

Optimization

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RESEARCH PAPERS

- Consumer Selection of Green Hotels: Role of Guilt and Environmentalism in Consumer Decision Making
David Njite, H.G. Parsa, Bridget M. Bordelon and Kim Williams
- Customer Perceptions of Variable Pricing in the Lodging Industry: A Justice Perspective
Bharath M. Josiam, Punit Sanghavi, Gauri Bahulkar and Johnny Sue Reynolds
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- Leadership styles among the school principals in Uttar Pradesh
Kranti Walia and Manmeet Kaur



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From the Desk of the Chief Editor.....

The globalization of the economy along with increasing business competition has made management of resources more complex and intricate. Under these constraints, finding an alternative with the most cost effective and highest achievable performance becomes quite difficult. In this backdrop, Optimization becomes need of the hour. True optimization is the revolutionary contribution of the modern research to decision processes.

Our bi-annual peer reviewed '**Optimization**': **Journal of Research in Management, Volume 8, Number 2, July-December 2016** issue is an effort in the same direction that publishes breakthrough ideas in the ever emerging and evolving process of management. The aim of this Journal is to percolate knowledge in various fields and hence elevate high end research by providing a strong network for enriching research and development. It attempts to document and spark a debate on the research done in diverse fields of management and allied areas. The Journal has a strong emphasis on interdisciplinary issues as complex problems in the business world require multi-disciplinary solutions.

Present issue covers a wide range of management topics related to Consumer Decision Making, Pricing, Financial Planning, Social Capital, Carbon Credits, Knowledge Management and Leadership. These papers will not only provide a valuable addition to the management literature, but will also serve as an invaluable reference material for the intellectual community.

The first research paper "**Consumer Selection of Green Hotels: Role of Guilt and Environmentalism in Consumer Decision Making**" has been authored by **David Njite, H.G. Parsa, Bridget M. Bordelon, and Kim Williams**. The purpose of this paper is to examine the behavioral influence of anticipated guilt in the context of consumer environmental actions. The next paper "**Customer Perceptions of Variable Pricing in the Lodging Industry: A Justice Perspective**" authored by **Bharath M. Josiam, Punit Sanghavi, Gauri Bahulkar, and Johnny Sue Reynolds**, explores and determines the customer perceptions of variable pricing in the lodging industry through the two lenses of perceived justice and membership in loyalty programs. The third article "**Retirement Financial Planning Among Working Women: A Conceptual Framework**" written by **Sweta Tomar and Satish Kumar** is an investigation on the main factors that affect the retirement financial planning model in the case of women. The next research paper entitled "**Social Capital as an antecedent of Employee Social Innovation Tendency in Social Enterprises**" by **Palvi Pasricha and M.K. Rao** proposes that employee favorable perceptions of internal social capital in the organization can make a significant contribution towards creating in the employee a penchant for social innovation. The fifth article authored by

Praveen Kumar, entitled “**Carbon Credits: A Paradigm Shift towards Money Making Opportunity**” explores and examines the emergence of Carbon Credit as a global phenomenon entailing serious and long-term strategic implications. The next paper “**Knowledge Management Implications on Financial Performance and Efficiency: A Survey of Listed Indian Companies**” has been authored by **Kirti Sharma and Vandna Sharma**. This paper validates the implications of Knowledge Management in Indian organizations via a perception study of the employees. The last article entitled “**Leadership styles among the school principals in Uttar Pradesh**” written by **Kranti Walia and Manmeet Kaur** focuses on finding out the most dominant leadership style among the school principals of Uttar Pradesh state of India

We are delighted that the Journal is another milestone in the pedestal of our achievements. It has become a source of inspiration for entire academia and corporate fraternity. It provides unique learning propositions to the management scholars, social scientists, academicians and industry professionals by equipping them with the evolving management concepts, practices, perspectives and approaches. It endows readers with sound knowledge base, collaborative analysis and ability to appreciate varied views of a vibrant peer group. Our attempt is to enable researchers understand the complexities of contemporary management challenges.

We thank the contributors, reviewers, advisory committee members and readers for supporting the Journal and making it a grand success. We look forward to larger contributions and, at the same time, pledge to improve the quality and contents of the Journal and make it a useful vehicle for dissemination of relevant experiences and research.



Dr. Urvashi Makkar

Chief Editor and Director General
GLBIMR, Greater Noida

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Consumer Selection of Green Hotels: Role of Guilt and Environmentalism in Consumer Decision Making

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Kim Williams****

Abstract

The purpose of this study is to propose and test an extended consumer's generally acknowledged behavioral framework, the Theory of Planned Behavior (TPB), by incorporating the notion of anticipated guilt. More specifically, the behavioral influence of anticipated guilt is examined in the context of consumer environmental actions by investigating the mediating role of this emotion, between a consumer's attitudes (antecedent by behavioral beliefs) and purchase intentions. The study was conducted through a web-based survey; four hundred and thirty eight surveys were collected. Structural equation modeling was used to test the proposed research model and two other competing models. Results of the data analysis showed that there was empirical support for the proposed model. To compare these competing models, the χ^2 difference tests were conducted. The partially mediated model appeared to fit the data best. The study findings

largely supported the relationships proposed to explain consumer behavioral intentions. More importantly, this study deepened the TPB model by establishing that the notion of anticipated guilt is an integral part of consumers' decision-making process and a significant partial mediator between consumers' attitudes and behavioral intentions. Managers should develop strategies aimed at encouraging consumers to act in an environmentally friendly manner by influencing consumers' emotional experiences, more specifically by applying anticipation of guilt. The manuscript demonstrates original work in the area of hospitality and environmentalism. The study extends the consumers' generally acknowledged behavioral framework by incorporating the notion of anticipated guilt and its positive impact in consumer environmental behavior.

Keywords: Consumer, Environment, Decision Making, Guilt.

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1. Introduction

In an effort to gain physical comfort, achieve labor efficiency, improve existing modes of transportation, find pleasure and develop technology, human beings have overly exploited the finite resources. Some of the results of this unchecked resource exploitation have been detrimental to the environment; in some situations destroying whole ecosystem and even wiping out entire species of plants and/or animals. This realization has led to the development of several corrective actions, including numerous environmental awareness programs. The purpose of these programs is to encourage activities that will not only restore the earth but, also ensure its future habitability. Despite all these efforts, environmental destruction does not seem to be decelerating (Grant, 2000, p.5), and the causes of environmental degradation seem to be increasing as well ranging from individuals to large manufacturers. Unfortunately about 30 to 40 percent of environmental destruction originates at the consumer/household level (Grunert, 1993). Therefore, it is envisaged that improving environmental behavior or getting consumers to behave in a pro-environmental (PE) manner is likely to result in a great reduction in environmental degradation.

Behaving in a pro-environmental manner, though, has several implications. For example, pro-environmentalism calls for the consumer to deal with the imbalance between the individual cost and the collective benefits to the greater community or, simply stated, consumers must choose between their own personal interests and those of the society. Pro-environmental behaviors (PEBs) call for the individual to make sacrifices, because they are generally opposed to clearly perceptible and immediate consumer gratifications; being to the advantage of the population as a whole, their benefits appear distant in time and place (Vlek & Keren, 1992). For example, in the hotel industry, when hotel guests want their sheets and towels changed daily, and their room temperature controlled even when they are away, they are seeking a comfortable

environment. In the short run, this behavior does indeed provide the consumer with satisfaction, but in the long run it is likely to endanger and deplete the natural resources such as electricity, water and natural forests available for future generations and even contribute to environmental destruction. Consumers are therefore caught in a dilemma, having to choose between immediate gratifications versus acting in a manner considered pro-environmental for going some of their immediate comforts. Interestingly, consumers often elect to act in their own benefit at the expense of the greater society, as Van Vugt, Meertens and Van Lange (1995) have shown in their study of car use versus public transport. On the other hand, the extant literature documents the fact that a considerable number of consumers sacrifice not only their comfort but also their short-term advantage to act in a manner that is likely to benefit the greater society. These individuals engage in PEBs such as recycling (Guerin, Crete, & Mercier, 2001; Bratt, 1999), the consumption of organically produced foods (Sparks & Shepherd, 1992) etc. Additionally, the documented preference for locally grown foods and green restaurants and hotels, suggests that consumers are willing to sacrifice their short-term enjoyment for the benefit of the society. Engagement in PEBs is an indication that consumers have realized that their purchase and consumption patterns are likely to have an adverse effect on the environment (Laroche, Bergeron, & Babaro-Forleo, 2001). Consumers are therefore seeking environmentally friendly products. For example, Manaktola and Jauhari (2007) found that consumers are actively seeking hotels that follow eco-friendly practices. In response, the hospitality sector is developing more environmentally friendly establishments (Brown, 1996).

The purpose of this study, therefore, is to examine the motivation behind hospitality consumers' desire to engage in PEBs and, specifically, to provide some insight into the question: "What motivates consumers to engage in PEB by selecting green hotels where they are encouraged to minimize the use of the available resources?" Indeed, why would consumers elect to spend their nights and their

money at establishments whose conservation-oriented nature tends to encourage them to use the available resources sparingly, practice recycling and other saving techniques? Understanding what motivates consumers to select green hotels is important for both marketing and theoretical purposes. The hospitality industry has been selected for various reasons but, most of all, on account of its unique characteristic of “non-ownership” (Fitzsimmons & Fitzsimmons, 2008). Non-ownership implies that services cannot be transferred from the owner to the buyer/consumer. Thus, despite a purchase having occurred, there is no dual exchange of physical products; the physical aspects of the service are only experienced, and then left behind when the consumer departs. For example, the service provider assembles resources such as water, fuel and even space in order to cater to the needs of the consumer, but the consumer cannot take away any of these. One implication of non-ownership is the likelihood that the consumer will not practice PEB in their private sphere such as a hotel room. They are under no obligation to do so. In addition, in the lodging sector, customers stay overnight and are seek a home away from home, in search of comfort. Therefore one is bound to ask the question, why consumers would elect to spend a night at a hotel whose policy appears contrary to what they are seeking: comfort. If comfort is likely to be achieved through the utilization of the available resources, why would consumers elect to stay at properties that are likely to provide less comfort or subtly discourage the use of resources for which, in a real sense, the customer has paid for? Understanding these consumer practices is important for both theoretical and managerial purposes. “Green” hotels are environmentally-friendly properties whose managers are eager to institute programs that conserve water, save energy and reduce solid waste while saving money to help protect our one and only Earth (Green Hotels Association-GHA, 2010). Studies in the area of environmentalism are numerous. However, minimal work has been pursued relating emotions (guilt) and PEB. In addition, little research has focused on hotel customers’ decision-making processes when selecting green

hotels (Han, Hsu & Sheu, 2010). In this study, therefore, guilt is selected as the emotion of concern and is examined in the context of the Theory of Planned Behavior (TPB) (Ajzen, 1988, 1991), while seeking to provide an insight into the research question. Examining environmental behavior from the perspective of an emotion (guilt) gains support from several angles. Thøgersen (1996), for example, presented the view that environmentally relevant behavior should not be classified in the domain of economic behaviors because people perceive and evaluate it in terms of right and wrong, and therefore as having a moral implication. In addition, Stern, Dietz and Guagnano, (1995) suggested that environmentally relevant behavior is based on three value orientations: egoistic, biospheric and social altruistic. The social altruistic value orientation concerns the welfare of other people. This orientation seems to be closely related to Baumeister, Stillwell, and Heatherton’s (1994) conceptualization of guilt.

The specific objectives of this study are: (1) extend the generally accepted behavioral decision model of TPB by incorporating the notion of anticipated guilt. More specifically, the role of anticipated guilt is examined in the context of consumer social responsibility by investigating its mediating role between the consumer’s anticipated guilt and intention to select green hotels; and (2) test the proposed augmented model in which anticipated guilt has been incorporated.

2. Review of Literature

To provide insight into the research question, a model previously used to examine motives and which appears relevant in this context: Theory of Planned Behavior (TPB) (Ajzen, 1988, 1991; Ajzen & Madden, 1986) was employed here. The TPB selected as the underpinning model of the study. The model has been applied in examining and explaining several phenomena in social and health sciences, ranging from determinants of the use of table salt (Shepherd & Farleigh, 1986b), consumption of organic vegetables (Sparks & Shepherd, 1992),

intentions to eat genetically modified foods (GMF) (Cook, Kerr & Moore, 2002), and intentions to eat less chocolate and meat (Sparks, Conner, James, Shepherd, & Povey, 2001). In summary, research has successfully applied the model to predict intentions and behavior ranging from shoplifting (Tonglet, 2002) to attending a language rights rally (Louis, Taylor & Neal, 2004). According to Godin and Kok (1996), the model has provided a basis for the understanding of health behavior. In the hospitality research, the TPB has been used widely, particularly in the sustainability research, for example, Han, Hsu and Sheu (2010) just to mention.

Theory of Planned Behavior

The strength of the theory of planned behavior (Ajzen, 1991; Ajzen & Madden, 1986) has been its application and usage in the prediction and explanation of a wide range of behaviors in terms of a limited set of constructs (attitude toward the behavior, subjective norm, perceived behavioral control, and behavioral intention). In this theory, salient beliefs are considered to play an important role. *Salient beliefs* are those that first come to mind when respondents are asked open-ended questions such as “What do you think would be the advantages for you of performing a mentioned or identified behavior X?” They are also referred to as *accessible* beliefs (Ajzen & Fishbein, 2000; Higgins, 1996). These salient beliefs are the antecedents of attitude, subjective norms as well as perceived behavioral control and are the corresponding beliefs that reflect the underlying cognitive structure of these constructs.

In summary, salient behavioral beliefs and outcome evaluations (beliefs about the consequences of performing the behavior) are held to determine attitude toward the behavior. Salient normative beliefs and motivation to comply (beliefs about the views of significant others) are held to determine the subjective norm. Salient control beliefs and power to control (beliefs about factors that may facilitate or impede performance of the behavior) are assumed to determine perceived behavioral

control. Therefore, it is reasonable to hypothesize that:

- H₁: Salient beliefs are the determinants of the constructs of theory of planned behavior.
- H_{1a}: Salient behavioral beliefs and outcome evaluations (beliefs about the consequences of performing the behavior) are held to determine attitude toward the behavior
- H_{1b}: Salient normative beliefs and motivations to comply (beliefs about the views of significant others) are held to determine subjective norms.
- H_{1c}: Salient control beliefs and power of control (beliefs about factors that facilitate or impede performance of behavior) are assumed to determine perceived behavioral control.

Antecedents of Intentions

In the TPB, it is suggested that behavioral intention is the best predictor of future behavior, and that intention is determined by three components: subjective norms (SN), attitude (ATT) and perceived behavioral control (PBC). The attitude towards a behavior or the global evaluation of engaging in a particular behavior is an important antecedent to intention and therefore to behavior itself. Several studies based on the TPB have documented the role of attitude on intentions (for a detailed review, see Ajzen, 1991; Eagly & Chaiken, 1993). Attitude is described as the “degree to which a person has favorable or unfavorable evaluation or appraisal of the behavior in question” (Ajzen, 1991, p.188). Attitude is a function of salient beliefs and the evaluation of the significance of the consequences. Attitudes are learned in that over time, an individual begins to understand that a particular behavior will elicit a given reaction. According to (Ajzen, 1991) the relationship between attitude and the likelihood of engaging in a given behavior is positive. It is predicted that since pro-environmental behavior is socially encourage, there is a positive and significant relationship among consumer attitude toward the behavior and the intention

to engage in a given behavior – in this study, the selection of green hotels. Therefore we hypothesize that:

H₂: There is a positive relationship between the antecedents of planned behavior and the selection intention of green hotels.

H_{2a}: There is a positive relationship between attitudes and selection intention of green hotels.

Subjective norms, whether people important to the individual think they should engage in the behavior or not, is another cognitive determinant of intention. According to Kelman (1974), subjective norms can be equated with what is referred to in the influence literature as compliance. Bagozzi, Bergami, and Leone (2003), stated that subjective norms and attitude provide a reason to act and not the motivation. This variable of the TPB captures the interpersonal aspect of behavior and does reflect the need for approval. Subjective norms therefore depict the perceived social pressure to engage in a given behavior (Ajzen, 1991, p.188). Thus, it is the opinion of others that are close or important to the individual that influence their decision including relatives, co-workers, friends, and colleagues (Ajzen, 1991). Subjective norms have also been described as “whether significant others will approve or not approve the behavior (Ajzen, 1991).” In this context, when significant others think it is important to stay at green hotels; the pressure exerted upon the individual is greater, and they attempt to decrease this pressure by complying or increasing their motivation to select a green hotel. It is therefore reasonable to predict that there exists a positive relationship between the level of influence of subjective norms and a consumer’s intention to select green hotels. The higher the need for acceptance by significant others, the more likely the consumer will comply by selecting a green hotel.

H_{2b}: Positive relationship between subjective norms and selection intention of green hotels.

The perceived behavioral control is “the perceived ease or difficulty of engaging in, or

performing a particular behavior” (Ajzen, 1991, p.122). It is assumed that perceived behavioral control is determined by the total set of accessible control beliefs – how well one can control the factors that may facilitate or constrain the actions needed to deal with a specific situation. People’s intentions and behavior are influenced by their ability to control the resources required to engage in a particular behavior. In this study, PBC will refer to the perceived ability to select a green hotel, the availability of such accommodation, and the control of resources required to do so. It is therefore logical to hypothesize that there exists a positive and significant relationship between the PBC variables and intentions to select green hotels.

H_{2c}: Positive relationship between perceived behavioral control and selection intention of green hotels.

Intentions to engage in a behavior are considered the most immediate and important predictor of performance. Intentions mediate the effects of attitudes, subjective norms and, in certain circumstances, PBC (Ajzen, 1991; Ajzen & Madden, 1986). In particular, Warshaw and Davis (1984) show that intentions are good predictors of behaviors in a variety of situations. Indeed, intentions have been shown to account for 20 to 40 percent of the variance in behavior (Conner & Armitage, 1998; Conner & Sparks, 1996; Godin & Kok, 1996; Randall & Wolff, 1994; Sheeran & Orbell, 1998). In their meta-analysis of TPB, Armitage and Conner (2001) revealed that PBC and intentions jointly accounted for 27 percent of the variance in behavior. These findings are consistent with Ajzen’s (1991) estimation of 25 to 30 percent variance. In this case, the higher the intentions, the higher the probability of the consumer actually engaging in the behavior of selecting a green hotel.

Several meta-analyses (Sheeran & Taylor, 1999; Shepherd, Hartwick & Warshaw, 1988) have found that attitude and subjective norms account for 30 to 46 percent of the variance in behavioral intentions. When attitudes, subjective norms and PBC are considered

together, they explained variance in intentions of 40 to 50 percent (Ajzen, 1991; Conner & Armitage, 1998; Sheeran & Taylor, 1999). Studies have revealed that PBC contributes a 5 to 14 percent increment in the variance in intentions over and above the effects of attitudes and subjective norms (Sheeran & Taylor, 1999; Sheeran, Trafimow, Finlay, & Norman, 2002), though this value varies for different intended behaviors (Sheeran et al., 1999).

The antecedent variables of the TPB explain up to 50 percent of the variance in intention. This is indeed a reasonable variance but, one can conclude equally that about 50 percent of the variance is not explained by the present variables of the TPB. Therefore the question remains, should we as the users of this theory remain content with this 50/50 explanation/deficiency? This study therefore seeks to examine environmental behavior by augmenting the TPB with the variable of anticipated guilt. It is envisaged that anticipated guilt should predict the variance in intentions significantly over and above the other three antecedents of intention (PBC, ATT and SN).

Conceptualization of Guilt and Anticipated Guilt

Guilt has been described as: “a common form of emotional distress and a common factor in behavioral decisions” (Baumeister, Stillwell, & Heatherton, 1994, p.243). Feeling guilty has been associated with thoughts of wanting to make amends, wishing one had acted differently, and wanting to undo what has already been done (Lazarus, 1991). Guilt also occurs when individuals imagine doing something wrong that is going to have an adverse effect on someone who is either physically present or not (Lazarus, 1991). Guilt arises when there is a capacity to feel or anticipate the suffering and distress likely to be experienced by others (Baumeister et al., 1994) and self-attribution of the responsibility for their suffering (Hoffman, 1982).

The conceptualization of guilt has been controversial, examined as both an

intrapersonal and an interpersonal emotion. For example, Freud (1933/1964) treated guilt as the product of intrapsychic conflicts; Freud postulated that guilt was the weapon used by the superego to influence the ego’s decisions: “moral sense of guilt is the expression of the tension between the ego and the super-ego” (1933/1964, p.76). Freud later proposed that the operation of the superego involved generating feelings of guilt without regard to the external world (1933/1964, p.97).

Lewis (e.g. 1971, p.95) asserted that interpersonal factors and processes were irrelevant to guilt, stating “guilt is evoked only from within the self” (p. 85). Lewis (1971) emphasized that guilt does not even derive from an imaginary contact with another person. “The imagery of the self vis-a-vis the ‘other’ is absent in guilt” (Lewis, 1971, p.251). This analysis explicitly denies any significant role to interpersonal processes.

In contrast, contemporary theories of emotion define guilt as an interpersonal phenomenon, presenting guilt as a negative emotional state resulting from violating one’s internalized standards of proper behavior or when contemplating a future violation (Baumeister, Stillwell, & Heatherton, 1994). Specifically, guilt has been defined as “an individual’s unpleasant emotional state associated with possible objections to his or her actions, inaction, circumstances, or intentions.” (p.245). It is therefore reasonable to infer that whatever perspective one takes, the end result is that, guilt results in discomfort that individuals will seek to alleviate.

At least three primary types of guilt are proposed and discussed in the extant literature: reactive, anticipatory, and existential (Huhmann & Botherton, 1997). Reactive guilt occurs when one’s own standards of acceptable behavior are infringed or one’s own internal standards are violated (e.g. failing to point out that an item has been missed off the bill at a restaurant). Anticipatory guilt refers to guilt that is experienced when one considers going against one’s own standards of acceptable behavior (e.g. planning to call in to work sick when one is in

good health). This feeling may prevent the person from committing an act. Finally, existential guilt is experienced when one feels better off, or more fortunate than others, resulting in feelings of empathy (e.g. when seeing a homeless person). This latter type of guilt is similar to what Burnett and Lunsford (1994) refer to as social-responsibility guilt, whereby “guilt may result from not living up to one’s social obligations” (p. 41). This study focuses on the concept of anticipated guilt or the anticipatory nature of guilt.

Consumer guilt occurs at three levels: During purchasing (for example buying items and products that have a high potential to destroy the environment: see Rook, 1987) or splurging (this is a purchasing level guilt: see Pirisi, 1995). Guilt can also occur during the use of a product and even at the disposal stage (e.g. feeling guilty for disposing of batteries in a river). Guilt has been proposed as an important variable in rewards programs (Kivetz & Simonson, 2002) and even sales promotions (Strahilevitz & Myers, 1998). However, most research has focused on the consumer response to the needs of others by considering those needs when buying items (buying as a mechanism to escape the discomfort caused by the guilt).

Recent studies have differentiated between guilt and other negative emotions such as shame. Tangney and Dearing (2002) proposed that the difference lies in the generalization: guilt focuses on the act, while shame focuses on the individual. For example, guilt will suggest that “I did a bad thing”, whereas shame will make one feel that “I am a bad person.” Shame is generally destructive while guilt is generally constructive. When one is faced with guilt, it signifies that a good person has done a bad thing and there are plenty of ways to remedy this isolated act: apologize, make amends, reaffirm commitment to the relationship, or promise not to repeat the act. Shame, on the other hand, makes one feel that one is an innately bad person, and nothing can be done about it.

Guilt therefore prompts good deeds (Baumeister, Vohs, DeWall, and Zhang, 2007).

For example, when people are guilty, they apologize, indicating that they are taking responsibility for the action, and are therefore willing not to engage in such an act again. Apologies allow people to make amends through performing positive or good deeds. In the environmental context, we can therefore state that, when consumers feel they are guilty of engaging in an anti-environmental behavior, they are likely to apologize and make amends and will therefore be motivated to engage in PEBs. In this context, it is suggested that if a consumer contemplates staying at a non-green hotel, the anticipated guilt will make them alter their plan and engage in a more PEB by selecting a green hotel.

