



New England Journal of Entrepreneurship

Volume 17 | Number 1

Article 1

2014

New England Journal of Entrepreneurship, Spring 2014

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(2014) "New England Journal of Entrepreneurship, Spring 2014," *New England Journal of Entrepreneurship*: Vol. 17 : No. 1 , Article 1.
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New England Journal of Entrepreneurship

Spring 2014

Volume 17

Number 1

From the Editor

Joshua Stuart

Research Articles

The Influence of Social Identity on Rural Consumers' Intent to Shop Locally

*by Rachel A. Addis, Heartland Dental Care, Inc., Effingham, IL; and
Marko Grünbagen, Eastern Illinois University*

Small Business Owner Satisfaction with Financial Performance: A Longitudinal Study

*by Shanan Gwaltney Gibson, East Carolina University;
William C. McDowell, Middle Tennessee State University; and
Michael L. Harris, East Carolina University*

The Impacts of Trust and Feelings on Knowledge Sharing among Chinese Employees

By Michael Jijin Zhang, Sacred Heart University

The Alien Tort Statute of 1789 and International Human Rights Violations: Kiobel v. Royal Dutch Petroleum Co.

by Paula Alexander Becker, Seton Hall University

Framebuilder Entrepreneurship

by Joshua Stuart, Sacred Heart University



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New England Journal of Entrepreneurship

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New England Journal of Entrepreneurship

Call for Articles and Reviewers

New England Journal of Entrepreneurship (NEJE), published twice a year by Sacred Heart University's John F. Welch College of Business, is an invaluable forum for exchange of scholarly ideas, practices, pedagogy, and policies in the field of entrepreneurship and small business management.

The *Journal* is currently seeking original contributions that have not been published or are under consideration elsewhere. The scope of the articles published in NEJE range from theoretical/conceptual to empirical research, with maximum relevance to practicing entrepreneurs.

The *Journal* will consider practitioner interviews, book reviews, experiential exercises, cases, and articles dealing with entrepreneurial education. The *Journal* appeals to a broad audience, so articles submitted should be written in such a manner that those outside of the academic community would be able to comprehend and appreciate the content of the material.

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Accompanying each manuscript, as separate files, should be (a) an abstract of the article (100 words maximum) and five keywords; (b) a biographical sketch of the author(s); (c) a page with manuscript title and the order of authors as well as the primary author's name, mailing address, preferred e-mail, phone and fax numbers; and (d) files, figures, images, and tables. Indicate location of figures and tables in the text, but attach them to the end of your document. Do not embed them in the text. Maps, photos, and similar graphics are welcome, but authors are responsible for providing separate camera-ready files, either as tiffs, jpegs, or PDFs. Sizes of images, tables, and figures must conform to the physical dimensions of the journal page. Width is 45p (7.5") and depth is 57p (9.5").

Authors' names should not appear anywhere in the manuscript including Word document properties.

Papers are to be double-spaced with one-inch margins. References should be included on separate pages at the end of the paper. Manuscripts should be no longer than 20 pages of text and 25 pages total, including abstract, text, tables or illustrations, notes, and works cited. Please consult APA style guidelines for all formatting details.

All papers should be submitted electronically, via e-mail attachment, to chun_guo@sacredheart.edu.

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Review Process

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New England Journal of Entrepreneurship

Dear Readers,

Included in this issue are five distinct pieces.

We kick off the issue with “The Influence of Social Identity on Rural Consumers’ Intent to Shop Locally.”

The second paper is “Small Business Owner Satisfaction with Financial Performance: A Longitudinal Study.” I have been particularly happy that we have had an increase in submissions in the past few years centered on small business owners.

The third and fourth papers were selected as part of a “special issue” section, and were chosen by the reviewers as the best papers from recent AIBNE conferences. The third article is “The Impacts of Trust and Feelings on Knowledge Sharing among Chinese Employees.” The fourth paper is titled “The Alien Tort Statute of 1789 and International Human Rights Violations: *Kiobel v. Royal Dutch Petroleum Co.*” I would like to note that a critically important decision was made public just as we were going to print. The author would like to alert the readers that this update can be found at <http://cdn.ca9.uscourts.gov/datastore/opinions/2014/09/04/10-56739.pdf>.

The final piece, titled “Framebuilder Entrepreneurship,” is a short “primer” on an intriguing development in entrepreneurship.

