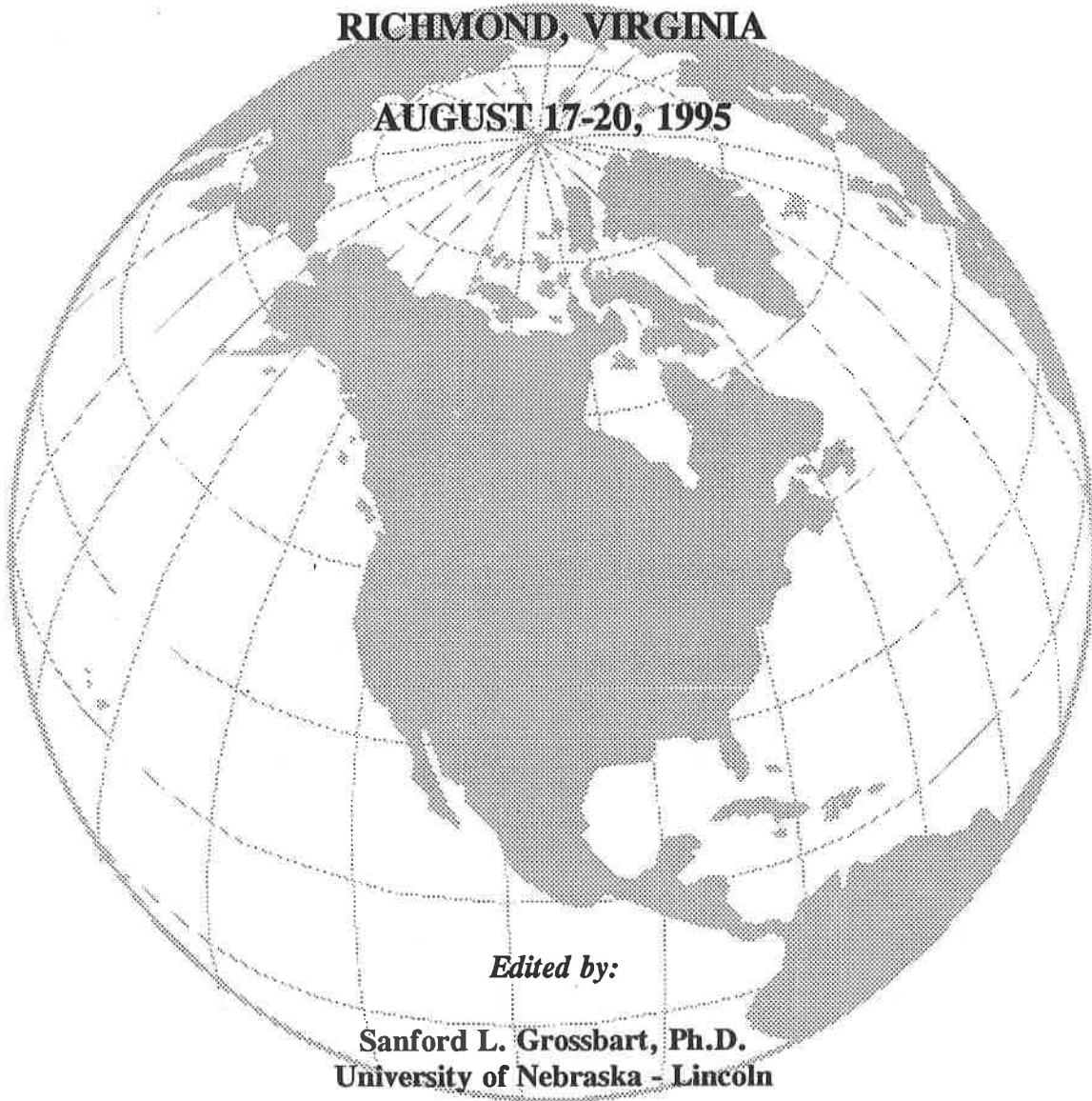


UNDERSTANDING CHANGE FROM A MACROMARKETING PERSPECTIVE

THE TWENTIETH ANNUAL MACROMARKETING CONFERENCE

RICHMOND, VIRGINIA

AUGUST 17-20, 1995



Edited by:

**Sanford L. Grossbart, Ph.D.
University of Nebraska - Lincoln**

**Dana-Nicoleta Lascu, Ph.D.
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FOREWORD

Special appreciation is due to paper reviewers for their contribution to the Conference, and to individuals and organizations providing the Conference with resources in the form of funds and staff assistance. They include Dean John W. Goebel of the College of Business Administration, University of Nebraska-Lincoln; Dean J. Randolph New of The E. Claiborne Robins School of Business, University of Richmond; and, in particular, Ms. Michelle Jacobs of the University of Nebraska-Lincoln and Ms. Sandra Blanchard at the University of Richmond, the instrumental forces behind this Conference.

August, 1995

Sandy Grossbart
Dana Lascu

UNDERSTANDING CHANGE FROM A MACROMARKETING PERSPECTIVE

Twentieth Macromarketing Conference
Richmond, Virginia
August 17 - 20, 1995

Program Chair: Sanford L. Grossbart, University of Nebraska-Lincoln
Arrangements Chair: Dana-Nicoleta Lascu, University of Richmond

CONFERENCE PROGRAM

Thursday, August 17

5:00 pm - 7:30 pm Registration (Atrium, outside Shenandoah Ballroom)
5:00 pm - 6:00 pm Reception (James River Prefunction Area)
6:00 pm - 7:00 pm Dinner (James River D)

7:00 pm - 7:20 pm Conference Overview (Shenandoah)

7:20 pm - 9:00 pm

Special Session: "Buyers, Sellers, and Changing Social Values"

Chair: Roger Dickinson, University of Texas at Arlington

Panel: Stan Shapiro, Simon Fraser University

Thomas Klein, University of Toledo

John Mittelstaedt, University of Wyoming

Alexander Nill, Innsbruck Universität

Friday, August 18

8:00 am - 9:30 am Registration
8:15 am - Coffee, Tea, Croissants (Atrium)
8:30 am - 10:30 am (Shenandoah)

Macromarketing Perspectives on Changing Ethics and Norms

Chair: Forrest S. Carter, Michigan State University

"Religiosity and Marketing Ethics: An Empirical Investigation of the Influence of the Religiosity on Moral Philosophies and Ethical Perceptions of Marketing Professionals"

Kumar C. Rallapalli, Troy State University at Dothan

Anusorn Singhapakdi, Old Dominion University

C. P. Rao, Old Dominion University

"Exploring Some Relationships Between Religion and the Marketplace"

John Mittelstaedt, University of Wyoming

"Marketing Ethics in the United States and Europe: Discussion, Comparison, and Integration"

Alexander L. Nill, Innsbruck Universität

Clifford J. Shultz, II, Arizona State University West

10:30 am - 10:45 am - Coffee Break (Atrium)

10:45 am - 12:15 pm

Special Session: "Transformation of Former Command Economies"

Chair: Linda Price, University of South Florida

Panel: Anil Pandya, Northeastern Illinois University

William Kilbourne, Sam Houston State University

Robert Nason, Michigan State University

Clifford J. Schultz, II, Arizona State University West

Ron Savitt, University of Vermont

12:15 pm - 1:30 pm - Lunch (Atrium)

1:30 pm - 3:30 pm

Special Session: "Challenges in Transforming Society"

Co-Chairs: Harold W. Babb, University of Richmond

Terry M. Weisenberger, University of Richmond

Panel: Mr. Marian Voicu, Economic Counselor, and Ms. Ioana Ieronim, Cultural Counselor, Romanian Embassy to the United States

3:30 pm - Departure for Reception from Cary Street Omni Hotel entrance

4:00 pm - 5:30 pm - Reception, University of Richmond

Welcome to the University by:

J. Randolph New, Dean, The E. Claiborne Robins School of Business

Albert E. Bettenhausen, Associate Dean, The E. Claiborne Robins School of Business

Thomas D. Giese, Associate Dean, The Richard S. Reynolds Graduate School

5:30 pm - 10:30 pm - Trip to historic Williamsburg (buses leave Williamsburg at 9:30 pm)

Hang out with ghosts of Williamsburg's past, roam on Duke of Gloucester Street, shop in the company of friends for Italian chocolate or Laura Ashley dog beds or simply nurse a glass of champagne at the Trellis (try their Death by Chocolate!). All the good Williamsburg restaurants are within walking distance. For the Trellis, you need advance reservations (804-229-8610).

Saturday, August 19

8:15 am - Coffee, Tea, Croissants (Atrium)

8:30 am - 10:30 am (Shenandoah)

Macromarketing and Changing Economic Systems

Chair: Terri Rittenburg, University of Wyoming

"Labor, Technology, Capital and Marketing: A Seemingly Unrelated Analysis"

Forrest S. Carter, Michigan State University

"Exploratory Analysis of Food Channels in Central Europe"

Robert W. Nason, Michigan State University

"Enterprise Development and Entrepreneurship in Transitional Economies: Reflections on the Southeast Asian Model"

Clifford J. Schultz, II, Arizona State University West

William J. Ardrey, IV, Columbia University

10:30 am - 10:45 am - Coffee Break (Atrium)

10:45 am - 12:15 pm

Order and Efficiency in Markets

Chair: John Mittelstaedt, University of Wyoming

"The Organization and Efficiency of Marketing Flows and Functions"

Jyh-shen Chiou, Michigan State University

"On the Phenomenon of Orderliness in Markets"

William H. Redmond, Bowling Green State University

12:15 pm - 1:30 pm - Lunch (Atrium)

1:30 pm - 3:30 pm

Macromarketing and the Changing Physical Environment

Chair: Stan Shapiro, Simon Fraser University

"Sustainable Development and Macromarketing"

Sudhir H. Kale, Bond University

"Macromarketing, Applied Anthropology, and Ecological Imperatives: Mechanisms for Dealing with Global Environmental Issues"

James Beckman, University of Redlands

Edward B. Liebow, Battelle Seattle Research Center

"The Meaning of Greening: Just What Should Green Marketing Be?"

Linda R. Stanley, Colorado State University

John Weiss, Colorado State University

3:30 pm - 3:45 pm - Coffee Break (Atrium)

3:45 pm - 5:15 pm

Special Session: "Economic and Technological Change"

Chair: Eric Arnould, University of South Florida

Panel: Adel El-Ansary, University of North Florida

Terri Rittenburg, University of Wyoming

Maria Ortiz-Buonafina, Florida International University

Lilia Paschalina Ziamou, University of Rhode Island

Sudhir H. Kale, Bond University

Sunday, August 20

8:15 am - Continental Breakfast (Atrium)

8:30 am - 9:50 am (Shenandoah)

Convergence and Comparison of Macromarketing Systems

Chair: Charles Goeldner, University of Colorado

"Convergence vs. Internationalization: A Macromarketing Perspective"

Donald F. Dixon, Open University of the Netherlands

Arthur Sybrandy, Penn State University

"Comparative Institutional Analysis of Marketing Systems in a Dynamic World"

Gopalkrishnan R. Iyer, Baruch College of the City University of New York

"Antecedents of Effective Communication in the Success of Intercultural Business Relationships"

Angela Hausman, University of South Florida

9:50 am - 10:00 am - Coffee Break (Atrium)

10:00 am - 12:00 pm

Macromarketing Conference Awards

Macromarketing Business Meeting

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Kumar C. Rallapalli, Troy State University at Dothan
Anusorn Singhapakdi, Old Dominion University
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This study examines the influence of religiosity of marketers on personal moral philosophies and their perceptions of the ethical problem. The data were obtained from a mail survey of the American Marketing Associations' professional members. The results generally indicate that the religiosity of a marketer can partially explain his/her perception of an ethical problem. Results also suggest that the religiosity significantly influences the personal moral philosophies of marketers.

Introduction

Theories in consumer behavior (e.g. Engel and Blackwell 1982) and marketing ethics (e.g. Hunt and Vitell 1993) alike have suggested that religiosity plays a key role in individual behavior. Since consumers' ethical/unethical behavior is an integral part of consumer behavior it is only logical to think that individual ethical behavior would also be influenced by religious beliefs. Although religiosity has been extensively studied in relation to individual demographic and personality and life style variables, little research exists relating religiosity and ethics.

The purpose of this study is to examine the influence of religiosity on the personal moral philosophies and perceptions of ethical problems of marketing professionals. The proposition that religiosity can potentially influence the marketer's moral philosophies and his/her perceived ethical problem is well grounded in the theoretical works of marketing ethics. In the next section, we will discuss the major theoretical works in marketing ethics area that examined the religiosity construct. Since the focus of this paper is restricted to religiosity and its influence on personal moral philosophies and perceived ethical problems, the discussion of the theoretical works will be limited to the review of these variables.

Theoretical Background

Since the review article of Murphy and Laczniak (1981), several researchers have attempted to develop theories in the marketing ethics area in order to gain a better understanding of the marketer's ethical decision-making.

Ferrell and Gresham (1985) proposed a contingency

framework to understand ethical decision-making in marketing. According to this model, an individual's ethical decision-making is influenced by multiple factors. They are individual factors, social and cultural environment, significant others and opportunity. Of particular interest to this study are the influences of social and cultural environment. Although not explicitly stated, the individual's religion was an integral part of his/her socio-cultural environment. Hunt and Vitell (1986) in their general theory of marketing ethics have discussed in detail the ethical decision-making process of marketers. According to Hunt and Vitell (1986), perception of an ethical problem triggers the ethical decision-making process. In other words, a marketer has to perceive that an ethical dilemma exists before being involved in the decision-making process. Several background variables were identified as factors influencing the perceptions of marketers' ethical problems. They are cultural environment, organizational environment, industrial environment and personal characteristics. Hunt and Vitell (1993) in the revised version of their model have explicitly stated that religiosity can potentially influence the perceptions of a marketer's ethical problem.

Marketing ethics theories (e.g. Ferrell and Gresham 1985, Hunt and Vitell 1986) proposed that the personal moral philosophies of the marketers would influence their ethical decision-making process. In particular, Hunt and Vitell (1986) depict the two categories of moral philosophies, deontological and teleological, as the core components of their model. We are interested in the influences of religiosity on these personal moral philosophies of the marketers.

Although several studies have empirically investigated the theoretical relationships proposed by Ferrell and Gresham (1985) and Hunt and Vitell (1986, 1993), virtually none have examined the influences of religiosity on a marketer's personal moral philosophies and his/her perceived ethical problem. This study fills the gap in the literature by examining these relationships.

Literature Review

We will review research pertinent to the variables in the present study (i.e., personal moral philosophies, perceived

Hunt and Vitell (1993) argued that individuals who are more religious will tend to be more perceptive to an ethical problem than those with lower religiosity. Thus, in formulating the hypothesis, we have relied on the theoretical background of Hunt and Vitell (1993). Accordingly, we would expect that highly religious marketers will tend to agree more with the perceived ethical problem than marketers with lower religiosity. In particular, the following hypothesis was formulated:

H3: A highly religious marketer will tend to perceive an ethical problem to be more serious than a marketer with lower religiosity.

Methodology

Sample

This study used a national mailing list of the American Marketing Association (AMA) as the sampling frame. Self-administered questionnaires were mailed to 2,000 randomly selected professional members of the AMA. Of the 1,1995 sets delivered, 453 persons responded for a response rate of 22.7%.

The response rate is comparable with previous studies that also used AMA mailing lists (e.g. Hunt and Chonko 1984). In order to test the non-response bias, the "early" respondents and "late" respondents were compared based on age and income. An analysis of variance (ANOVA) between "early" and "late" groups found no statistical differences between the two groups on any of these variables.

In terms of sample demographics, 51.4% were male. A majority of respondents (36.7%) were between 30-39 years old. In general, the respondents appear to be highly educated with 30.2% having an undergraduate degree. More than half of the respondents have incomes at \$40,000 or higher per year.

Measurement of Constructs

Personal Moral Philosophies: Moral philosophies were measured by the Ethics Position Questionnaire (EPQ) developed by Forsyth (1980). The EPQ consists of two dimensions - idealism and relativism. Both scales contain ten items. All the items are measured on a nine-point Likert type scale. The scores on idealism and relativism were computed by totalling the scores on all the items related to idealism and relativism respectively. Thus, a highly relativism score indicates that the individual relies less on universal moral principles. A high idealism score indicates that the individual believes in universal moral principles in guiding his/her behaviors.

Perceived Ethical Problem: Consistent with operationalizations of Vitell (1986) and Singhapakdi (1988), we measured the perceived ethical problem by asking the respondents whether the vignettes have any ethical content (See Appendix A). Each respondent was asked to express

his/her degree of agreement or disagreement regarding this statement: "Generally speaking, the situation described above involves an ethical problem." The responses were measured on a nine-point Likert scale.

Religiosity: This study operationalizes the religiosity construct based on the study of Wilkes, Burnett and Howell (1986). The major dimensions used in this study were the importance of religious values, the confidence in religious values, and the self-perceived religiousness. Each of these dimensions was measured using one item on a nine-point Likert scale. The religiosity scores were computed by adding the scores on the three dimensions of the scale.

Results

Table 1 shows the descriptive statistics along with reliability indices of the multi-item scales used in this study. The reliability level for all the measures appear to be well within the acceptable levels of the research.

Multiple regression analysis was used to test all three hypotheses of the study. Table 2 shows two regression models with idealism and relativism as dependent variables respectively. It should be pointed out that some selected demographic variables (i.e., gender, age, and salary) were also included as independent variables in the models as well.

Table 1. (a) Descriptive Statistics of the Variables

Variables	Mean
Idealism	62.27
Relativism	45.22
Perceived Ethical Problem-1	8.42
Perceived Ethical Problem-2	7.60
Perceived Ethical Problem-3	6.25
Perceived Ethical Problem-4	8.08
Religiosity	16.38
Age	39.51
Salary	6.71

(b) Reliabilities of Multi-Item Measures

Variables	Reliability
Idealism	.85
Relativism	.79
Religiosity	.67

Although the relative influences of these variables on

(b) "Perceived Ethical Problem-4" as Dependent Variable

Religiosity	.122	2.427	.016
Gender	-.062	-1.166	.244
Age	.110	1.863	.063
Salary	-.070	-1.178	.239

Adj. R² = .017 F = 2.76 Sig. F less than .05

more religious marketers tend to adhere to moral absolutes when making moral judgments. Our results indicate a negative relationship between religiosity and relativism. That is, compared to their counterparts the more religious marketers tend to evaluate to ethical actions based on the nature of the situations and consequences of the actions. Our results also reveal that whether or not a marketer perceives an ethical problem within a given situation seems to be affected by his/her religiosity.

Morality figures dominantly in theoretical formulations of marketing ethics. It can be postulated that moral judgments and philosophies at a basic level are influenced by and dependent upon religiosity of individuals. Religiosity influences will carry over to specific life experiences including managerial behavior. In an era of relationship marketing, it is emphasized that trust plays a key role in establishing, sustaining and solidifying relationships between buyers and sellers (Swan and Nolan 1985; Swan, Trawick, Rink and Roberts 1988). Trust between buyers and sellers can be built on ethical behavior which in turn, this research revealed, depend on religiosity of individual managers. In other words, in marketing exchange contexts the moral content and interpretations of situational perceptions and behavior very much depend upon the religiosity of the parties to the exchange transactions. Because religion inculcates morality, when individuals as managers are faced with ethical dilemmas, the moral direction in which the behavioral action (or decision) proceeds depends on the religious convictions of the person. Religious convictions influence both cognitions and actions. Results from this study convincingly established that religious convictions significantly impact the ethical perceptions and moral philosophies of marketing professionals.

The establishment of linkages between religiosity and ethical perceptions and behavioral tendencies of managers raise many interesting implications for formulating and implementing ethically oriented marketing strategies. With ever increasing emphasis on business ethics in general and marketing ethics in particular in recent years, many managers are realizing that good ethics is good business (Singhapakdi et al. 1995). This raises the issue on how to develop and effectively implement ethically oriented marketing strategies and tactics. The research reported seem to imply that mere promulgation of corporate ethical policies and exhortations by

top management may not result in ethical business practices. In practice managerial personnel at various levels enjoy considerable leeway in perceiving, interpreting and acting upon the situations posing ethical dilemmas. This research indicated that managerial ethicality in the ultimate analysis depends on individual religiosity. In a secular society like ours, religiosity in a narrow sense cannot be used in corporate employee selection, training and evaluation procedures. However, in the interests of making ethical policies and procedures work effectively, alternate methods of measuring and imparting religiosity to managerial personnel need to be devised. Such methods and techniques could be akin to extensive use of psychological testing and leadership training methods extensively used in the contemporary corporate human resource management area. Through such specially devised methods, if religiosity of managerial personnel can be ensured initially at the time of employment and enhanced subsequently through appropriate training programs, corporate ethical policies and procedures will become more effective.

Appendix

Marketing Ethics Scenarios

Scenario 1: Misleading the Appraiser¹

An automobile salesman is told by a customer that a serious engine problem exists with a trade-in. However, because of his desire to make the sale, he does not inform the used car appraiser at the dealership, and the problem is not identified.

Action: The salesman closes the deal that includes the trade-in.

Scenario 2: Over-Eager Salesperson²

A young man, recently hired as a salesman for a local retail store, has been working very hard to favorably impress his boss with his selling ability. At times, this young man, anxious for an order, has been a little over-eager. To get the order, he exaggerates the value of the item or withholds relevant information concerning the product he is trying to sell. No fraud or deceit is intended by his actions, he is simply over-eager.

Action: The owner of the retail store is aware of this salesman's actions, but has done nothing to stop such practice.

Scenario 3: Withholding Information²

Sets of a well-known brand of "good" China dinnerware are advertised on sale at a considerable discount by a local retailer. Several patterns of a typical 45-piece service for eight are listed. The customer may also buy any "odd" pieces which are available in stock (for instance, a butter dish, a gravy bowl, etc.). The ad does not indicate, however, that these patterns have been discontinued by the manufacturer.