Anticipated Guilt

Anticipated guilt falls within the group of emotions that are forward oriented in nature. The existing literature reveals that the effortful decision-making process by individuals/consumers not only involves emotions, but activates forward-looking emotional responses. According to Bagozzi et al. (2000), during the decision-making process, while the individuals/consumers examine their objectives, they also examine the possible outcomes associated with failure and success. The result of this consideration is an emotional reaction. These emotions elicited and activated in anticipation of an action are referred to as anticipated emotion since they are “forward looking” in nature (Bagozzi et al., 2000; Zeelenberg, 1999). Anticipated emotions have a significant influence on consumer decision-making (Zeelenberg, 1999).

Several researchers have encouraged incorporation of anticipated emotions into the decision-making inquiry. Sarin (1992), for example, stated that: “Psychological concerns such as anxiety, nervousness, regret, and fear play an enormous role in decision making. These concerns, though unaccounted for in the economics of decision, are real to a person and should be incorporated in the analyses” (p.145).

Research (see Bagozzi, Baumgartner, Pieters, &

Zeelenberg, 2000) has isolated the two functions of emotions: as a feedback mechanism, and as a motivational factor. The feedback function is also known as the informational function, while the motivational function encourages an individual to engage in a certain behavior/activity. Emotions provide feedback after engaging in a given behavior, while their motivational role comes into play when one is considering engaging in a given activity.

Lazarus (1991) suggested that the role of emotions as a feedback has been well established and accepted, but research into the role of anticipated emotions as a motivational factor remains in its infancy and needs further investigation. Several studies have examined the effects of anticipated affective reactions on behavior in the context of Ajzen's (1991) TPB. For example, Richard, Van der Pligt, and De Vries (1996) examined the influence of anticipated worry, tension and regret. As hypothesized, anticipated affective reactions were significant determinants of behavioral expectations for both refraining from sexual intercourse and using a condom. In separate studies, Richard, Van der Pligt, and De Vries (1996) as well as Parker, Manstead, and Stradling (1995), found that anticipated negative affect had a significant influence on intentions to commit driving violations, in addition to attitude, subjective norms, perceived behavioral control, and personal norms. Perugini and Bagozzi (2004) stated that empirical studies to date have only investigated the behavioral effects of anticipated positive and negative affect and regret, and that little is known about other negative emotions. Consequently, it is necessary to examine the effect of additional negative emotions such as guilt.

Given that guilt motivates people to engage in behaviors that alleviate such feelings, anticipated guilt has also been hypothesized to serve as a behavioral motivation. Okeefe (2002) proposed that if people can anticipate that failing to act will result in a feeling of guilt, they will then engage in activities that minimize the guilt. In line with Okeefe's (2002) proposal, this study predicts that the tendency for action associated with anticipated guilt is

similar to that of guilt. As people desire to avoid feeling guilty, they will take action to avoid it.

These studies discussed have been useful in contributing to the understanding of the role of anticipated emotion on decision-making in the context of attitude-theoretic models. A great proportion of these studies however, have treated anticipated emotion as a parallel to the other antecedents of intention. Thus, they have used anticipated emotions as an additional predictor of variance in the outcome variable, intention, thus broadening the theory of planned behavior.

The current literature on the role of anticipated emotion on intention remains contradictory. Richard, Vries, and van der Pligt, (1998), for example, found that the predictive ability of anticipated emotions on the outcome variable differed according to context; for example, these authors found that anticipated emotions do not always predict a significant percentage of variance in intention in the absence of attitude. Richard et al. (1998) then suggested that anticipated emotion and attitude should be treated as a one single latent variable with six indicators. But after examining this model, these authors combined these two variables and the resulting variable did not predict a significantly different variance in the outcome variable. They concluded that these two variables were independent. As a result of this observation, it is suggested that anticipated emotion (e.g. anticipated guilt) is a mechanism through which attitude influences intentions. This suggestion is supported by the findings of Baron (1992), who concluded that a significant relationship exists between anticipated emotion, attitude and outcome variables.

Following the above reasoning, it is reasonable to hypothesize that there should be a significant improvement in the predictive ability of TPB framework when the notion of anticipated guilt is introduced as a mediating variable between attitude and the intention to select green hotels. This suggests that consumers' intentions in situations involving environmental decision-making are influenced directly by attitude, subjective norms and perceived behavioral

control, as well as indirectly by attitude through anticipated guilt. It is therefore hypothesized that:

H₃: The relationship between attitude and consumer green purchase intention is mediated by the emotion of anticipated guilt.

H₄: Integrating the concept of guilt in the TPB will increase the variance explained in the consumer intention to select green hotels.

Following the theoretical foundation presented regarding guilt and TPB and the established relationship between PBC, ATT, SN and intentions, the current study incorporates the notion of guilt (anticipated guilt) within the general framework of TPB.

Several justifications exist for the augmentation of the TPB with the emotion-anticipated guilt. Augmenting the TPB is no new phenomenon, and is in line with the suggestions of TPB's proponents. For example, Eagly and Chaiken (1993 for review) suggested that the sufficiency of the TPB has received considerable attention, with suggestions that a number of additional constructs can be incorporated into the model to improve its performance. In addition, Kaiser, Huber and Bogner (2005) suggested that if the TPB is tested using reliable compound measures, an explanatory power greater than 50 percent and as high as 90 percent can be achieved. Following the suggestion of Kaiser and Gutscher (2003), the direct influence of the PBC on behavior was omitted in this study.

Ajzen (1991) described the model as open to further elaboration. Thus, besides the relationship and predictive ability of the model, Ajzen (1991) suggested that the TPB is open to further expansion provided that the supplementary concept captures a unique and significant proportion of the explained variance of intention/behavior.

The theory of planned behavior is in principle open to the inclusion of additional predictors if it can be shown that they can capture a significant proportion of variance in intention

or behaviors after the theory's current variables have been taken into account. (Ajzen, 1991, p.199).

Additionally, Wicker's (1969) findings, based on a review of research examining the relationship between attitude and behavior, revealed that attitudes perhaps do not predict intentions/behavior accurately. Since then, social scientists have endeavored to improve the predictive power of attitudes. For example, several variables have been added to the TPB model to increase its predictive power. Therefore augmentation of the TPB is an ongoing process and allows for the improvement of its predictive ability.

Also, the TPB has been considered too cognitive, neglecting the emotional aspect of behavior (See Loewenstein, 1996; Bagozzi, Gurhan-Canli, & Priester, 2009). Conner and Armitage (1998) noted that several authors have raised concern over the inability of the traditional TPB model to elicit the affective outcomes associated with the performance of a behavior (Manstead & Parker, 1995; Richard, et al., 1998), particularly where the consequences of the behavior are unpleasant or have negative outcomes.

Following the suggestions by Baumeister et al. (2007) and the establishment of theoretical and empirical findings that anticipated emotions predict action (Richard et al., 1996), anticipated guilt was deemed apt for augmenting the TPB. Thus, if confronted with a situation that calls for engagement in a questionable environmental behavior, consumers will anticipate the post-action guilt feelings and consider them when deciding whether or not to engage in the behavior under consideration. But rather than act as an independent variable, anticipated guilt will provide the mechanism through which consumer attitude influences the variance in intention to select green hotels.

The following augmented TPB model is proposed based on the hypotheses and discussion of the theoretical framework. This is the fully extended version of the TPB in the consumer selection of green hotels incorporating Eagly and Chaiken's (1993) suggestion as well as Kaiser and Gutscher's

(2003) proposal that the direct path between PBC and behaviors needs to be eliminated.

3. Methodology

Sample and Data Collection

The population for this study was the general US lodging customer. A web survey was used to collect data. Questionnaires were sent to 40,000 randomly selected US hotel customers through an online survey database administered through a large Midwestern Tourism Research Center. A description of the green hotel was provided. The general response rate for this database had been established at 1 to 2 percent (previous surveys utilizing this database have received similar response rates).

Four hundred and thirty eight (438) questionnaires were collected over 43 days. The returned questionnaires were screened for usability and to meet several assumptions and requirements of the structural equation modeling. A total of 406 usable responses were identified. Following the guidelines of Schreiber, Nora, Stage, Barlow and King, (2006), both nontechnical and technical issues expected to be reported in SEM or CFA article were observed.

Data collected were screened for any violation of the assumptions of the general linear models. No outliers were found. Several incomplete surveys and some incomplete data were detected and they were deleted. Returned questionnaires with severely missing data were also deleted. In the end, there were no missing data and 406 usable questionnaires were coded and inputted into the data analysis software, AMOS 21.

The sample size utilized was deemed sufficient. Schreiber et al. (2006) and Pohlmann (2004) presented that for one sample analysis, there is no exact rule for the number of participants needed: but 10 per estimated parameter appear to be the general consensus.

Indeed the appropriate sample sizes required for SEM techniques remain inconclusive, with

several researchers and authors proposing different numbers. Bollen (1989), for example, stated that: “though I know of no hard and fast rule, a useful suggestion is to have at least several cases per free parameter” (p.268).

Bentler (1989) suggested a 5:1 ratio of sample size to number of free parameters. In this study, the ratio of 15:1 was used. Indeed, Westland (2010) reported that sample sizes in several streams of SEM literature averaged only 50 percent of the minimum needed to draw the conclusions and that the overall, 80 percent of the research articles drew conclusions from insufficient samples. To alleviate this, Westland (2010) proposed method of calculating the sample size, which has been used for this study. Sample size was computed as a function of the ratio of indicator variables to latent variables (see Westland, 2010 for detailed discussions).

Stevens (2002) has also provided a good rule of thumb of 15 cases per predictor in standard ordinary least squares multiple regression analysis. Stevens (2002) suggested that since SEM is closely related to multiple regression in some respects, 15 cases per measured variable in SEM is not unreasonable. Bentler and Chou (1987) noted that researchers may go as low as five cases per parameter estimate in SEM analyses, but only if the data are perfectly well-behaved (i.e. normally distributed, with no missing data or outlying cases, etc.). More generally, Loehlin (1992) recommended collecting at least 100 cases, with 200 being better (if possible). Following these suggestions, the data and sample size were deemed apt for the study.

Instrument

A questionnaire was developed using a two-stage process guided by the TPB (Ajzen and Fishbein, 1980). The first stage consisted of developing an initial open-ended questionnaire to obtain the salient beliefs underlying the selection of green hotels. Utilizing seven open-ended questions, the participants were asked to list behavioral, normative, and control beliefs related to selection of green hotels. This

questionnaire was administered to travelers with characteristics similar to the target population. An online data collection procedure was utilized to target the population. The return rate after 14 days was very poor and low. Out of the 500 open ended questionnaires mailed, only twelve had been returned. Of the twelve, four were not complete. It was, therefore, decided that data for this initial stage shall be collected through face to face interviews. Frequent travelers were identified and invited to participate in the study. The interviews were conducted over a period of two weeks. A total of ten travelers were interviewed. Saturation (Strauss and Corbin, 1990) was attained by the sixth interview, but interviewing continued with a hope that new information would arise. Also, the interviews with the remaining travelers were already scheduled. Through the content analysis and inter-rater analysis, the items to be included in the final questionnaire were identified.

The final questionnaire used in this study consisted of five sections. The first was designed to measure the selection intention and the antecedent constructs of the TPB (attitude, perceived behavioral control and subjective norm). The second collected data on the augmented construct: anticipated guilt. The third section gathered demographic data. The fourth section examined the salient beliefs of the respondents. Other data gathered included the recent usage or selection of green hotels. For clarification purposes, a description of green hotels was provided to the respondents.

The questionnaire utilized existing validated items from several previously used scales (Ajzen 1991; Mathieson, 1991; Roseman. Et al., 1994; Tangey & Dearing, 2002). The wording of the items was modified where necessary to reflect the context of measurement. The Likert-like scales (e.g., *not at all–very much; very unlikely–very likely; strongly disagree–strongly agree; no control at all – totally in control*) were used to capture the consumer responses to the items of the constructs.

To measure *Selection Intention*, participants rated on an 7-point scale (1-*strongly disagree*, 7-

strongly agree; 1-*very unlikely*, 7-*very likely*) three items: “I intend to select a green hotel on my next trip”; “How likely is it that you will select a green hotel on your next trip?” and “If everything goes as I plan, I will select a green hotel on my next trip.” To examine *Attitude, Subjective Norms, Perceived Behavioral Control* Participants rated on a 7-point scale each of the items.

Anticipated guilt was measured by providing the respondents with a short scenario describing two hotels (“green” and “non-green”) then asking them to describe their feelings if they did not engage in a socially responsible behavior. Specifically, the respondents were asked to identify their feelings if they had not selected a green hotel over a non-green one. Five items were used to assess anticipated guilt. To avoid relying on the respondent’s verbal skills (cf: Tangey & Dearing, 2002), the phenomenological description or the respondent’s lived experience was used to assess guilt. The study adapted the items from Roseman et al. (1994) to measure guilt (see Appendix 2). Five items presented in a 7-point Likert scale ranging from 1 = *strongly disagree* to 7=*strongly agree* were used. These items tapped all the five experiential categories of emotions: feelings, thoughts, action tendencies, actions, and motivational goals. The original Roseman et al. (1994) guilt scale consists of ten items. But to avoid respondent fatigue, only five were utilized. The five items were deemed sufficient to capture the construct of guilt (see Table 1 for details).

4. Data Analysis and Results

Data were analyzed using the SPSS 21 and AMOS 19 (IBM) to perform the multiple regression analyses and Confirmatory Factor Analysis (CFA). This was based on data from 406 respondents found in the general US travelers database. Maximum Likelihood estimation was used because the data was normally distributed. The data was collected from questions developed from a five-factor model of the augmented/mediated theory of planned behavior. The theoretical model is

presented in Figure 1. A five-factor model was hypothesized to be confirmed in the measurement portion of the model. The assumptions of multivariate normality and general linear models were evaluated through SPSS 19.0. Using the scatter plot output, no outliers were detected nor deleted from the data.

The validity of the model was assessed in a two-step procedure. First a measurement model of the constructs was tested for key validity dimensions (unidimensionality, convergent validity, reliability, and discriminant validity). Next, the hypothesized causal relationships were estimated in several structural path model relationships while investigating which model fitted the data best.

Measurement Model

The first step to the data analysis was to examine the measurement model. This procedure evaluates the unidimensionality and convergent validity of the measured constructs (i.e. PBC, SN, SI, A-Guilt and ATT): a maximum likelihood confirmatory factor analysis (CFA) was undertaken. After the iterations, a satisfactory five-factor model was obtained ($\chi^2 = 235, p < 0.001$); which was significant. Other

fit indices can be used to examine the goodness of fit of the model. Therefore, the following indices were examined: CFI = .97; RMSEA = 0.075; Tucker Lewis index NNFI = 0.931; SRMR = 0.060; IFI = 0.951, all indicating a good model fit (Figure 2). The reliability of the constructs was measured by the composite reliability indicator of Bagozzi (1980). All factors exceeded the minimal value of 0.60 suggested by Bagozzi and Yi (1988), indicating the internal consistency of multiple indicators for each construct (see Table I). The Average Variance Extracted (AVE) was also computed. The minimal value of 0.5 recommended by Fornell and Larcker (1981) was exceeded, thus confirming the convergent validity of the instrument. The AVE value for each construct was greater than the squared correlation between the constructs, indicating that the instrument achieved the discriminant validity. This process addressed research hypothesis H_{1a}, H_{1b}, and H_{1c}. Only the items loading on the latent variables with a factor of .7 (Hair, et al., 1998) and above were retained in the model (Figure 1).

Structural Model

To test the hypotheses H2, (specifically H_{2a}, H_{2b} and H_{2c}), H3 and H4 and therefore the variance explained by guilt as a mediating variable in the augmented model, a structural equation

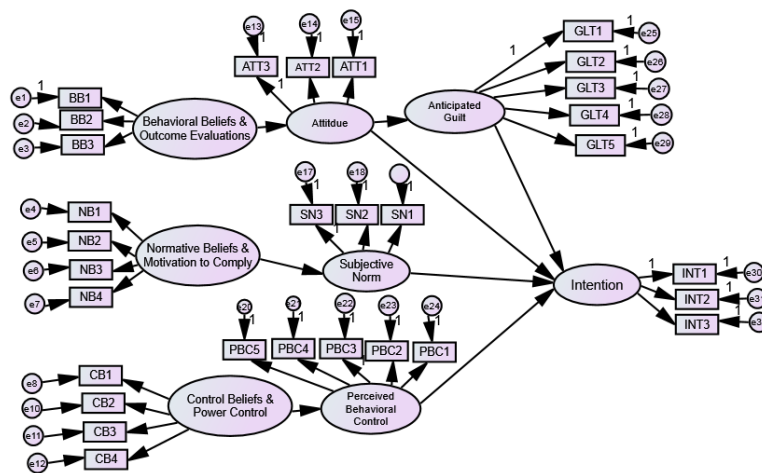


Figure 1: Augmented Theory of Planned Behavior

(Adapted from Praatkanis AR, Breckler, AG, eds. Attitude Structure and Function. Hillsdale, NJ: Lawrence Erlbaum: 1989: 241-274.)

Table 1: Dimensions of the Measurement Model

Antecedents of Intention	Items			Comp. Reliability	AVE
Behavioral Beliefs and Outcome	Environmental friendly products are more effective	BB1	0.70	.81	0.86
	I trust green products	BB2	0.83		
	Green products tend to be of better quality	BB3	0.80		
Evaluations Normative Beliefs and Motivation to Comply	Practicing green consumption can enhance my personal image.	BB4	0.77	.74	0.70
	My family thinks should practice green consumption.	NB1	0.70		
	I value the opinion and feeling of my family on green consumption.	NB2	0.83		
	I value the opinion of my friends regarding green consumption.	NB3	0.80		
	My friends think I should practice green consumption	NB4	0.77		
Control Beliefs and Power of Control	I have enough money to purchase environmental friendly products.	CB1	0.95	.96	.91
	I have sufficient time to purchase environmental friendly products.	CB2	0.87		
	I have sufficient resource to support green consumption.	CB3	0.91		
	I consider that I am capable of practicing green consumption	CB4	0.82		
Antecedents of Intention	Items			Comp. Reliability	AVE
Attitude (ATT)	Practicing green consumption is good	ATT1	0.89	.89	0.86
	Practicing green consumption is valuable	ATT2	0.85		
	Practicing green consumption is delightful.	ATT3	0.84		
Subjective Norm (SN) Perceived Behavioral Control (PBC)	Purchasing environmental friendly products is good for others	SN1	0.71	.74	0.71
	I purchase green products to ease the pressure of others	SN2	0.88		
	I purchase green products to benefit myself	SN3	0.55		
	I have much knowledge regarding green consumption.	PBC1	0.95	.91	.89
	I can make the decision to purchase green products by myself	PBC2	0.87		
I do participate in the decision-making process of purchasing	PBC3	0.91			
	I make independent decisions when purchasing green products.	PBC4	0.82		
	I am free to select green products when purchasing.	PBC5	0.89		
Guilt	Items			Comp. Reliability	AVE
Guilt	Feel tension	GLT1	0.82	0.86.	0.84
	Feel remorse	GLT2	0.93		
	Apologize	GLT3	0.89		
	I would think I was wrong	GLT4	0.81		
	I would feel like punishing myself	GLT5	0.73		
Selection Intention	Items			Comp. Reliability	AVE
Selection Intention	I intend to select a green hotel on my next trip	INT1	0.88	0.89	0.87
	Selection Likelihood	INT2	0.90		
	If all goes well, I will select a green on next trip	INT3	0.91		

model using AMOS was developed. Three competing models were tested: the baseline or generally acknowledged TPB model (Ajzen, 1991), with no anticipated guilt included, versus the two mediated models, the complete mediated model with only an indirect influence of guilt on selection intentions through anticipated guilt, and the partially mediated model with both direct and indirect influence. Hypotheses $H_{2a, 2b \text{ and } 2c}$, H_3 , and H_4 were all supported.

In the partially mediated model (see Table 2 for path coefficients), a significant and positive path coefficient was found between anticipated guilt and intention (0.33, $p < 0.01$). The paths from attitude to anticipated guilt (0.48, $p < 0.05$) and attitude to intention (0.60, $p < 0.05$)

were both found to be significant as well. Subjective norms had a positive and significant influence on consumers' intention to select a green hotel (0.38, $p < 0.01$). Furthermore, a positive path coefficient was found between perceived behavioral control and intentions (0.42, $p < 0.01$). Following the procedure proposed by Baron and Kenny (1986), it is possible to that the data confirmed the partial mediating role of anticipated guilt within the relationships between attitude and intentions.

To compare these models, the χ^2 difference tests were conducted. The partially mediated model appeared to fit the data best (see Table 3). Additionally, the partially mediated model explained 6 percent more of the variance in selection intention of green hotels compared

Table 2: Table of Parameters/Path Coefficients of the Partially Mediated Model

	Attitude-Guilt	Guilt-Intentions	Attitude-Intention	SN-Intention	PBC-Intention
Parameters	0.48*	0.33**	0.60	0.38*	0.42**
Sig	P<.05	P<.01	P<.01	<.05	P<.01

to the base model. In the partially mediated model, significant path coefficients were found between attitude and selection intention. The following table provides the comparison statistics.

5. Discussion

The purpose of this study was to explore the question: "What motivates consumers to engage in pro-environmental behavior?" Specifically, the study examined the motivation for consumers' selection of green hotels. The theory

Table 3: Comparison of the Three Models' Statistics

	χ^2	df	NFI	CFI	RMSEA	R ²
Baseline Mode	180	342	0.917	0.947	0.087	0.55
Partially Mediated	242	349	0.910	0.949	0.076	0.61
Fully Mediated	252	348	0.906	0.945	0.078	0.58

of planned behavior, a well-established theory in the context of consumer behavior, was selected to provide the theoretical background to the study.

Despite its robustness and ability to not only predict human behavior but to also explain it, the TPB has been criticized in the current

literature on the grounds that it is a purely cognitive model and does not truly reflect the decision processes that lead to consumer and human behavior. Sutton (1997) in particular suggested that the TRA and TPB require further conceptualization, definition and additional explanatory factors. Attitudes and intentions can also be influenced by a variety of factors

that are not outlined in this theory. Specifically, TPB largely dependent on rational processes (Mullen, Hersey, & Iverson (1987) and does not allow explicitly for the impact of emotions that might be relevant in behaviors such as those concerned with conservation.

Following these observations, this research augmented the TPB model with an emotion (anticipated guilt) as the motivation behind consumers' selection of green hotels. The data largely supported the relationships assumed and suggested by the general framework of consumer behavioral action. Additionally, and more contributory, this research deepened the TPB model by establishing that the notion of anticipated guilt is an integral part of consumer decision making. The results indicated that there is a positive relationship between attitude and consumer selection intentions of green hotels. Furthermore, the results indicate that attitude has both a direct and indirect relationship with intentions. The indirect relationship is mediated by guilt. The relationship between guilt and selection intention is positive and significant as well.

All the paths in the augmented model were both positive and significant, further confirming that the model explains consumer selection intentions properly. These findings are consistent with extant literature that applies the TPB (Ajzen, 1991). The present study, though, includes an exploration of the role of emotion in consumer intentions. The results reveal that, in situations where consumers foresee a sense of guilt after their actions, they are likely to elect to engage in different, socially responsible behavior. These results provide some insight into the research question.

This study indeed supported the proposed relationship between emotion and behavioral intention in a situation that involves the selection of green hotels. Thus, anticipated negative emotion or anticipated guilt was demonstrated to be a core part of the consumer decision-making process. This supports the proposition that emotions have a significant influence on consumers' decisions. Specifically, the mediating influence of anticipated guilt is established by this study. Thus, when

consumers have to engage in an action related to social responsibility, such as the selection of green over non-green hotels, attitude becomes a significant influence on intention, not only directly but through an indirect emotional mechanism as well: anticipated guilt. This finding supports the suggestion that decision-making involves an irrational perspective. Several authors (De Sousa, 2002; Wegner, 1999, 2002) have proposed and documented the significance of emotion in the decision-making process. Even though the results have tended to be inconclusive, there is mounting evidence that emotions are an important aspect of decision-making. Loewenstein (1996), for example, states that, besides the cognitive aspect, visceral states, emotions and cravings can have a disproportionate effect on behavior. Further, Bagozzi, Gurhan-Canli and Priester (2009) proposed that the emotional aspects of consumer behavior have been neglected in the TPB literature, although the connection between emotions and behavior is stronger and more direct than between attitude and behavior.