This is my last issue as the Editor of the journal, and as such, I would like to spend the bulk of my space here to thank the many people who have made this such an exciting run.

First of all, I would like to thank the many Deans—past and present—who have supported the journal and our efforts. Without their financial support, we simply could not do this. Our “ace in the hole” is our editorial consultant team, led by Angela Miccinello. Angie and her colleagues at Miccinello Associates are first class in terms of accuracy, layout, and (most importantly) buttoning up the loose ends with our accepted authors. It has truly been a pleasure working with them, and specifically Angie for over a decade.

I would also like to thank my predecessor (and prior editors), Dr. Lorry Weinstein and Dr. Herbert Sherman. Both were great mentors and I appreciate all they had me do over the years. We transitioned a small, local and unknown publication into a respected, peer-reviewed journal that is now found in the journal rankings. Academic journals are a crowded market, so I am very proud of the rigor I helped to infuse into the journal, and the fact that we are now recognized from the outside.

I also would like to thank Dr. Khawaja Mamun, who acted as the Editor for the “special issue” portion of this issue (i.e., the AIBNE submissions). He did a wonderful and thorough job, and I am very appreciative.

In addition, I would like to thank Dr. Grace Guo, who we welcomed aboard as an Associate Editor for this issue. She brings great passion and competence to this venture and I wish her luck going forward, as she takes over as the new Editor for *NEJE*. I have great confidence that she will do an excellent job.

And lastly, I would like to thank our readers, our revolving cast of reviewers, past and present associate editors, and researchers who continue to consider *NEJE* as an outlet for their research. I appreciate the patience exhibited by this issue’s accepted authors, and hope you enjoy reading their work.

Thank you all for a fantastic and stimulating ride for the past 10 years. It is so encouraging to see the field of entrepreneurship grow over this time. And, it has been a pleasure interacting with so many of you over email and at conferences.

Best regards,

Dr. Joshua A. Stuart, Ph.D.

Editor

New England Journal of Entrepreneurship

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The Influence of Social Identity on Rural Consumers' Intent to Shop Locally

Rachel A. Addis
Marko Grünhagen

Rural consumers' in- and out-shopping intention has been a research topic for many years. This study investigates the relationship between social identity and rural consumers' intent to shop within their local community, along with a number of moderating demographic variables. Using a sample of respondents from the Midwest, this study found a significant and positive relationship between rural consumers who socially identify with people in their local community and their intent to inshop. The influence of several demographic moderators is also explored, and implications for practice and future research are discussed.

Keywords: Social identity; rural consumers; inshopping; demographics; retail

Prior research has identified many different influences on individuals to shop at a specific location. For example, Langrehr (1991) studied the impact of a hedonic shopping environment, including elements such as noise, crowding, and temperature on shopping mall patrons. Carpenter (2008) investigated the relationship between demographic variables, such as gender, income, ethnicity, and marital status, and the shopping frequency at mass merchandisers. Liao and Cheung (2001) studied consumers' attitudes toward price, transaction security, IT education, and vendor quality in relation to the consumer's decision to purchase products from businesses online. In addition to this stream of research, studies on shopping motives have distinguished between urban (Gillett, 1970; Martin & Turley, 2004) and rural (Miller & Kean, 1997; Miller & Kim, 1999) locations. The focus of this study is on rural residents, and their intent to shop locally.

Past research has found several influential reasons as to why rural residents would outshop (i.e., shop outside of their local community). One of the strongest influences why residents travel outside of their community to shop is to receive lower prices paired with a better service experience (Ashley-Cotleur, Gaumer, & Foltos, 2009). Miller and Kean (1997) point out that the larger product varieties available outside of the local community can also be a determining factor for residents to outshop. The inconvenient store hours of small businesses (Grünhagen, Grove, & Gentry, 2003) also contribute to consumers' outshopping. However, gaps remain in the literature as to why rural residents inshop. It has been suggested that consumers' intent to inshop is indirectly influenced by the satisfaction they receive from community reciprocity, and directly linked to the consumer's attitude toward a retail facility (Miller & Kean, 1997). Miller and Kim (1999) found that the age and income levels of consumers can also have a significant impact on a consumer's intent to inshop. Further, the impact of "shop local" initiatives may influence consumers purchasing in their communities (Myles, 2010). To date, the literature has only presented a vague notion that rural consumers choose to inshop to benefit the local community. Existing literature has been slow to identify how individual rural residents view them-

selves within the community, how this perspective may influence their decision to inshop, and whether this relationship is moderated by different demographic variables. The purpose of this study is to determine the influence of social identity and several moderating demographic factors in establishing rural residents' intent to inshop, as these considerations have not been included in research on the topic to date.