Action: The retailer offers this information only if the customer directly asks if the merchandise is discontinued.

Scenario 4: Failure to Honor a Warranty²

A person bought a new car from a franchised automobile dealership in the local area. Eight months after the care was purchased, he began having problems

Swan, John E. and Nolan, Johannah Jones, Gaining Customer Trust: A Conceptual Guide for the Salesperson. *Journal of Personal Selling and Sales Management*, (November (1985); pp. 39-48

Swan, John, Trawick, Jr., Fred, Rink, David R. and Roberts, Jenny, J., Measuring Dimensions of Purchaser Trust of Industrial Salespeople. *Journal of Personal Selling and Sales Management*, 8 (May , 1988); pp. 1-9

Vitell, Scott J., Marketing Ethics: Conceptual and Empirical Foundations of a Positive Theory of Decision Making in Marketing Situations Having Ethical Content, *Unpublished Doctoral Dissertation*, Lubbock, TX: Texas Tech University, 1986.

Wilkes, Robert E., Burnett, John, and Howell, Roy, D., (), On the Meaning and Measurement of Religiosity in Consumer Research. *Journal of Academy of Marketing Science*, 14, 1 (Spring, 1986), pp. 47-55

Expanding Sales Horizons
Marketing

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The purpose of this paper is to explore the concept of customer trust and its relationship to sales performance. The authors discuss the importance of trust in the sales process and provide a conceptual framework for understanding trust. They also discuss the factors that influence trust and the ways in which salespeople can build trust with their customers.

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“unlawful advantage by way of excess or deferment” (Saleh 1986). The prohibition of *riba* is based on the notion that the weak should be protected from the exploitation of the strong (Saleh 1986); if someone benefits in an unjustified manner, then another must suffer loss by the same transaction. While frequently discussed in terms of usury, *riba* has applications in all types of business transactions.

Gharar means uncertainty relating to the nature of the countervalues to be exchanged (Saleh 1986). This can be uncertainty regarding quality, quantity, price or even existence. For example, the sale of dates when they are unripe, to be exchanged at some future time of ripening, is prohibited, because the future quality and quantity of the dates are unknown. As another example, Muhammad specifically prohibited the “sale of the pebble,” a practice by which the price of a plot of land was agreed to, and then the size of the plot was determined by the throw of a pebble (al-Hafiz d. 1448). Both sales involve uncertainty regarding that which is to be exchanged and, as such, are prohibited.

Combined, these principles of *riba* and *gharar* limit the range of acceptable trade practices in a variety of contexts.

Today, as in the past, concern for *riba* and *gharar* are the basis for prohibiting the sale of insurance in Islam (Organization of the Islamic Conference 1986). Several lines of reasoning are drawn from the principles of *riba* and *gharar*. If the value of the policy exceeds the payments of the policy holder, then the beneficiaries’ gain exceeds the investment of the deceased; this is prohibited as both excessive gain (*riba al-fadl*) and as gain based on the exchange of like-for-like, but over time (*riba al-nasi’a*). Further, uncertain pecuniary countervalues are involved (*gharar*); while the face value of the policy is known, the number of payments made until redemption of the policy, given in exchange, cannot be known.

These prohibitions apply to commercial insurance, though not to mutual aid societies (Council of Senior ‘Ulama’ of Saudi Arabia 1978). The latter is a gratuitous contract between individuals who agree to provide cash to others who might feel loss. The distribution of risk, and the mutual agreement to bear harm, do not constitute *gharar*. Additionally, mutual aid societies are free from the forms of *riba* discussed above because the intent of those involved is not a contract of exchange. Participants are unaware of any future gain they might personally receive. In these ways, Islam affects the manner in which insurance can be traded in Islamic societies.

Religion Affects How We Trade

The best example of religion affecting the manner in which we trade is through the interpretation and enforcement of contract law. Islamic and Western jurisprudence developed in different manners, each affected by religion in different ways. One consequence is a philosophical difference of opinion regarding the meaning and nature of a contract.

Western notions of contracts find their origin in English Common Law (Cheeseman 1995). Any divine inspiration for this law was indirect; William the Conqueror ruled at the behest of God. In 1066, William’s intent was to bring uniformity to the hodgepodge of laws enforced by local lords. Consistent with the charge of Common Law (to bring uniformity to legal opinion and enforcement), Western contracts are enforceable if they meet four basic requirements: agreement, consideration, contractual capacity and legal object. The “equity” of a contract is a question of negotiation to be settled prior to agreement. A contract may be overturned if it is entered into under duress, or if it is not recorded in a form which insures its terms are knowable to all at a future date; however, contracts are rarely overturned because the contract lacks equity of outcome. The philosophy of this approach to contracts is that “fairness” is a question of enforcement of the agreement.

Islamic tradition, from the time of the Prophet, has been concerned with the problem of *riba*. The issue of *riba* in different areas of contract law arises in a variety of ways. For example, property held by a slave could not be sold by the slave’s master, as it was not his to sell, and to do so would constitute unjustified enrichment (Coulson 1964). The prohibition also includes the reselling of a purchased object for a greater amount before payment has been made (Schacht 1964). Included is the prohibition of exchanging similar objects in different quantities and/or at different times, or combining two or more contracts in one. To insure equity, contracts are to be executed hand-to-hand, and before buyer and seller part company.

In each of these cases, the intent is to limit the ability of one party to enrich themselves at the expense of another. Under Islamic law, religious teachings add to the list of contractual considerations discussed above the intent of those engaged in the contract, and the outcome of the contract itself. A contract can be overturned if the outcome is unjustified, even if obligations set forth in Western Common Law are met. In this context, the “fairness” of a contract is

money. Money, in and of itself, is barren.

Islam, in contrast to Christianity, distinguishes between acceptable and unacceptable trade practices. Islam cannot reject the virtue of trade in general, especially since the man whom God chose as his last messenger was a caravan merchant. One cannot reject the virtue of merchants without questioning God's choice of messenger.

Religious instruction regarding the merchant and the marketplace is found in both the Qur'an and the *Hadith*. Let us examine them in order.

Whereas Jesus never spoke directly to the virtue of trade, the Qur'an does: "God has made buying and selling lawful, and usury (*riba*) unlawful" (*Surah* 2:275). "Men shall have the benefit of what they earn, and women shall have the benefit of what they earn" (4:32).

The implication is that there is no moral harm in earning or keeping wealth. This does not mean that trade can be conducted without norms of acceptability. The Qur'an warns of the moral dangers of dubious trade practices. Merchants are required to: be fair in their trading (83:1-3); be conscientious in the *salat* (prayer); and pay the *zakat* (alms to the poor). Trade during times of prayer is prohibited (6:9-12), but trade during pilgrimage is permitted (2:198). Thus, trade is regulated within the broader framework of the religion, rather than rejected out of hand.

Much of Islamic jurisprudence (*Shrai'ah*) deals with the regulation of trade. Of paramount importance is that trade be fair in the eyes of God. The commercial code of Saudi Arabia regarding trade relates this sentiment: "In carrying out commercial activities a trader shall observe and not violate the precepts of Islam and honesty, and shall not commit acts of creating, falsification, fraud, parsimony, treachery, or any wrongful act" (Karam 1977).

An important distinction between Islamic and Christian views of trade rests on differences of opinion regarding original sin. The concept of original sin does not exist in Islam (Glasse' 1989). Islam remembers the expulsion of Adam and Eve from the Garden of Eden, but it places responsibility for the Fall on the snake, not on Adam or Eve. Because of this, Islam does not identify inherent sin with the human condition. Thus, "natural" human activities, such as trade, are not viewed with the same suspicion in Islam as they are in Christianity.

As a consequence, we would expect consumers in Islamic cultures to have a more positive view of merchants than consumers in Christian cultures. Currently, the authors are in the process of collecting data to test this proposition.

These are limited reviews of Christian and Muslim teachings, and do not encompass the diversity of opinion within each tradition. The material presented, however, is central to the development of each faith tradition. While there may be a great variety of opinion regarding market issues in each faith tradition, the differences discussed here represent a core around which each faith tradition is centered. Further, while it is possible to point to conservative and liberal views within each tradition on a number of issues, including economic, it would be wrong to assume that this diversity within any faith tradition is more important than differences between faith traditions. There is, for example, a difference between a liberal Muslim and liberal Christian. Most importantly, the Muslim is not a Christian, and vice versa. If this main effect of faith was not important, there would not be two different faith traditions.

Summary

A variety of examples have been put forward to demonstrate that there is a relationship between religion and its institutions, on the one hand, and parameters within which market activities occur. Cases can be pointed to where religious norms and institutions have affected when, what and how trade takes place. Armed with these examples, we can ask, are these issues being addressed in the marketing literature?

Current Research Approaches in Marketing

Several examples of ways in which these two important social institutions influence each other have been discussed. To these, and related questions, however, marketers have committed few resources to understanding the potential relationships between religions and markets. Five research papers have been identified in the research stream, two "macro" in nature and three "micro." In this section, these papers are briefly reviewed.

What Has Worked: Macro Approaches

Klein (1987) examined the macromarketing implications of the U.S. National Conference of Catholic Bishops' 1984 pastoral letter on the U.S. economy. The Bishops detailed a faith-based perspective on the purpose and function of an economic system. The letter proposes that the function of economic decisions, policies and institutions should be to serve people; this contrasts with a neoclassical economic view that the function of

inappropriately would be to run the risk of stereotyping.

Conclusion

Religion and markets, two major social institutions, interact and influence each other. A thorough understanding of the purposes and consequences of markets, their causes and their implications on society, requires an understanding of the impact and importance of religion in the marketplace. This paper presents a variety of examples of religions' effects on markets. These examples have shown how religion and religious institutions have affected when, how and what we trade, as well as how consumers may feel about the activities of merchants and the marketplace. These questions are macromarketing questions because they are concerned with the policies governing markets and the aggregate behavior of those in the marketplace. Additionally, the existing research in marketing on religion and markets has been reviewed. Those research projects that have been successful in demonstrating market effects from religiously inspired policies (actual or proposed) have done so in a macromarketing context. Projects that have attempted to demonstrate market effects of religion based on individual differences have met with limited success. This is largely due to the lack of useful measures of religiousness. Because many of the issues of religion and markets are macromarketing issues, and because of the success of past research efforts, the conclusion of this project is that questions regarding the effects of religion on markets in the future should be conducted in a macromarketing forum.

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Marketing Ethics in The United States and Europe: Discussion, Comparison and Integration¹

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This manuscript extends the macromarketing literature by discussing the relevance of culture to marketing ethics. American and European cultural influences and perspectives are examined and used to illustrate the authors' points. The manuscript is intended to provide fresh insights on the deontological vs. teleological debate by offering contemporary translations to some classic ethical arguments and by introducing contemporary European philosophical perspectives that have not been integrated into American business and marketing models of ethics.

The time is here when philosophers must become practitioners, and even the most successful practitioners must take time out for philosophy. Those who concern themselves with ethics must develop a sense of reality, and those with perhaps too great a sense of reality must become more concerned with ethics (Hill 1976, p.1).

Introduction

The high visibility of marketing activities and managers' efforts to manage their firms' relationships with customers and other publics has led to the increasing importance of ethical considerations in all marketing activities. Ironically, it has been argued that "within the business firm, the functional area most closely related to ethical abuse is marketing" (Tsalikis and Fritzsche 1989, p.695). Due to the globalization of most markets, more and more companies are forced to act on an international basis and to interact with foreign cultures and values in some manner. Indeed, "(e)ven when companies stay at home, sooner or later they learn from hard experience that there are no longer any domestic markets" (Root 1987, p.2). In a cross cultural environment marketing ethics has to deal with the moral beliefs and value systems of different countries and cultures (Nill and Sours 1995). Frequently, discussions germane to cross

cultural ethics are subsumed under the "relativism vs. ethnocentrism" argument. We submit, however, that this approach may obfuscate important issues, which we hope to address in this manuscript. That is, while cultural norms for ethical behavior do vary --we shall try to discuss this variance with respect to American vs. European norms-- commonalities also exist, as do shared vested interests in an increasingly interconnected global economy. Secondly, we believe a more rigorous assessment of past and emerging European models of ethics is warranted because the English language literature has sometimes inaccurately translated important classic arguments and because emerging European arguments have not been published in English language journals.

Definition of Ethics

While a discussion of the definition of ethics per se is not of immediate interest to this manuscript, and certainly no single all-inclusive definition of ethics exists, it is important to reiterate that people of different times and cultures have different perceptions of what it means to be ethical. Rasmussen (1988, p. 26) offers a broad definition that is useful for our purposes: "Ethics is the enterprise that attempts to formulate the principles by which human life is to be lived". Moreover, ethics can be understood as the discipline concerned with the legitimization, justification, and generation of norms that offer standards for directing human choice. As marketers we are concerned with how these choices affect marketing decisions and consumer outcomes.

Culture and Ethics

It can be assumed that culture has a strong impact on the process of ethical decision making (Hinterhuber and Nill 1993). Similar to ethics, culture is an abstract concept that lends itself to many definitions, but we favor

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direct face-to-face contact between individuals or a sense of "connectedness" to the other is necessary for the conscience to have ethical relevance. For example, it is improbable a marketing manager would physically harm a colleague in order to achieve personal objectives. However, if the marketing manager had to promote a product that might harm an undetermined number of unknown people at an unknown time in a foreign market s/he might decide differently because the resultant harmful events would be outside the sphere of personal relevance. One could argue the Ford Pinto case (Goodpaster 1984; Wall Street Journal 1978) and the Nestle instant formula case (Higgins 1984; Nickel 1989) illustrate the second scenario.

In modern society marketing ethics, which is primarily based on moral persuasions and inner values, is not sufficient. Thus, Nietzsche (1980, p. 760) argued, "*Seinem Gewissen folgen ist bequemer als seinem Verstande, denn es hat bei jedem Mißerfolg eine Entschuldigung und Aufheiterung in sich, darum gibt es immer noch so viele Gewissenhafte gegen so wenig Verständige*" (It is easier to follow one's conscience than one's reason because the conscience will always offer some excuse and some cheer. This is why there are still so many conscientious and so few reasonable people).

Historical Perspective

Historically the United States has been influenced by the Anglo-Saxon tradition of utilitarianism as introduced by John Stuart Mill and Jeremy Bentham. This is not to say that deontological approaches are not common in the U.S. Many individuals base their decisions on deontological and teleological evaluations at the same time as suggested in Fraedrich's (1988) empirical study. Even though there are many forms of utilitarianism, most of them have a teleological approach to an ethical problem. Teleological approaches to ethics evaluate actions by morally assessing the consequences. Mill (1979, p.7) suggested, "Pleasure and freedom from pain are the only things desirable as ends; and...all desirable things (which are as numerous in the utilitarian as in any other scheme) are desirable either for pleasure inherent in themselves or as means to the promotion of pleasure and the prevention of pain." (According to utilitarianism one should choose the alternative that leads to the greatest happiness of the greatest number (Frankena 1963)). The action with the most desirable consequences is considered to be the morally right action and "for a utilitarian, what one ought to do is determined solely by the consequences that result" (Bowie 1990, p.12).

From a methodological point of view,

utilitarianism has been criticized for its "massive measurement problems" (Hunt 1986, p.7). Neither is it possible to recognize all people who are affected by an intended action or to measure and compare all the different utility functions. Also, a marketer is not always in a position to anticipate all the consequences of his/her actions. This would be a necessity for a utilitarian calculus. From a theoretical point of view an ethical theory that denies any absolute, categorical values is questionable. As long as the greatest amount of good is achieved, any means to attain this end is seen as appropriate. For example, discrimination or certainly duplicity would be allowed according to utilitarianism so long as such practice(s) lead(s) to the greatest happiness of the greatest number (Höffe 1975, p.29). Indeed, duplicity has been institutionalized in some marketing firms (Shultz 1993a). Fundamentally, the utilitarian argument concentrates too much on increasing productivity and too little on equitable outcome distribution (cf. Bowie 1990).

Beyond these problems, the question of the desirability of a consequence, the greatest happiness, is basically a question of one's values and beliefs. The assessment of the desirability of an end is based on the value system of a person. The less homogeneous the value systems of people in a society are, the less successful will be a teleological analysis to an ethical problem in this society. It is probably not a coincidence that at the time the theory of utilitarianism was developed and promoted in England, Great Britain was, due to its geographic position, relatively separated from continental Europe. There was a basic agreement and understanding of fundamental values, of which ends are desirable. At this time England was generally regarded as the undisputed political and economic hegemony of the world and expected all the other nations to adapt to the British value system. The British colonial politics of the nineteenth century serve as a prime example of an ethnocentric world view, which was the rule rather than the exception for most nation-states at that time.

For much of the twentieth century the U.S. has been in a similar position. Due to economic and political independence, business ethics in the U.S. has enjoyed the comfort of having one culture that is based on a relatively homogeneous value system. Although multicultural influences are now becoming more apparent, there has been a basic understanding and a general agreement in the American society about the question: "What is being ethical?"

This shared value system serves sometimes as a basis in deontological approaches. "The central thesis of deontological ethics is that consequences of actions are not the primary considerations in deciding what ought to

This is in accordance with the results of Hofstede's (1980) empirical investigation of differences between cultures. On the dimension of individualism versus collectivism, the U.S. ranks first on individualism in Hofstede's study of fifty countries. Schlegelmilch and Robertson (1995, p.16) come to a similar result in their empirical study, "that the U.S. (the most individualistic of the countries) is most likely to stand alone and the European countries to align".

The concept of individuality is also applied in most positive models of the ethical decision making process. The descriptive models of Ferrell and Gresham (1985) and Hunt and Vitell (1986) focus on a framework for understanding ethical decision making in marketing of individuals.

In Hunt and Vitell's (1986) model it is assumed that the cultural environment, the industry environment, the organizational environment, and the personal experiences have an impact on the person's perception of an ethical problem situation. Depending on how the individual perceives the ethical problem, the available alternatives, and the probability of resulting consequences, a deontological and a teleological evaluation take place. "The model postulates that an individual's ethical judgments (for example, the belief that a particular alternative is the most ethical alternative), is a function of the individual's deontological evaluation (i.e., applying norms of behavior to each of the alternatives) and the individual's teleological evaluation (i.e., evaluating the sum total of goodness versus badness likely to be produced by each alternative)" (Hunt and Vitell 1986, p.9). The individual's judgments will direct his/her behavior through the intervening variable of intentions and situational constraints. The actual consequences will feed back on the personal experiences which express the individual's level of moral development, the individual's personality and the individual's life experience. This cognitive model assumes that individuals base their decisions on rational considerations and the systematic use of available information (Ferrell, Gresham and Fraedrich 1989). The assumptions made in the model are amenable to empirical testing. Singhapakdi and Vitell (1990, p.16) found "partial support to Hunt and Vitell's propositions that perceived ethical problems and perceived alternatives are determined by the organizational environment and personal experiences". The model offers a better understanding of the process of individual decision making in ethically relevant situations. It is helpful in analyzing different ethical judgments between individuals. As Hunt and Vitell (1986, p.14) expressed, "different ethical judgments do not imply different ethical frameworks and similar ethical judgments do not imply

similar ethical frameworks". Different ethical judgments can be explained by different perceptions of the reality, different deontological evaluations, different teleological evaluations, and different combinations of the deontological and teleological evaluations.

Hunt and Vitell's model can only explain how single individuals derive ethical judgments. The assumption is made that ethical decisions are personal decisions. The exclusion of the possibility of an ethical decision making process that takes place in a group can be seen as a reflection of the American culture. Many decisions of ethical relevance are not the sole responsibility of individual marketers. This is even more true in European and Japanese companies. For example, it was probably not the decision of a single manager to forbear any additional safety devices in the Ford Pinto case (Goodpaster 1984; Wall Street Journal 1978).

Ethically relevant actions of organizations are not mere accumulations of ethical judgments of single individuals. The organizational structure of companies often impedes a responsible and ethical decision (Nill 1995). The single individual implicitly considers the means to achieve a certain objective as well as the anticipated consequences of the intended action. Due to the separation of tasks and responsibilities, marketers working for a large company often cannot ethically balance means against objectives nor do they have the knowledge to assess all consequences. For example, an individual who owns an apartment and rents it out has the right to evict a tenant who does not pay the rent. However, if this tenant has some valid reason for not being able to pay the rent, such as the development of a serious medical condition, the owner may take pity on the tenant and not evict him/her. But for state and municipal statutes, this is solely the decision of the owner of the apartment. In contrast, if the apartment is owned by a large corporation, the decision and action to evict a tenant is the result of a complex process. A single person is no longer in a position to balance means against objectives according to ethical considerations. Stockholders are concerned about profit margins and rely on management to maintain acceptable levels. Management then assigns tasks to individuals within the company to ensure profits. In this case, management may assign one person to track people who pay the rent late, another to send letters to these tenants, and a third to evict those who do not respond to the letters. Even though no single person might have acted unethically, the outcome of the whole decision making process as a group could be seen as unethical. It has been said that the organizational structure of companies could lead to an intellectual and moral segregation - as high and thick as any wall - between the personal

compared to the prisoner's dilemma or the social trap (cf. the Economist 1993; Shultz 1993b). A company's decision whether to bribe or not has to be made under rules of uncertainty where the actions of competitors and customers are unknown. As long as the company expects its business partners to engage corrupt activities, it is reasonable from an economic point of view and may be even responsible from an ethical point of view to be corrupt. In this instance the universal law, the categorical imperative, does not provide applicable guidance in order to come to an ethical and responsible decision. Unconditional moral principles derived by Kant's universal laws become either elusive or inconsistent in a world where not everybody heeds these universal laws.