These results have important implications for influencing consumer decisions. Companies can develop strategies aimed at encouraging consumers to select green hotels by influencing consumer emotional experiences, specifically, influencing consumer's anticipated guilt (appeals where advertisers attempt to induce guilt in consumers do not select green hotels). Several authors have discussed the influence of guilt appeals in communication and behavioral motivation (Collee, et al., 2005; Coutler & Pinto, 1995; Lindsey, 2005). These findings provide significant bases and guidelines for developing appeals that can encourage consumers to select green hotels. For example, hotels can embed guilt-arousing messages on their websites in order to stimulate selection of green hotels over the non-green ones. The influence of anticipated guilt has been discussed by Coulter and Pinto (1995) and Lindsey (2005). They warn, however, that guilt appeals in advertising and communication with consumers should be employed with caution, emphasizing that only low to moderate guilt appeal messages should be used:

Blatant attempts to manipulate the feelings of guilt spur anger. This anger then becomes the mediator between attitudes, attribution and consumer purchase intention. (Coutler & Pinto, 1995, p.22)

In summary, the current study contributes to the stream of research related to consumer behavioral motivation in the green buying context. This study remains unique as well. Much of the extant literature has focused on the antecedents of intention; most of the studies have added antecedent variables. This study goes beyond the TPB or traditional antecedents-intentions model. This study signifies why it is important to understand reasons some consumers are capable of making certain purchase decisions. It is also important to recognize the role of attitude in shaping consumer intentions where there is need to select between actions that gratify individuals versus those that contribute to the better of the greater society. Also, the findings not only contribute to better understanding of guilt in the consumer decision domain, but also provide general implications for consumer behavior research in general. Specifically, this research focuses on the paradigm of discrete emotions. It is worth noting that previous research has focused on other discrete emotions such as happiness and regret (Simonson, 1992; Zeelberg and Beattie, 1997).

The limitations of this study provide an opportunity to revisit the conceptual distinction between experienced and anticipated emotions. It should be noted that affective forecasting is different from experienced affect. Anticipated emotions are cognitions about how one is likely to feel in the future. Additionally, it should be noted that it is possible consequence of experienced guilt (e.g., motivation to undo the error) may exert less influence when anticipated. Future research should delve into this area.

Another limitation concerns the fact that we did not assess how much guilt consumers the respondents anticipated. The next study should examine the effect of inducing different levels

of guilt and its influence on the consumer decision-making. The results of this study also provide several opportunities for extension. Anthropologist Ruth Benedict (1946) classifies cultures according to whether they use guilt or not to regulate the social activities of their members. This author posits that some Asian cultures are considered shame cultures whereas European and modern American cultures are considered to be guilt cultures. Future research might investigate cross-cultural differences anticipating guilt has on self-control. The results of our study, while intriguing, are limited by virtue of the fact that self-control was not assessed. A stronger test would examine whether the effects we observe in this study are reflected in the context of actual choice.

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Customer Perceptions of Variable Pricing in the Lodging Industry: A Justice Perspective

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Abstract

Revenue management, or real-time pricing, is a business practice used for selling the right inventory units, at the right time, to the right customers, for the right price (Choi and Mattila, 2004). This results in the same room being offered for different prices at varying points in time. This type of variable pricing could antagonize customers due to perceived unfairness, leading to decreased customer satisfaction. The purpose of this study was to determine customer perceptions of variable pricing in the lodging industry through the two lenses of perceived justice and membership in loyalty programs. Accordingly, 460 respondents were surveyed. This research found that customers do recognize the right of hotels to vary prices based on market conditions. Customer satisfaction levels

were higher when revenue management practices were disclosed at the time of booking. However, there is still an element of resentment over price variation depending on the channel of distribution. Loyalty program members accept variable pricing when it benefits them; however, they resent being left out when non-members are the beneficiaries. Satisfaction was higher when social and informational justice was perceived to be served. The hotel industry should widely disseminate the logic and necessity of revenue management practices to reduce perceptions of unethical and unjust processes.

Keywords: *Loyalty Programs, Revenue Management, Variable Pricing, Social Justice, Distributive Justice, Informational Justice, Customer Satisfaction.*

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1. Introduction

Revenue management (RM) and Customer Relationship Management (CRM) have received tremendous attention from the hotel industry in the past decade. RM involves adjustment of prices based on demand while CRM practices are methods used to interact with customers. Hotels use differential pricing strategies to optimize the use of their inventory and generate more revenues. Concurrently, hotels also use CRM practices to promote customer loyalty. With increased use of RM, customers end up paying different prices for the same/similar room in the same hotel, often leading to confusion and frustration. Therefore, it is important to understand how customers perceive the fairness of differential pricing. Due to CRM practices loyal customers are assigned a high value and are generally rewarded with privileges such as upgrades. However, RM practices could also result in loyal customers paying higher rates on occasions. This study aims at better understanding consumers perceptions of fairness and justice in the use of RM. Furthermore, this study seeks to explore how the perceptions of loyal customers may differ from the casual customer. Understanding these issues could present tremendous opportunity for revenue growth.

2. Review of Literature

Revenue Management

RM is widely practiced in the hotel industry, and has resulted in tremendous gains in revenues. The core concept underlying the use of RM is that of demand based pricing and managing the available inventory in an optimal manner (Cross, 1997). Revenue Management Systems (RMS) continually monitor demand in different time periods (off-peak season, low-medium season, medium-high season, and high season) from different segments of customers (business travelers, leisure travelers, group segments, and convention segments) and accordingly adjust the price that should be charged to customers (Varini, K., Engelman, R., Claessen, B., & Schleusener, 2002).

Several companies have invested in the RMS with an expectation of increase in revenues. Increase in revenues using RMS for major hotel chains such as Marriott, Hilton, and Hyatt has prompted many smaller businesses to do the same (Belobaba, 2001). Harrah casinos also implemented the RM concept across its properties (Noone, Kimes, and Renaghan's, 2003). Harrah's tracked 70% of its total revenue through the concept of RM. Detailed customer information, such as, name, age, amount of money won or lost, the time of arrival and departure, market segment (business, leisure, group, and convention), and other demographic information was compiled by Harrah's system. This information was used to predict high and low seasons, the amount of gambling during a certain period of time, and deciding room tariffs to meet the needs of different segments of customers (Noone et al., 2003). The implementation of RM at Harrah's resulted in a 15% increase in revenue per room across the hotel chain (Metters et al., 2008).

A room night in a hotel is a highly perishable product (Varini, Englemann, Claessen, and Schleusener, 2002). A room not sold today is lost forever. The hotelier has to balance the ability to fill rooms at low prices, with the pressure to generate greater revenue from less price sensitive segments, at the risk of empty rooms. To increase revenues in the hotel industry, it is imperative that hotels differentiate between business customers, who are willing to pay a higher price for a room, and leisure customers, who are very price sensitive. It is important that the hotels understand and correctly predict customer needs and wants. Meeting customer needs will generate revenue and satisfied customers (Noone et al., 2003; Hanks, Cross, and Noland, 1992). Hotels need to get as much information as possible about their customers, like name, age, race, gender, spending levels, room type preferences, and food preferences. This information helps make judgments about RM strategies and the resulting differential pricing to varied market segments. It is crucial to have the segmentation strategy working properly to achieve maximum revenue and increase profit for the hotel(s) (Hanks et al., 1992).

Several service industry sectors such as movie theaters, telephone companies, and private retailers are using RM practices extensively. For example, movie theaters alter ticket prices depending on the time of the day, customer's age (child rate, senior rate, student rate etc.), (Marburger, 1997). Due to the extensive use of RM across different industries, customers are more aware of the hotel's willingness to cut deals on room rates (Choi & Mattila, 2005). Understanding the concept of RM when booking a hotel room is vital because "customers who pay for one rate for a room may later realize they could have negotiated a lower room rate and might think ill of a hotel" (Hank's et al., 1992, p. 18). Unsatisfied customers with a negative perception about the hotel could cause substantial revenue losses in the future.

Research reveals that there is a strong relationship between customer satisfaction and the RM strategies used (Noone et al., 2003). The customer's lack of understanding of RMS could lead to misunderstandings, causing customer dissatisfaction. Furthermore, if RMS were not used properly, revenue could suffer. Hence, it is imperative that the complex system be fully understood and that predictive models be continually fine-tuned for optimum results (Belobaba, 2001). Thus, one could conclude that if RM was followed systematically, it could not only increase revenue for the hotel, but also satisfy customers.

Customer Relationship Management (CRM) in Hotels

Relationship marketing in the form of Customer Relationship Management (CRM) is increasingly used by hotels to enhance customer loyalty towards their brand (Bowen and Shoemaker, 2003; Noone et al., 2003; Songini, 2001). As the hotel industry is a mature and highly competitive marketplace, customers have several options to choose from, thus making customer loyalty very important (Bowen and Shoemaker, 2003). Benefits of having loyal customers include decreased price sensitivity, reduced marketing costs, positive word of mouth, reduced possibility of switching to

competitors, increased possibility of extra purchases and having high net present value (Reichheld and Sasser, 1990; Bowen and Shoemaker, 2003; Reinartz and Kumar, 2002; Schlesinger and Heskett, 1991; Clark and Payne, 1994, Kotler and Armstrong, 1994). Furthermore, it is found that a mere 5% increase in customer loyalty can result in a 25-125% increase in profits for a company (Reichheld and Sasser, 1990).

In 1981 American Airlines was first in the hospitality industry to introduce a frequent flyer program. The lead taken by the airline industry was soon followed by the hotel industry with their frequent guest programs (Kotler, Bowen, & Makens, 2003). Over time the frequent guest programs have evolved into highly sophisticated Hotel Loyalty Programs (HLP) that is an important part the CRM process.

CRM aims at aligning the various business processes and customer strategies to ensure customer loyalty and long-term profitability (Rigby, Reichheld, and Schefter, 2002). CRM strategies are used to better attract and serve the most valuable customers of the hotel. This is done by first ranking the customers, identifying the customers that generate the most revenue, and then differentially serving them (Haley and Watson, 2002). Common CRM practices in hotels include customized marketing communications, reward programs, and personalized services based on the like and dislikes of guests (Sigala, 2005; Haley and Watson, 2002; Oliva, 2002; Piccoli, O'Connor, Capaccioli, and Alvarez, 2003, Bowen and Shoemaker, 2003). With increasing competition and high need for differentiation in the hotel industry it is important that hotel operators utilize both RM and CRM techniques to increase profitability.

Perceived Price Fairness

There is normally a tradeoff between obtaining better services/products and paying a lower price (Zeithaml, 1988). Parasuraman, Zeithaml, and Berry (1994) found that service quality, product quality, and price all influence customer satisfaction.

The tradeoff between price and services/products rendered should be perceived as fair by customers, creating customer satisfaction (Zeithaml, 1988). Moreover, price plays an important factor in customer satisfaction, because whenever a product or service is purchased, the price is the foremost deciding factor (Anderson, Fornell, and Lehmann, 1994). In common parlance, fairness of price is based on customers' perceived knowledge in relation to price in the customer's market. Customer's perception of unfairness mainly comes from making social comparisons with other patrons at the hotel (Choi & Mattila, 2005). Additionally, lower perceived price was linked to lower perceived sacrifice (Zeithaml, 1988). However, lower perceived price does not guarantee higher customer satisfaction. Customers often look at price as a clue to purchase certain products or services. Hotels need to pay more attention to customer perception of price fairness, as these perceptions are closely related to customer satisfaction (Bei and Chiao, 2001). Furthermore, prior research has shown that that price fairness relates to customer satisfaction and the behavioral intentions of customers (Bolton, Warlop, and Alba, 2003).

Perceived Justice and Fairness

Customer evaluation of fairness depends on *perceived justice*, a concept that provides an in-depth understanding of the complaint process from initiation to completion. Additionally, researchers have confirmed that customer satisfaction is not only based on outcomes of service recovery, but also on procedures used to reach those outcomes (Sparks and McColl-Kennedy, 2001). In this study we focus our attention on understanding the fairness perception of consumers based on the social, distributive, and informational justice.

Social Justice

Each society views justice through its own perspective (Guiltinan, 2006). For example, the

death penalty is still applied in many states in the USA, where it is considered as the only form of acceptable justice. However, most countries have abolished the death penalty, as their societies think of it as being abhorrent. This makes the concept of social justice very important when studying the consumer perceptions of fairness. A study done by Greenburg (1993) classified organizational justice to encompass four forms of justice i.e. *Distributive Justice*- focusing on the fairness of the outcomes, given the inputs (Adams, 1965), *Informational Justice*- process of communicating the policies that govern the transaction (Greenberg, 1993), *Interpersonal Justice*- concerns the treatment received by people when transacting (Guiltinan, 2006), and *Procedural Justice*- relates to the perceptions of fairness of the process itself (Thibaut & Walker, 1975). The above discussed forms of justice are one dimensional; *Social Justice* on the other hand, encompasses all the above forms and is hence multidimensional. Examining an issue from the social justice perspective allows the researcher to analyze consumer perceptions on every dimension of differential pricing (Guiltinan, 2006).

Distributive Justice

Distributive Justice is derived from early work in equity theory (Guiltinan, 2006). The theory suggests that people balance the value of the inputs they put in against the outcomes they receive, particularly in relation to outcomes received by others. People value fair treatment; such treatment motivates performance and encourages loyalty (Adams, 1965). Contemporary work in organizational justice has shown that customers are highly sensitive to issues of inequity and perceived unfair practices, such as different room rates for different customers. On the other hand, when information about distributive justice is given to customers before they make a reservation, customers have positive perceptions, and are satisfied by the quality of products and services provided before they check in (Choi & Mattila, 2004). Several customers perceive RM practices as being unfair (Choi & Mattila, 2005). A

majority of customers have only a vague idea about price, cost, and profit in the service sector (Bolton, Warlop, and Alba, 2003). This lack of knowledge could result in perceived unfair pricing, which could directly relate to customer dis-satisfaction (Bolton et al., 2003). Choi and Mattila (2004) found that most customers thought that the hotel's pricing was unfair when they paid a higher rate than the other guests staying there. However, the authors recommended that perception of their fairness could be enhanced by informing the customers about the hotel pricing practices (Choi & Mattila, 2005).

Informational justice

Informational Justice includes communicating the information about the procedures being used in a timely manner and explaining the distribution of the outcomes. The perception of informational justice is higher when adequate information is given to consumers. (Ellis, Reus, & Lamont, 2009). Informational justice offers long-term benefits. Open-communication about policies decreases the perception of secrecy and enhances the perception of transparency, thus promoting the overall trustworthiness of the organization (Tyler and Bies, 1990; Colquitt's, 2001; Ambrose, Hess, and Ganesan, 2007; Choi & Mattila, 2004). The information provided about equity by the hotel reservationist at the time of reservation gives a clue of what to expect from the hotel, setting a cap on the customer expectation level. Furthermore, giving equity information satisfies the customer need for a sense of fairness in the marketplace (Kimes & Wirtz, 2002). Informational justice helps in positively influencing the overall attitude towards the organization, as it provides knowledge about the procedures and demonstrates regards for consumer concerns (Ambrose, Hess, and Ganesan, 2007; Gerald, 1993). Informational justice also relates to the communication regarding the policies and rules about availing discounts (Guiltinan, 2006). A study of hotel guests found that consumers perceived differential pricing policies to be unfair, when they were not provided complete information of the procedures used in deciding

the price they would pay (Kimes,1994).

Increasing use of RM in the hotel industry has brought consumer perceptions about differential pricing to the forefront. If the consumers perceive the price or policy offered by a company to be unfair, their trust in the sellers business practices may be diminished (Garbarino and Lee, 2003). It is important that consumers trust the sellers. Trust eradicates the fear of exploitation, helps promote loyalty, and enhances customer satisfaction (Colquitt, 2001; Konovsky, 2000; Ganesan and Hess, 1997; Harris and Goode, 2004). Research has shown that distributive justice, procedural justice, and transactional justice are important determinants of the consumer's perceived organizational trust (Colquitt, 2001). While the perception of justice is a subjective matter, its' potential consequences on customer relationship are important to managers (Guiltinan, 2006).

3. Need for Study

A key step in changing customer perceptions is to first identify the current perceptions. The purpose of this study is to determine customer perceptions of variable pricing in the lodging industry. Membership in loyalty programs are identified as a key variable and a potential proxy for level of "travel sophistication" of the respondents. Membership in loyalty programs of the hotel industry – Hotel Loyalty Programs (HLP) is studied. An analysis is also done through the lens of membership in these loyalty programs to determine their impact on customer perceptions.

Several studies have emphasized the importance of integrating customer relationship management and RM (Dickinson, 2001; Jonas, 2001; Belobaba, 2002; Liberman, 2002). A study has identified the customer segments which should be targeted to gain maximum benefit of RM practices (Noone, Kimes, and Renaghan, 2003). Other studies have examined RM models, approaches for solving RM problems, and customer perceptions with respect to RM (Cross, 1997; Feng and Gallego,

2000; Maglaras, & Zeevi, 2005; Baker and Caldentey, 2003; Aviv and Pazgal, 2005; Feng and Xiao, 2000; Choi and Mattila, 2005). However, no study has examined the perceived fairness of RM methods among loyal customers from a justice perspective. This study aims at addressing this gap in the literature.

4. Objectives of the Study

Accordingly, the specific research objectives of this study were:

1. To determine the relationship between the demographic profile of respondents, membership in hotel loyalty programs (HLP), and redemption of loyalty points for benefits.
2. To determine the impact of membership in hotel loyalty programs (HLP), redemption of loyalty points for benefits on customer perceptions of the *ethics* of:
 - a. Variable pricing in the lodging industry in a capitalist economy.
 - b. Variable pricing based on seasonality.
 - c. Variable pricing based on marketing/distribution channels.
3. To determine the impact of membership in hotel loyalty programs, redemption of loyalty points for benefits, on customer perceptions of justice of variable hotel pricing in different scenarios:
 - a. Hotel quoted a *higher* price than last visit
 - b. Hotel quoted a *lower* price than last visit
 - c. Friend paid a *higher* room rate for same type room
 - d. Friend paid a *lower* room rate for same type room, and
 - e. Friend in the same hotel, paid *same* room rate, but *friend was upgraded* to

a suite because of their membership in a loyalty program.

4. To determine the impact of membership in hotel loyalty programs, redemption of loyalty points for benefits, and customer perceptions of justice based on the hotel providing/not providing information about RM practices during the booking process

5. Methodology

Since the study was framed in the context of traveler's perceptions of pricing, it was decided to administer the survey at place where travelers congregate. Accordingly, the survey was administered by intercepting arriving passengers at a major airport in the southwest of the USA. The survey obtained information about customer perceptions of RM, demographics, membership in HLP, and ethical issues. This survey used a convenience sample of 460 business and leisure travelers. The participants were provided with a brief verbal definition of the RM system to help them better understand the concept. Individual responses were anonymous and confidential. No compensation was provided to the respondents.

6. Findings & Discussion

The majority of the respondents were White-American. Females comprised 51% of the respondents. Over 80% of the respondents were between the ages 18 and 49. Approximately half of the respondents reported a monthly household income between \$20,000 and \$59,000. Almost 52% of the respondents had a bachelor's degree or higher. Details of the demographic profile of respondents is found in Table 1. Approximately 40% of the respondents were enrolled in some hotel loyalty program out of which only one-fourth had actually redeemed their loyalty points for benefits (Table 2).

Table 1: Demographic Profile of Respondents

Gender	N	Valid%
Female	223	51.1
Male	233	48.9
Age	N	Valid%
18-29	184	40.4
30-39	103	22.6
40-49	92	20.2
50-59	66	14.5
60-69	10	2.2
Monthly Household Income	N	Valid%
\$0- \$19,999	76	17.0
\$20,000 - \$39,000	102	22.9
\$40,000 - \$59,000	92	20.6
\$60,000 - \$79,000	58	13.0
\$80,000 - \$99,000	43	9.6
\$100,000 and over	75	16.8
Highest Level of Education	N	Valid%
High School or less	49	10.9
Some College	128	28.6
2-Year College Degree	38	8.5
4-Year College Degree	143	31.9
Graduate Degree	90	20.1
Ethnicity	N	Valid%
African-American	61	13.8
Asian-American	20	4.5
Hispanic-American	56	12.7
Native American	6	1.4
White-American	298	67.6

Table 2: Loyalty Program Profile of Respondents

HLP Enrolled	N	Valid%
No	274	59.8
Yes	184	40.2
HLP Redeemed for Benefits	N	Valid%
No	360	78.9
Yes	96	21.1

Objective 1 – Demographic Profile, Membership in HLP, & Redemption

Significant differences were observed among respondents based on gender, age, household income, and level of education with respect to both enrollment and redemption of HLPs (Table 3). Males are more likely to be enrolled in and have redeemed their HLP benefits. Respondents in the age range of 50-59 years were more likely

to be enrolled in HLP and use the benefits of their membership. Furthermore, better educated respondents with income over \$100,000 were more likely to be enrolled in, and enjoy the perks offered by the HLPs (Table 3). This suggests that frequent travelers are older, better educated, and may have a job or money to support frequent travel and accumulate enough points through HLPs to enjoy their benefits.

Table 3: Demographic Profile - HLP Enrollment and Redemption

	HLP Enrolled			HLP Redeemed for Benefits		
	No	Yes	Chi-Sq	No	Yes	Chi-Sq
Gender						
Female	67.1	32.9	8.609**	85.1	14.9	10.12**
Male	53.6	46.4		72.8	27.2	
Age						
18-29	72.7	27.3	21.803**	85.9	14.1	17.224**
30-39	54.4	45.6		80.6	19.4	
40-49	52.2	47.8		74.7	25.3	
50-59	45.5	54.5		62.5	37.5	
60-69	60.0	40.0		70.0	30.0	
Household Income						
\$0- \$19,999	78.9	21.1	67.892**	86.8	13.2	41.119**
\$20,000 - \$49,000	82.4	17.6		93.1	6.9	
\$40,000 - \$59,000	53.4	46.2		82.4	17.6	
\$60,000 - \$79,000	58.6	41.4		75.4	24.6	
\$80,000 - \$99,000	37.2	62.8		62.8	37.2	
\$100,000 and over	32.0	68.0		58.7	41.3	
Level of Education						
High School or less	75.5	24.5	41.719**	87.5	12.5	13.501**
Some College	74.2	25.8		86.6	13.4	
2-Year College Degree	76.3	23.7		81.1	18.9	
4-Year College Degree	50.7	49.3		73.4	26.6	
Graduate Degree	38.9	61.1		70.0	30.0	
Ethnicity						
White-American	58.1	41.9	1.457	77.4	22.6	1.463
Other Ethnic Americans	64.1	35.9		82.4	17.6	

Note: *p<.05, **p < .01.

Objective 2 - Ethics Perceptions – Impact of HLP Membership & Benefits Redemption

The study examined the perceptions of respondents who are enrolled in HLPs and have redeemed the benefits, with specific reference to ethical issues such as:

1. The right of the hotelier to vary prices to maximize profits in a capitalist economy (like the United States of America),
2. Variable pricing based on seasonality, and
3. Variable pricing based on marketing channels.

No significant differences were observed among respondents who were enrolled in HLPs or redeemed the benefits on the first two of the ethical issues examined (Table 4). It may be assumed that Americans are well aware that the USA is a capitalist country and that businesses are entitled to change their prices to maximize revenues. The perceived fairness of pricing come from social comparison with others who are subject to similar price fluctuations, hence social justice is served. Furthermore, the concept of seasonal pricing is long standing and prevalent in many industries, which may be a factor in the

acceptance of this concept. Most people have experienced this practice, have information about this concept, and hence informational justice is served.

With reference to variable pricing based on marketing channels, marginal but significant differences were observed between respondents who were enrolled in HLPs and non-members. The respondents who were enrolled in HLPs considered variable pricing on the basis of marketing channels to be *unethical*. It appears that many respondents may not understand the idea of why they should pay different prices for the same room based on the marketing channels used to book the room. Loyalty program members probably make direct bookings with the hotel chain, using their toll-free number or website. Furthermore, since they trust the hotel chains and have invested their loyalty with them, they may not feel the need to look for deals and discounts on multiple channels. As a result, HLP members may feel that their loyalty is being penalized, rather than rewarded, when non-members get cheaper rates through alternate channels. To them, social justice, in the sub-categories of distributive justice and informational justice are *not* served in this scenario, leading to their perceptions that this practice is unethical.

Table 4: Ethics Perceptions – Impact of HLP Enrollment and Redemption

	HLP Enrolled		HLP Redeemed		Justice Perspective
	Mean	F	Mean	F	
Capitalist Economy					
Yes- Ethical	1.80	.282	1.69	1.003	Social & Informational
No- Not Ethical	1.71		1.42		
Seasonality					
Yes- Ethical	1.71	.519	1.47	1.561	Social & Informational
No- Not Ethical	1.81		1.72		
Marketing Channels					
Yes- Ethical	1.64	5.270*	1.54	1.649	Social & Informational
No- Not Ethical	1.91		1.75		

Note: *p<.05, **p < .01.