Literature Review

Shopping Behavior in Rural Communities

A rural resident is defined as someone who lives in a nonmetropolitan area with a total population of 10,000 or less (Miller & Kim, 1999). Rural areas include but are not limited to towns, farm-dependent communities, and retirement destinations (Henderson & Akers, 2009). Further, the population density of a geographic area defines its status as well as the area's proximity to urban or metropolitan areas (Ring, Peredo, & Chrisman, 2010). The loose definition of what makes a town "rural" is, for the most part, widely recognized and understood by researchers. From an economic perspective, small, rural towns are primarily comprised of small retail businesses, which are a significant force in the U.S. economy (Miller & Kean, 1997). The economic advantages for local residents to shop at their local small business have been identified in several studies (Miller & Kim, 1999; Myles, 2010). When residents shop locally, sales dollars circulate in the local economy and have been shown to improve the community's economy (Myles, 2010). Estimates suggest that such sales revenue recirculates in the local economy up to three times through wages, taxes, charitable giving, and the like (Robinson & LaMore, 2010). Outshopping, on the other hand, results in lost sales for the local small retailer and lost sales tax dollars for the community (Miller & Kean, 1997). It is important to understand the mindset of local consumers so that both rural communities and small-town businesses can remain relevant and compete in the future.

As technology has advanced since the 1970s (Morgan, Pritchard & Abbott, 2001) and improved traveling conditions have made it easier for residents to travel to regional shopping centers (Miller & Kean, 1997), over time rural businesses had to begin to compete with stores outside their local community, and local economies began losing increasing amounts of local sales tax dollars. The emergence of giant discount and chain stores in or near small communities continues to challenge the competitiveness of small retail businesses (Miller & Kean, 1997). Consumers who shop outside of their local economy are said to be "outshopping" (Ashley-Cotleur, et al., 2009). Some of the reasons for outshopping include dissatisfaction with the product selection, price, and quality of goods offered by local retailers (Samli, 1989; Samli & Uhr, 1974). Technology has changed shopping with the introduction of the Internet, mak-

ing it easier for consumers to get information, compare prices, and gain access to products not offered in their town or surrounding communities. Today's small, rural businesses are experiencing more competition than ever with the advances in technology. "The Internet has changed modern business and presented a new paradigm of business relationships and transactions" (Wang, Lee & Wang, 1998, p. 64). Consumers use the Internet for a variety of purposes: researching products (communication), buying products (transaction), or selling products to other individuals (distribution) (Kiang, Raghu & Shang, 2000). Online sales are expected to grow to approximately \$224.7 billion or 8 percent of total U.S. retail sales in 2014 (Engleman, 2010). However, privacy concerns have long been identified as a primary hindrance for many consumers to adopt the trend of shopping online (Wang, et al., 1998), which could benefit local businesses. Rural business owners hoping to combat the trend of online shopping will need to find a way to reach their local consumers or they risk a reduction in sales and profits, which may lead to the demise of their businesses. Some rural business owners may explore the possibility of offering their products in an online format, if they do not already do so, to not only keep current customers, but also gain new ones.

Finding a quality product at a low price (Handelman & Arnold, 1999) is not the only factor consumers demand from sellers. Researchers have found that consumers expect—and demand—businesses to share the social values of the community (Marin & Ruiz, 2007). Miller and Kean (1997) found that attitudes about local businesses improved when reciprocity between the business and the rural resident existed. When consumers shop, more than the product or service being purchased is considered; consumers choose where to shop based on the anticipated experiences, entertainment value, and social aspects the site (or store) offers (Miller & Kean, 1997). The perceived value of a product can be determined by weighing the benefits against the costs. Benefits of inshopping can include the actual item or service purchased and can go beyond economic factors to include the maintenance of important relationships with local business owners and maintaining the health of the town in which the consumer lives (Ashley-Cotleur, et al., 2009). Costs of outshopping include the cost of the item purchased, costs of time and all related expenses of the trip outside the consumers' town, and costs to the local community or local retail mix (Reynolds & Darden, 1972). As consumers decide to shop "locally," the benefits of inshopping must outweigh the costs of outshopping, making the perceived value of the product or service higher when purchased from a local business. Thus, this study sets out to examine relationships between rural consumers' social identity and their intent to inshop to determine if they behave significantly different than consumers in other geographic areas.