Discourse ethics as it has been introduced by Karl Otto Apel (1990; 1988) and Jürgen Habermas (1983; 1991) is a contemporary attempt in Europe to generate an ethical system that can be universally accepted. Similar to Kant, Apel and Habermas are opposed to the strict rationality as it has been suggested by positivistic science. Habermas (1983) criticizes the exclusion of essential areas of human life, like values and norms from the domain of knowledge, as it is imposed by the modern concept of rationality. After the teleological order of the world became questionable, the theory of positivism fostered the increasing differentiation and segregation of the sciences and of life in general (cf. Firat and Shultz 1995). Habermas offers an alternative concept of rationality in order to reintegrate these areas of life. In contrast to the positivistic paradigm which imposes empirical verifiability as the only credible criterion for knowledge, Apel (1988) states that true cognition can be achieved in a discourse between rational participants. Knowledge is formulated through a communicative agreement in an ideal speech situation. It is assumed that discourse is the incontestable forum for the generation and justification of knowledge ("*Das Apriori der Kommunikationsgemeinschaft*" Apel 1988, p.155). Apel (1988) and Habermas (1983) state that the process and the rules of such a discourse are universally valid. The knowledge formulated in the discourse has to be seen as fallible.

Dialogic Idealism

Dialogic Idealism is a contemporary approach in European business ethics that is based on Apel's and Habermas' philosophical theories (Nill 1995 and Rusche 1992). This concept combines deontological and teleological elements in order to generate norms that are universally acceptable and responsible at the same time.

The theory of the dialogic idealism suggests two

levels. At the first level the context and the rules for the process of the formation of ethical norms are provided. This level constitutes the deontological elements of the theory. At the second level, which reflects the teleological elements of the theory, concrete norms are generated under consideration of consequences (see table 1).

Table 1

DIALOGIC IDEALISM

LEVEL 1 UNIVERSALITY

*UNIVERSAL RULES OF THE IDEAL DIALOGUE

*UNIVERSAL OBJECTIVE

LEVEL 2 RESPONSIBILITY

*ASSESSMENT OF CONSEQUENCES

Level 1: Universality

It is assumed that ethical norms can be generated in an open dialogue between rational participants. Habermas (1983, p.103) states, "*Nur diejenigen Normen dürfen Geltung beanspruchen, die die Zustimmung aller Betroffenen als Teilnehmer eines praktischen Diskurses finden (oder finden könnten)*" (Only those norms can be considered as valid which can be, or could be, accepted by all participants of the discourse). The rules of the discourse, which regulate the process of generating norms, are justified by a transcendentalistic reflection on the conditions for reasoning (Apel 1990). Someone who would question these rules has already taken part in the discourse and has already at least implicitly recognized the validity of these rules. In contrast, if someone refuses to participate in the discourse, he/she cannot rationally question the rules of the discourse. Therefore, the validity of these rules cannot be denied without a performative self contradiction.

Four basic rules for the ideal dialogue, which claim universal validity, can be formulated:

1. Everybody who has a stake in the norms or actions under question has the right to participate in the discourse. Stakeholders who cannot attend should be represented in their best interest.

2. Every participant has the same rights in the discourse. All forms of coercion or force have been removed.

3. Every participant is willing to follow the better

Conclusion

The proposed theory of dialogic idealism tries to combine the old deontological idea of a universal law with a more practical and applicable instrument (the open discourse) in order to develop moral standards, which are sustainable in a cross cultural environment. A company is not in a position to discuss the consequences of every intended action with all stakeholders because this is often not economically feasible or is simply impossible. In this instance, the managers of the marketing firm could be seen as the representatives of those stakeholders, who are unable to participate in the discourse. As representatives of the stakeholders, the managers will face a trade off relationship between ethically desirable objectives and economically necessary objectives. As an employee of the owner's of the business, managers have direct responsibility to the stockholders and their interests, "which (despite the exception provided by the likes of Ben and Jerry's Ice Cream) generally will be to make as much money as possible" (Friedman 1970). As representatives of the other stakeholders, managers have direct responsibility to those stakeholders and their interests, which generally will be to act ethically and responsibly. The decisions as to which stakeholders interests should be given priority has always to be made under the consideration of ethical desirability as well as economical feasibility.

Due to the forces of globalization, it can be assumed that the differences between marketing ethics in Europe and in the U.S. will decrease over time. Broadly speaking, one might be inclined to ask for a more practical approach toward marketing ethics in Europe and a more universally acceptable approach in the U.S. In the end a theoretically sound and practical marketing ethics is needed.

Notes

1. This quote illustrates perfectly the difficulties of translating philosophical prose. The affect, the sense of "connectedness" to other, when written in German, is lost in the translation we provide here.

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This assumption is consistent with a broad definition of marketing (Bagozzi, 1974; Kotler, 1972), but many believe that this view of marketing is too broad to have any meaning (Dixon, 1984). Therefore this study distinguishes between marketing activities and the marketing discipline. Dixon (1984, p. 11) defines marketing as a subsystem of the economic system that operating in a specific social institution (the market); involving a certain type of exchange (market exchange) conducted under special circumstances (visible economic forces and free-willed transactions) with a specific measure of value. Consequently marketing, as a discipline or body of knowledge, exists only when marketing institutions and sophisticated markets exist (Bartels, 1963, p. 4; Dixon, 1984, p. 10). On the other hand the marketing activities of accumulation, sorting, allocation, and assorting, or more specifically, transportation, storage, communication, exchange, and risk taking can occur in any social context and do. In primitive societies embed marketing activities in a number of social subsystems (Polanyi, 1977, p. 51; Dixon, 1984, p. 9). As societies progress the marketing discipline develops to specialize in these activities.

It is important to note that this study does not attempt to include labor, technology, and capital in the domain of the marketing, but understand marketing's effects on those respective disciplines. Enabling marketing to be a more relevant tool for social problems (Firat, Kumcu and Karafakioglu, 1988 p. 322; Kinsey, 1982; p. 75). The following sections discuss models outlining the growth process for each factor of production and marketing's role in those processes.

The Growth Pattern Of Labor Model

Figure 1 shows the proposed growth pattern of labor. The model begins with society's needs; and nature's supplies (Alderson 1957 p. 95). The confrontation between population size and the complexity of its needs, and available resources and technology create productivity pressures. Productivity pressures determine the number and nature of productive tasks. To alleviate productivity pressures societies must get help, work harder, or work smarter. Thus productivity pressures influence population pressures (getting help), competitive pressures (working harder), and all three in turn influence the division of labor (working smarter).

As populations compete for resources, they expand geographically as well as divide labor tasks. Since different geographical areas have different resources and exogenous forces, regions specialize. Together, divisions of labor and regional specialization create the conditions for trade which also contributes to productivity pressures.

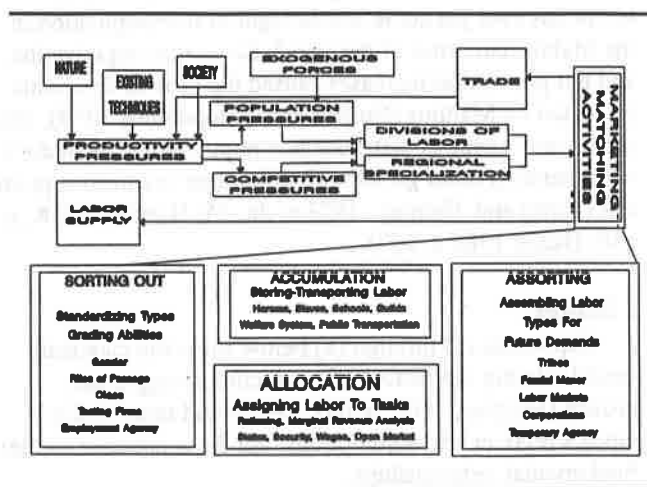
Marketing's Role

The labor supply is not isomorphic with population size. Individuals must possess the skills, motivation, and opportunities to perform society's required tasks. Qualified labor must be in sufficient numbers at the time and place needed. Even with an adequate labor supply a social system must still determine who does what, when, and where. Thus in any society, disparities occur in time, place, and form between labor demand and supply.

Correcting these disparities requires the marketing activities. Figure 1 shows examples of the various social subsystems and institutions that have perform these activities at some point in time. As stated earlier, some are more relevant for primitive societies when several social subsystems including marketing are intertwined. As societies become more complex, 'labor channel' specialists in line with traditional marketing institutions appear.

Eliminating labor market disparities first requires classifying (sorting out) individuals in terms of their skills and abilities for the required productive tasks and communicating to them production opportunities. Then a critical mass of these classifications must be assembled (assorted) and readied for expected productive tasks. The excessive transaction costs associated with assessing individuals' abilities and training them for each hiring situation, or having to delay production in order assemble qualified workers would limit.

Figure 1. Labor Growth Model



profits and consequently growth.

As productive tasks move away from residential areas or become cyclical or seasonal, labor would have to be stored and transported. Given limited time and energies, if individuals must expend excessive time and effort getting to and from work and maintaining subsistence outside of work, productivity and growth are limited. Once labor's

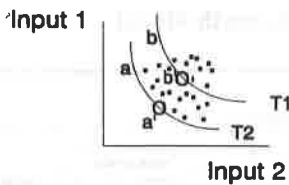
$$QOL = \eta(mv) \quad (15)$$

The Growth Pattern of Technology Model

Productive tasks combine inputs to create some output. Technology equals the knowledge of what inputs to use in what combination. The application of that knowledge to actually combine inputs equals technique. Technological and technical change occur naturally within the production process (Persson, 1988, p. 1). In Figure 2 the curves T1 and T2 represent the best technology at time periods 1 and 2 to produce one unit of output. Mapping the performance of the task over time and situations results in a cluster of points around the curves. Points vary due to random events, experimentation, or learning curve effects (Persson, 1988, p. 7). These 'dynamic change' mechanisms uncover more optimal inputs or combination of inputs. Movements along a curve (a to a' or b to b') defines technical change. Shifts in curves (b' to a') defines technological change.

The model shown in Figure 3 has the same initial relationships as the labor model. The more labor divides and regions specialize, the more homogeneous productive tasks become. The larger, more heterogeneous the population, then more repetitions for tasks by individuals with varied experiences. This increases occurrences of dynamic change mechanisms and consequently technological and technical progress.

Figure 2. Best Technology Curves



Adapted from Persson, 1988, p. 8

Marketing's Role

As with labor, society requires the marketing activities to address disparities between the time, place, and form of knowledge generation and the occurrence of productive tasks. First sorting out would need to occur. Systems would have to be employed to standardize and grade new input combinations, and insure improved technologies and techniques were preservable and transportable. Techniques and technologies applicable to several productive tasks would then need to be assembled in order to be more accessible and applicable to those seeking to solve production problems. Finally, those performing productive

tasks must be motivated to recognize and record experiences, to risk trial and error, and to exchange ideas. Those attempting to solve production problems must be motivated to seek out new techniques or technologies, and to acquire and implement them. Societies require reward systems to provide these motivations and allocate assembled knowledge to prioritized productive tasks. Figure 3 gives examples of social systems historically performing these activities within economies.

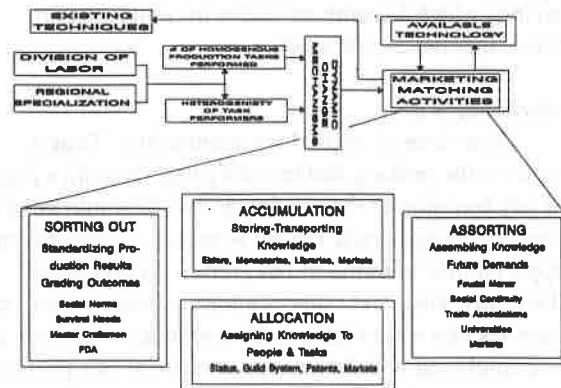
Validity

This model rests heavily on work by Persson (1988). His work is consistent other popular theories for technological development. For instance, serendipity's role in scientific advancements is widely acknowledged. Denny and Williams (1961 p. 48) state, "the cultivation of plants, like the domestication of animals, must undoubtedly had some accidental beginning in camping places of primitive man". Mason (1966 p. 87) provides a similar explanation for the mastering of fire. The incremental improvements resulting from experimentation and the learning curve effect are also evident in the history of techniques such as the assembly line, quality control, and health care practices.

Linkage

In order to link marketing to techniques in the classical

Figure 3. Technology Growth Model



model, relationships must be defined for investment specific to acquiring techniques (I in (2) becomes I_t), the availability of some technology (K), and the cost of that technology (K_c). These relationships given in equations (16)-(20).

number of investment opportunities by increasing the interactions between capital providers and those requiring capital. In addition to the costs associated with these marketing activities there are opportunities costs relative to other investments or consumption. Marketing may enhance profits, but also motivate consumption lowering the savings rate.

Conclusion

North and Thomas (1976) state, "growth will simply not occur unless the existing economic organization is efficient". Organizing an economy involves creating synergy among many complex dynamic forces (Rostow, 1960, p. 39; Myint, 1967, p. 127). Heterogeneous production demands must match heterogeneous labor supplies. Heterogeneous supplies of techniques must meet the demands of heterogeneous labor and production; and finally their demands being met by heterogeneous capital supplies.

This study shows marketing's role in efficiently organizing the dynamic forces in an economy. Equations (1)-(25) represent a system of seemingly unrelated equations (Zellner, 1962). Seemingly distinct factors of production have a common underlying variable, marketing, that impacts the effect these variables have with aggregate growth and with each other. This study has shown these relationships. Considerable work remains to define the functional form of these relationships, incorporate more realistic assumptions, and operationalize variables for empirical testing.

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dwarfs that in marketing. This is not to say that production facilities and practices do not need substantial investment and change, but in comparison, the whole marketing channel structure must have prior and massive attention and investment.

Method of Channel Mapping

Channel mapping has come to mean the investigation of structure, functions, and performance of distribution channels along with of many marketing variables. The objective is to map the relationships and processes which define the channel system, to provide diagnostic evaluation of its performance for weaknesses and opportunities for improvement, and to define strategies for rationalization with the cost-benefit analysis of alternatives for achieving its promise.

Channels of distribution are systems of institutions linked by reason of law, custom, advantage, force, respect, obligation, economics, and political expediency. They may be enduring over time or may rapidly change in part or in whole. They heavily influence the economic efficiency of a society, the matching of needs and wants with production, and the delivery of productive output. They can accelerate the quality of life over time, or they can frustrate it. They remain the least studied and measured element of the economic process of value creation in the Western world, in the developing world, and especially in the post-communist world.

In terms of development policy, what are the elements of channel study? As noted earlier, the process of channel mapping was pioneered by Charles Slater and his colleagues, refined by Dahringer (1983), and adapted to a rapid reconnaissance guide (Holtzman 1986). Nason (1993) summarizes the following elements in the mapping process for each channel: (1) the information needed for physically mapping a channel; (2) the critical determinants of the organizational behavior of channel members, present and potential; and (3) the environmental determinants, that is, the context of the channel. The remainder of this paper illustrates the exploratory use of channel mapping analysis.

Analysis of Food Channels in Central Europe

Exploratory channel mapping has been conducted from 1991 to the present in Poland, the Czech Republic, and Hungary. This research was aided by faculty from the Warsaw School of Economics, Warsaw University, the Czech Management Center, the Prague School of Economics, the University of Horticulture and Food

Industry in Budapest, and the Budapest University of Economic Sciences. The work has relied on experts, interviews with channel participants, and observation of channel behaviors and institutions. The focus is on retailers and wholesalers of food goods both in urban centers and in more rural towns. Interviews have been held with 10 local experts, 18 retailers, and 3 wholesalers. More than 50 retailers have been visited to track price and operating characteristics. In particular, the channel for edible oils was reviewed in the Czech Republic. Consumers and producers have not been included in this stage of the research.

From the preliminary work, a picture of the channels for food has emerged which leads to striking implications. What follows is a summary of some of the issues and variables uncovered in this exploratory channel mapping. No attempt is made to be comprehensive, as the purpose is to illustrate the importance of channel analysis and its usefulness to the development process. In providing this summary, modern and traditional institutions will be viewed separately. Next, the competitive dynamics will be highlighted, including some of the behavioral and belief structures of participants. This will be put in the context of external environmental constraints and barriers. Finally, conclusions will be drawn as to changes needed to rationalize the channels, particularly in the traditional channel.

The Emerging Modern Distribution Sector

In Warsaw, Prague, and Budapest there has been rapid emergence of supermarkets. These retail forms, unknown to the society five years ago, are quickly gaining market share and prominence in the largest cities. As yet they account for a small percentage of food expenditures, but the eventual outcome is clear. Different formats are being tried, but most accentuate the unique qualities of low price and wide selection. Some, such as Rekord in Budapest, use in-aisle bulk storage and discount prices to lure customers. Rekord has 6,400 square meters and carries 18,000 stock keeping units. It uses heavy advertising, via billboards and television, as well as specials and free transportation. Most of the supermarkets incorporate concept of high volume and low margin and most have coordinated their channel of distribution to use buying volume to extract price and direct service from manufacturers and importers.

Traditional Retail Outlets

Former state-owned stores, small neighborhood shops, and street vendors/booths survive on locational advantage

goods, creation assortments, and storage. These are the very aspects of the system which are not well supported by the existing infrastructure. Telephone service is improving daily but has a long way to go. Road, rail, and air transportation are likewise inadequate for the development task. As has been mentioned, warehouses are almost nonexistent. Wholesalers use vacant industrial space, which is abundant but was not built with warehousing in mind. For example, the edible oil wholesaler in Prague mentioned earlier uses the second story of a factory; margarine has to be moved on pallets down an old elevator and then along a crooked path to the loading dock.

Conclusions

This preliminary investigation on food marketing channels highlights several important conclusions.

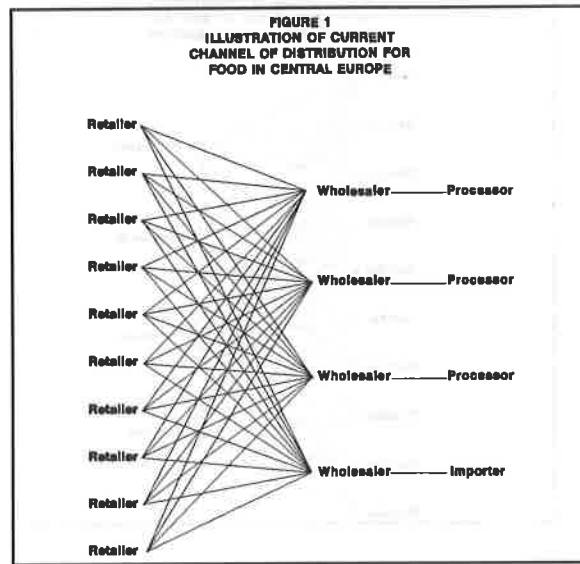
Supermarkets are on the march in urban areas and will increase market share through the use of vertical integration and coordination, which gives them tremendous assortment and price advantages. They will continue to rationalize the channels of distribution by forcing direct volume purchases and by forcing manufacturers to comply to their needs as key accounts.

But supermarkets will be limited to fairly densely populated areas where the transportation problems of customers can be solved. The rest of the countryside will remain reliant on the traditional retailers and their supply chain. It is here that the paradoxes of small transaction size, high transaction costs, lack of assortment, and locational advantage need to be addressed. Participants look at the channel from their own vantage point and miss the potential of the system as a whole. Only channel mapping brings out the obvious benefits of a wholesale structure that incorporates institutions which can provide wide assortment, warehousing, cross-docking, and efficient transportation of mixed loads. The promise here is to reduce greatly the number of transactions and concomitantly lower transaction costs leading to better service and fewer stockouts. In other words, wholesale systems that can handle a full assortment, allow ordering across the assortment, and deliver the ordered assortment in one mixed load would vastly decrease cost in the traditional system. This is because communication and transaction costs as well as transportation trips would be vastly reduced.

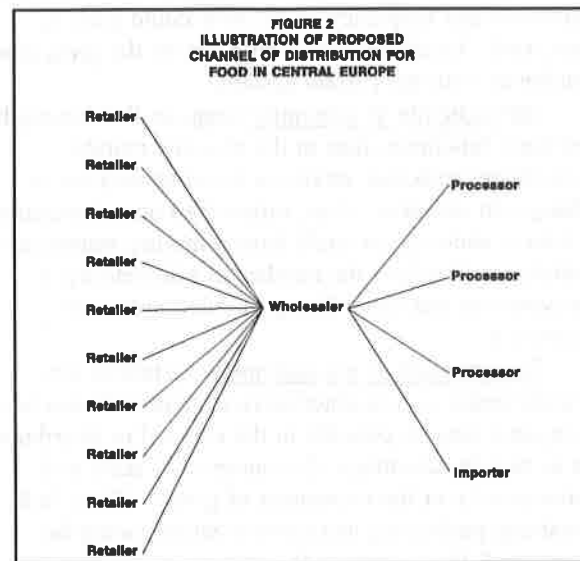
Staudt, Taylor, and Bowersox (1976) developed four principles which justify the kind of intermediary suggested here.

The principle of minimum total transactions suggests that the process of sorting can be vastly reduced by the use of wholesalers, particularly the mixing warehouse

system proposed here. In the case of Central Europe, the current configuration of single-line wholesalers result in a transaction/communications network such as that shown in Figure



In this illustration of ten food stores and four single-line wholesalers and processors, 44 transaction/communications linkages would be required to make the system work. If one mixing warehouse wholesale operation were to replace the four single-line wholesalers, then only 14 linkages would be necessary (see Figure 2).



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Less successful policies, e.g., perestroika, antagonized too many groups simultaneously, and, accordingly, incited opposition, which ultimately stymied necessary reforms (Goldman 1991). Thus, rapid and poorly coordinated reform has generally failed. In Eastern Europe, political reform outpaced economic reform, and proceeded too rapidly for the fledgling free market to catch up. Reform policies were implemented, without economic development policies. Many observers believe that "an effective transition to the market system can be possible only in the context of economic development... on the creation of new capacities and not only -- or primarily -- on the dismantling of the old capacities" (United Nations 1992, p. 3).

Excessively rapid transition unfavorably affects enterprise management. Capital flight starves businesses of resources. Restructurings, focused on reducing staff and cutting inflation, also reduce demand, making the "gray area" activities that exist outside state control difficult to harness, tax or measure. It is difficult to run any business under such uncertain macroeconomic conditions.