Objective 3 – Justice Perception – Variable Pricing, HLP Membership & Redemption

Respondents were asked about their response to variable pricing of hotel rooms across different scenarios. They responded to each of the scenarios on a 7-point Likert-type scale (range: 1 = *excited* to 7 = *angry*). Respondents were angry when they were quoted a higher price for the same room than they had paid in previous visits (Table 5). This is not surprising, as respondents may feel that distributive justice was not served as there was an imbalance between their inputs and the actual outputs they received. Respondents also expressed their anger when their friend paid a higher or lower price than what they paid (Table 5). People tend to make social comparisons and are bound to be unhappy when equal treatment is not given to all. This suggests that social and distributive justice were not served. No significant differences between HLP members and non members were observed for these scenarios.

The study found that all respondents were excited about the hotel when they were quoted a lower price than before (Table 5). Significant differences were also observed between respondents who had redeemed their HLP points versus those who had not redeemed their points. Those who had redeemed their HLPs were significantly *less* likely to be excited. Perhaps because they *expect* special favors as loyalty program members, they are angry when they end up paying more, but not particularly thrilled when paying less. From the social justice perspective, expectations of lower price probably flow from their input (loyalty), while negative reactions to the higher price create a sense of injustice, since their input (loyalty) is *not* rewarded.

The study found that all respondents were excited about the hotel when their friend (a loyalty program member) was upgraded. This is not surprising, since distributive and informational justice have been served – loyalty has been rewarded with an upgrade, and even non-members are well aware of the benefits of being a HLP member.

Table 5: Justice Perception - Variable Pricing, HLP Enrollment and Redemption

		HLP Enrolled		HLP Redeemed		Justice Perspective
		Mean	F	Mean	F	
Angry Range	Quoted Higher Price					
	No	5.01	.263	5.07	1.278	Distributive
	Yes	5.07		4.89		
	Friend Paying Higher					
	No	5.23	1.314	5.22	2.269	Distributive & Social
	Yes	5.07		4.98		
Excited Range	Friend Paying Lower					
	No	5.25	.081	5.27	.774	Distributive & Social
	Yes	5.21		5.11		
	Quoted Lower Price					
	No	2.48	2.370	2.48	5.815*	Distributive
	Yes	2.69		2.87		
	Friend was Upgraded					
	No	3.75	1.678	3.74	3.378	Distributive & Social
	Yes	3.58		3.46		

Note: *p<.05, **p < .01.

Objective 4 – Justice Perceptions - RM Information, HLP Membership & Redemption

The respondents were asked how they would feel if they were provided with information about the process of RM when they were making a reservation. A large majority (68%) were satisfied, a fourth (25%) were neutral, while a very small segment (7%) was dissatisfied. When asked about their reaction, when RM information was *not* provided a majority (52%) were dissatisfied, a third (34%) was neutral, while a small segment (14%) was satisfied (Table 6).

Membership in hotel loyalty programs was not a significant factor in the satisfaction levels of respondents when RM information was provided. However, when RM information was

not provided, HLP members expressed significantly higher rates of dissatisfaction (Table 6). As discussed earlier, from a distributive justice perspective, HLP members may expect higher levels of control over pricing in return for their loyalty. Loyalty members may be more satisfied if the hotel explained and justified its pricing policy to assure them that they are getting the best deal possible. This finding is consistent with other studies which state that providing RM information to guests may enhance their perceived fairness of the hotel pricing (Kimes, 1994; Choi & Mattila, 2004). Furthermore, this finding emphasizes the importance of satisfying the customer’s perceptions of informational justice which was found by several previous studies to be a very important factor in perceived fairness of price.

Table 6: Justice Perception - RM Information, HLP Enrollment and Redemption

	Rev Mgmt Info Provided		Rev Mgmt Info Provided		Justice Perspective
	Mean	F	Mean	F	
<i>HLP Enrolled</i>					
No	2.63	.002	4.62	6.615**	Informational
Yes	2.64		4.99		
<i>HLP Redeemed</i>					
No	2.61	.393	4.47	.478	Informational
Yes	2.72		4.86		

Note: *p<.05, **p < .01.

7. Summary & Implications

With the proliferation of channels of distribution in the hotel industry, rate integrity is certainly an issue. Prices vary with season, with website, with 800-numbers, with transparent and opaque intermediaries. Furthermore, membership in HLP programs is no guarantee of getting the “best” deal. Perceived price fairness is a strong influencer of the long-term commitment of consumers to any brand or organization (Ambrose, et. al., 2007). Is it any surprise that many customers are confused and even angry? Members of

loyalty programs are often upset upon discovering that loyalty is not necessarily rewarded with lower rates or better rooms.

This study attempted to examine the issues of customer perceptions of variable pricing in the hotel industry, particularly the perceived ethics of such practices and the perceived fairness of such practices. It looked at these perceptions through two lenses – membership in hotel loyalty programs and social justice.

This research has shown that customers do recognize the right of hotels to vary prices in

a market-based capitalistic economy. They recognize and accept that hotels change prices based on seasonality. Along the same lines, satisfaction levels were higher when RM practices were disclosed to customers at the time of booking. However, there was still an element of confusion and resentment over price variation depending on the channel of distribution.

Loyalty program members, who may be considered to be “more sophisticated” travelers, are likely to be familiar with RM practices. This research, however, showed that such familiarity does not breed consent; rather, it may foster resentment. While program members are happy to accept variable pricing and other privileges of HLPs when it benefits them, they resent being left out when non-members are the beneficiaries. The hotel industry would be well advised to widely disseminate the logic and necessity of RM practices if they want to gain widespread acceptance. For example, when many airlines put the customer on hold during a reservation call, a message often heard is, “lower prices may be available on our website.” Along the same lines, the action of some leading hotel companies to guarantee the lowest rates on their own websites is a step in the right direction. Such actions would serve to provide both informational and distributive justice, ameliorating the perceived sense of being wronged and the resulting customer dissatisfaction.

8. Limitations

The study is limited by the following factors: The study could only be generalized to travelers in North America. The study is a one-location cross-sectional study. Longitudinal studies at multiple locations would permit greater confidence in generalizing the findings.

9. Future Studies

Specific recommendations for future research as a result of this study are:

1. The survey can be used to study loyal travelers in different countries to understand the cross-cultural perception about RM.
2. The survey can be conducted in communist and socialist economies to examine traveler’s perceptions of fairness in the context of RM.
3. Research can be conducted to examine consumer perceptions of fairness in emerging channels of marketing and distribution such as *Facebook*, *Twitter*, etc.

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Retirement Financial Planning Among Working Women: A Conceptual Framework

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Abstract

The main purpose of this paper is to investigate factors that affect the retirement financial planning model in the case of women. In doing so, we explored and examined the existing literature on financial planning and identified several variables that were categorized under the following subheadings: demographic, psychological, circumstantial, social, economic and financial literacy. Along with this, a conceptual framework has also been proposed. This paper is based on a review and analysis of scholarly articles related to the financial and retirement planning of working women. For the purpose of conducting a search, various databases (e.g. Emerald Insight, Taylor and Francis, JSTOR, Elsevier, Springer and Google Scholar) were referred to, and based on relevant keywords (e.g. financial planning or retirement planning of working women, investment preferences, gender differences, saving pattern of working women), articles were selected. The study found that various factors have influence on the financial planning among working women's. Based on content analysis we have identified several variables that can be categorized under the following subheadings: demographic, psychological, circumstantial, social, economic and financial literacy. Clubbed together, these factors contribute to the model of women's retirement financial

planning so as to construct a more robust, wider and multivariate framework. Besides this, the study opens up new avenues for further research.

Key words: Retirement planning, working women, financial planning, conceptual framework, Socio-Demographic Factor.

1. Introduction

Financial planning entails a comprehensive assessment of one's current and future financial status. It is an ever-evolving process of meeting one's life goals (be it buying a house, planning for children's higher education, setting up an enterprise, etc) through adequate management of finances. Financial planning is in itself a complex multidimensional task and includes a wide array of activities such as cash flow management, savings, investments, tax planning, real estate management, insurance planning and retirement planning.

From time immemorial, men and women have had clearly demarcated roles and were expected to function accordingly. Men have always been

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assigned the role of a breadwinner, and women have been assigned the role of a traditional housewife and homemaker. Thus, financial management has been considered to be fit only for males, which is why men have often felt the pressure of financial planning including retirement planning. The structure of society is gradually changing, and more and more women are stepping out of their traditional role of homemakers and participating in the earning workforce. As is evident from a report of International Labour Organization (2014), in 2013, the male employment-to-population ratio was 72.2%, whereas that for females stood at 47.1%.

At the global level, although the female workforce participation has increased up to 50%, their condition including their financial status has not improved accordingly. Despite women's increasing presence in the workforce, there is only little concern in women's financial planning (Kasworm and Wetzel, 1981; Hayes and Parker, 1993; Glass and Kilpartick, 1998; Richardson, 1999; Hershey, Jacobs-Lawson, McArdle and Hamagami, 2007; Perkins, 1995). Moreover, old age has specific implications on one's financial state, and women are more likely to suffer from poverty in old age as compared to men (UN Women, 2015). Women often outlive men, devote less time in the workforce because of their care giving roles, usually take up part time jobs/ less paid jobs / service positions that are not covered under pension plans, avail less pension benefits and lower wages because of gender differences, have less access to land and other assets, which could support them financially in their old age (UN Women, 2015). Therefore, it is crucial that women engage in more active retirement financial planning. Unfortunately, the majority of women fail to plan for the harsh realities that they would have to face inevitably in old age.

Female participation in the earning workforce has increased considerably. A major chunk of this female working population has reasonable financial means and resources, but they still

have failed to plan for their retirement. The existing body of literature on conceptualization of women's retirement financial planning fails to capture all these constructs. The hurdles and motivations that drive a woman to engage in active retirement financial planning behaviour have to be analysed comprehensively.

In this paper, an attempt has been made to address this gap and determine the dimensions of women's retirement financial planning. Along with this, a conceptual framework has also been proposed. This takes into account not only psychological factors but also social, economic, circumstantial and financial literacy.

This paper is based on a review and analysis of scholarly articles related to the financial and retirement planning of working women. For the purpose of conducting a search, various databases (e.g. Emerald Insight, Taylor and Francis, JSTOR, Elsevier, Springer and Google Scholar) were referred to, and based on relevant keywords (e.g. financial planning or retirement planning of working women, investment preferences, gender differences, saving pattern of working women), articles were selected. Several different types of research papers, case studies, review papers, working papers and reports were downloaded. From this set, papers that focused either exclusively on women or were based on empirical studies carried out on mixed samples (which include both men and women) were shortlisted. There is one exception to the above criteria wherein a study by Phua and McNally (2008) was selected; this is based on men's planning for retirement.

This paper has been divided into seven sections: Section 2 deals with socio-demographic factors, savings and retirement planning. Section 3 studies the psychological factors that affect retirement financial planning behaviour. Section 4 is about other miscellaneous factors and retirement financial planning. Section 5 shows the association between financial literacy and financial planning. Section 6 provides the conceptual framework for further study and Section 7 concludes the study.

2. Socio-Demographic Factors, Savings and Retirement Planning

An extensive amount of research has been done, and evidence has been obtained on the significant association between socio-demographic characteristics of individuals and their investment patterns, savings and retirement planning behaviour. However, only a few studies have attempted to capture the influence of socio-demographic characteristics exclusively on women's retirement financial planning. Variables that potentially affect woman's retirement financial planning have been chosen from these studies.

"Age" is one of the most striking characteristics of an individual. Studies carried out by Phua and McNally (2008); Clark, Knox-Hayes and Strauss (2009); Hershey, Henkens and Van Dalen (2010); Turner, Bailey and Scott (1994) and Adams and Rau (2011) demonstrate that age has a direct and positive influence on retirement financial planning. Older pre-retirees were more actively involved in financial planning as compared to their younger counterparts. A possible explanation for this relationship is that at a younger age, retirement seems a distant event and presents a long-term timeline to think and plan for. However, at an older age, when people approach retirement, they often indulge actively in planning for it.

Age not only imparts a direct influence but it also interacts with other variables to render an indirect influence. One such factor is "Attitude towards retirement". This relationship was established way back in 1970 when Strei and Schneiders (1971) (as cited in Prentis, 1980) stated that the younger the individual, the more favourable is the attitude towards retirement. The development of a negative perception with progression in age had been attributed to the fact that as retirement approaches, one tends to critically evaluate one's financial status. Due to lack of sufficient time, during assessment, one often realizes the lack of proper financial planning and in a state of panic one develops a negative attitude towards retirement. Further, Brad *et al.* (1977) (as cited in Prentis, 1980) also observed that "as workers age they

demonstrated a significant shift to a later PAR (preferred age of retirement)" (p.94). The probable reasons include their change in status from worker to non-worker, dependency, fear of health issues associated with growing age, lack of planning, etc. Prentis (1980) supported the study and also discovered that women look forward to retirement, when they are mostly in the age group of 40-49 years as compared to any other age range.

The question that now arises is whether this attitude of a woman towards retirement is by any means associated with financial planning for retirement. Turner, Bailey and Scott (1994) conducted a study on old university employees (40-65 years age group and comprising 36% female respondents) to establish the relationship between attitude towards retirement and financial planning for retirement. A significant but minimal correlation was found between attitude towards retirement and financial planning. Those who depicted a positive outlook towards retirement looked forward to it and were more actively indulged in it. As a result, from the financial point of view they were better prepared for the forthcoming future.

Wiggins and Henderson (1996) investigated registered nurses and identified that age also interacts with financial knowledge. The respondents reported an enhancement in knowledge regarding economic issues as they grew older and approached retirement. This enhancement in knowledge leads to an active involvement in financial planning for retirement.

Another indirect effect on financial planning of age was through risk tolerance level. Wang and Hanna (1997) and Grable (2000) conducted a study where 55% respondents were females. They investigated the association between risk tolerance and age and found that risk tolerance increases with age and that older individuals invest in more risky assets.

Another socio-demographic determinant of financial planning is retirement age. An increase in retirement age ensures an increase in the

duration of a person's earning life to build up financial security and at the same time also decrease the postretirement years to be supported by such backups. Moreover, longer employee tenure also increases the type and the amount of retirement benefits. As is evident from a study by Kock and Yoong (2011), the expected retirement age affects one's personal orientation and financial preparations.

Gender is another significant demographic characteristic that influences retirement financial planning. As we know, in comparison to men, women are more vulnerable and susceptible to poverty in their old age. This is because they earn less, accumulate less, have interrupted work histories, live longer and have more chronic health issues as they age. They thus need to plan more aggressively for their postretirement years. There are two schools of thoughts regarding women's investment patterns: (1) one considers that women are more risk averse in selection of their entire portfolio of assets and (2) the other group emphasizes that if controlled for factors like income and education then this gender difference is insignificant.

The financial concept for risk and return emphasizes that it is always a tradeoff between risk and return. If women are less willing to take risks, then they are expected to accumulate less wealth as well. Several studies have found that women have relatively conservative investment strategies, and thus they allocate a smaller percentage of their wealth to stocks as compared to bonds (Bajtelsmit and Bernasek, 1996; Bajtelsmit, Bernasek and Jianakoplos, 1999). Other studies conducted by Croson and Gneezy (2009), Glass and Kilpatrick (1998), Clark, Knox-Haydes and Strauss (2009) and Charness and Gneezy (2012) also confirmed that women were more risk averse as far as financial investments were considered.

Sunden and Surette (1998) and Bernasek and Shwiff (2001) investigated cohabitating or married couples to study the risk aversive effect on household financial decisions. It was identified that their findings were similar to those in single women. Women irrespective of

their spouse's risk tolerance choose less risky investment decisions. Fisher (2010) found that risk tolerance not only affects portfolios but also saving tendencies in both men and women. Women who were more risk averse were less prone to save over the short term and in addition were irregular savers.

Another school of thought advocates that if controlled for factors such as income and education then this gender preference in selection of risky portfolio is insignificant. Coleman (2003) analysed and discovered that when education and wealth were held constant, women owned the same level of stocks and mutual funds as a percentage of net worth as compared to what men owned. A possible explanation for such behaviour could be that a higher education enables one to have a higher source of income, which in turn provides a cushion or a financial backup to offset any possible loss. In another study by Atkinson, Baird and Frye (2003) that focused on mutual fund managers, the findings were consistent that there was no difference between funds managed by males and females, regardless of whether we talk about risk, performance or other fund characteristics. This further supports the fact that difference in behaviour is attributable to factors including investment knowledge and wealth consistency.

Another aspect of the gender influence on retirement financial management is the difference in spending pattern. Lee Mun (2003) discovered that females tend to devote their time in retirement planning activities such as living arrangements, daily activities, postretirement lifestyle and health issues. These issues are far away from the financial aspects of retirement planning. Men however focus on saving money for their retirement. Doda (2014) concluded that females are more sensitive and spend more money on materialistic objects such as remodelling of their house; gifts to relatives, coworkers, friends, donations and vacation. This tends to increase their cost of living and depletes their savings for retirement.

Noone, Alpass and Stephens (2010) discovered that in terms of informal planning and

retirement perception, men and women were on the same level and showed no difference. Morgan and Eckert (2004) and Bucher-Koenen and Lusardi (2011) also found that gender did not have any significant effect on financial planning.

Rosplock (2010) analysed the perception of men and women on wealth and discovered that men were more knowledgeable in terms of tax and insurance planning and even considered themselves as being more affluent in financial decision making. In contrast, women were less confident and expressed a desire for gaining additional knowledge and were keenly interested in keeping a check on how socially responsible investments they were making.

Gender further interacts with variables including age and income in a manner such that older men with a higher income were most risk tolerant, followed by middle-aged men with a higher income, older women with a higher income and lastly young women with a lower income (Clark et al., 2009).

Income is another significant variable that significantly influences financial planning. Moorthy et al. (2012) indicated that "Earning or Income" level directly influences expenditures and savings of an individual. Hence, it is positively associated with retirement planning behaviour. As concluded in a study by Bucher-Koenen and Lusardi (2011), where 53% of the sample size comprises female participants, retirement planning was directly and positively proportionate to income. In particular, saving and investment needs were most frequently calculated by the top quartile of income distribution. Browning and Lusardi's (1996) study (as cited in Kock and Yoong, 2011) also concluded that income is the main determinant of savings and the asset holding of an individual. Moreover, income also has a positive influence on orientation towards retirement planning. Kock and Yoong (2011), Kilty and Behling (1986), Turner, Bailey and Scott (1994) and Jacobs-Lawson, Hershey and Neukam (2004) also suggested that higher income was associated with higher involvement in financial planning. In another study

conducted by Bernasek and Bajtelsmith (2002), where particularly women's involvement in household financial decision making was analysed, it was found that women's say in financial decisions was directly and positively influenced by their share of household income and financial education.

Occupation of an individual affects many aspects of human life right from his/her financial income, to his/her financial exposure, status, lifestyle, etc. Many research studies have been conducted worldwide keeping occupation as the core theme, and a few of them have reflected its effect on financial planning. One such study is that of Foster (2012) where it was found that women who were in intermediate/professional or managerial roles were more proactive in their financial planning. They started planning early for retirement. Moreover, they were more risk tolerant in their financial investments, as identified by Corson and Gneezy (2009), Atkinson, Baird and Frye (2003). However, those in routine and manual jobs thought 40 years to be an appropriate age to start thinking about retirement. They were also less likely to have access to any sort of occupational pension schemes (Foster, 2012). Hence, profession directly affects through pension schemes and indirectly affects the orientation towards financial planning and risk averse behaviour prevalent in women.

Another socio-demographic determinant is family structure. Women have been traditionally considered as the predominant gender responsible for upbringing of children, looking after the husband and providing care for all family members, relatives, parents, etc. This care giving role proves to be tremendously costly in terms of time, energy and money. This typical pattern has resulted in interrupted work histories for women. They randomly enter and exit from the labour market to fulfil their family responsibilities. All these factors have contributed towards women being in low paid jobs, part time jobs or in service sector positions, etc. As discovered by Turner, Bailey and Scott (1994), a greater number of dependent children in a family leaves less room for financial planning. The findings of Wang

and Hanna (1997), Szinovacz, DeViney and Davey (2001), Chatterjee and Zahirovic-Herbert (2010) and Glass and Kilpatrick (1998) were consistent, where the number of children was negatively correlated with retirement planning. The reason for such an association is that the presence of children increases the current consumption while reducing the resources available for future household savings and investments. In another study by Kemp *et al.* (2005) (sample comprising 70% women) where the catalyst and constraints of financial planning were studied, it was found that one cannot focus on savings for retirement until one's financial responsibilities, be it launching one's children, marrying them off, supporting old age parents, buying a house, etc., have not been accomplished. Another study by Moorthy *et al.* (2012) explored potential conflicts in retirement planning (be it payment for a child's education or starting a new career or any financial loan obligation) and found it to be a significant factor influencing retirement planning behaviour in both the genders.

Marriage can also have a significant influence on women's retirement financial planning both directly and indirectly. Women with a working spouse can pool their incomes and can have

better accessibility to enhanced financial resources. This enables them to prepare better for the future. Many unmarried women have expressed their inabilities both in terms of lack of resources and psychological support systems, as discovered by Noone (2010) and Noone, Alpass and Stephene (2010) Behling, Kilty and Foster (1983) and Damman, Henkens, and Kalmijn (2014). Moreover, such financial constraints are also reflected in the form of development of a negative perception towards retirement (Noone *et al.*, 2010). Grable (2000) and Schooley and Worden (1996) studied factors that affect risk tolerance and found that married individuals were more risk tolerant than those who were unmarried. Further, Richardson (1999) conducted a study that depicts that a spouse's retirement age also has its share of effect on women's retirement. Husbands who retire early in their lives often persuade their female counterparts to opt for early retirement, which ultimately affects their future financial planning.

The various socio-demographic factors along with their direct influence and their relationships with other variables are provided in table 1.

Table 1. Influence of Socio-Demographic Factors on Women's Retirement Financial Planning

Variable	Direct Influence on Retirement Financial Planning of Women	Relationship with other variables	
		Variables	Influence
Age	With progression in age, involvement in retirement financial planning increases.	Attitude towards retirement	As one grows older, there is a development of a negative attitude towards retirement. This hampers the financial planning for retirement.
		Financial knowledge	As one ages, there is an enhancement in the knowledge of economics.
		Risk tolerance	With an increase in age, risk tolerance also increases and people invest in more risky assets.
Retirement Age	An increase in retirement age leads to better financial planning for retirement.	Orientation towards retirement	As retirement age increases, the attitude towards retirement also tends to become positive.

Variable	Direct Influence on Retirement Financial Planning of Women	Relationship with other variables	
		Variables	Influence
Gender	Women are more risk averse in the selection of their portfolio and hence end up with low financial wealth on retirement.	Financial knowledge	Women are less confident regarding their financial decisions and express a desire for additional knowledge.
	If controlled for income and wealth, this gender difference in selection of portfolio is immaterial.		
	Women devote more time to the non-financial aspect of retirement planning.		
	Cost of living for women is high.		
Income	Directly and strongly influences retirement financial planning through savings and assets holding.	Attitude towards retirement	Higher income is associated with a positive attitude towards retirement.
Occupation	Professional and managerial women are better financial planners for retirement.	Risk tolerance	Professional and managerial women are more risk tolerant.
Family Structure	The number of children is negatively co-related with financial planning for retirement.		
Marriage	Married couples depict better financial planning for retirement.	Risk tolerance	Married couples are more risk tolerant
		Spouse retirement age	Husbands who retire early in life often urge their female counterparts to opt for early retirement, which negatively influences their retirement financial planning.

Source: Compiled by the researcher for the purpose of the proposed study.

3. Psychological Factors and Retirement Financial Planning

Relative to the work done in socio-demography, research in psychological factors underlying retirement financial planning behaviour is in a very nascent stage. Very few studies have attempted to capture the effect of psychological factors on retirement financial planning (Hershey, Jacob-Lawson, McArdle and Hamagami, 2007; Hershey, Henkens and Van Dalen, 2010). On further narrowing it down to exclusively on women's retirement financial planning leads to identification of a wide gap in the existing pool of literature. Despite this fact, a few important dimensions that have the

potential to affect women's retirement financial planning have been determined. Based on the existing body of literature, these dimensions are Attitude towards retirement, Future time perspective, Locus of control and Retirement goal clarity.