Social Identity Theory

Social identity theory determines an individual consumer's perceived social identity and may provide insights into his or her respective shopping behavior (Amiot & Sansfaçon, 2011; Miller & Kean, 1997). A social identity is a person's knowledge that he or she belongs to a social category or group (Hogg & Abrams 1988). "Social categories precede individuals; individuals are born into an already structured society. Once in society, people derive their identity or sense of self largely from the social categories to which they belong" (Stets & Burke, 2000, p. 225). Individuals can be members of many different and distinct social groups at one time, making each individual's self-concept unique (Stets & Burke, 2000). Individuals who use the group label to describe themselves are more likely than not to participate in the group's culture, to distinguish themselves

from the out-group, and to show attraction to the group in their behavior (Ethier & Deaux, 1994; Ullah, 1987). Social Identity Theory has been applied in many different contexts, ranging from corporate identity (e.g., Balmer, 2008) and corporate sponsorship (e.g., Madrigal, 2001), to brand building campaigns (e.g., Underwood, Bond, & Baer, 2001), customer identification (e.g., Homburg, Wieseke, & Hoyer, 2009), and leadership and group performance (e.g., Ellemers, De Gilder, & Haslam, 2004), to name a few.

This study applies the theory to rural residents in relation to their motivation to inshop to distinguish themselves from members of surrounding communities of both rural and urban classifications. Much of social identity theory deals with inter-group relations; that is, how people come to see themselves as members of one group/category (the in-group) in comparison with another (the out-group), and the consequences of this categorization (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987). For example, members of one community may categorize themselves as members of that community and identify with other members of their community or social group as the "in-group," and residents of surrounding communities are then considered to be part of the "out-group." Rural residents are proposed here to inshop to strengthen their relationship with the in-group simply because they want to be socially accepted by other members of the in-group. Thus, it is hypothesized

H1. There is a significant positive relationship between rural consumers' "in-group" social identity as members of the local community and their intent to shop locally.

Moderator Effects

Factors such as age (Zhou, Dai, & Zhang, 2007) and income level (Lawrence, 2010) have been found to be correlated to consumer motivations to shop online, but they have not been extensively studied in the rural consumer context. These two factors may have a different effect on rural consumers as a collective, in respect to their social identity. Estimates suggest that one in four Americans over age 65 lives in a rural area (Schwenk, 1994). Several researchers have reported that this aging population is spending a significantly larger proportion of their income at local retailers than those below age 65 (Miller, Kim, & Schofield-Tomschin, 1998). Reports also indicate that there is a significant demographic shift, an out-migration, of young adults in rural areas to metropolitan or urban areas where more opportunities are present (Henderson & Akers, 2009).

H2. Age has a significant positive moderating effect on the relationship between consumers' "in-group" social identity and their intent to shop locally.

Researchers have also found a positive relationship between education (Reynolds & Darden, 1972) and income (Herrmann & Beik, 1968; Reynolds & Darden, 1972; Thompson, 1971) levels of small town consumers and outshopping. However, it has also been shown that there is a positive relationship between education (Stinner, Loon, Chung, & Byun, 1990) and income (Goudy, 1990) levels of rural residents and their active involvement in the community in which they reside. Thus, although education and income would appear to be obvious factors associated with intent to inshop, these studies indicate otherwise, despite the fact that the relationship was indirect. Thus, conflicting evidence has been identified in the

past as to the role of income and education in this context. Hence, two sets of competing hypotheses are formulated for income and education, respectively.

- H3a. Income level has a significant positive moderating effect on the relationship between consumers' "in-group" social identity and their intent to shop locally.**
- H3b. Income level has a significant negative moderating effect on the relationship between consumers' "in-group" social identity and their intent to shop locally.**
- H4a. Education level has a significant positive moderating effect on the relationship between consumers' "in-group" social identity and their intent to shop locally.**
- H4b. Education level has a significant negative moderating effect on the relationship between consumers' "in-group" social identity and their intent to shop locally.**

Demographic and lifestyle variables previously studied include age, marital status, and ages of the respondent's youngest and oldest child; these variables have been suggested as indicators of an individual's stage in the life cycle (Miller & Kean, 1997). One salient variable that has been investigated is the age of the consumers' youngest child; this was found to have an influence on consumers' intent to inshop (Miller & Kean, 1997). This variable reflects the respondent's stage in the life cycle, which could then be related to the individual's desire to be a member of the "in-group." Hence,

- H5. The stage in the life cycle has a significant positive moderating effect on the relationship between consumers' "in-group" social identity and their intent to shop locally.**

The five hypotheses developed above are illustrated in Figure 1.