Conversely, Southeast Asia has experienced steady development and political leaders within the region have generally supported economic reforms. Successful reform implicitly requires effective leadership and a clear plan of action. A transforming economy must have political leaders who champion the cause of privatization and strategic management for the enterprises that remain state-controlled. As part of the transformation, efforts to create a social safety net for displaced workers is required. However, this social safety net need not be supplied by the state. SMEs can also fulfill this role. Therefore, SMEs must simultaneously be encouraged, both to absorb displaced state workers and to provide dynamic and sustainable growth.

Regardless of the strength of entrepreneurial tendencies among small businesspersons one cannot expect a great transformation, national in scope, without political and economic linkages among the powerful and influential nations that tend to nest vast reserves of capital and expertise. Economic success stories throughout East and Southeast Asia support this argument. By accessing these reserves former LDCs expedited the removal of many of the disabling conditions that nationalism and bureaucracy imposed on business growth; they created an ideological and economic environment that facilitated agendas among the power elite. The industrial development that has spurred Southeast Asia's recent growth probably would not have occurred without arrangements negotiated at the highest level between entrepreneurs, bureaucratic chiefs, and foreign sources of aid, investment and markets (McVey 1992, p. 9). This

lesson has not been lost on the leaders of the region's transitional economies.

Although the appropriate rate and method of reform implementation continues to be debated, their necessity to the symbiotic relationship between reform and SMEs is clear: without at least modest reforms that encourage a private sector, SMEs have no chance to flourish in any transitional economy; without SMEs reforms are not likely to produce desired outcomes and, consequently, will fail.

The Evolving Roles of Enterprise Management and Entrepreneurship in Reform

Transforming economies in Southeast Asia, among the world's least developed, have taken significant steps forward by avoiding many of the mistakes made by the transitional economies in Eastern Europe. Many of these economies have reformed from within, and governing Communist parties have maintained control by striving to create a systemic "market socialism." Ultimately, their legitimacy depends on economic growth and enhancement of life quality. Political pluralism has been slow in coming, but -- on the whole -- these least developed transforming economies have grown wealthier, however modestly, and in contrast to the political, monetary, fiscal and legal uncertainty in the former USSR and many neighboring republics, in much of Southeast Asia privatization trends and the subsequent emergence of SMEs are fueling high growth rates.

Basic socioeconomic forces contribute to this development. Firstly, population forces in Southeast Asian urban areas supersede public sector capacity. Relatedly, policy makers assume an array of goods and services can be delivered more effectively and efficiently by private enterprises. Southeast Asian communists have realized that a key to successful economic growth is harnessing entrepreneurship. Leaders have permitted SMEs to grow at the same time macroeconomic reforms are enacted.

This shift away from orthodox Marxist-Leninism was not the result of a large scale conversion to capitalism. Instead a combination of economic and sociopolitical forces had rendered Southeast Asia a region of disparate economic winners and losers in recent decades. Until very recently, the losers have been the Indochina states of Vietnam, Cambodia and Laos, plus Myanmar, all cases in which the ruling authorities have been committed to the doctrines of economic management by command. These countries have become among the poorest in the world: prices became so artificial that they lost all meaning. Or to paraphrase the region's economic

businesses, and to mobilize investment. These problems include potential shortages of foreign exchange as liberalization promotes imports and capital movement, inflation as prices (especially agricultural products and food) are freed, budget deficits, and surplus labor as efficient farming in Southeast Asia displaces workers. There is no easy formula to solve these problems, but in the case of China, gradual reform plus promotion of small private farmers and SMEs permitted wealth to be created and protected. That is legal and financial infrastructures were created to expedite and to maintain the reform process. Also in China, most peasants save by building elaborate houses for their families since the home is the one legally protected form of property. Moreover, families may "nest" capital and in essence become mini-banks from which contiguous families may borrow. Vietnamese follow a similar practice by creating Hui, informal savings and loan arrangements among families and friends (Le Ngoc Hung and Rondinelli 1993). The Deng-inspired policies that created such practices permitted the small farmer or entrepreneur to achieve modest wealth while contributing to national welfare, and these same policies enabled government to get into the business of business.

The outcomes in China were observed by Vietnamese leaders, and similar reforms were implemented. Initial Vietnamese efforts were supported by the countless small farmers, then small scale entrepreneurs. In less than a decade SMEs and equitized SOEs (state-owned enterprises) have become a dynamic economic foundation for the nation.

Laos and Cambodia have subsequently enacted many of the macroeconomic reforms implemented in China and Vietnam, including the acceptance of private sector activity, the reversal of agricultural collectivization, a shift from central planning to a market economy, the removal of price controls and subsidies, and a drive to improve the countries' dismal economic performances. The government of Laos has repeatedly stressed its commitment to economic reforms (Alounkeo Kittikhoun 1994); within Cambodia, the government is continuing to affect policy changes that nurture economic reforms and foreign investment (Tan Savuth 1994). Similar to China and Vietnam, price reforms were an integral part of bringing market forces to bear on these economies.

Vietnam, and eventually Cambodia and Laos, hope to follow China to the next step, which is to stimulate small scale entrepreneurs and in turn stimulate the advent of light and medium industry. Indeed, Vietnam has made remarkable progress in this area within the last two years. This step will not only add economic value, but will provide job opportunities for tens of

millions of workers and managers. A secure base of private enterprise, consisting of growing SMEs reinvesting their profits within these transforming economies, is the Chinese road Vietnam, Cambodia and Laos hope to follow. Entrepreneurship has been and will continue to be critical to the transformation of Southeast Asia.

Some Western policy makers believe this evolutionary process is ultimately destined to fail, or at least be retarded and thus create non competitive enterprises, because they view communist states as inevitably totalitarian in nature and therefore a deterrent to entrepreneurship. Proponents of communism tend to see this economic model more broadly; that is, as a consolidation of power by a single party that tries to mobilize and change society through enforced adherence to impersonal ideological standards of behavior. Such a narrow view has traditionally ignored the underlying conceptions of motivation theory, including individual incentives to profit from one's commercial endeavors. In actuality, successful citizens in centrally planned economies have frequently had the same motivations and needs to get ahead as capitalists, they simply lived in an environment of scarcity with incentive structures designed to enhance the collective welfare and thus channel their efforts that resulted in rewards administered by the state or black markets. Successful entrepreneurs, whether residing in planned, market socialist, or laissez faire economies, have characteristics that make them work to improve their lot.

The commercial and political environments in which the entrepreneur finds him/herself are not the only predictors of SME start-ups. Other factors affect entrepreneurs. Among them are certain values, knowledge, attitudes and abilities that affect their orientation on any particular career path. Personal factors affect behavior in various circumstances and situations. Thus a unique outlook and approach toward business may cause the entrepreneur to see the business environment differently from others. Indeed, where others see only problems and obstacles, entrepreneurs see opportunities (cf. Stevenson, Roberts and Grousbeck 1989).

Although it is possible to be entrepreneurial even in a centrally planned economy, more laissez faire systems clearly are conducive to successful entrepreneurship. Such systems create an environment of legitimacy because sociopolitical legitimacy exists when powerful social actors or institutions support the form's existence. When entrepreneurship is institutionally legitimized, a fertile environment emerges in which successful new firms draw upon personal networks of entrepreneurs, behaviors of entrepreneurs, the motivation of

can be internationally competitive, assisting those industries in the short term, and monitoring performance.

Will These Reforms Play in Indochina?

The long-term acceptance and success of these reforms in Indochina are conditional. After two decades, Cambodia has embarked on a period of renewed stability. Before the tragic events of the 1970s Cambodia was a net exporter of rice, and a productive supplier of rubber and other commodities. More recently, GDP growth in 1991 and 1992 exceeded 8%, with vital growth in the construction industry. Reforms have permitted small firms to benefit from growth. For example, prominent additions to the private sector include soft drinks and a brewery, while on a smaller scale building materials companies such as brick-making and ceramic units have emerged in response to demand from the rapidly expanding construction sector. The large number of motorcycles and second hand cars imported in recent years has created a demand for garages and repair shops. Rice milling and herbal wine units have also proliferated. Hotel catering and other tourist-targeted services have shown robust growth. Phnom Penh and other tourist areas such as Angkor Wat have evidenced particularly robust SME activity (Asian Development Bank 1994, p. 11). The service sector now generally accounts for about one third of GDP (International Monetary Fund 1994). Privatization is proceeding slowly, and private savings have gradually grown. Resumption of foreign aid and an IMF monitoring program of public finance has had favorable effects, virtually eliminating inflation. Tax and tariff regulations were rationalized. There is confidence in the private sector. Farmers and entrepreneurs have taken advantage of reforms to increase their incomes. It would seem that only domestic political instability and the growing concerns about corruption stand in the way of double-digit growth.

Laos, while lagging behind Vietnam and in some ways, Cambodia, is beginning to see results from its own economic reforms, which began with the NEM in 1986. The NEM was a radical shift in economic policy by the ruling communist Lao People's Revolutionary Party, "one of the most Leninist parties in the world" (Economist Intelligence Unit 1994, p. 69), and resulted in the acceptance of private sector economic activity, reversal of agricultural collectivization, shift from central planning towards a market economy, the removal of price controls and subsidies, and a drive to improve the country's dismal economic performance. Initial basic reforms were followed by a modern foreign investment code in 1988, banking reform in 1989 and during the current 5 year

plan (which expires in 1995) a drive to promote export growth, privatize state industries, attract foreign investment, and build import-substituting industries (Economist Intelligence Unit 1994).

Economic growth, over 6% annually since the NEM was introduced, is "mainly due to continued increase in the industrial sector, followed by the service sector" (Lao People's Democratic Republic 1994). This growth has gradually changed the orientation of the economy away from agriculture. Private sector growth is growing steadily and the government is actively promoting SME growth, especially in the agro-forest industry. Furthermore, the government is limiting state involvement to power generation, whereby it can earn the country significant foreign exchange by exporting electricity. A primary development objective is to define clearly the government's role in macro economic management in order to eliminate the remainder of the command economy and to promote private enterprise (Lao People's Democratic Republic 1994).

Irrespective of this progress under-development is the biggest challenge to Laos, but the government can remedy the situation by deeper commitment to reforms. Even today "despite the degree of macroeconomic stability, an estimated majority of private Lao savings is still deposited in Thailand, along the border area" (Lao People's Democratic Republic 1994, p. 16). and the much publicized "friendship" bridge between Laos and Thailand is less than a resounding success. Laos state-owned trading companies, by law, control all trade across this bridge with the following effects. This outcome has had a chilling effect on trade: Thai trucks are allowed to cross the bridge, but they must unload their goods into Lao trucks and other less efficient vehicles, these vehicles then transport the goods to warehouses. Tourists are miffed because they have to leave their plush coaches at the border, and ride creaky Lao buses into Vientiane (Economist 1994a).

As Laos is landlocked, it has numerous and growing economic ties with Thailand. The government also continues to maintain close relations with Vietnam, in an attempt to keep its external political and economic relations in balance. Thus, Laos is frequently viewed as not only a resource rich nation moving toward a market economy, but an integral link to regional commerce. Laos will continue to develop, but slowly, without a private sector that reaches the magnitude of dynamism one might typically find in her neighbors (Ardrey 1995).

Vietnam's government restructured the political and economic foundation of the country in 1986 when the Seventh Party Congress implemented doi moi. Policy changes included market prices and free enterprise. Results were striking and immediate as Vietnam suddenly

Southeast Asian economies generally see value in SMEs -- both to absorb displaced state and agricultural workers and to revive their economies -- and see market socialism as a policy that benefits the greatest number of people over the longest period of time.

The model of political pluralism and economic reforms has been rejected by the Southeast Asians, or at least Southeast Asian governments.⁶ The communist parties, promoting what might be called "softened authoritarianism" (Ljungren 1992), rather than political repression, remain in control. Moreover, authoritarian governments have been able to maintain inflation at tolerable levels in China, Vietnam, Laos and Cambodia, while at the same time have improved life quality for many of their citizens. In countries where GDP per capita hovers around \$200 to \$400, and the slightest improvements become apparent, it would seem that the majority of citizens believe political pluralism can wait. Having rejected the Eastern European model of shock therapy, Southeast Asian communists look to China as a model for successful and gradual transformation. China has permitted small and medium sized industries to grow as state industries shrink. Provincial and local governments, and even military units, have been encouraged to go into business to reduce the drain on central government revenues. China's economic performance has been impressive since 1979; indicators of other transitional economies also show promise, but macroeconomic reforms alone do not create a dynamic and prosperous economy.

Entrepreneurship is also critical. Entrepreneurs are innovators who introduce new technologies and "can do" management practices and thus are instrumental to economic adaptation. Secondly, they create SMEs that absorb state workers and agricultural workers who converge on urban areas. Nevertheless they cannot flourish unless they are afforded an environment in which to succeed and in transforming economies, entrepreneurs may often require active support, as well (United Nations 1993).

Finally, it is vital for transforming economies to maintain a stable economic environment: low inflation, acceptable tax and legal codes, privatization schemes, foreign investment laws, and infrastructure development.

Notes

1. The authors thank the United Nations and the Arizona State University FGIA program for their support. This manuscript was shortened substantially for the Proceedings. Interested readers may contact the first author for copies of the unabridged manuscript.

2. Throughout the text we shall discuss and reference China, an influential player in regional policy making. The categorization of China as part of Southeast Asia may puzzle some cartographers, but our decision to discuss China within the context of Southeast Asia is consistent with most of the literature and enables us to eliminate throughout the text the cumbersome description, "East and Southeast Asia". When we do specifically mention East and Southeast Asia our intent is to include South Korea, Japan and Taiwan, traditionally single-party capitalistic states whose governments have significantly directed their respective economies.

3. This number is the one most frequently mentioned to us by Vietnamese policy makers. It is sometimes mentioned in casual conversation as the 2025 plan: that is, to catch up to the rest of Southeast Asia by the year 2025.

4. \$200-\$400 is the range most frequently cited by the UN, World Bank and IMF, but unrecorded pockets of wealth in the forms of emerging middle and even upper classes are clearly evident in these countries so these statistics can often be misleading (cf. Shultz 1994).

5. SLORC continues its assault on rebel Karen forces, and leading dissident and Nobel Peace laureate Aung San Suu Kyi remains under house arrest, but reform policies and a lucrative smuggling trade with Thailand and China's Yunnan Province are enabling many Burmese to become guardedly optimistic that their condition will improve. Although Myanmar's reformation currently lags behind even Vietnam, some analysts see Myanmar as a more appealing long-run investment opportunity.

6. This assertion arguably holds for all Southeast Asian countries, whether administered by communist or other political parties.

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regarded as the activities that pump, store, and monitor the status of key marketing flows (e.g., information, product, and title). That is, the performance of an individual function is to meet the functional purpose of specific flows. Consequently, a functional purpose of a flow is to fulfill the purpose of the marketing system.

Flow separation and Functional Spin-off

The logic of flow separation is based on the notion that the most efficient and effective organization of a flow to achieve the best result may not be the most effective and efficient arrangement for another (Bowersox 1965; Bowersox and Morash 1989). Therefore, in order to achieve the most efficient and effective channel system, a firm should separate certain flows to achieve specialization in the channel system. For example, if a firm has several product lines, it may create a general transportation department to transport all products. The resulting of flow separation can create not only economies of scale and learning curve benefits, but also economies of scope (e.g., a truck load can carry more than one product type). Different types of products can share the joint assets (trucks) until complete congestion of the assets occurs.

The concept of function spin-off (Mallen 1973) further asserts that the economic benefit of flow separation should not be limited to a firm's boundary. There is an economical benefit to spin off a function or a flow to marketing specialists who can enjoy decreasing unit cost. That is, a specialist can combine the volumes of a number of producers and thus enjoy the economic advantage that a single firm cannot reach (Mallen 1973; Stigler 1951).

Advantages

Although these two concepts are dated in the marketing literature, they possess several important features that newly developed channel theories lack. First, both concepts have strategic content. A firm can define and adjust its organization of flows and functions according to its strategic needs. The functions and flows of a firm are not preset. This strategic content is a major limitation of channel theories that apply the market failure perspective (Day and Klein 1987). As Day and Klein (1987) claimed, "In market failure perspective.... The characteristics of transactions are taken as given and strategic behavior is largely ignored" (p.61).

Second, both the environment and the strategic requirement of flows and functions differ from one other. The unit of study for a channel system should go down to the flow and functional level instead of the institutional level. For example, a high tech company, like IBM, may

spin off its distribution function, while maintaining its sales and service function. Different flows or functions have different cost structures and governance costs. A firm can adjust its organization of flows and functions according to the specific environmental and strategic factors.

Third, these concepts are also dynamic in essence. Because of changes in strategic or environmental factors, the cost structure of flows and functions will be affected (Mallen 1973). A firm needs to be flexible in adjusting its organization of flows and functions as the environmental and strategic factors change.

Limitations

There are, however, two major limitations of the functional spin-off concept and the flow separation concept. First, neither of the two concepts considers the possible cost a firm may accrue when the separation and functional spin-off go beyond the boundary of a firm. When outside agents are considered, the firm has to evaluate different governance costs (often hidden) of the different organizational forms. Second, when some flows or functions are spun off to outside agents, the interrelationships between spun-off and retained ones need to be managed. Sometimes, these coordination costs are much higher than the benefit of the spin-off. This is similar to the concept of linkage among value chains proposed by Porter (1985).

Any modification in one flow or function may affect other flows and functions, and these interrelationships create additional costs. It is proposed below that TCA can solve the problem of analyzing these costs.

Transaction Cost Analysis

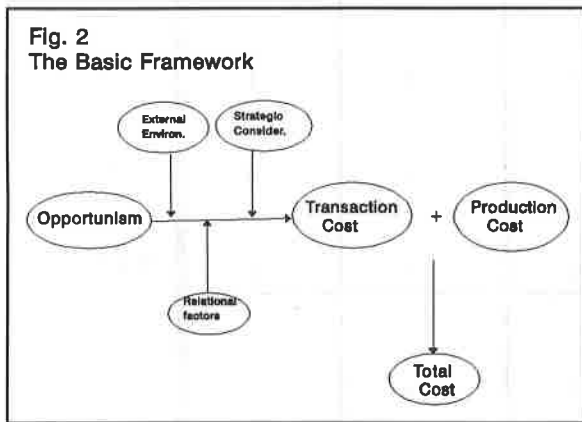
Transaction cost is "the economic equivalent of friction in physical system" (Williamson 1985, p.19). TCA does not assume full information about a transaction. There is cost regarding the discovery of relevant market prices and a cost concerning the negotiation and bargaining of transactions. Different contractual relationships between suppliers and buyers have different transaction costs.

The following examples can explain exactly how transaction cost analysis affects the decisions of function spin-off or flow separation. If there is no transaction cost issue, the decisions of flow separation or function spin-off can be reached by comparing the cost structures of the spun-off and the unspun-off flows or functions. A company can calculate the cost functions for different combinations of flows and functions. The major factors that can influence the position and shape of the cost curve are economies of scale, economies of scope, and learning

below.

The Proposed Model

Figure 2 presents the main model, while Table 1 summarizes how relational factors, external environments, and strategic considerations affect the strength of the three opportunism. As can be seen in Figure 2, the transaction cost is determined by the strength of the opportunism. While the strength of the opportunism is moderated by relational factors, external environments, and strategic considerations. The decisions of function or flow spin-off are based on the total cost analysis. A more detailed description of the model is as follows.



Relational factors

The first variable in this group which can be used to influence the three types of opportunism is the relationship between the focal firm and outside agents. If a firm has a very close relationship with an outside agent (i.e., keiretsus in Japan or domesticated market (Arndt 1979)), the three types of opportunism will be abated. This is what Ouchi (1980) called "clan organization." If a firm can establish a trustful relationship with the channel member, the transaction cost can be significantly reduced. John (1984) also argues that the web of norms, values, and beliefs can reduce incentives for opportunism. This is one of the reasons why relational marketing is becoming more and more important. Because of rapid environmental change, a firm cannot integrate every function or flow. If it can reduce the opportunism of the channel members through building trust, norms, and values, transaction cost will be significantly reduced.

The second factor is reputation effect (Klein, Crawford, and Alchian 1978; Williamson 1991a). A firm can try to promote the reputation effect in its industry to reduce the three opportunism. Whenever a firm knows that it is being opportunistically exploited by its exchange

partner, future business with the exchange partner can be withdrawn. This causes the exchange partner to run the risk of hurting financial viability in the long term. If every member in the channel system is careful about its reputation because of the long term considerations, the three types of opportunism will be significantly reduced. More specifically, the reputation effect can not only be a signal for outsiders to reduce significantly adverse selection opportunism, but can also induce the firm to report correct information and reduce its intention to take advantage of holdup opportunism.

External Environments

The first variable is the external uncertainty/complexity of a flow or a function (Williamson 1975; Anderson and Gatignon 1986). If the function or flow is very complicated and is modified frequently, (1) it will increase adverse selection opportunism since a firm cannot easily know whether an outside agent can perform that function or flow adequately, (2) it will increase moral hazard opportunism since the firm will have difficulty in monitoring the outside agent's behaviors, and (3) it may also increase the holdup opportunism when some flows or functions need to be discarded or switched because of the uncertainty. The re-deployment may render the specialized asset useless.

The second variable is the competitive condition in the supplier's industrial environment. This is the "small number" issue in Williamson's (1975) terms. If the supplier's industrial environment is very competitive, the focal firm can easily discern the cost structure of the supplier by comparing it to other competitors. The focal firm can also benchmark the outcome of its supplier with the supplier's competitors to see if the supplier has any moral hazard opportunism. Therefore, this factor can reduce adverse selection and moral hazard opportunism. The competitive environment does not guarantee that the transaction won't have hold up opportunism. If there is an asset specialty involved in the relationship, the small number problem will still occur (Williamson 1975).