Attitude as is defined is one's perception towards any person, object, situation or an idea. In a broader aspect, it is an approach towards life, and like many other spheres, it influences retirement planning behaviour as well. According to Ajzen (1991) (as cited in Griffin, Loe and Hesketh, 2012), one with a positive outlook towards a certain action has a greater tendency to follow that behaviour. In line with

the above discovery, several studies have been conducted on samples including men and women by Moorthy *et al.* (2012), Turner, Bailey and Scott (1994), Noone (2010) and Noone *et al.* (2010) and Gordon (1994). Further, it has been identified that perception towards retirement is directly associated with retirement planning. Hence, it can be inferred that women who have a positive attitude towards retirement financial planning and consider it an interesting and worthy activity are more involved in it. However, in studies conducted by Wiggins and Henderson (1996) on registered female nurses, the findings were contradictory and the attitude variable failed to impart any significant effect on preretirement planning. Further, attitude is also influenced by factors, namely, age, income (Wiggins and Henderson, 1996; Turner *et al.*, 1994) and work involvement (Noone *et al.*, 2010; Kasworm and Wetzel, 1981). However, income has a positive influence, whereas age and work involvement have a negative relationship with attitude. As a woman grows older, she tends to develop a negative attitude and apprehension about retirement. Similarly, more involvement in work and orientation of social contacts towards occupational colleagues also result in a negative attitude. The reason for this is a woman faces a loss of identity and drifts aloof once she has retired or stepped out of the workforce. The degree of association or interaction varies, where income and age have a strong association but workforce involvement showed a weak indirect effect on attitude.

The next psychological factor is the future time perspective. This defines the extent or boundary of how far into the future one can visualize. Hershey, Henkens and Van Dalen (2010) characterized this as the "Central" personality trait and found that it directly influences future financial planning. It imparts its effect by affecting one's knowledge and involvement in financial planning procedures, as indicated through studies carried out on an equal number of men and women (Hershey and Mowen, 2000; Hershey, Jacob-Lawson, McArdle and Hamagami, 2007; Jacob-Lawson, Hershey and Neukam, 2004). The emphasis on importance of planning was further found to be positively related to levels of savings (Glass & Kilpatrick, 1998) and pre-retirement planning (Phua & McNally, 2008).

Jacobs-Lawson and Hershey (2005) stated that when defining the future time perspective with respect to the economic literature, we often refer to characteristics such as patience, planning horizons and time preferences. Hastings and Mitchell (2011) conducted a study (with 51% of the sample size as females) to determine the effect of impatience on retirement wealth and investment behaviours. They discovered that impatient investors or those who choose current gratifications tend to make shortsighted investment choices. They concluded through their study that impatience is a significant predictor of retirement savings. Similarly, Griffin, Loe and Hesketh (2012) (with 58.6% sample size comprising females) also discovered that those individuals who were high in time discounting were less involved in retirement planning. A possible explanation is that such people focused more on current reward rather than on saving for the future. Farkas and Johnson (1994) (as cited in Glass and Kilpatrick, 1998) also identified barriers with respect to savings for retirement and observed "resistance to doing without luxuries and non-essentials to save for retirement" (p.600) as one of the obstacles.

The next psychological factor is Locus of Control. This represents a characteristic of human personality, whereby one associates his/her success or failure with either oneself or the external environment. Depending on the nature of association, it can be the external locus of control or internal locus of control. People with the external locus of control believe that their lives are dominated by external factors such as fate, luck and destiny, whereas people with an internal locus of control perceive the positive and negative events of their lives as consequences of their own actions. They thus tend to step ahead and take charge of their lives. External loci of control personalities are dependent on others including their spouse, children, parents, friends and relatives to make decisions on their behalf. Women often tend to display an external locus of control as is evident in studies conducted by Glass and Kilpatrick (1998). This holds true with respect to their investments as well. Women rely more on others' advice or formal programmes in contrast to men who use informal means as well to prepare themselves financially for

retirement (McKeena’s (1985) study as cited in Glass and Kilpatrick, 1998).

Morgan and Eckert (2004), Sumarwan and Hira (1993), Anderson Li, Bechhofer, Mc Crone and Stewart (2000) discovered that the external locus of control was negatively related to financial preparation and financial status. Perkins (1995) and Hayes and Parker (1993) opined that women often have a myth in their minds that through marriage they can find their life partner who will not only look after their present finances but will also simultaneously plan ahead for their future retirement and thus they will be taken care of in their old age.

The last psychological determinant of retirement financial planning is retirement goal clarity. Stawski, Hershey and Jacob-Lawson (2007) and Hershey, Jacobs-Lawson, McArdle and Hamagami (2007) determined the effect of goal clarity on retirement saving contributions and discovered that goal clarity is a significant predictor of planning activities and planning

in turn affects savings contributions. Thus, via the planning construct, goal clarity influences savings. Similarly, Moorthy *et al.* (2012) discovered that goal clarity affects retirement planning such that individuals with clear goals tend to indulge in active retirement planning. Hershey, Henkins and Van Dalen (2010) also mentioned that establishment of clearer and realistic goals enhances financial planning activity and savings contributions. Goal clarity in turn is influenced by factors including age, early learning, support from spouse, support from friends and colleagues (Hershey, Henkings and Van Dalen, 2010; Stawski *et al.*, 2007).

Hershey, Mowen and Jacobs-Lawson (2003) carried out research to identify the effect of retirement seminars on financial planning and found that a combination of financial information and goal setting seminars showed the most promising effects.

The effect of psychological factors on women’s retirement financial planning is summarized in table 2.

Table 2: Psychological Forces Influencing Women’s Retirement Financial Planning

Variable	Direct Influence on Retirement Financial Planning of Women	Relationship with other variables	
		Variables	Influence
Attitude towards retirement	Women with a positive attitude towards retirement are more actively engaged in the financial aspect of retirement planning.	Age	As women age, they develop a negative attitude and apprehension about retirement.
		Income	Strongly and positively influences the attitude towards retirement.
		Work involvement	Too much involvement in work and orientation of social contact towards occupational colleagues result in the development of a negative attitude towards retirement.
Future time perspective	Directly and positively affects financial planning for retirement.	Financial knowledge and involvement in financial planning.	Positively influences the levels of savings and retirement financial planning.
Locus of control	Females display external locus of control and depend more on one another’s advice and formal programmes. This at times negatively hampers their financial planning for retirement.		
Retirement goal clarity	Significantly affects financial planning activity and saving contributions for retirement.	Age	With an increase in age, one’s retirement goal approaches and due to the lack of time, one develops a more aggressive approach towards them.

Source: Compiled by the researcher for the purpose of the proposed study.

4. Other Factors Affecting Retirement Financial Planning

a. Social Groups

Human beings are influenced by the social groups around them. Although the specific effect of social forces on women's retirement planning has not received much attention in the literature, there are studies like the one conducted by Griffin, Loe and Hesketh (2012) where it was identified that females were more strongly affected by cultural and social norms and were more likely to undertake any planning behaviour when their close ones were involved in any such act.

Lusardi (2003) also advocated the fact that any form of financial planning is partly shaped by the experience and learning of other individuals, be it siblings or parents. In addition, such planning affects wealth holdings and portfolio choices, for particularly high return assets like stocks.

Hershey, Henken and Van Dalen (2010) investigated the influence of support of friends and coworkers, spouse and parents on financial planning of an individual (where women comprised a little less than half the sample size) and suggested that social networks can influence directly or indirectly. Indirectly they can impart their effect through affecting time of women's departure from the workforce (Richardson, 1999) or through the level of satisfaction and adjustment postretirement. Directly they render an effect on the future time perspective and goal clarity (Hershey *et al.*, 2010).

b. Circumstances

Circumstances often shape up the behaviour of an individual. Kemp, Rosenthal and Denton (2005) carried out a study (where women formed >50% of the sample) to determine catalysts and constraints of financial planning. They discovered that employers' programmes and retirement courses are catalysts for

retirement financial planning. However, jobless and unforeseen expenses are constraints of financial planning. Further, there were a few events such as death of spouse, divorce or remarriage, which served both the purposes.

Lusardi (2003) also discovered that financial planning is associated with financial shocks and health issues. Financial shocks could be either negative (e.g. unemployment) or positive (e.g. sudden inheritances, insurance settlements or any sort of financial assistance from relatives or friends). Chatterjee and Zahirovic-Herbert (2010) studied retirement planning in young baby boomers and found health to be positively associated with retirement planning.

c. Economic Factors

Economic factors such as cost of living in an area at a given period of time also play a role in retirement planning. Financial planning is dependent on time and geography, and it is often associated with state policies and practices. Each country is bound to develop its unique pattern of planning (Kemp, Rosenthal and Denton, 2005). For example, each country has its own fiscal policies that affect a nation's economy, right from interest rates to tax schemes. In America, the changes in the pension system and swift shift from Defined benefit to Defined Contribution Scheme influenced the level of retirement wealth (Lusardi, 2011). Canadians have universal access to the basic health care system, and they pay less of college tuition fees as compared to what Americans do. Moreover, they have universal flat benefits for seniors (Kemp *et al.*, 2005). In the United States, the focus is on personal liability of financing oneself in retirement, whereas in the Netherlands, the approach is more collective in nature of pension financing. These structural differences in pension schemes lead to different saving pressures on individuals (Hershey *et al.*, 2010). Hence, the literature suggests that retirement planning is directly influenced by the geography and the time period and that this factor is universally applicable to all working professionals worldwide.

5. Financial Literacy and Financial Planning

A key issue that engulfs modern households is why the majority fail to save for retirement, are too much in debt, have poor mortgage decisions and struggle with other day-to-day financial problems. A possible explanation as proposed by Hastings and Mitchell (2011) is financial illiteracy. According to their study, financial literacy is associated with retirement savings. Lusardi and Mitchell (2008) carried out a study specifically on women, and discovered that financial literacy is strongly and positively associated with retirement planning. Those giving correct answers to financial literacy questions turned out to be successful planners. Further, this also points to the lower level of financial literacy in women. In line with the above study, Bucher-Koener and Lusardi (2011) carried out research in Germany and concluded that financial planning and financial literacy were positively associated such that households that had planned for retirement tended to be more financially literate as compared to others. Moreover, financial literacy also interacts with other demographic variables such as gender (whereby females were found to be less financially literate as compared to males), lower education level and lower income also contributed towards lower financial literacy (Bucher-Koener and Lusardi, 2011; Hastings and Mitchell, 2011; Lusardi and Mitchell, 2009). A tentative explanation for the association

between income and financial literacy is that the higher the income, the more money will be available at one's disposal and this will probably accelerate one's effort to look around for investment opportunities and acquire more information. As far as association between educational level and financial literacy is considered, it is proposed that higher education boosts the chances of acquiring a higher financial status and high paying job opportunities. Lusardi and Mitchell (2007) reported that better retirement planning is associated with more wealth accumulation for the post-retirement period. Planning activity is in lieu affected by financial literacy and the association between planning and wealth accumulation holds strong, even after controlling for sociodemographic factors. Lusardi and Mitchell (2005), Lusardi and Mitchell (2009) and Hershey, Henkens and Van Dalen (2010) also conducted studies on this theme and concluded that financial knowledge and retirement planning were closely correlated and that this relationship further imparted a positive influence on saving for retirement. In addition to this, Lusardi and Mitchell (2005) discovered that those who planned for retirement relied more on formal means such as retirement calculators, seminars or on advice of financial experts.

The effect of financial literacy on women's retirement financial planning is given in table 3.

Table 3: Financial Literacy and Women's Retirement Financial Planning

Variable	Direct Influence on Retirement Financial Planning of Women	Relationship with other variables	
		Variables	Influence
Financial Literacy	Strongly and positively influences retirement saving and involvement in financial planning for retirement.	Gender	Females display a low level of financial literacy.
		Education	A low education level leads to lower levels of financial literacy as well.
		Income	Low income is associated with a lower level of financial literacy.

Source: Compiled by the researcher for the purpose of the proposed study.

6. Conceptual Model

The basic rationale behind the conceptual model is to logically integrate all the potential influential factors to deliver a framework that provides the most suitable explanation for occurrence of an event. As discussed above, women despite being more vulnerable are engaged in the least retirement financial planning. Moreover, this is one aspect of women’s retirement that has been often overlooked. As more and more women are participating actively in the economy and sharing the financial burden of the society, it is imperative to design a blueprint/conceptual model of factors influencing women’s retirement financial planning.

The conceptual model proposed in the current article is an extension of the retirement planning model developed by Hershey (2004). Retirement financial planning of women is influenced by many factors that can be classified

under the following major qualitative set of attributes: Demographic, Psychological, Financial literacy and Others (e.g. social groups, circumstantial and economic factors). Taken together, these factors influence not only the intention but also the behavioural aspect of planning. Further, it has been suggested that planning activity varies under the influence of psychological forces. These psychological forces in turn are determined by resources and cultural factors (Hershey, 2004). The proposed framework has been drawn in line with the above conceptualization.

Demographic variables refer to the specific characteristics of women participants and usually serve as independent variables. These factors help in identifying the current financial status, resources, family background and educational level, of a woman. However, these factors cannot solely identify the retirement financial planning of a woman and further interact with psychological forces. Psychological

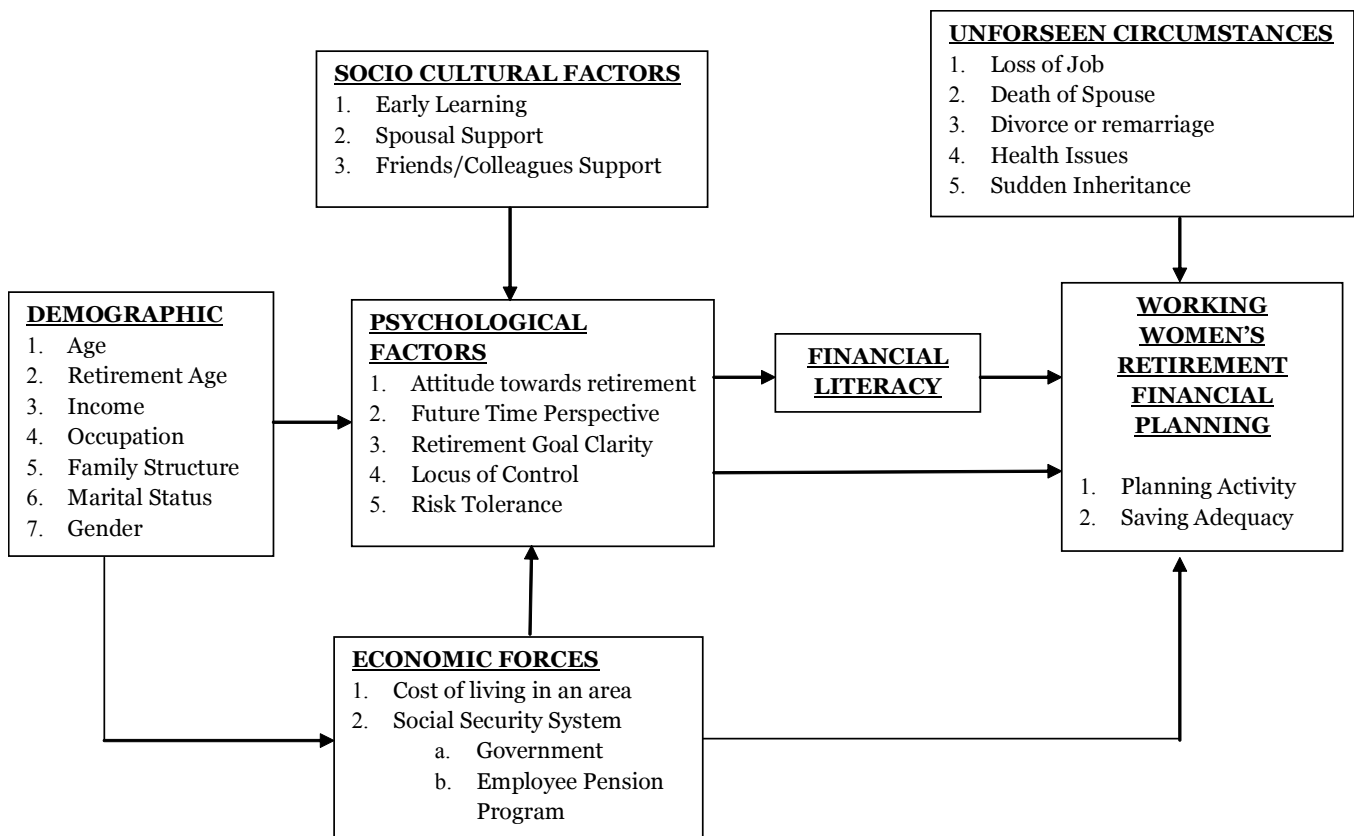


Figure 1. The Proposed Conceptual Framework for Retirement Financial Planning of Working Women

forces are individual characteristics that differ among women. They determine the difference in retirement financial planning amongst those women who have equivalent resources, responsibilities and status. The third set of attributes comprises circumstantial factors, social groups and economic forces. As discussed, these are events or conditions of life that influence personal characteristics and thus indirectly affect the commencement of retirement planning behaviour. No two women experience the same series of events in life, and therefore, their present and future planning is bound to differ. Lastly, financial literacy has been included as a separate determinant of women's retirement financial planning. Even if one possesses surplus resources, the right approach and conducive atmosphere and awareness regarding how, where and when to invest to reap maximum fruit /return are a must. Taken together, these forces render a direct influence and also interact amongst themselves to influence not only the intention but also the quality of retirement financial planning in women.

7. Conclusion

Financial planning is in itself a complex multidimensional task. There are various facets of financial planning, and one of them is retirement financial planning. It is an often overlooked aspect, and especially in the case of women, it is the last priority for the majority of the population. Globally, although the women labour force participation rate has increased to 50%, but the attitude of women towards finance and retirement is still embedded under traditional norms. Despite the fact that women are more susceptible to poverty postretirement, they fail to realize the importance of timely retirement financial planning. Hence, there is a grave need to study the reasons as to why despite having increased accessibility to financial and nonfinancial resources, being efficient managers in other aspects of life and still being so vulnerable in old age, the female population lacks in proper management of finance and fails to plan for their forthcoming

retirement. The overarching aim of this study was to investigate factors that affect the retirement financial planning model in the case of women. In doing so, we explored and examined the existing literature on financial planning and identified several variables that were categorized under the following subheadings: demographic, psychological, circumstantial, social, economic and financial literacy. Clubbed together, these factors contribute to the model of women's retirement financial planning so as to construct a more robust, wider and multivariate framework. Besides this, the study opens up new avenues for further research. As stated above, the women's workforce participation rate is increasing and is expected to grow further especially in developing economies. Therefore, there is a wide scope to explore factors that influence women's retirement financial planning under various social, psychological, circumstantial and cultural norms. To extend this, we can also explore the interactions amongst these factors and the outcome of those interactions on women's retirement financial planning. From the application perspective, the findings from the study have important implications for financial planning professionals and financial advisors. The conventional approach of educational programmes or schemes is "one-size-fits-all" and such interventions often fail due to women's differences in personality traits, investment preferences, future time perspective, financial knowledge, retirement goals, family responsibilities, etc. The study will help in designing of customized programmes especially from women's point of view. This will not only increase the participation rate but will also promote retirement financial planning in women. Similarly, regulators and policy makers will also get a comprehensive view, which will help in the development of policies and promotional awareness programmes. At the individual level also, the study will be useful in analysing the importance of retirement financial planning in women and will help in introspection of one's current financial status and postretirement requirements.

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Social Capital as an Antecedent of Employee Social Innovation Tendency in Social Enterprises

Palvi Pasricha*
M.K. Rao**

Abstract

The extant literature on innovation furnishes interesting insights into the role of social capital in enhancing innovation in organizations. However, little emphasis is laid on the liaison between the two in the particular context of social enterprises, which are highly innovation intensive. It remains inconclusive whether individual proclivity for innovation in organizations in the social economy is concomitant of social capital within the organization. In a move towards addressing this dearth, this article explores the relationship between perceived internal social capital and employee social innovation tendency in social enterprises. Based on a systematic review of the literature related to 'social capital' and 'social innovation', it is proposed that employee favorable perceptions of internal social capital in the organization can make a significant contribution towards creating in the employee a penchant for social innovation. By focusing on the relationship between social capital and social innovation, this study seeks to contribute to the debate on how social capital can foster individual innovativeness at the workplace; also it has implications for practitioners in social enterprises looking for ways to foster innovation in their efforts aimed at creating social impact.

Keywords: *Social Innovation; Social Capital; Social Innovation Tendency; Innovation Management; Social Enterprises.*

1. Introduction

Over the recent years, a substantial body of literature has evolved around the 'social enterprise', generally viewed as "a business with primarily social objectives" (Department of Trade and Industry, 2002, p. 7). Owing to the primacy of social objectives and adoption of innovative approaches aimed at accomplishment of these objectives (Pomerantz, 2003; Thompson & Doherty, 2006), social enterprises have become pioneers on the innovation front; hence, are now deemed the key centers of social innovations (Chalmers, 2013). Though literature today asserts social innovation as a crucial determinant of social enterprise effectiveness (Kanter & Summers, 1987), relatively little is written on how social innovation can be promoted and what management techniques are most pertinent in fostering social innovation in social enterprises (Cajaiba-Santana, 2013; Mulgan, Tucker, Ali, & Sanders, 2007). Given

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that employees' willingness to take on socially innovative pursuits is a prerequisite for effectively actualizing social innovation in the organization, it is necessary to study various factors that within the organizational setup can plausibly influence employees' social innovation tendency. In keeping with this necessity, the current paper explores the relationship of employee perceptions of internal social capital with employee social innovation tendency in social enterprises. In doing so, it attempts to provide a more nuanced understanding of the role of social capital with regards to innovation management (Payne, Moore, Griffis, & Autry, 2011) and so, contribute to the debate on innovation in social economy organizations.

The ensuing write up grounded on a review of the apt literature, first introduces the concept of Social Innovation Tendency; next, it elaborates on the liaison between employee perceptions of internal social capital and

employee proclivity for social innovation; finally, it offers a summary of the key argument.

2. Review of Literature

The Concept of Social Innovation Tendency

According to the INSEAD Social Innovation Centre (INSEAD, 2014), social innovation refers to the: "... introduction of new business models and market based mechanisms that deliver sustainable economic, environmental and social prosperity". Intellectuals define this term as "innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through [existing or newly created] organizations whose primary purposes are social" (Mulgan, 2006). Putting in simple terms, social innovation encapsulates adding a social element to innovation (see Figure1) (Mac Gregor & Fontradona, 2008; Osburg, 2013).

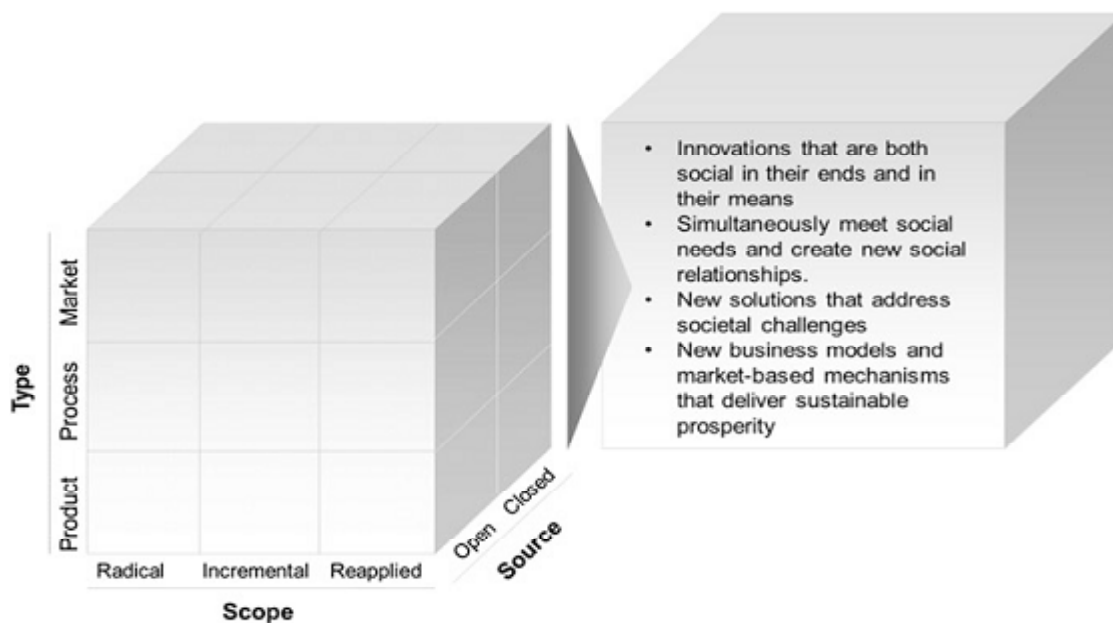


Figure 1: Adding a Social Aspect to Innovation. (Osburg, 2013, pp. 18).

