Proposition 12 suggests. However, this effect may be moderated by the degree of social mobility in a society. In more developed, more *gesellschaftlich* societies (Corollary 4d) where social mobility is relatively high (preeminently, the United States, Corollary 4e), the effect of differences in wealth may be magnified by the perception that with effort and luck, most people can acquire more wealth. In traditional, *gemeinschaftlich* societies, on the other hand, differences in wealth may play a small role because social mobility and, therefore, the aspirations of the poor are limited.

CONCLUSION

A complex, multi-faceted phenomenon, materialism affects consumer behavior in a variety of ways and in many domains. Consumer researchers are increasingly aware of its importance. Belk's (1985) seminal article is among the most influential papers published in the *Journal of Consumer Research* (Cote, Leong & Cote, 1991), and the Association for Consumer Research has sponsored a conference devoted to materialism (Rudmin & Richins, 1992). But while much important work has been done on this topic, our propositions and corollaries suggest that many questions with important implications for policy makers, marketers, and consumers remain unanswered.

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