The third variable is property right. If an investment in knowledge cannot be adequately protected by law, a firm will hesitate to disclose technology information to other partners (Teece 1986; Williamson 1991a). An adverse environment for property rights can induce the chance of property right expropriation by the partner, and thus increase the strength of the moral hazard opportunism. Finally, it is not hypothesized that the condition of property right will affect the strength of adverse selection and holdup opportunism. Property right mostly protects the right after there is an exchange relationship between partners and holdup opportunism is a

(Anderson and Gatignon 1986). If the knowledge of the core competence cannot be codified, the outside agent may need to learn gradually through interaction. The interaction process gradually builds up hold up opportunism.

Finally, since the core competence of a firm is normally kept secret, it may help the focal firm gain some informational advantage. An outsider has hard time in knowing the whole picture of the contract involving the core competence of the focal firm. Therefore, the focal firm will have some advantage on the adverse selection opportunism.

Discussion

One of the major limitations of functional school is that no consensus exists on the classification of functions (Sheth et al. 1988). This drawback is also the limitation to the proposed framework. Before we can apply the concepts of functional spin-off and flow separation, we need to classify systematically the required flows and functions of a marketing institute. When the discipline of marketing thought focuses more and more on theory building, the classification task becomes less and less appealing to a marketing scholar. Needless to say, each kind of classification has its own limitation. However, a general classification may have the potential in strengthening the image of marketing among practitioner. For example, one can easily criticize the classification schema of the value chain concept (Porter 1985). Nevertheless, the classification does make a significant impact on the practitioner's field. Therefore, it is suggested that marketing scholars still need to propose a synthesized classification of flows and functions. The rich framework of flows and functions proposed by early scholars (e.g., McGarry 1950; McInnes 1964; Vaile et al. 1952, etc.) can be the base.

Second, if one can reduce the opportunism of the exchange partner, the transaction cost issue will be less of a problem. As discussed in this article, there are many methods one can use to reduce or abase the three types of opportunism. A firm can influence the external environment, change strategic configurations, or conduct relational marketing to reduce the three types of human opportunism. In fact, these three aspects are emphasized in different periods of time. Porter's (1980) competitive strategy stressed that a firm can choose or affect the competitive environment of an industry to gain profits. This advocacy focused solely on the first aspect. Porter's (1985) value chain analysis reflected the second aspect: that is, a firm's strategic configuration can affect its competitive advantage. The importance of relational marketing is beginning to gain some serious investigations

in recent years. The framework of this article actually combines these three important aspects and emphasizes that one needs to consider these complementary vehicles simultaneously.

Third, the strength and presence of relational variables may be different in different cultural systems. Under some cultures, the relationship and reputation effect are highly respected in almost every industry. Every firm considers this as the basic for doing business in the cultural system. For example, the relationship and reputation effect may be easier to be build in Japan than in the United States because the basic norm has already existed. The long term perspective and group orientation (Hall 1976) make firms in the Japanese culture have less intention to be opportunistic. On the other hand, firms in the United States may need to create industrial norm by themselves. The credit system in the financial industry can be a very typical example. Every one can easily assess other's credit history to make exchange decisions. Because of the power of the credit system (i.e., the reputation effect), firms or individuals will be less opportunistic on their credits.

Finally, it is still no much studies regarding volume sensitivities of transaction costs. This framework does not propose that there is any directional relationship between volume and transaction costs. Volume may affect the relational variables, external environment, and strategic considerations in any direction, therefore the transaction cost may go up or down depending on each specific situation.

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A basic assumption of this paper is that many, indeed most, product-markets are orderly in this sense, most of the time. Some generic exceptions are noted below, but typical consumer markets in developed countries, from soft drinks to autos, are mainly orderly. Two particular contentions of this paper are that orderliness is: 1) a general property of marketing systems, and 2) an outcome of reciprocal influence between marketers and consumers, in which consumers may be equated with society. That is, the multifaceted role of market mediated consumption in developed economies is sufficiently merged with day-to-day life that the aggregate influence of marketers on consumers is a genuinely social effect.

Evidence of Orderliness

Evidence of structural stability in markets is widespread and has been extensively measured in two areas. First is the evidence generated by scholars engaged in modeling market shares. Market share models attempt to estimate the relationship between a firm's market share and its marketing effort, as indicated by such variables as relative price, advertising or quality. A common analytical strategy involves modeling current shares as a function of prior activities. Some model formulations use lagged advertising expenditures as the prior activity which others use lagged market share as the prior activity with which to model current shares. In models of this type, R^2 values commonly reach values of .90 or more and lagged share has a very strong association with current share (Brodie and deKluyver 1984).

The second area in which evidence of market stability has been gathered is industrial organization and oligopoly theory. This evidence pertains to stability of overall market structures, rather than shares of individual firms, but the two levels of analysis are clearly not unconnected. For an example of industrial organization research, Gort (1963) finds that market shares of leading firms have an intertemporal correlation of over 80% in three-quarters of more than 200 industries examined. Persistence of stable market share outcomes may be the result of economies of scale or of differentiation activities, among other factors (Scherer and Ross 1990).

Of interest in both market share models and industrial organization research is not only the statistical evidence but also the researchers' interpretations. Market share modelers regard the influence of prior activities as "goodwill," whether the prior activity was lagged market share (Lambin 1970) or lagged advertising (Horsky 1977). That is, the meaning given to stability is, at least partly, customer recognition, familiarity, or appreciation. However, the interpretation of lagged variables is not a straight-forward business (Jacobsen and Aaker 1985). It may be better simply to conclude that previous market transactions are more likely than not to be repeated in the future.

On the other hand, stability of highly concentrated markets is interpreted in a negative light by oligopoly theory. Structural stability in these cases is attributed to the strategic actions of incumbent firms, whose behaviors are thought to be designed to preserve excessive prices and profits by lessening competition. Tacit collusion, market coordination and barriers to entry are seen as the underlying causes of stability.

Orderliness is seen by market share modelers as indicative of consumer satisfaction, while the same phenomenon is seen by oligopoly theorists as threatening to consumer welfare. Note also that the marketing viewpoint accords a significant and participative role to the consumer, while oligopoly theorists position consumers as passive and manipulated parties. The contrasting viewpoints regarding causes and consequences of stability reflect a dichotomy of interpretation which is also apparent in certain of the sociological theories discussed in the following section.

Exceptions to Orderliness

There are a number of exceptions to orderliness in markets. The first type is failure to establish and maintain an orderly supply of goods and services. This may result from failure to produce goods in adequate quantities or suitable variety or, perhaps more commonly, from failure to distribute the goods in a proper and timely fashion. State central planning mechanisms have been cited as the problem in many such failures.

A second type of exception to orderliness in markets is asymmetry of order. That is, instances in which strategic efforts to attain higher level of order on the supply side lead to shortages, artificially high prices or constricted variety on the demand side. Various forms of cartels, sanctioned monopolies, marketing boards and marketing agreements are among the many varieties of asymmetrical order in markets. Third, another type of asymmetric market disorder is orderliness on the demand side but instability in the supply side. This reflects the ordinary play of strategic competition and involves structural changes in competitive rankings as, for instance, a smaller firm overtakes a former leader. Or, it may also involve vertical instability, reflecting a changing power structure between manufacturers and intermediaries.

Lastly, new product innovations generate disorderly market conditions which may persist for several years before stability is attained. Breakthrough products create new markets and can bring about a chaotic situation in which suppliers appear and disappear, distribution arrangements are tried and dropped, and customer demands change frequently with increasing product knowledge and experience. In other words, the early years of a product life cycle are a highly dynamic period in which extreme structural change, unpredictability and evolution is typical (Redmond 1989).

In sum, exceptions to the general rule of orderliness are not uncommon and proceed from a variety of causes. Clearly, exceptions of the first type may persist for a considerable

appropriate behaviors and repressing inappropriate behaviors is a hallmark of integrative norms (Parsons 1949a).

Constriction

Other approaches to explaining the maintenance of social order focus not on norms but on various forms of constriction or restriction. These mechanisms are thought to operate so as to limit individual actions, and to do so in externally imposed ways. Clearly laws have such an effect, however social theorists tend to view this issue in a considerably broader context. Durkheim for example saw "social facts" as coercive elements (Alexander and Giesen 1987). Social facts consist of beliefs, practices, customs, and so forth, which are well established in society. The constraining effects of social facts are frequently not felt by individuals on account of the pervasive or habitual nature of the social facts. Hence, choice of things like clothing styles or house design are in reality more obligatory than free. "But when constraint is merely indirect, as with that executed by an economic organization, it is not always so closely discernable." (Durkheim 1982/1895). Coercion, in other words, is a way of integrating otherwise divergent interests into the orderly operation of the system (Dixon 1984).

Blau (1987) views constraints as an imposition of social structures. That is, individual alternatives are limited by structures, not by norms or shared values or individual preferences. Macrosocial elements such as institutions and differentiation thus provide external limitations on individuals. Note that neither Durkheim nor Blau perceive coercion to result mainly from purposeful means such as laws, but rather as the natural outcomes of collectivities.

The notion of constricted choice as an outcome of marketing actions has been developed under the rubric of dominant consumption paradigms in macromarketing. Firat (1987) and Firat and Dholakia (1982) discuss the concept of consumption patterns, essentially the notion of an interrelated package of goods and services which support, facilitate and symbolize a lifestyle. It has been observed that the marketing system, in general, plays a central role in forming dominant consumption patterns (Firat and Dholakia 1982). The salient issue regarding choice is the putative lack of significant choice. Consumers may avail themselves of a number of colors, styles, flavors, size or features in product choice, yet still face a lack of meaningful alternatives in the marketplace. In other words, consumer sovereignty exists, but only to the extent of that which is currently on offer (Firat 1987). For example, people in smaller towns are not able to choose mass transportation alternatives -- they must use private automobiles. Indeed the auto, like other technologies in use today, has created a "technology trajectory" comprised of knowledge, skill and infrastructure which severely constrains the availability of alternatives.

Mechanics of Order

Both internalization and constriction have the effect of channeling individual action (Ritzer 1983). Indeed the two mechanisms have a good deal in common, including maintenance of order and system stability. Internalization, however, is closely linked with the relatively benign process of socialization whereas constriction is somewhat closer to the notion of external control. Despite these differences, Ritzer (1983) notes that the two mechanisms proceed from large scale social structures which are, in both cases, external to the individual.

Like social structures, marketing systems require a number of things from the individual and, in turn, must deliver outcomes of value in order to foster further participation. In this light, internalization and constriction are seen as mechanisms contributing to an orderly and stable market system. At the same time these two mechanisms must be seen as having definite, if not well defined, limitations in terms of scope and efficacy. Leading brands do not stay on top forever, new product introductions do fail with regularity, and consumers generally spend less and save more as they grow older. The process of integration and control in marketing systems often works well among various levels of marketing agents but is notoriously prone to weaken at the transition to the consumer level (Arndt 1979). On the other hand, considerable amounts of control are available to consumers through the alternative of consumer cooperatives, but these are rarely found in the U.S. (Cox, Goodman and Fichandler 1965).

A salient criticism of Parson's, and others' view of the macro-to-micro linkage is the relatively passive role accorded to individuals (Ritzer 1983). That is, norms and/or constrictive influences are said to proceed from large-scale social structures and to impact upon individuals with little cognitive evaluation by individuals or little interpersonal mediation among individuals. This deficiency is readily supplied in the marketing literature and, perhaps, no where better than in diffusion theory.

Order and Marketing Theory

Diffusion theory (e.g. Bass 1969) incorporates two features of interest for the present discussion. First, the model illustrates clearly that the influence of marketers on consumers is quite limited in scope. That is, the effects of advertising or similar "external" communications are limited to the 2 or 3 percent of buyers who are innovators. Second, the model highlights the role of interpersonal communications among peers as the mainspring for the spreading acceptability of an innovation. Thus it is word-of-mouth sharing of information and opinion which seems to establish norms for a new product, not the influence of marketing communications.

As noted previously, new product introductions and subsequent market developments generate disorderly market

(Czepiel and Rosenberg 1976) is the usual outcome. Satisfaction, in turn, has the twin result of higher volumes of transactions and maintenance of current purchasing patterns in the future (Ingen 1983). From the standpoint of consumers, the resultant predictability of supply yields efficiency of shopping effort: one is likely to find what one wants. In general, orderliness in markets tends to generate logistical efficiency both on demand and supply sides, along with levels of satisfaction sufficient to maintain stability in the exchange process.

As noted earlier, some governments regard too much market order as grounds for suspicion that competition has been restrained. In other words, absence of a certain amount of competitive jostling is held by some to indicate a reduction of the consumer benefits which are expected to flow from competition. It should be noted, however, that in these cases the benefits of orderliness, *per se*, are not in question, rather it is that orderliness may in some cases be a correlate of less desirable developments. By the same token, lack of the periodic bouts of market disorder which result from new product introductions may also indicate an unhealthy situation. Absence of the "creative destruction" accompanying technological change may indicate paucity of new consumer benefits flowing from the marketing system.

Conclusions

Orderliness has been examined here as an illustrative example of: 1) a generally nonpathological topic in marketing/society linkages and 2) an exploration of specific linkage mechanics in marketing systems. This final section returns to the framework of the tri-part content definition of macromarketing.

Marketing-to-Society

The above discussion of orderliness draws heavily on the sociological literature in order to explore connections between large-scale marketing activities and small-scale individual level activities. In particular, the linkages derive from an extended tradition in sociology which develops the macro-micro issue in theoretical terms. The theories examined here, namely internalization and constriction, are by no means reflective of the breadth of sociological theorizing on macro-micro linkages, but are two which are directly concerned with orderliness and which also derive from structural/functional perspectives highly compatible with the study of markets.

The preceding section argues that the orderliness of markets has significant benefits for individual consumers. In their relationship to the marketing system, individuals expect to find and do find a set of offerings which generally match their needs and wants. One important function of the marketing system is to define, foster and maintain the consumption norms through which a variety of potentially

amorphous needs and wants are expressed as real products and services. That is, internalization and constriction direct and channel needs and wants toward specific offerings and outlets.

Society-to-Marketing

The benefits to marketers of an orderly market system have also been outlined above. By design, the present discussion does not deal extensively with the specific nature of micro-to-macro linkages, focusing instead on macro-to-micro links. This is inherent in the theoretical foundations of the internalization and constriction perspectives. In other words, these theories do not extensively treat the role of individuals in forming the social structures and institutions which are the focus of attention.

For purposes of the present discussion, it may be suggested that the society-to-marketing effect is mainly a generic rather than a particular influence. That is, individuals may help to create, support, and maintain social institutions which furnish standards of behavior for marketers in general terms, but do not set the rules of behavior on a market-by-market basis. Laws respecting competition, for instance, may apply to all markets in a country, without a particularistic standard of competition for each market.

Marketing Systems

Orderliness may be seen in multiple lights from a systems standpoint. First, it is a descriptive property of market systems. It exists in greater or lesser degrees in all markets and a focus on properties such as orderliness draws attention to systemic features other than the products-for-money flow. Second, it has potential for use in the normative evaluation of marketing systems. To the extent that orderliness is viewed as beneficial, higher degrees may serve as a metric of more beneficial system functioning.

Third, orderliness is seen to proceed from specific mechanisms, internalization and constriction being the focus here. The specific nature of their operation is an important consideration in the study of marketing systems. However, it should be noted that the sociological literature is replete with alternative mechanisms, resting on a variety of foundations from Marxism to behaviorism. Obviously the interpretation of orderliness takes on somewhat different aspects in light of these other theories, along with different normative implications.

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biodiversity, disruptions in the biochemical cycles, and the overall quality of life of humans.

Loss of Biodiversity

There are various interpretations of what is meant by biodiversity loss. The public usually identifies loss of biodiversity as the diminution of megavertebrates. However, focus on a few selected species overemphasizes the importance of some species and sacrifices other less noticeable forms. Reasons for maintaining biodiversity can be divided into two categories: ecological and other (Walker 1992). The "other" concerns can be divided into three categories: moral, amenity, and commodity. Moral values for preserving biodiversity are typically (but erroneously) associated with charismatic megavertebrates rather than less attractive forms such as fungi or nematodes. Amenity values emanate from what humans think is a desirable environment for them. For example, forests are preferred over wetlands because they are more pleasant for humans. Commodity values are related to present or possible future benefits from such things as pharmacological properties or commercial value.

Educators need to emphasize that all kinds of biodiversity needs to be maintained. Scientific research on the importance of a particular specie is usually undertaken when that specie is on the brink of extinction. A better approach would be a paradigm that postulates the need for a balance across all species, regardless of whether the practical utility of a particular specie has yet been ascertained. When this paradigm is inculcated in all members of a society, there will be a more conscientious effort toward across-the-board conservation of biodiversity. As yet, we are far from understanding the precise functions of different plant and animal species. Given this lack of understanding, preservation as opposed to exploitation and extinction should be our *modus operandi*.

Biochemical Cycles

The topic of disruption in biochemical cycles deals with three elements that are required by the biosphere in significantly greater quantities than they are available in nature. These are carbon, nitrogen, and sulfur. During pre-industrial times, each of these elements existed in, or very near the steady-state. None of these is in steady-state now. The carbon dioxide level of the atmosphere has been rising for over a century. Anthropogenic extraction and combustion of carbonaceous fuels, together with deforestation have contributed significantly to altering the atmospheric carbon balance.

The overall rate of denitrification in the atmosphere has increased by more than 50% in little more than a

century. The global sulfur cycle resembles the nitrogen cycle thermodynamically, insofar as reduced forms of sulfur are gradually oxidized by atmospheric oxygen, ending in sulfur oxides and finally sulfuric acid. Sulfur flux to land has more than quadrupled since the beginning of industrialization.

There exists widespread ignorance even among educated laypersons on how biochemical cycles affect the living species on our planet. Particularly distressing is the lack of appreciation of the adverse impact industrialization has had on the biochemical cycles. Unfettered industrialization dramatically alters the biochemical balance, and environmental audits grossly underestimate the magnitude of such adversity. Only a tempering of people's appetite for material goods and services can slow down the rate of industrialization. Wasteful consumption seems particularly rampant in the United States. An average American uses twice as much energy and generates twice as much garbage as the average European and 500 times as much as the average Ethiopian. While accounting for a mere 4.5% of the world's population, the United States burns 25 percent of the world fossil fuels. Meadows (1994) points out that in energy-consumption terms, the average American household with 2.1 kids consumes as much energy as an European household with 4.2 kids, a Mexican household with six kids, and a Bangladeshi household with 168 kids.

Altering people's consumption habits requires a radical shift in human consciousness, and the current worldwide move toward market economies will undoubtedly impede this much-needed shift. Worldwide norms on consumption, particularly energy consumption, are badly needed, but this is unlikely to happen in a world where the power of governments seems to be waning. The current worldwide mood of anti-regulation may eventually prove quite detrimental to the planet's long-term sustainability.

Quality of Life

The overall quality of life for humans has deteriorated substantially over the last century. There exists a general belief that most of this deterioration takes place in the underdeveloped countries. Consequently, researchers and policy makers in the economically advanced countries have, at best, paid only lip-service to the quality of life issue.

While it is true that quality of life in the third world countries has suffered over the last few decades, similar parallels can be found in the developed countries. Fifteen percent of all inhabitants in the U.S. and the European Union live below the poverty line. Income polarization in the Western countries continues to worsen. For example, the percentage share of income commanded by the richest

discounts on life insurance policy premium for vegetarians, etc. The perceived cost-savings should be significant enough for the consumer to engage in the desired environmentally friendly behaviors.

Social Support: Policy makers need to provide consumers with greater social support for environmentally-friendly behaviors. While governments typically spend a considerable amount of money on mass media campaigns for discouraging drunk driving or the use of illegal drugs, encouraging teenagers to stay in school, and discouraging smoking, campaigns encouraging enlightened environmental consciousness are few and far between. Creative campaigns designed to enhance the perceived social support of environmentally-friendly behaviors are needed in the developing and developed countries alike. While many developing countries may not have the resources for developing such campaigns, transnational agencies such as AID and WWF can certainly provide such materials to these countries. Obviously, any major holistic and long-term program for sustainability can only be implemented if all countries and transnational organizations realize that when it comes to sustainable development, we are all in it together. Economic aid to developing countries for environmental conservation indirectly helps the donors as well.

Businesses can also take the initiative in providing social support for those consumers who further the cause of sustainability. These may include financing recycling clubs, providing recognition to individuals who perform outstanding service toward environmental causes, financing the generation and dissemination of knowledge relating to environmental conservation, and underwriting the costs of musical concerts and sports events designed to enhance environmental awareness.

Knowledge: Buchholz (1993) has argued that environmentalism is a major challenge to human self-understanding and ideology: "The task of humans is to conquer nature, to take dominion over the animals and the natural world as some Christian doctrine has emphasized. This view led to an objectification of nature and allowed us to manipulate nature to our advantage and exploit it for our own purposes." Social support for environmentally-sustainable behaviors is hard to garner in light of such ideology which has prevailed through millennia. Social support of sustainable behaviors requires a significant increase in people's knowledge about environmental issues. An increase in knowledge should result in a pro-environment attitude and eventually accomplish the much needed change in consciousness. This new consciousness, in the words of two researchers, would proclaim that, "Human beings are no more important than anything else in the world" (Patterson and Patterson 1993). Such a paradigm shift is possible only with sustained social and

economic support from governments, transnational agencies, and volunteer organizations.

The problem concerning lack of environmental knowledge is best addressed with appropriate education. Education needs to start at the earliest possible age so as to ensure ecological literacy for all. People everywhere need to understand how and why communities of living organisms relate to their biological environment the way they do. All university education should have in-built environment-related components. These should involve an exposition of long-term operation of environmental principles, their environmental impacts, the severity of these impacts, developing alternative visions of the future, and appreciating the values upon which mankind's relationship with the environment could be structured so as to build a sustainable society (Rands 1993).