The conceptualization of social innovation embraced by the present study is the one offered by Phills, Deiglmeier, and Miller (2008, pp. 36): "a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the

value created accrues primarily to society as a whole rather than private individuals". Social innovation in any social enterprise organization is dependent on organizational individuals' involvement in socially innovative pursuits which can be ascertained by their attitudes

towards social innovation. These attitudes are referred to as individuals' social innovation tendencies (Bulut, Eren, & Seekin-Halac, 2013). Advancing social innovation in the organization entails influencing these attitudes and so creating in the employees a penchant for social innovation. Since, the extant literature on innovation highlights social capital as an important factor in enhancing innovation in organizations, it is expected that an organization's internal social capital can be of high import in influencing employee social innovation tendency in social enterprises. The subsequent section explores this possibility.

Social Capital as an antecedent of Employee Social Innovation Tendency

Social capital is generally defined as the "goodwill that is engendered in the social relations of social systems, and that can be mobilized to facilitate collective action" (Adler & Kwon, 2002, pp. 17). Limiting the definition as regards the focus of analysis, social capital is examined adopting an internal or external focus (Leana & Pil, 2006). The present work studies the role of social capital taking up an internal focus, that is to say, it takes into consideration relationships amongst organizational individuals. Extant studies attending to this internal focus of social capital reveal a positive association of employee perceptions of internal social capital with employee attitudes, motivations and behaviors (Parzefall & Kuppelwieser, 2012). In this respect, the authors predicted that perceived internal social capital may make a significant contribution towards inducing in the employee a tendency for social innovation.

High level of internal social capital represents a cordial organizational environment characterized by trust and collaborative goal orientation; such environment by facilitating employee engagement, safety and employee empowerment fosters resource sharing and innovation at the workplace (Gargiulo & Benassi, 2000; Leana & Pil 2006; Nahapiet & Ghoshal 1998). Furthermore, the dynamics of

employee engagement, psychological safety, and employee empowerment give rise to an emergent form of organizing (Bright & Godwin, 2010; Edmondson, 1999) wherein, employees experience high level of motivation and exhibit added creativity and innovation (Bright & Godwin, 2010). Additionally, emergent dynamics within the organization are accredited with creating in individuals an understanding of the virtuous impact of their decisions and actions on others (Bright & Godwin, 2010). Therefore, individual readiness to innovate with a virtuous intent will be bolstered by individual perceptions of these dynamics which are a result of high internal social capital. That is, it's quite plausible that employee perceptions of internal social capital determine employee willingness to take on socially innovative virtuous acts. Also, employees' perceptions concerning intra-organizational social capital are comprised of their perceptions regarding organizational support with regards to their diverse concerns (Hayton, Carnabuci, & Eisenberger, 2012). Intellectuals posit that employee perceptions regarding organizational support draw positive employee attitudinal and behavioral outcomes such as employee prosocial behavior (O'Reilly & Chatman, 1986), commitment towards the organization (Rhoades & Eisenberger, 2002), and employee innovation (Eisenberger, Fasolo, & Davis-LaMastro, 1990). Besides this, employees' beliefs that the organization is supportive of them engender feelings of obligation in them (Shore & Wayne, 1993); hence, foster employee commitment to the organization which further motivates employees to put in enhanced efforts aimed at meeting organizational objectives (Eisenberger, Huntington, Hutchison, & Sowa, 1986), which in case of social enterprises, are primarily social. Herein, it's quite plausible that employees in their efforts to contribute to the organization's social objectives exhibit high proclivity for social innovation and so, resort to 'innovative behavior with a socially ingrained purpose'. Following this line of reasoning, employee perceptions of social capital within the organization i.e., perceived social capital is proposed to be an antecedent of employee social innovation tendency (see Figure 2).

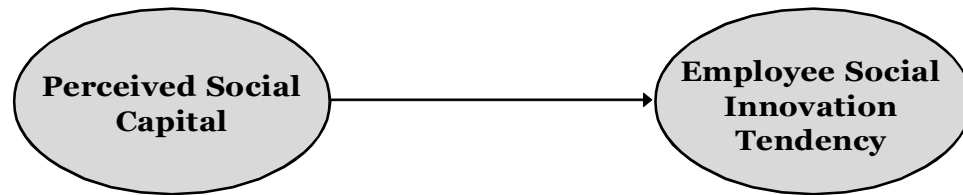


Figure 2: Theoretical Model of the Proposed Relationship of Perceived Social Capital with Employee Social Innovation Tendency

3. Conclusion

While, contemporary literature on innovation furnishes interesting insights into the role of social capital in enhancing innovation in organizations, the argument put forth in the current work holds significance with regards to innovation in the social economy organizations. The authors have initiated an empirical substantiation of the proposed relationship. In a nutshell, this study sheds light on the instrumental role of internal social capital in influencing the social innovation tendency of employees in social enterprises; in doing so, it augments the existing body of research that encompasses social capital as a precursor to individuals' attitudes and behaviors; also, it echoes the importance of bonding social capital (Adler & Kwon, 2002). Conclusively, it is suggestive of the view that in order to maximize social impact, social enterprises be managed with an emphasis on building internal social capital, drawing employees' favorable social capital perceptions and hence, promoting in the employees a proclivity for social innovation.

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Carbon Credits: A Paradigm Shift Towards Money Making Opportunity

Praveen Kumar*

Abstract

There has been an increase in awareness about the need to mitigate the climate change. So in order to solve the environmental problems the concept of carbon trading was discussed and formalized in the Kyoto Protocol. This paper tried to examine how Carbon Credit emerged as a global phenomenon entailing serious and long-term strategic implications. This study argued that carbon credit becomes an international tradable commodity and an important investment avenue. It can be exchanged among the businesses or can be purchased in the international markets at prevailing market rate. This new security is treated as a money making opportunity for developing countries like India. Carbon Credit has drastically transformed the international trade in a creative way by taking care of sustainable development of developing countries as well as to help developed countries to comply with their commitment under Kyoto protocol. Further, article discussed the potential of India to generate wealth in carbon market. Finally, study suggests that India has a great opportunity under Clean Development Mechanism (CDM) of the Kyoto Protocol to create Certified Emission Reductions by way of limiting its carbon footprints. This will make Indian economy to reach up to new heights.

Keywords: Carbon Credits, Kyoto Protocol, India and Trade.

1. Introduction

Global warming is the biggest challenge that human race is facing today. The root cause of global warming is heavy industrial emissions. So Emission reduction through its trading has emerged as important dimension of environmental practices. There are lots of factors which affect the environment and emission of GHGs is one of them. On the global level, 72 percent of greenhouse gas emissions are from household usage covers emissions through cooking, heating, personal transport, electricity generation, etc., 10 percent of government consumption covers emission through defence research, power consumption, etc., and 18 percent of investments cover infrastructure development, building construction, machine installation, other capital goods etc. respectively.

In order to fight against all environmental problems a new commercial commodity came into existence say carbon credit. It aimed to fulfils twin objective, first achieve sustainable development through emissions reduction and secondly give a financing strengths to developing countries by providing a platform

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to sale their emission quotas. So this leads to transformation of environmental threats into money making opportunity. This paper tried to examine the potential of India to strengthen its financial position by way of providing carbon credits to Annex-1 countries.

2. Review of Literature

Carbon Emissions – A Global Scenario

There has been an increase in awareness about the need to mitigate the climate change. Over the years' climate change has emerged as a global phenomenon entailing serious and long-term strategic implications. The European Union Emission Trading Scheme (EU-ETS) and Kyoto Protocol are the two major initiative which target reduction of carbon emission. Since the implementation of the Kyoto Protocol, environmental pollution has been considered as one of the thrust area for creating money by developing nations like India. India is 4th largest emitter in the world with 1.7 tonne emission per capita.

History of Carbon Emission Conventions

1. In 1972, United nation conference on human environment in Stockholm
2. In 1992 Rio convention 'earth summit'
3. In 1995-1996 Berlin and Geneva summit was held
4. In 1997 Kyoto protocol was made
5. In 2007 Bali summit
6. In 2009 Copenhagen accord
7. In 2010 Cancun conference
8. In 2012 Durban conference
9. In 2014 Lima conference
10. In 2015 Paris conference

Kyoto Protocol

The Kyoto Protocol is a protocol to the UNFCCC, which aimed at fighting global

warming. "Kyoto Protocol is an international treaty which focused on reduces CO₂ in order to stabilized Green House Gases GHG concentration into the atmosphere. The treaty has adopted in 1997 at the summit in Kyoto, Japan and comes into existence on 16th February 2005. The laws and regulations for execution of the Kyoto Protocol were further elaborated in the Marrakesh Accords. Its main objective is to move carbon economy to low carbon economy through investment in low carbon technology to achieve stabilized pollution into atmosphere. India signed and ratified the Protocol in August, 2002 and has potential to become world's pacemaker in reduction of greenhouse gases by adopting CDMs in the past few years".

Carbon Credit as defined by Kyoto Protocol are "A carbon credit is a generic term for any tradable certificate or permit representing the right to emit one tone of carbon dioxide or the mass of another greenhouse gas with a carbon dioxide equivalent tCO_{2e} to one tone of carbon dioxide by burning fossil fuels."

The Collins English Dictionary defines a carbon credit as "a certificate showing that a government or company has paid to have a certain amount of carbon dioxide removed from the environment".

The Kyoto Protocol broadly divides countries into two categories: Annex-1: parties are basically developed countries, which were committed to reduce their collective greenhouse gas emissions by 5.2 percent from the 1990 level. Non-Annex: parties are mostly developing and least developing countries, like India, China, Pakistan, Kuwait, Saudi Arabia etc., which are not obliged to reduce their emission targets.

Flexibility Mechanism of Kyoto Protocol

1. **Clean Development Mechanism:** CDM is defined under Article 12 of Kyoto Protocol, which focused on the concept of sustainable development through investment in those projects which emit less CO₂ into developing

countries by developed countries. While creating GHGs statements a country committed under Kyoto Protocol, which has its surplus emission quota, may transfer to developed economies which might be unable to meet their emission targets under Kyoto Protocol and units created under CDM called as Certified Emission Reduction CER units.

2. Joint Implementation: JI is comes under article 6 of Kyoto Protocol, which is somehow similar to CDM that allows industrialized countries, in order to meet their emission targets committed under Kyoto Protocol, to invest in low carbon technologies/projects, in other industrialized countries. JI produce Emission Reduction Unit ERU.

3. Emission Trading: ET is explained in article 17 of the Kyoto Protocol. This is like an open market system under which any of the country can sell and buy emissions to achieve their respective targets to reduce their pollution committed under the Protocol. The Protocol builds a cap-and-trade system that sets caps on the GHG emissions of developed countries. As per the emission targets of the country, it is assigned the corresponding number of allowances called Assigned Amount Units AAUs. If in case countries emit less CO₂ then it's cap assigned, then countries can sell their cap to those countries, which are unable to meet their emission targets.

Carbon Credit and it's Trading

The concept of carbon trading was discussed and formalized in the Kyoto Protocol. The Protocol agreed quotas on the emission of maximum amount of GHG for various developed and developing countries and the countries that were registered have set their own quotas on the emission from their local businesses, entities and organization which is known as operators. Each operator who has carbon credits gives the right to emit carbon dioxide or other green house gases equal to one metric tonne. If the operators do not use these carbon credits then they can sell them in the open market. The demand for energy normally grows with the time, and the total

emission should be within the set quotas and these carbon credits allow the operators or the industries some kind of flexibility and predictability in their planning. By permitting the trading of allowance, an operator can seek out this method as the most cost effective way of reducing the emissions, either by investing more in cleaner technology or by purchasing emissions from other operators who have excess capacity of emission.

The one of the important component of national and international trading scheme of emissions is carbon credits that have been implemented to mitigate the global warming. They provide a method to reduce green house effect emissions by limiting the total amount of annual emissions on an industrial scale and letting the market to give or assign a monetary value through trading to any shortfall. Carbon credits can be exchanged among the businesses or can be purchased in the international markets at prevailing market rate.

There are many organizations who are normally interested in lowering their emissions or we can say that carbon footprints as per the regulations of their country environment .These commercial or individual customers can purchase the carbon credits voluntarily. These off setters of carbons purchase the credits from a carbon Development Company or from investment fund that has aggregated all the credits from their projects

3. Theoretical Background

World Bank Report (2008) explained that Indian carbon markets are largely forced by small and medium enterprises SMEs, why is not surprising, as India has nearly three million SMEs which constitute more than 80 percent of total number of industrial enterprises in the country. Out of the 333 projects registered at the CDM Executive Board from India, only sixteen originated from public sector Units PSUs. Further study reveals in that third by share of signed emission reduction purchase agreements since market inception, when HFC23 assets are excluded from the analysis,

as under- China 40 percent, Brazil 15 percent and India 8 percent as of September 2007. In India among total numbers of project register 21 percent is from HFCs, 11 percent is from cement industry, 11 percent is from fossil fuels switch, 16 percent is from EE own generation, 5 percent from household, 6 percent is from biomass energy and 17 percent is from hydro etc.

Sandeep (2013) found that CDM and climate finance assist to convert an environmental threat into money making opportunity and lowering down the overall cost of meeting carbon reduction. In case of Delhi Metro Rail Corporation (DMRC), there exist two CDM projects. DMRC was the first registered Railway project in the world by United Nations under the CDM which enabled it to claim carbon credits, wherein DMRC earns Certified Emission Reductions for the use of regenerative braking system in its rolling stock. The project was financed by Japan and the carbon credits earned by DMRC also purchased by Japan at a rate of 1.2 Crores p.a.

Jayaramiah (2009) described that in a first-of-its-kind, a few electric two-wheeler manufacturers are likely to benefit through carbon credits for reducing CO₂ emissions through sales of green vehicles. Four major electric two-wheeler makers in the country, Hero Electric, a 100% subsidiary of Hero Group, Delhi-based Lohia Automobiles, Ahmadabad-based electrotherm and Bangalore-based Eko Vehicles are in the process of registering themselves with United Nation Framework Convention on Climate Change (UNFCCC).

Chotaliya (2013) discussed the carbon emissions trends of six countries from 2014-2015. The study was carried out by using secondary data from articles, journals and books. The paper explained that the percentage trend in India has grown by 8.33% in 2014-09 and it was showing the increasing trends in carbon emissions in the next five years as compared to its previous years. Further study found that the carbon market was fully developed but the financial accounting standards for carbon market must be established. There is lack of

uniformity in financial accounting which make it difficult to compare the financial statements of between the carbon offset projects whether they are in public sector or private sector. There were lack of transparency persist in the carbon market despite of the directions provided by international policies.

Bhalla (2008) examined that the Power Trading Company (PTC) India Ltd said it is in talks with European countries to sell carbon credits generated in the country. However, did not elaborate on the time frame by when the talks could fructify. The clean development mechanism (CDM) benefits are playing a major role mainly in renewable energy projects. Western countries are in obligation to reduce emission and thus, there has been a huge demand from them for carbon credits to meet their obligations. There should be policy encouragement for the third party sale of renewable energy and tradable certificates of renewable, which will help better price realization. At present, renewable generated in a state remains within it. Power companies and captive power producers, who are under obligation to produce green power as a percentage of total power generated in certain states, can meet their obligation by buying tradable green energy certificates.

Carbon Credit: As a Money Making Opportunity for India

As per Kyoto Protocol India comes under non-annex countries which are not obliged to reduce their CO₂ emission into atmosphere. India is amongst one of the largest emitter of CO₂ and has huge chance to convert this into wealth creation. Being a part of Kyoto Protocol India can be able to fulfill the target to reduce CO₂ of developed countries. This will make Indian economy to reach up to new heights.

The estimated GDP growth rate of India will be around 8 to 9 percent in the next upcoming years. It will lead to more production, energy and consumption activities, which further will lead to more emission of GHGs into the atmosphere. Aggregation of GHGs emissions

from all sectors reveals that emissions of major cities in India range from 38,633.20 Gg in Delhi, 22783.08 in Greater Mumbai, 22,090.55

in Chennai, 19,796.60 in Greater Bangalore, 13,734.59 in Hyderabad and 14,812.10 in Kolkata.

Table 1: List of Carbon Traders in India

S.No.	Name of the Company
1.	Adani Power
2.	Ashok Leyland Ltd
3.	CESC's
4.	Essar Oil Ltd.
5.	GMR Infrastructure Ltd.
6.	Grasim Industries Ltd.
7.	Hindustan zinc
8.	JSW Steel Ltd.
9.	Lanco
10.	Maruti Suzuki India Limited
11.	NTPC Ltd.
12.	Oil & Natural Gas Corporation Ltd.
13.	Oil India Ltd.
14.	Rain Industries Ltd
15.	Reliance Industries Ltd.
16.	Suzlon Energy Ltd.
17.	Tata Motors Ltd.
18.	Tata Power Ltd.
19.	Tata Steel Ltd.
20.	Torrent Power Ltd.

Sources: National CDM authority of India, Ministry of Environment, Forest and Climate Change, Government of India.

As per statistics of Ministry of Environment and Forests, the total carbon emissions of India expected to be 3000 MtCO_{2e} in 2020. While the Institute of Economic Growth estimates that the population will be around 1.3 billion by the same time, resultant 2.3tCO_{2e} per capita of carbon emission. India, with its vast population and fast growing gap between energy demand and supply, is striving to curb its energy shortage to sustain its economic and social growth in the coming decades. With the second-fastest growing economy and a middle class projected to grow from 50 million to 500 million in the next few decades, GHG emissions are likely to further increase.

India is a serious and emerging player in the global carbon credits market. This has induced

and prompted the originator, trader and developer of carbon credits, to set up their offices in India. Now a day's carbon credit is emerging domain especially in India but there are very few corporate who are aware of this emerging segment of credits. Presently it is very essential to create awareness about this emerging business segment. India is entitled to sell credits to the developed countries because its emission is lower than its target.

India is considered to claim almost 31% of the world's total carbon trade, which can give \$97bn by 2015 The India's Delhi Metro Rail Corporation (DMRC) is the first rail project in the world to earn Certified Emission Reductions and get benefited from it because of using the system of regenerative braking in its rolling

stock. The Certified Emission Reductions that has reduced 30% of the electricity consumption. Many of leading market capitalized companies in India trading in carbon credit like Reliance Industries Ltd., Tata Motors Ltd., JSW Steel Ltd. Etc (Table: 1).

It is normally believed that it is not a penalty that is awarded to the earning companies, but

the kind of recognition and rewards given to the green firms is what making this system so much popular and exclusive. Those companies that have limited emissions will work for the formation of further strategies to reduce the quantified emissions so that they can sell more and more carbon credits in the international market and can increase their profits. Thus, the system keeps on de-polluting the environment increasingly.

Table 2: Approved Projects under CDM (As On Nov 2015)

S.No	Sector	No. of Projects	No. of CERs (annual)
1	Energy industries (Renewable/Non-renewable sources)	918	71,899,363
2	Energy Demand	77	2,729,642
3	Manufacturing Industries	47	2,186,074
4	Waste handling and disposal	23	2,110,094
5	Afforestation and Reforestation	15	1,072,157
6	Transport	4	964,777
7	Metal Production	3	877,754
8	Chemical Industries	3	320,114
9	Energy Distribution	2	967,681
10	Fugitive emissions from fuel (Solid, Oil and gas)	2	63,911
11	Agriculture	1	59,988
12	Solvent use	1	8,731
13	Construction Industries	0	0
14	Mining/Mineral Production	0	0
15	Fugitive emissions from production and consumption of halocarbons and sulphur	0	0
	Total	1096	83,260,286

Sources: National CDM authority of India, Ministry of Environment, Forest and Climate Change, Government

As per Kyoto Protocol India comes under non-annex countries which are not obliged to reduce their CO₂ emission into atmosphere. India is amongst one of the largest emitter of CO₂ in the world with 6.96% of world's total emission. Emission trading is a new concept in Indian scenario so few corporate are aware of this emerging segment. The United Nation Framework Convention on Climate Change has registered numerous projects under CDM from different industrial sectors like Energy, Manufacturing, Transport, Chemical industries etc. (Table: 2)

4. Conclusion

Carbon Trading is a biggest money making opportunity for developing countries like India. It becomes a popular security to mitigate climate change and important investment avenue. Carbon trading has drastically transformed the international trade in creative way by taking care of sustainable development of developing countries and to help develop countries to comply with their commitment under Kyoto protocol. India has a great opportunity under Clean Development

Mechanism (CDM) to create Certified Emission Reductions by way of limiting their carbon footprints of different industries like Energy Efficiency, Transport, Methane recovery, Industrial process changes and Agriculture as well. The estimated GDP growth rate of India will be around 8 to 9 percent in the next upcoming years. It will lead to more production, energy and consumption activities, which further will lead to more emission of GHGs into the atmosphere. India is 4th largest emitter of CO₂ with 6.96% of world's total emission and has huge chance to convert this into wealth creation. Carbon credit can help India to achieve sustainable development activities as well wealth creation weapon. This will make Indian economy to reach up to new heights.

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Knowledge Management Implications on Financial Performance and Efficiency: A Survey of Listed Indian Companies

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Abstract

Knowledge management (KM) came into existence in India in the beginning of 2000 but till date the extent of KM implementation differs widely across industries. There are companies which have successfully implemented knowledge management but there are others which practice KM in bits and pieces. Empirical evidence to some extent supports that KM has a positive impact on operational performance including financial performance. The Global MAKE awards organisation claims that organisations practicing KM report a major improvement in their results including Return on Revenue and Total return to Shareholders. The purpose of this study is to validate these findings in Indian organisations via a perception study of the employees. The sample for the study is companies listed in India with 320 respondents across different sectors and with different levels in the organisation. KM practices in these organisations vary from moderate to high. Data for the study was collected between 2013-2014. The findings of the study indicate that most of the organisations which claim that they have implemented KM but are not deriving the results out of it may not be aware of the term “effective KM”. Effective KM does not mean ‘more the learning the better’ or ‘the more knowledge the better’ rather it means knowledge

that is relevant. The results of the study indicate a proclivity towards better financial performance for companies which are practicing effective KM. This study thus rejects the findings of some previous studies which state that KM does not have an impact on financial performance. The study would be helpful to the industry to identify the critical success factors for implementing KM and for the practitioners, to assess the tangible benefits of KM. The limitation of the study is that it is focussed on few sectors and based on the perception of the employees.

Key Words: Efficiency, Financial Performance, Knowledge Management, Listed Companies.

1. Introduction

The rapid growth of technology has resulted in the creation of a knowledge based business environment. If one was to think of the way businesses have evolved over the years, they moved from a position where capital was the prime requirement to set up a business, moving on to mass production becoming the criterion for successful business and later to the business idea or knowledge acumen being the centre for good business growth (Drucker, 1995). This

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development happened somewhere in early nineties where it was realised that knowledge management is not a fad but a necessity and needs to be adopted as a discipline.

2. Review of Literature

Research in the area of KM has been focussed on studying the concept of KM comprising of fundamentals of knowledge management (Wiig, 1993; Liebowitz & Beckman, 1998; Beijerse, 1999), types of knowledge (Polanyi, 1997; Nonaka and Takeuchi, 1995), the frameworks of knowledge management (Holsapple and Joshi, 2002; Holsapple and Joshi, 1999; Rubenstein et al., 2001; Arora, 2002), knowledge Management and artificial intelligence (Fowler, 2000; Liebowitz, 2001), knowledge Management and decision support systems (Courtney, 2001; Bolloju et al., 2002), taxonomies on KM (Liao, 2003; Kakabadse et al., 2003; Singh et.al., 2006; Anantatmula & Kanungo, 2006; Wong & Aspinwall, 2005; Anand et.al., 2011), knowledge Management in SMEs (McAdam & Reid, 2001; Wong & Aspinwall, 2005; Ruiz-Mercader et. al., 2006; Supyuenyong et al., 2011; Gholami et al., 2013) and its related impact on organisational performance (Kalling, 2003; Darroch, 2005; Mercader et al., 2006; Marque's & Simon, 2006; Sharma, 2007; Moustaghfir, 2008; Zack, 2002; Vidoviæ, 2010; Smith et al., 2010; Supyuenyong & Swierczek, 2011; Rašula, 2012; Sharma, 2013). To conclude, KM and its relationship with innovation, improved performance, better customer satisfaction, and employee retention have been the contemporary issues in the area of KM. However individual level studies may complement the organizational level studies, leading to a more comprehensive understanding of knowledge management (Muhammed et al., 2009).