Environmental knowledge needs to be holistic in nature and interdisciplinary in content. Orr (1990) argues that everything we do has environmental impacts, and everything we learn affects our perception of human-environment relationship. He concludes that "all education is environmental education."

Skills: While knowledge on environmental sustainability is easy to impart, it in no way ensures that individuals have the required skills to undertake the requisite social change. Skills need to be practiced and fine-tuned based on the feedback received. Individuals can imbibe environment-related skills through participation in class projects, community programs, internships, etc.

Macromarketing educators can make a real difference in the university setting by including environment-related projects in course assignments. Students at the University of Minnesota's "Garbage, Government and the Globe" course, for instance, were required to identify an organizational practice having negative environmental impact and challenged to come up with a solution to bring about a change in that practice.

Starik (1993) has argued that while ecologists and natural science scholars have long been engaged in the study of human-ecological interactions, academics in the business realm have virtually ignored this realm of inquiry. Researchers in macromarketing could conduct research on a host of environmental topics having macromarketing implications. These topics include the impact of environmental audits on marketing practices, the impact of national culture on environmental consciousness of a society, identifying how a country's economic and political ideology affects its environmental stance, marketing techniques that foster environmentally friendly behaviors, impact of environmentally conducive practices on the financial performance of a business, etc. Such research would add to our knowledge base and subsequently enhance society's skills toward sustainability.

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drive towards a common set of concepts, as social anthropologists tackle the problems of urban societies and of changing tribal and peasant communities" (Banton, ed 1966).

Whatever the success of traditional anthropology in expanding its observation and analysis to larger and necessarily more complex societies, we are dealing here with applied anthropology, with its interest in developing the equivalent of production and marketing plans for the traditional small social unit.

The reason why macromarketing and its longstanding concern for economic development may possess an interest in applied anthropology, is precisely because of the introduction of ecological concern. That is, many environmental issues are occurring away from large populations, but possess immense psychological, health and economic meaning for these populations. Thus it may be appropriate for the macromarketer in examining economic development and ecology, to note the work of applied anthropologists.

In applied anthropology as it currently deals with ecological issues, we find at least two differing and quite fascinating situations in which macromarketers may find interest. First is the situation where what are now called indigenous people live in environmentally sensitive areas. Perhaps most obvious geographically for Americans are the Amazon basin and salmon-laden coasts of the northwest coasts of North America, although we could add East Africa and the Arctic among many others. The second situation concerns 'modern', but small isolated, populations which live in environmentally sensitive areas like old growth-owl connected areas of the American Northwest, or those who live close to atomically- or chemically-impacted areas almost anywhere in the world. Love Canal is a familiar instance.

One common element connecting the two groups is their political and economic weakness. In the Amazon basin, indigenous groups are literally being murdered for their ancestral lands. In the salmon fisheries of the northwest coast of North America, tribes often seem outflanked by commercial fisherman in the quest for the diminishing harvest. The lumber workers of the American northwest seem powerless to prevent the "owl" people from depriving them of livelihoods in the forests and mills. Finally, the citizens living around nuclear and carcinogenic sites appear generally unable to acquire scientific and institutional knowledge of the situation, and then to effectively plead their case.

However, the purpose of this paper is not to explicitly discuss the similar weakness of both indigenous and citizen populations, nor to generalize on efforts to overcome this weakness. That would take us closer to political analysis and action. Rather it is to note how the somewhat

exotic discipline of anthropology in its applied format seems to be contributing to environmentally sustainable development through its concern with relevant knowledge. This knowledge could then be applied in the political process, at both local and other levels.

The Data: 1000 Case Studies

Like marketing, anthropology has both academics and practitioners within its ranks. And just as with marketing, applied projects are not always prepared for and offered to an academic audience. Consequently, the authors will in this paper heavily depend upon three sources which collect a reasonable sample of both the more recent academic and professional output. One will be the approximately 300 articles referenced in the World Bank's 1994 compendium of studies on environmentally sustainable development, dating between 1975 and 1993 (Cernea ed.).

A second source will be Human Organization, the official publication of the Society for Applied Anthropology. We have gone back ten years to examine references to environmentally sustainable development. SFAA is the international organization for applied anthropology, encompassing both academic and professional members.

Finally, we have examined all of the more than five hundred papers given at the 1995 Albuquerque meetings of the Society for Applied Anthropology. The explicit focus of this conference was "Environment, Development, and Health". The authors would estimate that more than 50% of these papers had environment as one motif. Perhaps two-thirds of these combined environment and development. Both authors presented on this combination. Consequently, we have scanned approximately 170 presentations from this current source.

Concepts and Models

Several terms should be briefly defined, even if the majority of persons in attendance are clear as to their meanings. "Indigenous people" are normally the "hunters and gathers" of yore, with some less technologically sophisticated agrarian "peasants" thrown in. These people are often the guardians of "biodiversity", the plethora of lifeforms contained in their "vast, little-disturbed habitats that modern societies depend on more than they realize—to regulate water cycles, maintain the stability of climate and provide valuable plants, animals and genes. Indigenous homelands harbor more endangered plant and animal species than all the world's nature reserves" (Newsletter of Committee of Anthropologists in Environmental Planning 1994).

"Environmentally sustainable development" goes beyond the production of goods, services and ideas, to include the externality of pollution. For many it also

to minor ailments like allergies. However, these labels are a matter of convenience, and discussion.

Technically, this table can be an n-dimensional structure, with an integral to represent for any point in time how a society is doing on all axes--each axis possibly being the basis for other axes.

We find this conceptualization useful, as there is no a priori reason to believe that economic development must occur with unacceptable costs on the other three dimensions. It is not even required that all resources be depleted, since we know of breeder reactors (perhaps a bad example in this time of fission), and how forests cleanse the air. With increasing output, persons may be beneficially relocated and public health enhanced. Only experience can tell what effect on depletion, pollution, and human displacement increased production over time will have.

Data Collection

Traditional anthropology meant that the student read about field experience and the efforts of other anthropologists in similar settings. Then the student was led to the baptism of fieldwork with the people who would become known to-- and cared for-- by the fledgling anthropologist. Of course there were synthesizers of the fieldwork and analytic efforts of others. In the training of one of the writers of this paper is Marvin Harris, with The Rise of Anthropological Theory. A History of Theories of Culture (1968).

It is reflective of this training that we shall examine the 1000 articles. We can not join each of the writers in their field experience, although we personally have had similar exposure.

There are at least two different types of field experience. First, is the more traditional, actually living with a group under study for a period in excess of twelve months. This is the setting for participant-observation practiced by generations of anthropologists.

The other is more common today, with reduced research budgets. It means working with groups geographically, and perhaps culturally, closer to the anthropologist. It is here where many applied anthropologists find themselves, working with the poor and the "different" (Aids victims, substance abusers, other racial groups, etc.) These are not head-hunters living in communal shelters in New Guinea!

Some of his second group of anthropologists just visit groups of subjects, to observe them much as a journalist, and perhaps to test them with questionnaires and even projective instruments. Of this second group, a number have spent limited periods of time living with or near the subjects. It is where constant and longstanding interaction is not present, that the field anthropologist finds recourse

to such devices as rapid assessment procedures and the argumentation procedures of the philosopher Steven Toulmin. We refer to these, because it is through such techniques that the researcher's experience is presented to the macromarketer for analysis and possible action.

We are reminded of the folkwisdom: "Garbage in, garbage out." Thus, when direct experience is with humans of different background from the researcher, the mode of collecting data is critically significant. We shall be brief.

Beebe (1995), in an article on rapid appraisal, speaks of a system prospective, triangulation of data collection, with iterative data collection and analysis. As macromarketers, we might speak of open-ended focus groups, in casual settings, in which several outside "experts" and a variable group of respondents participate. We would continue with discussions after these groups, to consider what was happening, before perhaps asking some specific questions to assess the accuracy of our knowledge. The "experts" might be an anthropologist, a macromarketer, and a techcal person in such an area as communications or water. We would closely parallel the RAP.

The outcome of such an exercise is apt to be a sense of mental categories and cultural values. This can be very useful, as one of the writers found in the early 1970's when he was asked by CocaCola to assist in introducing a healthy refreshment to Brazil. The problem in this instance was that the corporate researchers did not try to ascertain if the populace could combine cognitively a refreshing Coke-like drink and a healthy food. (One of the difficulties was ignorance of vitamins, minerals, and protein.) Beebe cites Carruthers and Chambers: "It will perhaps always be a struggle to argue, however valid the case, that it is better to be vaguely right than precisely wrong" (1981, p 418).

In the experience of the authors, a RAP such as outlined above probably is appropriate for populations which are quite different in culture to the social scientists studying them. For more familiar populations, the Toulmin approach is very useful.

Battelle Seattle Laboratories was charged with advising the U. S. Army on how to deal with eight stockpiles of chemical weapons, stored across the United States. Obviously, political concerns were felt, despite a recommendation from the National Research Council that incineration should be generally preferred. Just as any marketing researcher might, Liebow and his group held many personal interviews (more than 200) and focus groups (40) near these eight facilities. The personal interviews were very open-ended.

At this juncture the "argumentation" method of the philosopher Stephen Toulmin was introduced (Toulmin

as with efforts by the U.S. Forest Service (Tamez 1995) and in the northwest of the Dominican Republic (Gragson & Payton 1995). Of course, even within local populations there are differences in perceptions and interests, so that local agreement seldom comes easily (Gardiner Barber 1995).

Conclusion

In sum, the effect of reading these many articles is that complexity rules in environmentally sustainable economic development. That complexity runs through most local settings, and extends deeply into the external—even globally, as with weather, war, disease and product pricing.

That being the case, what should be the response of macromarkers, applied anthropologists, and others who believe in environmentally sustainable development? We believe in:

1. Good current local data;
2. Good current global data;
3. Sharing of both between a variety of analysts;
4. Creating a marketing plan for the desired ends;
5. Acting upon that marketing plan;
6. Maintaining the very best communications, both technically and between people.

It is probably significant that applied anthropologists are trained to relate to and observe others—and that today's crop tend to be constant users of laptop computers and high speed modems.

The contribution of marketing—especially macro-marketing—may be to provide guidance on appropriate marketing plans which are guided by thinking globally and acting locally. In fact, this is what the best of marketing plans do currently. We must be certain that our knowledge, both of our customers and the world, are as accurate and interconnected as our talents permit.

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The Meaning of Greening: Just What Should Green Marketing Be?

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Part of the difficulty in making progress in slowing environmental degradation lies in an ill-defined meaning of greening. We propose characteristics of an ecologically sustainable economy based upon ecological evolution: increased closure through weblike, detritus links, increased information and complexity, and minimization of the throughput/mass ratio. These characteristics can be used to provide a template for a much richer and complex meaning of green marketing. More importantly, as we approach ecological limits, these characteristics point to profound opportunities in marketing systems and the scope of marketing functions.

Introduction

Over two decades ago, the authors of The Limits to Growth concluded that

If the present growth trends in world population, industrialization, pollution, food production, and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next 100 years. The most probable result will be a sudden and uncontrollable decline in both population and industrial capacity (Meadows, Meadows, Randers, 1992: xiii).

To the authors' admission, the book created a furor, with heavy criticism of its methods and conclusions by many and high praise mainly focused in environmental circles. The most frequent criticisms centered on the belief that the model used underestimated the power of technology and the adaptive resilience of the free market. Yet twenty years later there is growing concern that we have reached or will soon reach the ecological limitation to economic production. Many believe that this ecological limitation is not input based (fossil fuels, minerals) but rather output based (waste heat, solid waste, pollution); these ecological limitations have far more serious consequences than the high profile environmental problems of recent past. In a relatively free market, technology may, indeed, find a substitute for almost any scarce material resource input (except energy) (Ayres

1993). However, this does not consider that one of the limiting constraints is the ability of the biosphere to assimilate waste. Exceeding the waste assimilative capacity of the biosphere interferes with its ability to stabilize the climate and recycle essential nutrients. There are no technological substitutes for climatic stability, stratospheric ozone, air, water, topsoil, vegetation and forests or species diversity, and degradation of most of these is irreversible.¹

Underscoring this concern, consider that in early 1992, the U.S. National Academy of Sciences and the Royal Society of London issued a report that began: "If current predictions of population growth prove accurate and patterns of human activity on the planet remain unchanged, science and technology may not be able to prevent either irreversible degradation of the environment or continued poverty for much of the world" (cited in Brown 1993, p 3). Such a statement represents a major shift for these organizations, and the fact that they chose to issue their first ever joint statement underscores the increasing concern about environmental deterioration by scientists (Brown, 1993, p. 3).

The response by business to this increased environmental concern can hardly be called insignificant when compared to business environmental policy of a decade or more ago.² By the end of the 1980s, almost all firms had a formal written policy statement concerning their responsibilities toward the environment (Flaherty and Rappaport, 1991, p. 8), and many environmental actions were occurring on the production side under the rubric of "pollution prevention pays" (Schot and Fischer, 1993). An increasing number of firms now use environmental audits to assess their performance on regulatory compliance and waste minimization efforts, and there is a trend toward firms evaluating the environmental performance of potential suppliers (Schot and Fischer, 1993, p. 10).

At the same time, a variety of changes were being made to allow consumers to participate in this green movement through their product purchases. New "environmentally friendly" products were introduced,

biophysical system and evolution. This discussion provides the foundation for the rest of the paper. In part II, the link between the physical world and business activities is explored. Using parts I and II, part III discusses characteristics of a truly green marketing system where economic activity is more likely to be sustainable and where excessive high entropy waste output to the biosphere and/or unsustainable use of resources can be eliminated.

What we attempt is a synthesis of literature from many disciplines to build a foundation for an ecological model of a green marketing system. We do not claim that the pieces of the ecological model are new.⁷ Important characteristics of the green economy developed herein have been espoused (though somewhat infrequently) in the literature of a number of disciplines but often without a theoretical foundation for making the assertions. In a broad sense then, we attempt to provide a bridge between characteristics of green marketing and the rationale for including those characteristics in the model based upon research in the physical and biological disciplines.

Thermodynamics and The Biophysical System

The Earth is a dynamic, closed self-organizing system of physical and chemical processes in which energy is exchanged across the system boundary but matter is not. This network of all living organisms and their environment constitute the biosphere. The conditions for life are maintained by biogeochemical cycles in which nutrients (e.g. oxygen, water, nitrogen, sulfur, phosphorous) are continuously recycled within the system. These nutrient cycles stabilize climatic conditions and transform toxic waste products from one form of life into nutrients for another form of life. The Earth is like a living organism; it maintains itself in a dynamic pattern of continuous changes within a relatively stable envelope. This steady state is maintained by a constant supply of external energy from the sun; this energy powers the material cycles and is then radiated back as heat into the universe.

The energy (and matter) flows through the biophysical system are subject to certain physical laws that allow for their tracking as they change from one form to another. These are the laws of thermodynamics, of which for this paper the first and second laws are relevant. These laws basically constitute a set of bookkeeping principles. The first law states that energy can be neither created nor destroyed, only transformed from one form to another. All of the energy flowing into a system can be accounted for in the outflows, using the

appropriate measurements. (The first law also applies to matter so that matter can neither be created nor destroyed, only transformed.) The second law states that all "physical processes proceed in such a way that the availability of the energy involved decreases" (Erlach, Erlach, Holdren, 1980, p. 46). In other words, although the books must balance when computing energy inflows and energy outflows, at least some of the energy degrades during a physical process to an unavailable state. From the second law we get the notion of entropy, i.e. that in spontaneous processes, concentrations of anything tend to disperse, structure tends to disappear, and order becomes disorder.

The Laws of Thermodynamics and the Biosphere

The Second Law of Thermodynamics has been used (incorrectly) to predict a dismal future for the world, a future heading toward disorder, disorganization and ultimate heat death. More recently, however, thermodynamics has come to be viewed as "the science of spontaneous process, the 'go' of things" (Wicken, 1987, p. 5), and the evolution of life, from organisms to ecosystems, has been causally linked to the Second Law.

Ecosystems are the fundamental units of energy transformation in the biosphere. Ecosystems within the terrestrial living system are open systems that exchange both matter and energy across their boundaries. Because of this continuous flow of energy and matter, they are far from thermodynamic equilibrium. It is in this disequilibrium state, where low entropy states are developed and maintained by constant dissipation of energy and matter from the environment, that evolution becomes possible (Schroedinger, 1944; Binswanger, 1993, p. 215).

The laws of thermodynamics are important in understanding the evolution of ecosystems since ecosystems must come to terms with the laws through evolution in order to sustain through time. As resources become limited in a developing ecosystem, energy and matter flow patterns are selected that increase the efficiency of resource use in the ecosystem. According to Wicken (1987, p. 145), "ecosystem thermodynamics generalizes the meaning of selection within a framework of physical law", where selection refers to informed patterns of thermodynamic flow. Living ecosystems within the larger terrestrial system evolve toward a steady state where the ecosystem protects itself from perturbations and ensures itself a long life. This evolution leads to higher complexity of the system where the energy of the sun is used to reverse the path of entropy and convert wastes back into resources (Jacobs,

Table 1. Characteristics of Ecosystems

Developmental Ecosystem	Mature Ecosystem
Less efficient (Low biomass per energy flow)	More efficient (High biomass per energy flow)
Rapid growth	Slow growth
Short life span	Long life span
Linear food chains	Weblike, predominantly detritus food chains
Open mineral cycles	Closed cycles (recycling)
Rapid cycles	Slow cycles
Simple structures with few hierarchical levels	Complex structures with many hierarchical levels
Less complex, lower diversity	More complex, higher diversity
Less stability against external perturbations	Increased stability against external perturbations
	Increased systemic information

because of the coevolutionary development of ecosystems. Living systems coevolve and profit from one another through the exchange of matter and energy across their boundaries (Norgaard, 1984). The strategy of coevolution from the beginning has been to discover ways to overcome resource limitations (Wicken, 1986). This coevolution leads to efficient organization of dissipative processes of the entire system with no increase in the entropy of the terrestrial living system. High entropy is constantly being converted back into low entropy through the environmental life support services provided by the ecosystem (Jacobs, 1991, p. 12)

Linking the Physical Environment to Business Activities

As noted above, the economic system is a subsystem of the Earth's living terrestrial system. As such, it is subject to the same physical laws as the terrestrial system. For example, the first law implies that products cannot actually be "consumed", only their services are consumed. Likewise, using technology to "clean up" one type of waste discharge cannot destroy the discharges but rather only alters their form.

Ecosystems and economic systems, in their most basic sense, are materials transformation systems (Ayres, 1989, p. 23) that use negentropy inputs to produce mass and export high entropy output to their environment. More broadly, economic systems and ecosystems are both informed patterns of thermodynamic flow whose

organizations are maintained by a continual process of energy degradation (Wicken, 1988). Evolution and maintenance of economic systems are possible due to inputs of natural resources from the terrestrial ecosystems and output of heat and waste into terrestrial ecosystems. However, ecosystems carry out their transformational activities without increasing the overall entropy of the Earth; our economic system does not. Currently, economic processes operate outside of the ecocycles, using large amounts of negative entropy inputs (fossil fuels, minerals) and, thus, returning outputs of high entropy (pollution, solid waste and heat) in too great an amount to be recycled within the terrestrial ecosystems.⁸

With irreversible degradation of the natural environment (high entropy output), it is becoming increasingly evident that the dissipative activities in economic systems must be organized in a way that is adapted to the ecocycles. According to Binswanger (1993: 227), what is needed is an incorporation of "ecological theories that are based on thermodynamic considerations into economic theory". As an example, he compares economic efficiency and ecological efficiency and concludes industrialized economies have only followed the maximum power principle of ecological efficiency and maximized their input of available low entropy. The economy may, thus, be economically efficient but it has not evolved to a state of ecological efficiency, minimization of specific entropy production.⁹

Ayres (1989) believes that there is much to learn from the materials-transformation systems of the

the total rewards.

In the context of the management of distribution channels, this requires a movement toward more relationalism. Evolution in the direction of administered and contractual channels of distribution will be natural as the rewards for opportunism in the marketing channel will be diminished. The formation of a network of relationships in the channel will serve to broaden the definition of a firm's customers in that functional channel flows may now be multi-directional. New relationships will arise where economic agents previously not linked through some economic transaction will see it in their best interest to establish an exchange relationship. Producing in an ecological manner will present opportunities for marketing of both final and intermediate waste outputs of the system. Such a network of relationships would suggest a firm's customers for intermediate outputs may be just as crucial as one's customers for the final output. The links within the economy then become circular and weblike and more complex.

Along with the increased complexity of links in the marketing channel system, an industrial ecosystem would exhibit more information or order in that complex system. The increase in information in a system can be observed as an increase in the number of asymmetrical interactions and a decrease in the redundancy of flows in the system. An example of relatively complex links but lack of information is the manufacture and disposal of plastic products.¹²

What eventually is needed to help a firm more fully utilize the benefits from the model's information flow is a hierarchical products and services design process. Such a hierarchy would require that information from the system be used to create products which consider waste output in the product planning stage. That is, the first and most comprehensive approach to product design would be to design waste out. Then, only after product design considerations have been made should such alternatives as substitutions of products, manufacturing process modifications, or recycling be considered as options.

Thus, the key manifestation of increasing information in the economic system is the design of products (new or existing) to take advantage of or create new opportunities for symbiotic relationships with other economic agents or for more cycling of materials within the producing industry. For example, in choosing the type of material to be used in manufacturing a product or in choosing a production process, consideration would be given not only to the direct costs of materials and processes used but also to the waste generated and whether that waste can be used in either another production process or can be efficiently recycled for reuse in this industry.

As an example of an increase in the information or order of a more complex system of materials reuse and recyclability, German automobile manufacturers are redesigning their cars to encourage disassembly, recycling and reuse. Parts are bar-coded to identify the type of materials and instructions on reuse; the types of plastics used are reduced to facilitate recycling and the number of component materials is being reduced (Hawken, 1993, p. 73). The goal is 100% reusability of resources. The manufacturer has built order or information into the system by explicitly targeting subsequent uses of the materials embedded in the automobile. On the other hand, a package that is simply labeled as recyclable is not part of an intelligent, ordered system of materials cycling, unless the manufacturer has given explicit consideration of such issues as likely recycling rates, efficiency of reusing the recycled material and sufficiency of demand for the recycled material.

Of course, part of the complexity of any such system is based upon the need to understand both sides of the economic system of any good. Reinforcing this notion is the fact the consumer market is also fraught with difficulties. Issues regarding by-products and manufacturing scrap represent only the supply side of an industrial ecosystem. Simultaneously, the industrial ecosystem must also consider the consumer who takes in manufactured goods and then produces waste in the form of discarded goods. With respect to the plastics scenario, at present only a small amount of PVC that enters the consumer market is recycled. This suggests that changes in manufacturing must also be complimented by changes in the demand patterns of consumers.

Hawken (1993) proposes that one way to alter these patterns might be to change how consumers view the concept of durable products to a more intelligent viewpoint. What we as consumers typically want from such a good is not ownership per se, but rather the service the product provides (i.e., transportation from our car, entertainment from our television). Under this intelligent product viewpoint, products would not be "sold" but instead "licensed" to the purchaser. In such a case the product could not be thrown away but must be returned to the retailer and then the manufacturer. This system would ask that retailers also become "de-shopping" centers where consumers would drop off older products and obtain newer ones. Such a licensing system would encourage manufacturers to design products for easier disassembly for reuse, remanufacturing, and recycling. Such a change would be in concert with the mature ecosystem notion that longer life spans are inevitable and that slow growth is appropriate. This requires that industry go beyond the traditional life-cycle analysis of products and services that is embraced today

established for large electric utilities. As another example, many communities are charging for waste disposal based on the amount of waste. In Highbridge, New Jersey, the \$280 annual garbage fee was replaced in 1988 with a system whereby each 30 gallons of trash must be accompanied by a sticker. Consumers pay \$140 for 52 stickers, and \$1.25 thereafter per sticker. (Trash collections were reduced by 25%.) In Europe, effluent fees on some water pollutants have been used for many years.

Use of such mechanisms to internalize external costs is consistent with the ecological evolution theory described above and used to define the green economy. In an ecosystem, evolution is driven by feedback mechanisms among individual organisms (Binswanger, 1993). Once the ecosystem reaches a steady-state, it protects itself from perturbations and maintains its homeostasis also through a system of negative feedbacks. Similarly, a system of taxes, tradable permits, command and control and other internalization mechanisms supply negative feedback to the firm when that firm is not ecologically efficient, and they induce improvements in this type of efficiency.

Conclusions

Is a green marketing system as described above ever likely to become a reality? Ruckelshaus (1989) suggests that three steps are required to begin to achieve a sustainable economy. Initially, a set of values consistent with the goals of sustainability must be communicated by business and political leaders. Second, motivations must be established in both the private and public sectors that support these sustainability values. Finally, institutions must be developed that will be able to effectively apply and administer the sustainability motivations. No doubt, as he argues, these are difficult tasks, but not impossible.

Step one, communicating values consistent with sustainability is not likely the most difficult task. As stated earlier in this paper, movement in this direction is well underway. In recent years, political leaders of the major industrialized nations have gathered at several forums for the purpose of calling for policies that are based on sustainable development. For the past 15 years, poll after poll has suggested that the American people have a strong desire for increased environmental protection (although most of this country's population participates in a very wasteful and polluting lifestyle) (Ruckelshaus, 1989). It seems as if the values are there, but necessary motivations and institutions are often not.

Step two, providing sustainability motivations for both the public and for business, may necessarily be a function of government. Pollution prevention pays

policies, audits, and other firm environmental actions are often motivated by the firm's desire either to lower costs or increase revenues, and hence, increase profits. We must then ask whether these motivations are sufficient to lead us to a green economy where economic activity neither unnecessarily depletes limited resources nor overburdens the waste assimilative capacity of the environment. Based upon recent environmental actions taken by firms, the answer is likely to be no. As long as environmental costs remain external to firms' decisions, the incentive to green the economy to a level of ecological sustainability is not present.

Although environmentalists have opposed the use of economic incentives to internalize the external costs of environmental degradation in the past on the basis that such incentives were tantamount to giving the polluters the license to pollute, high-profile environmental groups including the Environmental Defense Fund (EDF) and the Sierra Club are engaged in lobbying for such measures. For example, EDF has been directly involved in drafting specific measures in legislation that incorporate the use of market incentives in achieving the overall aims of the legislation. Further, there appears to be bi-partisan political support for such incentives (Power and Raiber, 1993). Clinton's policy blueprint Mandate for Change contained a chapter, "The Greening of the Market" that called for market-based environmental protection to harness the self-interest of firms and individuals (Power and Raiber, 1993). The BTU tax proposed by the Clinton administration was one example of his proposed policies.

Communicating the values and articulating the motivations that promote a sustainable world economy will require that new institutions be established, existing ones change, and that effort and information from all institutions are integrated. This may be the most difficult task. But, as Ruckelshaus (1989) points out, important international institutions dealing with money, trade, and national defense (the World Bank, multinationals, and NATO) have been formed in a relatively short period of time to deal with "pressing concerns". If, as he posits, concern for the environment reaches a comparable level of importance and becomes "comparably pressing", similar institutions can and will be developed. Perhaps a first challenge in developing institutions that promote sustainability is to recognize that they are urgently needed. While some of the adverse effects of our industrialization have been dealt with by applications of technology, as the world's population and standard of living both increase, such technological solutions become increasingly difficult to achieve.

Overall, examining the economy as part of the biophysical system points to constraints on the economy

second law is relevant to economic systems. Binswanger (1993) provides one of the most recent and complete analyses of the relevance of the second law of thermodynamics to economic systems. Binswanger (1993, p. 226) defines entropy on the economic level as "the irreversible degradation of nature caused by economic processes." Economic systems, like ecosystems, are open systems that exchange matter and energy with their environment and, therefore, are also dissipative structures far from thermodynamic equilibrium.

9. Some may be uncomfortable with the notion of learning from the organization of ecosystems. The economic system has at its helm human beings who have a great capacity for overcoming limits, learning from mistakes, and finding new technologies. In addition, the goal of the economic system is to produce goods and services to best meet the needs and wants of this population of human beings where what is best is determined by the marketplace not by the good's fit into the ecological scheme. This often goes beyond the more basic goal of producing to sustain the life of the organisms within an ecosystem. Yet even humans cannot circumvent the physical laws that constrain resource use both at the individual level and at the system level.

10. Binswanger (1993) argues that although resource productivity has increased, ecological efficiency has actually decreased. Energy intensity has declined in recent decades but total energy use has increased. He argues that total energy use is what matters because ecological efficiency refers to a certain ecological space that does not grow with GNP. Because this energy increase has come through fossil fuels for the most part, ecological efficiency has worsened.

11. Because the economic system is a subsystem of the ecosystem, total closure is neither desirable nor possible. Materials and energy will necessarily be exchanged across the boundary between the systems. The degree of closure needed will depend on the assimilative capacity of the ecosystem and its capacity to regenerate renewable resources.

12. Since plastics are formed into any number of products and the different plastic resins are difficult to distinguish in finished goods, disposal presents a growing problem. There is difficulty in separation, collection, and recycling, and breaking down the finished plastic good into its original chemical components has proven to be technologically difficult and economically unattractive. As one example: one use of plastic waste often advocated

by the industry is incineration to produce heat or electricity. Incineration of PVC plastic, however, becomes downgraded into high entropy waste which is virtually unusable, with significant amounts of chlorine related toxins. In addition, the energy used to originally manufacture the plastic can never be completely recovered. In terms of redundancy of flows, there are many alternatives to producing heat or electricity, many far more ecologically efficient. Thus, though the system has become more closed with incineration, this closure is not informed.

13. Advocating economic incentives as a means to a green economy is oversimplified as noted by two anonymous referees. Many problems exist in their implementation and there is still great resistance to them. Also, not every environmental problem can be solved through economic incentives. Certainly the aspect of how we reach ecological efficiency in the economy as advocated in this paper needs much further development.

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convergence, the independent occurrence of similar cultural features among geographically dispersed peoples, refers to similarity in "values, political systems, traditions" (Bell 1973, p. 114). Similar purchasing behavior in different countries, observed from the micromarketing perspective, does not require the convergence of social institutions or cultural features. As Aron has pointed out:

Only a technological interpretation of history would allow us to assert that all societies that use atomic energy and computers are the same. It is absurd to state as a foregone conclusion that what they have in common is more important than the differences between them (1967, p. 96)

That is, the observation that some behavior is "remarkably similar across cultures" does not necessarily indicate that differences that divide nations are dissipating, because differences in other characteristics may be increasing. The internationalization of purchasing patterns at a moment in time is different from institutional change that may lead to similarity in values and other cultural characteristics. However, some convergence theorists hold that convergence leads to internationalization.

This paper explores the link between the convergence hypothesis and internationalization, and analyzes some data to determine the extent to which convergence and internationalization have occurred.

The Convergence Hypothesis

The convergence hypothesis represents a search for a unifying historic "stage" which can encompass new political and economic systems, including supra-national institutions, and new technology. The immediate antecedents of the convergence debate appeared after the Second World War when two super powers emerged with similar industrial technology but different political ideologies. For example, in 1967 Aron noted that "Today, the most popular subject for discussion is obviously the resemblances and differences — or the possible convergence — between the Soviet and Western systems" (1967, p. 105). Theoretical work supporting the convergence hypothesis takes three directions, each of which is briefly sketched below.

Convergence to an Optimum System

One group of convergence theorists postulates an "ideal" point toward which societies head. Marx, whose theory is the best known of this type, held that all countries would converge to the "ideal" of communism. Tinbergen, who is considered the originator of this stream of analysis in the West, postulated a mutual convergence of the United States and Soviet Union to an optimal mixed system. The properties of this optimum middle point were derived from

welfare economics, which "tells us about the conditions which the optimum pattern of organization of society has to fulfill" (1961, p. 339). Tinbergen assumed that each country operated in the same environment and faced similar economic problems. Since each country tried to operate efficiently, and could learn from experience, they would be led in the same direction.

A related debate centered on "the end of ideology," which often postulated convergence to an "ideal."

In the Western world . . . there is today a rough consensus among intellectuals on political issues: the acceptance of a Welfare State; the desirability of decentralized power; a system of mixed economy and of political pluralism. In that sense . . . the ideological age has ended (Bell 1960, p. 373).

Marcuse, on the other hand, contends that in industrialized countries the convergence of ideology has resulted in the "one-dimension man" because of the impact of technology on "the entire universe of discourse and action, intellectual and material culture" (1964, p. xvi). Ideology has become part of the production process: "mass production and mass distribution claim the entire individual" (1964, p. 10). Consequently the consumer is a victim of ideology:

The means of mass transportation and communication, the commodities of lodging, food, and clothing, the irresistible output of the entertainment and information industry carry with them prescribed attitudes and habits, certain intellectual and emotional reactions which bind the consumers more or less pleasantly to the producers and, through the latter, to the whole (1964, p. 12).

The most recent addition to the "end of ideology" debate is Fukuyama's "End of History," which identifies Western liberal democracy as "the final form of human government." The convergence between capitalism and communism has not been mutual, but has proceeded in one direction to "an unabashed victory of economic and political liberalism" (Fukuyama 1989, p. 3). One cause of the end of history is modern science, which "establishes a uniform horizon of economic production possibilities" (1992, pp. xiv-xv). As a result of this "uniform horizon" Fukuyama holds that "While not every country is capable of becoming a consumer society in the near future, there is hardly a society in the world that does not embrace the goal itself" (Fukuyama 1992, p. 126). This common goal arises because of the "ineluctable spread of consumer Western Culture in such diverse contexts as the peasants' markets and color television sets now omnipresent throughout China . . ." (Fukuyama 1989, p. 3).

liberating and enhancing possibilities of modernity" (1983, pp. 92, 101).

But Levitt also accepts Galbraith's argument that sellers have the power to control purchasing patterns: "The global competitor "will never assume that the customer is a king who knows his own wishes." And, "Instead of adapting to superficial and even entrenched differences within and between nations, it [the modern global corporation] will seek sensibly to force suitably standardized products and practices on the entire globe" (1983, pp. 94, 102).

Convergence and Internationalization

Although some convergence theorists associate internationalization with convergence, there are some difficulties with this linkage. First, there are explicit limitations to the application of convergence theory. Second, there are weaknesses in the conceptual linkages between convergence — changes in societal structure — and internationalization — differences in expenditure patterns. Third, readily available data fail to support the hypothesis of internationalization.

Convergence is Limited to Industrialized Countries

Convergence theory is relevant only to industrialized countries. Bell, who argues that an ideological consensus existed in the West, emphasizes that this consensus is not worldwide:

The rising states of Asia and Africa are fashioning new ideologies with a different appeal for their own people. These are the ideologies of industrialization, modernization, Pan-Arabism, color, and nationalism. In the distinctive difference between the two kinds of ideologies lies the great political and social problems of the second half of the twentieth century (Bell 1960, p. 373).

Kerr clearly differentiates between convergence among industrialized countries and the divergence between industrialized and non industrialized countries: "Each industrialized society is more like every other industrialized society . . . than any industrial society is like any preindustrial society" (Kerr, et. al. 1964, p. 29).

More recently, Fukuyama, whose analysis focuses "on the larger and more developed states of the world," notes that "Clearly, the vast bulk of the Third World . . . will be a terrain of conflict for many years to come" (Fukuyama 1989, p. 15). Moreover, "The broad acceptance of liberalism, political or economic, by a large number of nations will not eliminate differences between them based

on culture, differences which will undoubtedly become more pronounced as ideological cleavages are muted" (Fukuyama 1992, p. 233).

These limitations are immediately apparent to the casual observer. Widespread divergence of cultural characteristics is evident in daily news reports of religious and ethnic wars and terrorism, which certainly suggest differences in cultural characteristics. At the end of 1992 the World Refugee Survey estimated that there were over 16 million refugees in the world who needed protection and assistance. It is difficult to conceive that the teenagers among these refugees wear T-shirts, jeans and running shoes. Moreover, while an advertising agency reports that teenagers are "alike", news reports show many children starving and others serving as soldiers.

Moreover, not all purchasers of a specific product are responding to the same need. For example, it is said that in the United States women drive four wheel drive vehicles because they "like sitting high in traffic" and that this "helps people feel more in control when their lives seem more chaotic" (Bennet 1995). In contrast, urban Saudi women are not permitted to drive motor vehicles; in the desert, where women may be permitted to drive, a four wheel drive vehicle is not likely to be preferred because they "like sitting high in traffic."

Weak Conceptual Linkages between Convergence and Internationalization

A second limitation of the hypothesized connection between convergence and internationalization is the lack of substantial conceptual linkages. This limitation is suggested by Kerr's comment that: "It is quite remarkable how the working and daily lives of the masses of the people could be so alike, and yet how the economic and political structures developed and managed by the elites could be so different" (Kerr 1983, p. 74).

One argument presented by convergence theorists is that purchase decisions are controlled, either by ideology (Marcuse) or central authority, whether corporate or governmental (Galbraith). Kerr and Fukuyama speak of common purchasing patterns arising as a secondary effect from technology, but their comments are largely gratuitous, supported by anecdotal evidence. Kuznets is unique in the care taken to specify links between convergence and internationalization. Technological innovation and changes in the structure of production cause changes in the conditions of life; the most conspicuous change imposed by structural changes in production is urbanization. And urbanization brings changes in purchasing patterns (1966, p. 270).

An attempt to develop a conceptual linkage between convergence and internationalization, faces several

alike — but very slowly, so that divergence remains great. A search for evidence of convergence and internationalization must take several measurement difficulties into account. First, if variables are to be described as “similar,” criteria must be chosen to define “similar.” Second, measurement must be independent of the range of data. Third, since writers who support the convergence hypothesis focus on industrialized countries, internationalization might not extend to non industrialized countries. These issues are addressed in the next section where the process of convergence is examined with a more comprehensive data set.

An Empirical Test of Convergence and Internationalization

Two sources of information have been used to test for convergence and internationalization: World Bank data published in the World Development Report and World Tables and United Nations data published in the United Nations Statistical Handbook.

Empirical tests of the convergence hypothesis have focused on various institutional differences, including decentralized v. centralized decision making, private v. public ownership of economic resources and market v. nonmarket exchange. The measures employed have been estimates of the “distance” separating countries on these dimensions. To avoid the innumerable difficulties with this approach, attention is focused on some of the expected results of convergence. Convergence theory postulates changes in conditions of life, such as education, health and urbanization. These three conditions are measured by (1) the mortality rate for infants under one year and life expectancy at birth, which suggest changes in health, (2) the percentage of literate adults, which indicates the extent of education and (3) the proportion of the population living in urban areas, which is measured directly. Changes in these measures, which suggest whether convergence occurs, are referred to as “Convergence Variables” in Table 1.

Three basic consumption categories, food, energy and information are measured by data for the number of calories consumed per capita per day, energy consumption per capita, and newsprint consumption per capita. These variables are identified as “Consumption Expenditures” in Table 1.

If the widespread similarity of purchasing patterns is the result of modern communication technology, then changes in the communication infrastructure of countries are anticipated. Stocks of automobiles, telephones, radios, and television sets, per thousand population, which measure the available communication technology, are

referred to as “Communication Infrastructure Variables” in Table 1.

The measures chosen reflect concern with the issues raised in the previous section. First, the samples include all countries for which data are available for all dates; the study is not limited to industrialized countries. The size of each sample, and the specific countries included in the sample, differ according to data availability. Second, to avoid attempting to measure “similarity,” changes in the distribution of the data are measured, and the use of the standard deviation overcomes the problem caused by various data ranges.

Table 1 presents the mean values and standard deviations for each variable. The means of the Convergence Variables show the expected movement: literacy, life expectancy and urbanization have risen, and infant mortality has fallen. The standard deviations have fallen for all variables, except in the case of urbanization, where the standard deviation has remained constant. The results for literacy, life expectancy and urbanization are consistent with the convergence hypothesis; the urbanization data are not consistent with the hypothesis.

The mean values for all Consumption Expenditures rise, but the standard deviations also rise; this result is not consistent with the internationalization hypothesis that consumption expenditures have become more similar. Finally, the mean values for all Communication Infrastructure Variables rise, as do the standard deviations. This result is not consistent with the argument that the availability of information has become similar in all countries.

To formalize the observations made above, two tests were performed. The hypotheses tested are:

1. H1: No change in the mean has occurred
2. H1: No change in the standard deviation has occurred

The first hypothesis was tested with a T-Test. The hypothesis must be rejected in all cases but Newsprint, which failed to show a significant change. The Kolmogorov-Smirnov test was used for the second hypothesis. This test for homogeneity of the samples rejected the second hypothesis in all but one case, Newsprint. Thus the data show a significant change in the mean for all but one variable, and all changes are in the expected direction. The changes in standard deviation also are significant, except for one variable.

The results obtained must be considered carefully because of variation in sample size and composition. While some samples were large — data for radio ownership were available for 183 countries — others were relatively small — data for literacy were available for only 57 countries. Since all samples included all, or nearly all, OECD countries, as sample size falls, the proportion of

industrialized countries rises, creating bias toward similarity.

Another consideration is that a "ceiling" effect exists for some data. Since the literacy rate cannot exceed 100%, there is a bias toward convergence because only those countries which have not reached the ceiling can continue increasing. Although the proportion of the population living in urban areas also has a limit of 100%, the practical limit would seem to differ with the situation of each country so that the effect is not important. Changes in the data for life expectancy also are biased to the extent that a practical limit exists for the length of life, irrespective of the availability of health care. For infant mortality there also would seem to be a minimum figure possible, and as this limit is approached additional gains become much more difficult.

Conclusions

Convergence theory postulates a growing similarity in social, political and economic institutions among industrial countries. One of the factors leading to convergence, technology, also is thought to cause a growing similarity in people's wants among industrialized countries. In some marketing literature this diffusion is said to carry over to non industrialized countries so that people's wants and purchasing patterns are the same throughout the world. The present study suggests that convergence may be occurring, and is not limited to industrialized countries, but there is no evidence of internationalization throughout the world.

Two tentative conclusions emerge. First, it has not been shown that a growing institutional similarity leads to a similarity in the composition of the output of marketing systems. To this extent, it has not been shown that marketing systems are shaped by the characteristics of the societies within which they are embedded. Second, levels of analysis must be carefully distinguished. Observations at the micromarketing level, such as some consumer good purchases in some market segments, tell us little about the interaction among marketing systems and social institutions.

Moreover, statements that allege homogeneity in a world characterized by diversity in customs, religious beliefs and language, are dangerously misleading. Perhaps the classic example is Levitt's anecdote drawn from the Iranian crisis. Young men waiving modern weapons are said to have the same wants as everyone else because they are wearing French-cut trousers and silky body shirts (1983, p. 93). Viewing Islamic fundamentalists participating in an armed uprising as the same as everyone else denies the very nature of the world in which we live.

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communication and financing of marketing exchanges as well as Jaffe's (1969) elaboration of comparative marketing as the study of physical properties, communication, financing and risking, are attempts to study the various flows that comprise the marketing function. The identification of specific flows also enables the identification of specific agencies and structures involved as well as the functions performed by them in various countries (Jaffe 1969). The *institutional approach*, in contrast, compares specific visible institutions (households, firms, channels) involved in marketing, especially in terms of their evolution, characteristics, functions and interrelationships (Alderson 1965; Arndt 1981). The structural aspects of institutions are given predominance and the approach is mainly descriptive in its attempts at uncovering differences between institutions over time, sectors or countries.