The literature on KM indicates that knowledge does cause a change in organisational performance (Tippins and Sohi, 2003; Kalling, 2003; Darroch, 2005; Kridan and Goulding, 2006; Marque's and Simon, 2006; Sigala and Chalkiti, 2007; Bogner and Bansal, 2007; King et al., 2008; Pillania, 2008). However not all

the studies support that the change is a positive one. Kalling (2003) in his study linking KM to performance observed that the link between KM and performance might not always exist and that the relationship may stop at proxies of profit but not profit itself. Darroch (2005) testing the impact of KM on innovation and firm's performance debated that of all the KM processes, only responsiveness to knowledge had an impact on financial performance. Seleim (2011) in his study KM and OP in Egyptian software firms concludes that only knowledge application influences organisation performance. Marque's & Simon (2006), in their study effect of KM on firm performance have suggested that the relationship could exist but it can be tested by conducting a longitudinal study and the results could be clearer.

Authors however believe that KM has various financial and non-financial benefits which have a bearing on the organisational performance like 'better decision making, smoother team work, improved learning, better communication, enhanced employee skills, higher employee satisfaction, enhanced flexibility, better customer relations, better service quality, improved customer satisfaction' (Singh et.al, 2006; Dalkir, 2005; Chase, 1997); increased employee empowerment, employee loyalty and business continuity, developing core competencies, improved business processes, risk reduction (Anantatmula & and Kanungo, 2006; Beijerse,1999); sharing best practices (Davenport, 1998); developing new business opportunities (KPMG, 2000); innovation (Darroch, 2005; Davenport, 1998; Dalkir, 2005); efficient management of intellectual capital (Demarest, 1997); improved labour productivity (Pham & Hara, 2011) . The listing is important for knowing which benefits are directly impacting financial performance and which have an indirect impact.

Under financial benefits, KM is known to have resulted in higher sales/profits; increased operational efficiency by cycle time reduction; improved revenues through licensing of patents (Singh et. al, 2006, Anantatmula & Kanungo, 2006; Chase, 1997), reduced costs (Feng et.

al, 2004); Higher ROA and ROS (Vidoviæ, 2010).

Based on the literature review, a model has been developed for the study and given in Fig

1. The existing study gauges the perception of the employees about KM processes and the benefits on knowledge management on financial performance. The model is given below.

Knowledge Management and Organisational Performance

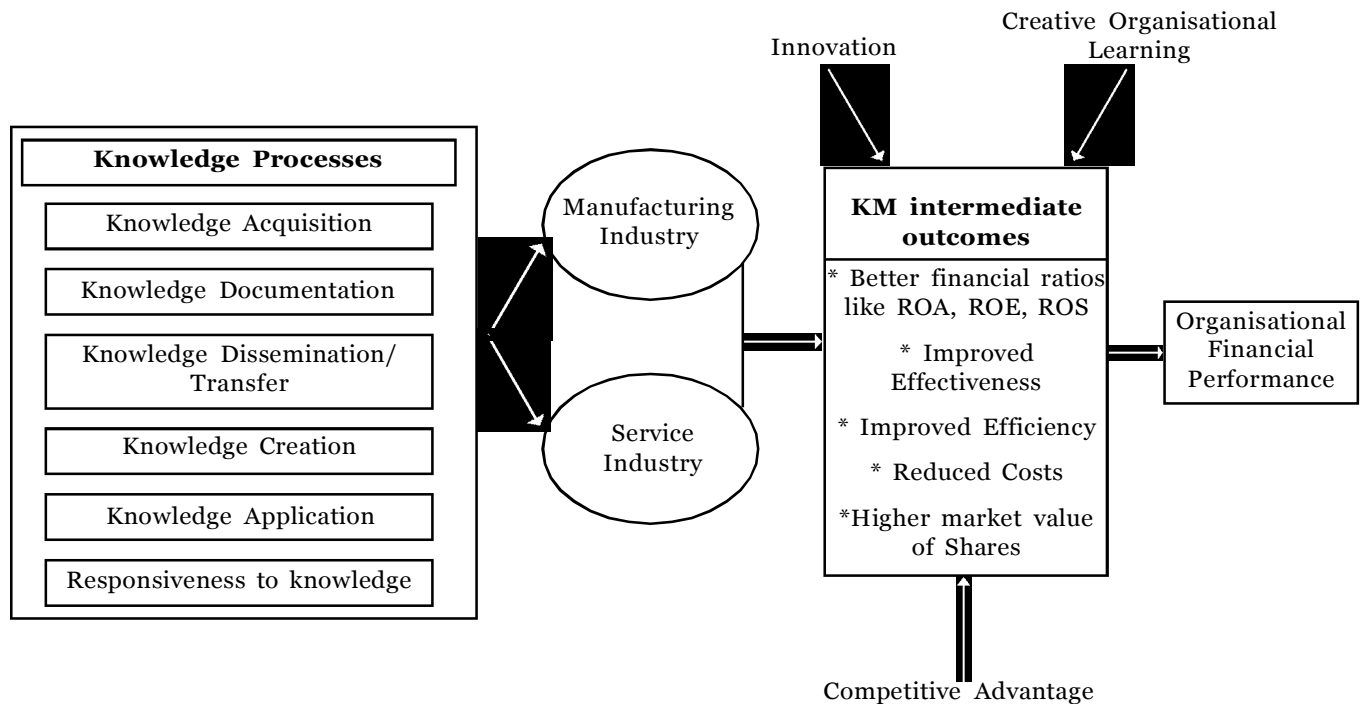


Figure I: Proposed Model for the Study

3. Objectives of the Study

Numerous studies have discussed the importance of culture and the role of top management in the success of KM activities (Gold et al. 2001; Singh & Sharma 2011). For successful KM implementation it is important that whatever initiatives are being taken with regard to KM and its processes by the top level management are being communicated to the lower level as well (Bagorogoza et al., 2011). The study is an attempt to validate the same by testing whether the employees of the organisations are aware of the KM practices which the organisation is pursuing. It also checks the perception of the employees with regard to KM and its benefits. The findings of this study can be related to the organisation’s performance to assess tangible benefits of KM.

For ex. if an employee perceives its organisation to be high on KM and the financial performance is also good, it can be said that KM can be linked to better financial performance.

4. Methodology

Sample Selection

The study is a perception based study and stratified random sampling has been used. The sample for the study is companies listed on the Bombay Stock Exchange. The companies were arranged in descending order based on their turnover. The top hundred companies were selected as sample and were contacted for the survey. Out of 100, 25 companies agreed to respond to the survey giving a response rate

of 25%. A structured questionnaire comprising of 58 questions was sent to these company employees which included all the levels – senior, middle and executives. The employees were contacted via email or personal meetings to collect the responses. The completed questionnaire responses were received from eight companies only which were used for the analysis. A total of 320 responses were collected across these companies.

The instrument for the study was an adopted one from a study conducted in Egypt in 2007 but since this study was conducted on the Egyptian software firms, the questionnaire needed modifications to make it suitable for the Indian scenario and covering questions on all kinds of industries. The modified instrument was tested by conducting a pilot study in a banking & finance company at its multiple locations. Based on the pilot study, changes were made in the instrument before it was sent to other companies for their responses. The instrument was tested for reliability which was 0.95 and considered to be very good (Nunally, 1967).

Measurement Tool for the Study

The research in discussion is part of the broader study on knowledge management which is being conducted to see if KM has an impact on the financial performance of the companies. This tool was designed to assess the level of KM in

the organisations and if it had an impact on the financial performance. The study is being conducted in two broad sectors being manufacturing and service. In each of these sectors different industries were contacted to participate in the survey. The companies include a wide range of sectors like – banking and finance, Information technology, infrastructure, automobile, steel, telecom, aviation and pharmaceuticals. The questionnaire is based on a five point Likert scale from 1 to 5 where 1 denotes complete disagreement and 5 denotes complete agreement to a practice/ condition. There were 58 questions in all focussing on various KM aspects/practices like knowledge acquisition, knowledge documentation, knowledge transfer, knowledge creation, knowledge application, responsiveness to knowledge and KM related performance. The demographics which are an important part of this study have been discussed in the next section. Data for the study was collected between 2013-2014.

5. Findings and Analysis

Demographics of the Study

Eight companies were taken for the study with an equal representation of four companies each from both manufacturing and service sector. The number of respondents was 320 but the number varied from organisation to organisation. The respondent details are given below in the following figures.

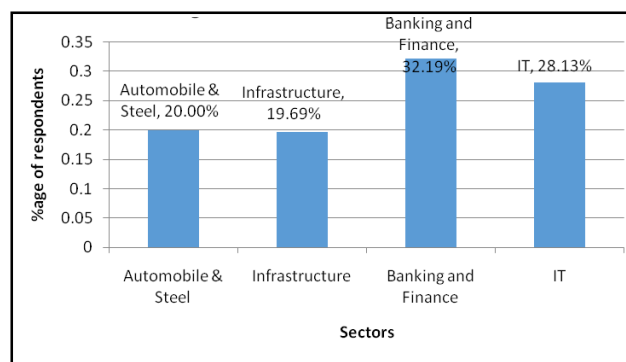


Figure II: Sector Wise Respondents

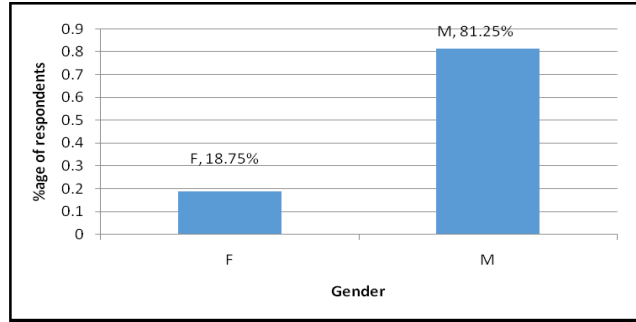


Figure III: Bar Graph Showing Gender Wise Categorisation of the Respondents

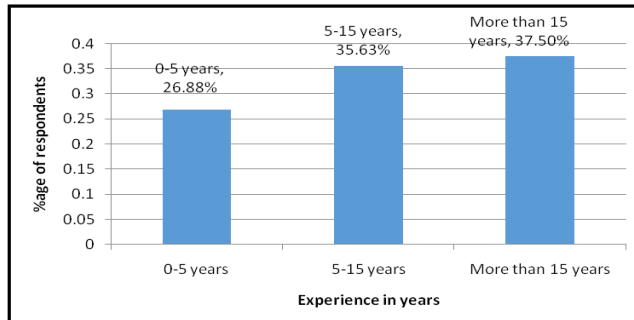


Figure IV: Bar Graph Showing Experience of the Respondents

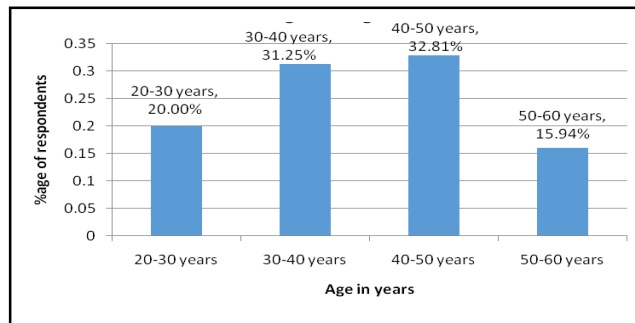


Figure V: Bar Graph Showing Age of the Respondents

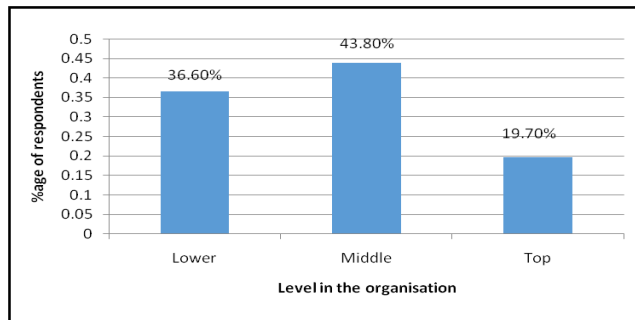


Figure VI: Level of Respondents

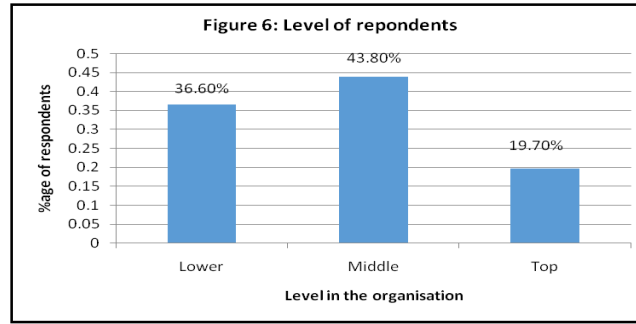


Figure VII: Initiatives for Knowledge Acquisition (KA)

Knowledge acquisition practice as a construct had eight items. The responses show that the most highly observed practice in KA for organisations is recording needs of customers i.e. regularly collecting information about the

needs of customers with a mean score of 4.11. This was followed by conducting regular trainings with a mean score of 4.01 wherein employees in the firm regularly attend courses, seminars, or other training programs to remain informed.

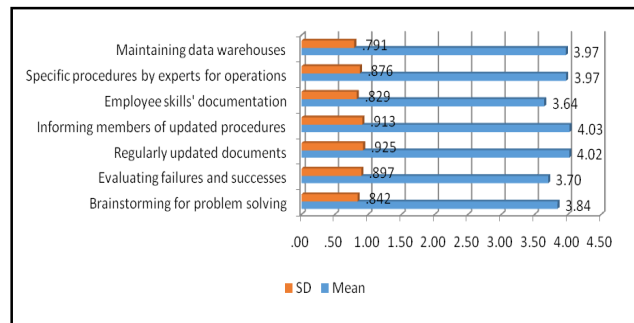


Figure VIII: Initiatives for Knowledge Documentation (KD)

The mean score in knowledge documentation is lower than the highest mean score in the KA practice. While for KA practices, it was 4.11, here it is only at 4.03 which is for informing

members for updated procedures which means that the firm informs its members from time to time of changes in procedures, handbook etc.

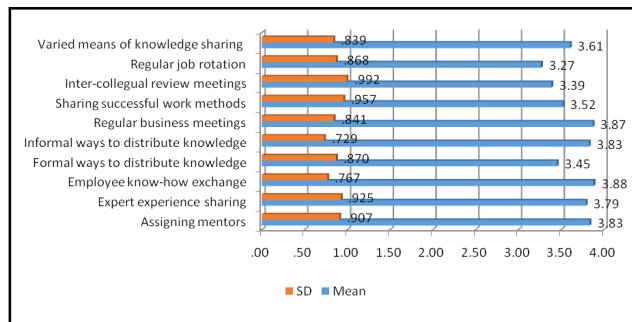


Figure IX: Initiatives for Knowledge Transfer (KT)

Compared to KD and KA, the mean scores for this practice are much lower. The highest score in this category if were 3.88; for employee

know-how exchange i.e. the extent to which employees share with colleagues and others their knowledge/know how.

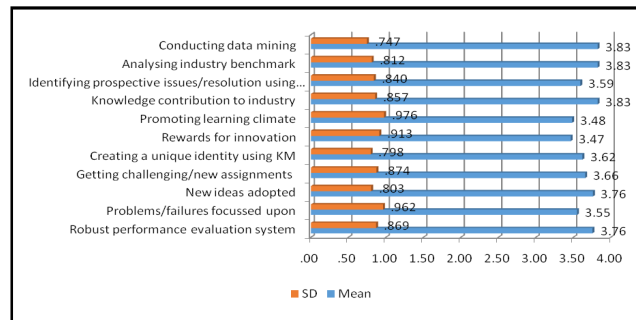


Figure X: Initiatives for Knowledge Creation (KC)

The mean scores for the responses for knowledge creation showed that most of these were in the category of agree rather than a strongly agree. Three practices being – conducting data mining to discover new

knowledge and insights, analyzing benchmark at the industry level and contributing to the development of the important ideas and knowledge in the industry had a mean score of 3.83.

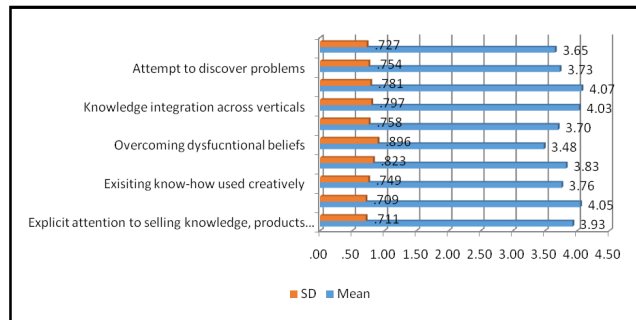


Figure XI: Initiatives for Knowledge Application (KA)

The highest score in this category was 4.07 for maximising knowledge use which implies that firm maximizes knowledge use through its

organizational structure, management systems, and practices.

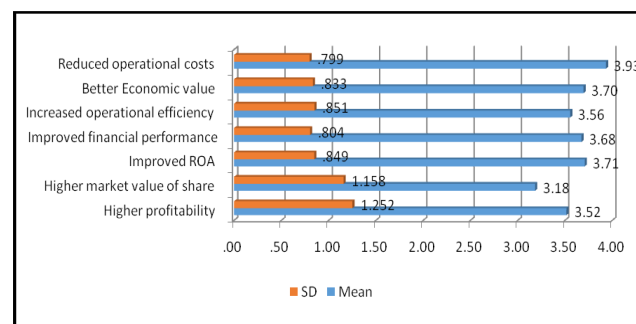


Figure XII: Impact on Financial Performance

The next part of the tool was aimed at ascertaining whether the respondents felt that knowledge management had an impact on the financial performance of their organisation. The responses here were in the range of neutral to somewhat agree. The highest mean score was 3.93 for reduced operational cost which implied that KM implementation helped in reducing operational costs. The respondents also felt that their Return on Assets improved due to KM and rated it at 3.71. The third important aspect was that KM resulted in a better Economic value for the organisation with a score of 3.70. A mean score of 3.68 was given to better financial performance as respondents felt that

post KM implementation, their financial performance has been better than before. Increased operational efficiency and better profitability were two more benefits of KM with a mean score of 3.56 and 3.52 respectively. The respondents felt that the day to day operations had improved due to the existence of knowledge documents, data warehouses and a lot of time could be saved not hunting for information which was the case prior to KM being implemented. Since cost was being saved and operational efficiency had improved, the impact on profitability was direct. However it was not clear as to what percentage of increase was attributable to the KM efforts.

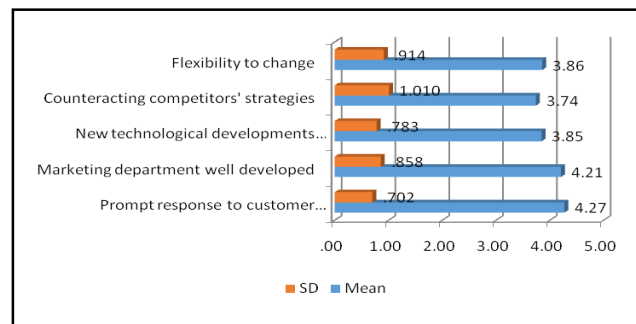


Figure XIII: KM and Increased Efficiency

By adjudging the scores on how responsive the company was to the acquired knowledge, the impact on efficiency was ascertained. The highest mean score was 4.27 for prompt response to customer complaints/concerns/queries. The respondents agreed that their firm was quick in resolving customer complaints as their staff was trained and sufficiently aware to handle the situation. The second prevalent practice in this category was a well developed marketing function resulting in marketing plans being implemented effectively. The third was the organisation being flexible and pro-active in implementing strategies with a mean score of 3.86. Information about new technological developments affecting business being circulated quickly in the organisation had a score of 3.85. The lowest score of 3.74 was for competitors' strategic actions quickly circulated in the organisation. Though this score is low compared to the other scores in this category but standalone even this figure is implying that respondents agree to it.

6. About the Companies

The companies chosen for the study were listed on the Bombay Stock Exchange which is the biggest stock exchange of the country. Four companies surveyed out of the list of eight companies were a part of the 2014 Global MAKE (Most Admired Knowledge Enterprises). Out of these four, three companies have been listed in the MAKE hall of fame in 2014 which means that they have been Global MAKE Finalists in each of the past five annual studies. Out of the list of four companies, two have also won MAKE 2014 award (2014 Global MAKE report). This itself speaks of the robust quality of KM in these organisations. The Global MAKE organisation also claims that the benefits of KM implementation are tangible and significant. "The MAKE winners trading on the New York Stock Exchange/ NASDAQ showed a Total Return to Shareholders (TRS) for the ten year period 2004-2013 of 21.3% - 2.1 times

the average Fortune 500 company median. The Return on Revenues (ROR) was 15.8% -2.5 times of the Fortune 500 ROR median” (2014 Global MAKE report). ROR is a measure of efficiency. These indices further hint that KM does have an impact on the financial performance.

7. Conclusion

Out of the different practices which were evaluated amongst the employees, the initiatives for knowledge acquisition, documentation and application were found to be more popular than knowledge transfer and sharing. Employees felt that KM has an impact on the financial performance but they did not rate it very high in their responses. A possible reason could be that either the employees felt that their organisation could do even better or they were not sufficiently aware of all the financial benefits which were accruing to the business. The latter could be true with employees at the entry level or with lesser years of experience who may not understand the financial implications fully. Nevertheless personal interviews with senior level managers revealed that they were optimistic about KM bringing positive impact on their financial performance. Almost all the respondents were optimistic about KM and its impact on efficiency. They felt that operational issues like resolving of customer queries, robust marketing functions, introducing new technological developments, agility to change and fighting competition were all possible due to KM. Firms use KM to improve their financial performance, keep ahead of competition by introducing new products/technologies and keep innovating using the existing knowledge for long term sustainability. The study rejects the findings of previous researchers who suggested that KM does not have an impact on financial performance. The study can be extended by mapping the financials of these companies and seeing if the results converge or diverge with the perception study.

8. Limitations of the Study

The study has been done in India and covers selective sectors. The results could vary if a bigger sample size is taken.

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Leadership Styles Among the School Principals in Uttar Pradesh

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Abstract

The focus of the current study is to find out the most dominant leadership style among the school principals of Uttar Pradesh state of India. The prevalent leadership styles according to the various demographics taken into consideration have also been studied. The central support of the study is the primary data which has been collected through an adapted questionnaire from the school principals in four districts of Uttar Pradesh. It is thus concluded in the paper that democratic style of leadership is the most prevalent style among the school principals of Uttar Pradesh. Almost all demographics showed democratic leadership style to be dominant with some expectations which were present in the sub categories. It was also found that three out of five factors played an important role and contributed to success of school according to all three leadership styles with some exceptions.

Key Words: Leadership, Principals

1. Introduction

Bass (1990) expressed that the “leader” word was first appeared in the year 1300 in the English language. But “leadership” word was mentioned in the literature during the first half

of the 19th century. He claims that even in the recent times leadership word is not found to be present in the modern languages of the world.

The phenomenon of leadership has been very complex overtimes so there have been the emergence of various theories in this regard. A number of definitions about leadership are prevailing in the literature describing what it is and under which circumstances it reveals itself. As Tead (1935) describes, it is an “... activity of influencing people to cooperate towards same goal which they come to find desirable.” This definition dictates for the interaction between the two important components: leaders and followers. Followers are must for the existence of leaders and vice versa. (Slater, 1995). Since ages people have been led, directed and guided to give a shape to the collective efforts. Leadership is required to cultivate a sense of purpose, direction, motivation and enthusiasm, especially in times of emergency or rapid change. During crisis, followers look forward for an inspiration, motivation and direction from their leaders and been able to achieve more desirable results (Bolman & Deal, 1994).

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Education can be considered as a perfect approach for the societal development. Formal education is regarded as one of the institutional mechanism for the improvement in the human capital of a nation by imparting formal education (Nsubuga, 2003). Leadership plays an important role in the school effectiveness and school improvement and this importance has always been emphasized by the researchers from the field of school effectiveness and school improvement. (Hargreaves, Lieberman, Fullan and Hopkins, 1998). Educational leaders possess a pivotal role in institutions and the importance of their role cannot be overlooked. Educational policy makers are also convinced that the principal is the key variable in a student's scholastic achievement (Murphy, 1990).