In contrast to the above approaches, the methodologies advanced by Bartels (1964) and Boddewyn (1969) focus on the specific interrelationships between marketing systems and the environment. Conceptualizing marketing systems as diffuse and open, Bartels (1964) argued that marketing systems were a product of their environments. The universality of human nature makes plausible the study of comparative marketing while the differences in the social context of marketing reveal cultural differences and differences in marketing functions (Bartels 1964). The study of marketing's links with the environment finds elaboration with Boddewyn (1969) who emphasized the study of interchanges between marketing systems and the environment, while retaining the importance of an indepth study of marketing systems themselves. A deeper understanding of marketing systems is envisaged through the analysis of functions, structures, processes, actors, and environments that facilitate marketing exchanges (Boddewyn 1969). Boddewyn's approach, thus, collapses both Cox's and Bartel's conceptualizations and provides an integrative framework for the understanding of changes, interrelations and interactions between various functions, structures, processes, and actors within marketing systems, on one hand, and the various aspects of the environment, such as the physical, economic, political, social, and cultural, on the other (Boddewyn 1969).

Since the late 1960s, the field of comparative marketing, except for some sporadic reviews and criticisms of the state of the art within the field, has witnessed little progression in terms of its conceptual approach and theoretical methodology. Of note, however, is Arndt's (1981) attempt to revive the study of marketing systems. Specifically, Arndt (1981) argued that the existing institutional approach was focussed more on visible institutions such as wholesalers and retailers,

whereas in much of the social sciences, the concept of institutions had broadened to include many non-visible and non-formal modes of organization and governance. Influenced primarily by the older school of institutional economics of Veblen, Commons and Ayres as well as the newer institutional approach suggested by Williamson, Arndt was the first in macromarketing to recognize institutions broadly as "sets of conditions and rules for transacting and other interactions" (1981; p. 37). However, Arndt (1981), embedded his notion of institutions within the political economy framework and conceived of institutions as social control systems that were primarily, markets, politics or hierarchies. Thus, while Arndt (1981) was able to transcend the conception of institutions as formal structures, he, nevertheless, constrained the agenda of institutional analysis to the choice of a mechanism for coordinating economic agents. In terms of their impact, institutions were merely part of the broader political economy, the latter being the framework of primary interest to Arndt (1981). Moreover, though Arndt (1981) certainly must have foreseen the wider applications of institutional analysis, his political economy approach to the study of comparative marketing highlighted only the institutions of markets, politics, and hierarchies, and these only as social control mechanisms.

Some problems

As noted earlier, the dominant approaches to comparative marketing make a sharp distinction between marketing systems and the environment. While the political economy approach, as identified within organization theory and within marketing, is cognizant of many direct and indirect influences of the environment, it is still retains the distinction between internal and external economic and political influences on the focal organization or relation. The more subtle, diffuse and often evolutionary impacts of the environment on the marketing system or the systems' impacts on the environment are ignored in favor of a sharper delineation of the focal object of study. Here, while calls are often made to give primacy to marketing systems as opposed to the environment as the focus of study, it is debatable whether one can indeed compare and contrast marketing systems without deeper understanding of the context in which they arise, evolve and develop.

Within macromarketing, the study of comparative marketing has located itself in the relation between marketing and society, with due emphasis on differences in exchange systems; the nature and structure of markets; the definition, scope and role of marketing; as well as in the relation between marketing institutions and economic development as exemplified in various studies that link

The simplest yet fundamental contribution of institutionalism is that institutions *matter*: in so much that everyday actions and interactions of individuals and organizations follow some rules, routines or occur even habitually, institutions are in operation. To illustrate, stylized distinctions between discrete and relational transactions enable the economist as well as the contract theorist to elaborate upon differences of some complex and recurrent patterns of exchange compared to one-time, "arms-length" transactions (McNeil 1980; Williamson 1975). However, the differences are not in degree but in kind; different institutions govern arms-length transactions as compared to those that occur within relational and obligational networks. Thus, "invisible-hand" markets do not automatically emerge nor to do they sustain and govern themselves through private enforcement alone; rather, even the simplest operation of the market requires some form of human intervention, with the contract being only one kind of institution, for ensuring and enforcing performance.

Some principles of institutional analysis

Institutions can be defined simply, though broadly, as the "rules that shape as well as constrain human action and interaction." Institutional analysis, therefore, involves uncovering of the relevant rules, contextual application of such rules, processes by which these rules change, the adoption or rejection of rules by relevant actors, as well as the incentives and sanctions for conformity and non-conformity to the rules. Static analysis is substituted to dynamic conceptualization when changes in the rules themselves are made the focus of study. Due emphasis is given to the relevant incentives for change or lack thereof; habitual endorsement of inefficient rules and factors - including awareness, learning, and changes in ideologies - that may contribute to deviations from habit; intentional changes in institutional rules, and; changes due to processes of "radical shock" (March and Olsen 1984, 1989; North 1990, 1994).

For even the rudimentary principles of institutional analysis to be applicable to the study of comparative marketing systems, the myths of the formal structure, such

Table 1. Conceptualization of Institutions Across Various Disciplines

Discipline	Institutions conceived as:	Focus of Analysis	Exemplars
Microeconomics			
- <i>Transactions Cost Approach</i>	governance structures designed by "boundedly rational" humans	Choice of Markets, Hierarchies or "Hybrids"	Williamson 1975
- <i>Property Rights Approach</i>	systems of specified property rights	Modern corporation; regulated firm; non-profits; cooperatives	Furubotn and Pehojvich 1974
Economic History	humanly devised constraints that shape human interaction	Economic development and economic performance	North 1990, 1994
Sociology	standardized interaction patterns that have attained a certain state or property	Social action within industries, professions, and nation-states	DiMaggio & Powell 1983; Zucker 1988
Organization Science	legitimized rules within socially constructed realities	Bureaucracy	Meyer & Rowan 1977; Starbuck 1976;
Political Science	repertoire of rules and procedures used to obtain conforming behavior	Political organizations; Public policy	March and Olsen 1984, 1989; Wildavsky 1987

environment could be segregated into institutional and technical sectors. As Scott and Meyer (1983) elaborate, "*institutional* sectors are characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy from the environment" (p. 140). Further, "*technical* sectors are those within which a product or service is exchanged in a market such that organizations are rewarded for effective and efficient control of the work process" (Scott and Meyer 1983; p. 140).

The elaboration of the environment into its institutional and technical sectors provides a richer understanding of changes within marketing systems that parallel changes within these sectors. Moreover, the role of professionalism, entrepreneurial activity, innovations and technical changes, customs and routines as well as the broader impacts of various cultural and political institutions in granting legitimacy or coercing changes, are explicated. For example, it is now understood that economic reform involves particular changes in the regulation of economic activity as well as the creation of institutions to facilitate market-based exchanges and technological change. A focus on the institutional and technical sectors of the environments provides a delineation of the appropriate behaviors expected, sanctions on certain types of behavior, changes in reward structures for output and efficiency as well as the appropriate role and scope of newer institutions and their ability to self-sustain, reproduce and replicate within organizations. The enduring properties as well as patterns of change in marketing systems can now be identified and predictive statements can be made from an historical understanding of responses of organizations to changing environments (i.e. whether organizations and actors respond to particular incentives and sanctions as put in motion by the reforms or attempt to counter them). This last point is particularly noteworthy in the analysis of the impacts of market reform within some developing and transition economies wherein particular actors and classes have been able to make better cognitive assessments of institutional incentives and are able to sustain appropriate and matching behaviors, while the majority of public counters the reforms since these entail drastically different cognitive assessments of the institutional environment and thus, different economic and political rewards and learning costs than before.

Focus on *institutions*, i.e. systems of rules, cultural dicta and social norms that constrain or

prescribe behaviors and allow for social control, as the relevant unit of analysis, enables a richer understanding of marketing systems in various sectors and countries. A more realistic assessment of the richer diversity across sectors and countries is afforded - one that is also tractable enough for future developments, extensions, and refinements.

The interdisciplinary nature of institutional analysis, when applied to the study of marketing systems, enables an understanding of the different types of exchange processes, behaviors, interlinkages, evolution, replication and changes. For comparative macromarketing, the specific contributions of institutional analysis include: (i) an integrative framework for assessing inter-sectoral and international institutional and technical environments in which value-chain activities are arranged; (ii) a richer understanding of the historical and cultural institutional forces that shape the structure of marketing systems; (iii) an assessment of relevant encouragement or restraints by institutions on business choices and opportunities; and, (iv) an understanding of the differential impacts of marketing systems in different societies as well as an assessment of their comparative performance. Comparing institutions and institutional linkages across countries may enable the development of a more general theory of marketing systems. For example, a different set of 4Ps may pave the way for a better understanding of macromarketing relations: Processes by which exchanges are conducted and governed in social networks; Positions of individuals and firms in relation to business assets, including knowledge, reputational, and relational assets; Property rights and the extent to which contracts and other covenants assure private entitlement to trade; and, Profit motives and community considerations.

Broader Implications of Institutional Analysis

It has been proposed often that the current state, structure, and performance of marketing systems rely upon the level of economic development, innovations, entrepreneurial activity, and market structure and competition. Institutional analysis permits a dynamic evaluation of all these forces that impinge on marketing systems, as highlighted below.

North (1990; 1994) has argued that the differential performance of economies through time is a result of facilitating institutions in the economy, the dynamic interactions between institutions and organizations, collective learning that allows

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communication. Finally, the paper addresses cultural differences in several norms, attitudes, and behaviors which contribute to cultural distance and may interfere with effective communication.

Communication

A simple definition of communication is a symbolic activity involving the process of encoding and decoding messages (Grabner and Rosenberg 1969; and Gudykunst and Young 1984), a shared social process (Harms 1973), and a formal and informal sharing of meaningful and timely information (Anderson and Narus 1990). Since communication emanates from a need to interact with other individuals, communication involves messages to which others are expected to respond (Porter and Samovar 1991). All behaviors, including verbal and non-verbal behaviors, become messages even when these behaviors are unconscious or unintentional (Porter and Samovar 1991). Interpretation of these behaviors, or decoding of the message, relies on situational circumstances such as relationship quality, accurate interpretation of intention of the communicator, and the social context of the message (Porter and Samovar 1991). All communication helps to form the dynamics of a relationship and every message either confirms or transforms those dynamics.

Intercultural communication "occurs whenever a message produced in one culture must be processed in another culture" (Porter and Samovar 1991). According to this definition, intercultural communication is not restricted to international communication efforts and implies that there is an intercultural element present in all communication efforts. Additionally, intercultural communication is defined as a "socially specified pattern of behavior, including both the language and the way individuals from different cultures think" (Harms 1973). Similarly, effective communication is a process whereby senders and receivers of messages interact in a social context and messages are transferred from the sender to receiver with minimal distortion of meaning (Harms 1973).

Researchers have encountered difficulties operationalizing effective communication in either domestic or intercultural relationships (Mohr and Nevin 1990; and Morgan and Hunt 1994). Domestically, Mohr and Nevin (1990), relying on organizational and communication literature, have established a set of indicators of effective communication. Their original list of indicators includes: frequency, bidirectionality, informal modes and indirect content. I have adopted this list because of its empirical support (Mohr, Fisher, and Nevin 1993; and Mohr and Spekman 1994), with some adaptation of the framework to the intercultural arena.

Frequency of communication is often cited in the literature as an indicator of effective communication (Angelmar and Stern 1978; Dabholkar, Johnson, and Cathey 1994; Mohr and Nevin 1990; Mohr, Fisher, and Nevin 1994; and Sunnafrank 1989). Frequency refers to both the number and duration of contacts with the relational partners (Mohr and Nevin 1990). This indicator of effectiveness is problematic, however, since the amount of contact deemed necessary to coordinate activities varies by situation and in cases of conflict, additional contacts may be counterproductive to success (Mohr and Nevin 1990; Sunnafrank 1989). However, existing empirical research uses frequency as an indicator of communication effectiveness, hence, I have included it in the model.

Bidirectionality is also cited as an indicator of communicative effectiveness (Dabholkar, Johnson, and Cathey; Mohr and Nevin 1990; and Mohr and Spekman 1994). Importantly, a bidirectional flow implies a more cooperative, interdependent environment. While bidirectional flow of communication correlates with improved relationships quality and success in domestic relationships (Mohr, Fisher, and Nevin 1994) its potential contribution may be greater in intercultural relationships, since perceptions of dependence on a more powerful partner can deter trust development in some cultures. Studies involving Japanese partnerships support this claim (Sullivan and Peterson 1982) and suggest that the use of power must be limited (Casmir and Asuncion-Land 1989; and Johnson, Sakano, Cote and Onzo 1993). Bidirectional flow of information is one way to demonstrate equality among the partners.

Another indicator of effective communication is the willingness of the parties to supply information regarding intentions and feedback on received communications (Anderson, Lodish, and Weitz 1987; Dabholkar, Johnson, and Cathey 1994; and Lester 1983). Effective communication mandates the exchange of information be reciprocal and accurately disclose intentions. This exchange of rich information is especially vital in intercultural communication, where relationships are more uncertain due to unclear interpretation of culturally defined behaviors.

Thus,

P1: In intercultural relationships, effective communication has:

- a. Higher frequency
- b. more bidirectional flow
- c. reciprocal exchange of information

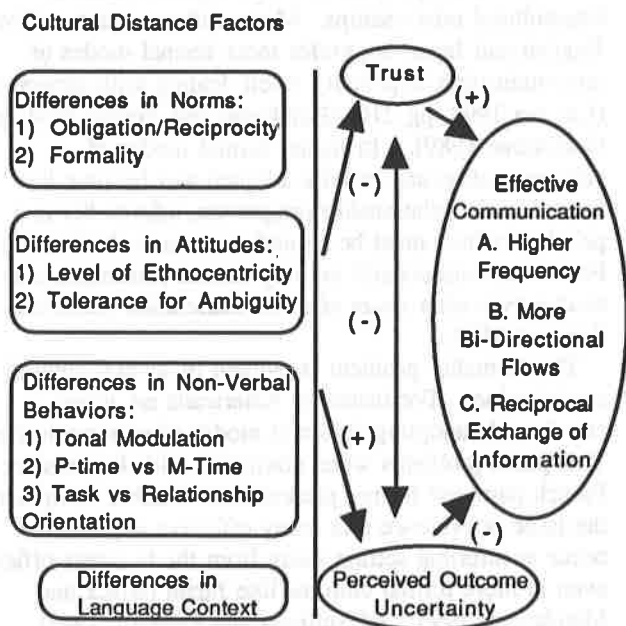
Effective Domestic Communication

Extant literature has identified several antecedents to effective communication including trust and perceived

behavioral similarity among individuals within a culture.

In order to understand the complexities of intercultural communication, we must first look at some of the cultural factors which may contribute to communication difficulties. Figure 1 represents such a model.

FIGURE 1. MODEL OF EFFECTIVE INTERCULTURAL COMMUNICATION



This figure introduces the cultural distance factors which will be examined later in this paper and shows the postulated relationships between these factors, the proposed antecedents of trust and perceived uncertainty, and the indicators of effective communication.

Among the cultural distance factors which affect development of effective communication are norms, such as those involving discharge of obligations, attitudes like ethnocentricity, and communication behaviors such as language context. While this list is by no means comprehensive, it offers a framework for analyzing cultural distance factors.

Cultural distance refers to the degree of cultural difference between two individuals or groups and is increased by variations in norms, attitudes, and behavioral patterns prevalent in the society. This implies a preference for particular patterns of behavior which are culturally similar (Fitchen 1978). Consequently, we expect individuals from different cultures to exhibit unique behaviors and communicate according to culturally specified guidelines (Harms 1973). Casmir and

Asuncion-Lande (1989) and Houston and Gassenheimer (1987) suggest that some commonality among these factors is necessary for effective communication and trust development.

In communication, cultural distance factors lead to differences in perceptions of intent, differences in the meaning given to symbols employed, and difference in the value attributed to the information contained in the communication (Grabner and Rosenberg 1969; and Servaes 1989). These differences create noise which clouds interpretation of the message. For example, the Japanese "yes" may mean acceptance, comprehension, or simply reception of the message, making translation of this response complicated (Black and Mendenhall 1993). Understanding messages may be more difficult given the noise created by these differences, making effective communication problematic. Significantly, these misunderstandings are the result of cultural distance factors, rather than language difficulties commonly cited as obstacles to international communication (Abramms-Mezoff and Johns 1989; Casmir and Asuncion-Lande 1989; Fine 1991; Francis 1991; and Servaes 1989). Languages can be learned or translators hired, but these cultural distance factors may still prevent effective communication. For example, communication difficulties exist between Canadians and Americans, despite sharing a common language, geographic proximity, and many cultural elements (Casmir and Asuncion-Lande 1989).

Cultural Norms

Cultural norms are defined as expectations regarding acceptable behavior that are shared by a group people (Heide and John 1992). Understanding and some sharing of these cultural norms are necessary to lay the ground rules for personal conduct (such as ethical behavior) and effective communication (Casmir and Asuncion-Lande 1989; and Houston and Gassenheimer). Differences in the existence and construction of cultural norms contribute to cultural distance.

There are substantial differences in norms between cultures however, reciprocity or obligation has been cited by many intercultural researchers as impacting relationships quality (Black and Mendenhall 1993; Hwang 1987; Kale and Barnes 1992; and Shenkar and Ronen 1987). The reciprocity norm is very rigid in many Eastern cultures, where stringent rules specify behaviors which incur obligations and how obligations can be discharged. While many other cultures exhibit social pressure to conform with some notion of reciprocity, few demonstrate the law-like nature of reciprocity in Eastern cultures.

Obligation guides most interpersonal interactions and much of the communication style observed in these cultures is a direct result of an attempt to avoid

their communication style and customs.

Ethnocentrism also implies that attribution of meaning to verbal and non-verbal behaviors occurs according to one's own cultural perspective or based on past experiences (Cateora 1993 pg 341; and Porter and Samovar 1991). This reliance on one's own cultural framework to decode messages may mean symbols are misdefined and misunderstandings result. Ethnocentrism correlates negatively with the probability of relationship success in several studies (Kale and Barnes 1992; and Gudykunst and Young 1984).

As cultural distance increases, trust development becomes increasingly problematic. Not only are there differences in the construction of values in the cultures, but communication style differences create more misunderstandings which might be construed as untruths. Additionally, as cultural distance increases, ethnocentric attitudes support the "otherness" of relational partners, leading to less trust.

Thus;

P6: Greater levels of ethnocentric attitude will be associated with:

- a. lower levels of trust and
- b. higher levels of perceived uncertainty.

As mentioned earlier, there are attitudinal differences in the tolerance for ambiguity which vary by culture. This difference in attitudes toward uncertainty, will affect the amount of uncertainty perceived by an individual. The lower the individual's tolerance for ambiguity, the more information that individual may require to ensure a trusting relationship is established. Communication between individuals who possess different levels of tolerance for ambiguity may have a mismatch on all of the indicators of effective communication, ie. the low tolerance individual will want more frequent, more bi-directional, and more informative communication while the high tolerance individual may feel comfortable with the current communication situation. In this circumstance, distrust and confusion may occur.

Thus;

P7: Greater differences in the tolerance for ambiguity will be associated with:

- a. lower levels of trust and
- b. higher levels of perceived uncertainty.

Non-Verbal Behaviors

Non-verbal behaviors like the *siesta* (practiced in much of Europe and South America) may be misinterpreted as laziness by Americans, where this practice is alien. Chronic lateness customary in many P-time countries like those in the Mid-East and South America reflects their perceptions regarding the importance of a natural flow to interpersonal relationships, but may insult an M-time partner who interprets lateness in terms of their own importance (Gudykunst 1989;

Gudykunst and Young 1984; and Sullivan and Peterson 1982). Japanese, whose vocal modulations tend to be less pronounced than in many Western cultures, are often interpreted as angry by observers. Americans, who are very task oriented, rarely take enough time to develop interpersonal relationships sufficiently and are frequently viewed as impatient and too dominant by relationship oriented cultures (Cateora 1993 pg 356).

Regardless of the nationalities involved in the relationships, ethnocentricity can lead to communication breakdown. Since a home perspective is used in making interpretations of these languages and non-verbal behaviors, many misunderstandings result and effective communication is impaired.

Thus:

P8: Greater differences in non-verbal behaviors will be associated with:

- a. lower levels of trust and
- b. higher levels of perceived uncertainty.

Language Context

Finally, communication takes place through an elaborate set of linguistic and behavioral symbols. Attribution of meaning to these symbols is heavily influenced by cultural actors such as parents, teachers, and peers (Harms 1973). Culturally distinct communicators can be expected to utilize different semiotics in their communication efforts. Effective intercultural communication requires a shared meaning to the symbols, both verbal and non-verbal, used by people who come from different cultural backgrounds (Gudykunst and Young 1984).

Complicating interpretation of these symbols is the context specificity of the language. Language context refers to the relative importance of situational variables in the interpretation of meaning, the different conative or figurative meanings to language, and the use of idiomatic expressions (Servaes 1989). For instance, a high context language like Japanese contains more information in the implicit context than in the explicit part of the message (Gudykunst 1989).

Individuals from high context cultures are restricted by imprecisions in their language making effective communication so difficult that Adams (1991) suggests that Japanese only understand each other about 85% of the time. He also finds that Japanese prefer English language contracts, even in intra-national dealings, because the language allows more precision in stating contract terms.

Additionally, individuals in high context cultures learn patterns of communication which are less explicit as a means of maintaining relationships. For instance, Japanese have a strong reluctance to using "no" because it can potentially damage interpersonal relationships,

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INDEX OF AUTHORS

Ardrey, William J., IV	40
Beckman, James	72
Carter, Forrest S.	26
Chiou, Jyh-shen	50
Dixon, Donald F.	92
Hausman, Angela	108
Iyer, Gopalkrishnan R	100
Kale, Sudhir H.	66
Liebow, Edward B.	72
Mittelstaedt, John	8
Nason, Robert W.	34
Nil, Alexander L.	15
Rallapalli, Kumar C.	1
Rao, C. P.	1
Redmond, William H.	58
Shultz, Clifford J., II	15, 40
Singhapakdi, Anusorn	1
Stanley, Linda R.	79
Sybrandy, Arthur	92
Weiss, John	79