Leadership is probably the sole skill that makes ordinary people achieve extraordinary and astonishing things (Kotter, 2007). The leadership literature provides many insights on the important role of principals in school development and transformation (Fullan 2001, Gunter 2001, Day 2004). Although there have been propositions about different 'models' or 'styles' of leadership, it needs to be acknowledged that the distinction of styles does not represent the everyday practice of school leadership, and it is generally acknowledged that there cannot be a single leadership style that is best suited to bring success in any particular setting (Portin 1999). The job of educational leaders involve among other things, the provision of leadership for staff, coordinating both human and material resources to ensure the achievement of organizational goal. In an organization the educational leaders as an administrator influences his subordinates to achieve the goals and objectives of the institution. (Faisal et al., 2012). A leadership type, which is valid for one school, may not be valid for another school (Ozdemir and Sezgin, 2002; Sisman and Turan, 2004; Celik, 2002).

2. Review of Literature

A lot of work has been done in the field of

leadership by the researchers which has made the topic even more clear and understandable. Some of such studies which have contributed to leadership are as follows-

A study done by John D. Politis on the topic *QFD-role of various leadership styles (2003)* talked about Quality Function Deployment (QFD) where a survey was conducted on managers of United Arab Emirates concluded that leadership styles that favor participative behavior, mutual trust and respect for subordinates and feelings are more supportive to QFD than leadership styles which include autocratic style and task oriented behavior. Also consideration leadership and self managed leadership are more correlated to QFD when compared to other leadership styles.

The work done by Uma D. Jogulu on the topic *"Culturally linked leadership styles" (2010)* is the paper where the author has tried to find that whether leadership styles are culturally linked or culturally biased or not. The paper concludes that firstly that subordinates in Malaysia tend to avoid direct debate and complete assigned tasks quietly because leaders set clear expectations of how roles should be enacted. Managers are viewed as authority figures in organizations and open discussions on conflicts are not encouraged. Such role expectation creates a propensity for Malaysian managers to lead in a transactional manner, because their values and beliefs influence their behaviors and identify leadership actions that are legitimate and acceptable. Secondly, in Malaysia managers feel comfortable in leading in a transactional manner by being more directive or setting clear limits and expectations to their subordinates and followers because there society believes in paternalistic approach. And this paper finally concluded that in high "power distance" cultures such as Malaysia followers are expected to accept orders and direction more readily from superiors out of respect for people in power.

Another paper written by Titus Oshagbemi and Samuel A. Ocholi on the topic *Leadership styles and behavior profiles of managers (2006)* investigates how managers from various UK

industries could be grouped on the basis of the leadership styles and behavior patterns which they showed in the performance of their jobs. This study classified the managers into three groups based on its analysis namely practical leaders, unity leaders, and uncaring leaders. It was also found that the practical and unity leaders form a high percentage of the managers in UK organizations. Finally the study concluded that no absolute statements about the effectiveness of the three groups of managers can be made with certainty and effectiveness of each group is not absolute.

A work is done to find relationship between leadership style and burnout by Anastasios Zopiatis and Panayiotis Constanti in a paper titled "*Leadership styles and burnout: is there an association?*" (2010). The findings of this paper suggested that transformational leadership has a significant positive relationship with personal achievement and is negatively related to emotional fatigue and depersonalization. Also a positive relationship was found between passive avoidance leadership and emotional exhaustion and depersonalization. It was finally concluded in the paper that persons with a passive evading leadership style exhibited advanced levels of burnout.

A study conducted by Yenming Zhang, Tzu Bin Lin and Suan Fong Foo on the topic "*Servant leadership: a preferred style of school leadership in Singapore*" (2012). The purpose of this paper is to find that out of servant leadership and authoritative leadership, which leadership style is more preferred in public sector of Singapore. It was found in the study that servant leadership is more acceptable than authoritative leadership and that servant leadership is more effective because it reflects a better use of leaders' power. The first finding shows that the leader would like to listen to their staff members' needs and may be able to perform empathy. The second finding demonstrates another characteristic of servant leadership i.e. building community. In the third finding it was revealed that when of servant leadership and authoritative leadership are

compared; most participants express their general preference towards servant leadership.

A study which has formed basis for this project is a study conducted by Eissa Al-Safran, David Brown and Alexander Wiseman on the topic "*The effect of principal's leadership style on school environment and outcome*". The main objective of this study was to investigate the effect of principal's leadership style on school outcome. Another objective was to investigate the impact of culture on leadership style as related to school environment and outcome. The outcome of this study revealed that the principal's leadership style was related to school outcomes.

A study done on the topic "*Effective principals skillfully balance leadership styles to facilitate student success: A focus for the reauthorization of ESEA*" (2010). This study supports the idea that a skillful balance of transformational and transactional leadership styles is needed to meet the expectations for accountability. Research supports both leadership styles; however, transformational and transactional leadership focus on different aspects of the school setting. Transformational leadership targets change while transactional leadership targets management functions. Both of these are important to establishing and maintaining an environment conducive to learning. With the reauthorization of the Elementary and Secondary Education Act under President Obama's administration in USA, the opportunity is upon us to provide principals with the training needed to move schools forward to meet current expectations.

A similar study conducted by a scholar Mahçe Derel on the topic "*A Survey Research of Leadership Styles of Elementary School Principals*" (2003). The purpose of this survey research is to explore the leadership styles of public elementary school principals in Turkey as perceived by principals themselves and teachers. According to this study, principals use the human resource frame dominantly. Principals' use of the human resource frame dominantly shows that they think that the

schools must fit teachers' needs as organizations and people need each other otherwise organizations will exploit people or people will find ways to exploit organizations (Bolman & Deal, 1994). The principals think that they value relationships, feelings of the teachers and they try to lead through facilitation and empowerment. Also It is also noteworthy that principals who have a work experience of 15 years and above scored low on all frames . This is due to the long period that principals spend in a particular job with no hope for futher promotion and change feeling ready for retirement and getting fossilized day by day both individually and institutionally as well. And finally it was seen that the majority of the teachers and principals consider principals as being effective managers and leaders but assigning higher scores to the principals on the management criteria.

One more study conducted on school principals to find leadership style was done by Shawn Terese Martin on the topic " *Relationship Between the Leadership Styles of Principals and School Culture*" (2009). The results showed that increased levels of transformational leadership were associated with increased levels of school culture. The findings in this study also suggested that there were moderate to strong degrees of positive correlation among all of the factors of transformational leadership and the school culture factor, collaborative leadership. Additionally, the findings in this study revealed that the school culture factor, learning partnership, was the only factor that was not significantly correlated with the transformational leadership factor, inspirational motivation.

A study conducted by Titus Oshagbemi Roger Gill on the topic " *Differences in leadership styles and behavior across hierarchical levels in UK organizations*" (2004). This study examined the leadership styles and behavior of managers across hierarchical levels to see whether or not the styles and behavior are similar. It found that generally there are significant differences in the leadership styles between senior and first-level managers, but not between senior and middle-level managers

or between middle and first-level managers. The study suggests that differences in the leadership styles practiced by managers may be blurred in organizations with short chains of command, while it will tend to be pronounced in organizations with long chains of command, other things being equal. There was a weak but statistically significant difference between the leadership styles of senior and first-level managers, the differences in their leadership behavior was statistically strong. The study also found that three out of the seven aspects of the leadership behavior were significantly different when compared with one or two other levels of management. Finally it was concluded in the study that behavior emanating from senior managers tend to influence the perception of lower-level managers towards acting in a similar fashion to create a culture of similar organizational practices.

A gender based study done by Hanan M. Taleb named " *Gender and leadership styles in single sex academic institutions*" (2010) where author has tried to find relationship between gender and female leadership styles in a single-sex academic institution in Saudi Arabia It was found that female leaders are inclined to adopt conventional attributes of feminine qualities of leadership. They also tend to prefer a democratic, interpersonally-oriented and transformational style rather than autocratic, task-oriented or transactional style of leadership. Finally it was concluded in the paper that females lead in typical stereotype manner as they have been always thought to do.

One more study was done on basis of gender to find difference in leadership style and management skills by Sarah Burke and Karen M. Collins on the topic " *Gender differences in leadership styles and management skills*" (2001). The study reported that females and males differ in terms of leadership style. Females use a management style called transformational leadership style. Such leadership style is found to be related to various management skills that are related to success. Females showed a higher perceived effectiveness on management skills like coaching, developing and communicating. The findings also suggest

that females get more developmental opportunities than males.

Another gender related study on the topic "Gender role, decision style and leadership style" (1996) by Daewoo Park has tried to find the relationship between gender role and decision style which was not done previously done as other authors have done work to find difference between gender and leadership style. The findings of this study statistically supported the argument that there exists a close relationship between gender role, decision style and leadership style. Also, the findings suggest that different measures of gender role, decision style and leadership style can be adopted by organizations in their attempts to acquire, develop and utilize competence.

3. Research Methodology

Statement of the Problem

Leadership is the most basic and important aspect of organization behavior and it is a well proven fact that a leadership style affects the way subordinates under a leader behave. Employees feel motivated or demotivated, performance improves or decreases, organization citizenship increases or decreases etc all is affected by leadership style of a leader. Not only the behavior of organization but the environment of an organization is also affected by leadership style of leader. Same can be implied in any organization be it multinational organization, government or educational institute.

This study is done on school principals. Since school is also an institute so the leadership style of principal affects the success of school. Also since different leadership styles have different effect on people and environment so the main objective of this study is to find the leadership style which is most dominant in school principals. Secondly this study tries to find that is there any relation between a particular leadership style and demographic factors like age, experience, educational background etc. so that it can made clear that leadership style

changes as demographics change. For example- a particular leadership style to be found in a particular age group and reasons for the same. The success of school is the most important parameter for any school. So it would be interesting to find relation between a particular leadership style and factors affecting success of school.

Objectives of the study

1. To find the most dominant leadership style among the school principals of Uttar Pradesh state of India.
2. To explore the prevalent leadership styles among different demographics.
3. To find the factors responsible for the success of a school according to each leadership style.

Sampling and Sampling Size

Population for the study comprised of the School Principals of Uttar Pradesh state of India. The sampling unit taken in this research is schools of Lucknow, Saharanpur, Meerut and Roorkee districts of Uttar Pradesh. An exploratory cum descriptive study was conducted to achieve the objectives. Judgmental sampling method was followed to collect the data. The study was conducted on 225 respondents but 25 questionnaires were rejected due to inadequate information. Thus analysis was conducted on 200 respondents.

Survey Instrument

In this study *primary data* is used and data collection method employed is *Questionnaire*. A standardized questionnaire designed by Peter G. Northouse is used in this study. In the first section, demographic data of respondents with respect to the gender, age, qualification, experience and other questions like total strength of students in your school was gathered. To achieve the third objective of the study, school success construct was assessed using one question namely, "What makes a school successful?" and the responses were a)

Presence of committed head teacher, b) Active involvement of teachers, c)Active involvement of parents, d)Good school practices like cleanliness, orderliness etc. and e) Educational background of parents.

The second section was comprised of 18 questions where respondents were asked to choose one parameter of each statement that closely matches their self assessment depending on whether respondent feels that he “strongly agree (score1), agree, neutral, disagree or strongly disagree (score5) with the statement.” Data were collected by one of the researchers through personal visits of some of the schools and also through postal correspondence.

Validity and Reliability of the Instrument

Validity and reliability are two fundamental

elements in the evaluation of a measurement instrument. Validity is concerned with the extent to which an instrument measures, what it is intended to measure. Reliability is concerned with the ability of an instrument to measure consistently. In the given study, content validity was derived from exhaustive review of literature. Also, to check the reliability of the scale Cronbach alpha was calculated. The value of Cronbach alpha of the instrument came out to be 0.725 which is greater than the minimum threshold of 0.7 for its reliability.

4. Data Analysis

For achieving the first objective of the study i.e. to know the most dominant leadership style among the school principals of four districts of Uttar Pradesh , mean scores of responses have been obtained through questionnaire.

Table 1: Leadership Styles Profile

Leadership Style	Total Score	Mean Score
Democratic	30	22.44
Authoritarian	30	20.28
Laissez Faire	30	17.5

Source: Survey

From the Table-1, it can be inferred that democratic leadership style is the most dominant leadership style in school principals whereas laissez fair style is the leadership style which is least dominating style of leadership among the school principals of Uttar Pradesh state.

To achieve the second objective of the study i.e. to find the prevalent leadership styles among different demographics, mean scores of different leadership styles: authoritarian , democratic and laissez faire had been calculated on the basis of age, qualification, experience and strength of the students mean scores of different leadership styles were calculated on the basis of demographics.

Age

Table 2: Mean Score of Different Leadership Styles on the Basis of Age

Age	Authoritarian Leadership	Democratic Leadership	Laissez Faire
upto 30	20.8000	23.0000	18.2000
31-40	18.5333	21.4667	17.2000
41-50	20.1000	23.4000	18.0000
51 and above	22.3000	22.1000	16.4000
Total	20.2800	22.4400	17.5000

Source: Survey.

Table -2 depicts that the school principals in the age group of 41-50 years have maximum mean value (mean score=23.4) for democratic leadership style. Principals in the age group

of 51 and above years have least mean value (mean score=16.4) for laissez faire style of leadership.

Qualification

Table 3: Mean Score of Different Leadership Styles on the Basis of Qualification

Qualification	Authoritarian Leadership	Democratic Leadership	Laissez Faire
Graduate	18.3000	20.4000	17.1000
Post graduate	21.2059	23.5000	17.8529
PhD	18.3333	19.8333	16.1667
Total	20.2800	22.4400	17.5000

Source: Survey

Table -3 depicts that school principals who are post graduate have maximum mean value (mean score=23.5) for democratic leadership

style. And the principals with PhD degrees have least mean value (mean score=16.1667) for laissez faire style of leadership.

Experience

Table 4: Mean Score of Different Leadership Styles on the Basis of Experience

Experience	Authoritarian Leadership	Democratic Leadership	Laissez Faire
0-5	19.5769	22.7692	17.5769
6-10	21.2222	24.5556	19.0000
11-15	19.6667	19.1667	16.0000
16 and above	21.7778	21.5556	16.7778
Total	20.2800	22.4400	17.5000

Source: Survey.

Table- 4 depicts that the school principals with experience of 6-10 years have maximum mean value (mean score=24.556) for democratic

leadership style. The school principals with experience of 11-15 year have least mean value (mean score=16.0) for laissez faire.

Strength of Students

Table 5: Mean Score of Different Leadership Styles on the Basis of Strength of Students

Strength of Students	Authoritarian Leadership	Democratic Leadership	Laissez Faire
10-100	23.0000	24.0000	18.3333
100-500	18.9000	21.4000	17.4000
500-1000	20.0714	22.4286	16.9286
1000 and above	21.7000	23.6000	18.0000
Total	20.2800	22.4400	17.5000

Source: Survey.

Table-5 depicts that principals in schools with strength of student 10-100 have maximum mean value (mean score=24.0) for democratic leadership style. Principals in schools with strength of students 500-1000 have least mean value (mean score=16.92) for laissez faire.

Analysis was further carried out to achieve the third objective of the study i.e. to find the

factors responsible for the success of a school according to each leadership style. All the three leadership styles have been sub divided into three categories namely high, medium and low based on the mean score i.e. 21-30, 11-20 and 1-10 respectively as shown in the tables below. According to each leadership style, factors responsible for the success of a school have been identified.

Table 6: Factors Responsible for the Success of a School Under Authoritarian Leadership Style

Authoritarian		Frequency	Percent
High	Presence of committed head teacher	36	37.5
	Active involvement of teachers	56	58.3
	Educational background of parents	4	4.2
	Total	96	100.0
Medium	Presence of committed head teacher	36	34.6
	Active involvement of teachers	36	34.6
	Active involvement of parents	12	11.5
	Good school practices	4	3.8
	Educational background of parents	16	15.4
	Total	104	100.0

Source: Survey.

Table-6 indicates that out of every 200 respondents, 96 respondents lie under high category of authoritarian leadership and 104 under medium category. 58.3% people in high category think that “active involvement of teachers” is responsible for the success of school whereas “presence of committed head teacher” and “active involvement of teachers” are both equally supported by 34.6% people under medium authoritarian style.

Also, 11.5%, 3.8% and 15.4% people under medium authoritarian style support “active involvement of parents”, “good school practices” and “educational background of parents” respectively. But none in high authoritarian style support them to be responsible for good school practices. So it can be inferred that “active involvement of teachers” factor is maximum supported by principals under authoritarian style as a factor responsible for success of school.

Table 7: Factors Responsible for the Success of School Under Democratic Leadership Style

Democratic		Frequency	Percent
High	Presence of committed head teacher	64	40.0
	Active involvement of teachers	76	47.5
	Active involvement of parents	4	2.5
	Educational background of parents	16	10.0
	Total	160	100.0
Medium	Presence of committed head teacher	8	20.0
	Active involvement of teachers	16	40.0
	Active involvement of parents	8	20.0
	Good school practices	4	10.0
	Educational background of parents	4	10.0
	Total	40	100.0

Source: Survey.

Table-7 shows that out of 200 respondents, 160 respondents lie under high category of democratic leadership and 40 respondents lie under medium category. 47.5% people in high category consider that “active involvement of teachers” is responsible for success of school. Similarly, “active involvement of teachers” is

supported by 40% of respondents under medium category also. “Good school practices” is supported by none in high category whereas it is supported by only 10% respondents under medium category. Under democratic style of leadership also “active involvement of teachers” came out to be main factor responsible for the success of school.

Table 8: Factors Responsible for the Success of School under Laissez Faire Leadership Style

Laissez_Faire		Frequency	Percent
High	Presence of committed head teacher	8	33.3
	Active involvement of teachers	8	33.3
	Educational background of parents	8	33.3
	Total	24	100.0
Low Medium	presence of committed head teacher	4	100.0
	Presence of committed head teacher	60	34.9
	Active involvement of teachers	84	48.8
	Active involvement of parents	12	7.0
	Good school practices	4	2.3
	Educational background of parents	12	7.0
	Total	172	100.0

Source: Survey

As shown in Table-8, out of 200 respondents, 24 respondents lie under high category of laissez faire leadership, 172 under medium category and only 4 under low category of laissez faire style of leadership. Under high category, equally 33.33% of respondents support “presence of committed head teacher”, “active involvement of teachers” and “educational background of parents” whereas 48.8% respondents under medium category of laissez faire support “active involvement of teachers.” Also, 4 respondents under low category were found to support “presence of committed head teacher”.

5. Conclusion and Discussion

As inferred from the above analysis, democratic leadership style is the dominant leadership style among school principals in Uttar Pradesh. This might be because of the fact that democratic leadership style involves the leader sharing the decision-making abilities with group members by promoting the interests of the group members and by practicing social equality. And this is exactly what is required to run a school as a single person i.e. principal cannot manage everything. He/she has to consider and involve teachers and staff in order to get insight about schools current situation as the principal alone cannot think about all the aspects of a school

and cannot alone take decision about every student or class or department. So, the teachers and other staff members are involved into decision making process because they are the best people to know about their classes and respective departments by getting involved in day to day functioning.

Table-2 indicates that democratic is the most important leadership style in all the age groups. On a close analysis, this could also be observed that in age group of 51 and above, authoritarian has a slightly higher mean value than democratic style. This could be due to the fact that as people become older they become more authoritative by gaining experience over the time. This is the only age group in which the mean values of authoritarian and democratic styles are almost same. This shows that the age group of 51 and above maintains a balance between the two styles which is the most apt leadership style. But in all of them, laissez faire style has least mean value in this case. It could be due to the reason that older people develop a sense of responsibility and hence do not leave the decision making for others to carry ahead. They actually prefer to do it on their own.

Table-3 shows that principals with qualification Ph.D give almost equal weightage to both democratic and autocratic leadership styles.

This could be due to the fact that they are mature enough and have a wider vision to understand that the best way to lead and deal with people is a combination of both the styles. Also it could be observed that laissez faire leadership has least mean value in case of Ph.D. This could be due to the above stated reasons and also since they have a wider skill pool so they do not leave the decision making process on subordinates.

Table 4 advocates that principals with experience of 11-15 years and 16 and above years have almost same mean values for autocratic and democratic leadership style. This could be due to the fact that that people with higher experience i.e. more than 11 years have an understanding that the right way to deal with people is to use a blend of both authoritarian and democratic leadership style. This could be also due to the reason that people with higher experience have greater exposure in life due to which they understand that use of single leadership style is not beneficial in all situations and so they consider that a combo of democratic and authoritarian style is the best way to lead.

Table-5 shows that principals in schools with strength of 10-100 students showed highest level of democratic leadership style. This might be due to the fact that because of small size decentralization of authority is easier to do and hence it is convenient enough to manage a school with low strength. On contrary, principals in schools with strength of 1000 and above students showed higher level of democratic leadership style. This could be due to the fact that in such big institutions work is done in teams or in departments where decentralization of authority is done to manage such a huge organization.

In finding the dominant factor responsible for success of school which are affecting the three leadership styles, it was found that “active involvement of teachers”, “presence of committed head teachers” and “educational background of parents” play dominant role in high category of both authoritarian and laissez faire style. Whereas democratic style considered

“active involvement of parents” as well to be an important factor responsible for the success of school. “Good school practices” was not considered by any of the style though it was considered by all three styles in medium level but with a very small percentage. So it can be said that it does not play any important role in any leadership style.

In all three leadership styles, “active involvement of teachers” was supported by highest percentage where Authoritarian supported it with highest level followed by democratic and laissez faire. Also in laissez faire leadership style, principals have given equal weightage to three factors presence of committed head teacher, active involvement of teachers and educational background of parents. This might be due to the fact that **Laissez-faire leaders** allow followers to have complete freedom to make decisions concerning the completion of their work. It allows followers a high degree of autonomy and self-rule, while at the same time offering guidance and support when requested so equal weightage is given to all three statements.

The study finally concludes that democratic leadership style is the most dominant leadership style among school principals in schools of Lucknow. Secondly, almost all demographics showed democratic leadership style to be dominant with some expectations which were present in the sub categories. Finally it can be concluded that three out of five factors played an important role and contributed to success of school according to all three leadership styles with some exceptions.

6. Managerial Implications

It was found in this study that democratic leadership is the most prominent leadership style in school principals. But it is very difficult to use the same leadership style in all the situations. So a combination of democratic and authoritarian leadership is the way out as it will allow the principals to have full control over decision making process as well as share it with followers and subordinates as well as

and when required or called by the situation. Since the dominant leadership style is democratic leadership style for principals. Thus, this leadership style can be improved further by an accurate and timely communication. The principal needs to improve the network of communication within a democratic leadership structure through which a principal can allow an efficient exchange of information that will improve decision making process. Secondly, a principal needs to have a comprehensive understanding of the hierarchy of his group or the department and its strengths and weaknesses. He needs to have subgroups that are responsible for carrying out important duties related to day to day work or for specific work. The democratic leader improves productivity by efficiently utilizing his group resources. To improve the efficiency of collecting and processing information, the democratic principal needs to use deadlines. When an idea is put to employees for a vote, there need to be strict deadlines for submitting a vote. Then, in a stipulated time period that principal should also try to process the information and use it in a wise manner. It was observed in this study that all leadership styles consider "Active involvement of teachers" to be the most important factor responsible for success of school. But along with this factor, the factor "Presence of committed head teacher" should also be considered to be an important factor for success of school because he/she would help the principal in managing the teachers in a better way. Thus, a principal should have someone who would convey the ideas to teachers and help to implement them. Principals under democratic leadership style should make sure that there are concrete guidelines for the staff and ensure that no decision should be taken without taking staff's opinion on the matter concerned.

7. Limitations

Like other studies, this study is also not free from any limitations. This study is limited to school education sector only so this proved to be a constraint but this study could be extended to other sectors as well to get more diffused

results. In this study, sample consists of only principals of schools to study leadership styles, which may limit the generable of results. Since this study was done only in four districts of Uttar Pradesh which is another constraint. The study can be strengthened by increasing the sample size and by conducting it at national level.

8. Scope for Further Research

The scope of the study can be enhanced by increasing the sample size Furthermore, some more leadership styles such as encouraging and social style of leadership could be taken for the study. In future studies, the work could be extended to the employees working in different strata or levels of management in some other sectors apart from education sector. It is also suggested that the follow-up research may improve the sampling method and may further testify the validity of the study.

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