Proposed Methodology

Sample and Data Collection

A questionnaire to measure social identity perceptions and several other variables was designed for the purposes of this study. Intent to inshop was measured as the dependent variable. Age and marital status were used to reflect household income; household income and ages of the respondents' young-

est and oldest child were used as measures of the stage in their life cycle. Demographic questions were included in the survey to assess moderator variables.

Paper-and-pencil surveys were distributed to students enrolled at a public Midwestern university. They were asked to take the surveys to their families to complete, hence constituting a "snowball" sampling approach. The intent of this sampling method was to gather data from a broad age and income range, as well as from a range of rural and urban residents. Data was collected in this fashion to receive responses from both rural and, for the purpose of control, urban residents. Respondents were asked to provide their zip code and city/town population so that they could be classified according to their respective rural or urban residence.

Variables

The respondents' social identity measure was adapted from a 10-question scale from a study by Ellemers, Kortekaas, and Ouwerkerk's (1999), which was developed from prior studies relating to social identity (Brown, Condor, Mathews, Wade, & Williams, 1986; Crocker & Luhtanen, 1990; Ellemers, 1993; Rosenberg, 1965) for the purposes of this study. This scale has been used in several studies (Bagozzi & Dholakia, 2002; Bergami & Bagozzi, 2000; Brown, 2000) and had been shown to produce a Cronbach's alpha value of 0.82.

The intent to inshop measure was adapted from a 13-question scale from Miller, Kean and Littrell (1999), which was developed from Miller's previous work on rural shopping behavior. The Cronbach's alpha value of this measure was 0.85.

Respondents were asked to mark their level of agreement using a 7-point Likert-type scale (1 = Strongly Disagree, 7 = Strongly Agree) for the social identity and intent to inshop measures. Several items in the original measures were reverse coded to validate the reliability of the responses.

Results

A total of 303 completed surveys were returned, but only 297 were usable for analysis due to incomplete responses; 136 came from rural residents and 143 from urban residents. The SPSS 18.0 statistical software package was used to conduct the subsequent analyses. The average rural respondent had lived in his or her town for approximately 25 years, whereas an urban resident had lived in his or her town for approximately 14 years. The average population of the rural and urban respondents' towns was 3,159 and 620,533, respectively.

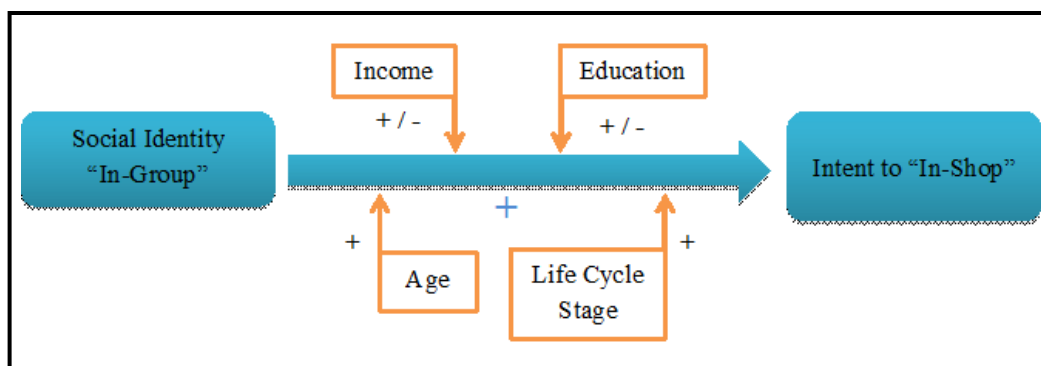


Figure 1: Conceptual Model

Respondents were asked about their level of inshopping activity for specified product categories. Rural respondents inshop primarily for convenience goods such as food, banking services, pharmaceutical drugs, and barber services, but outshop for adult's and children's clothing, shoes, and major appliances. Rural residents go outside of their home community to shop for items that are both higher in price and require more thought and care in purchasing. Rural residents travel approximately 30 minutes to reach a shopping center outside of their town to buy goods that are generally outshopped. Urban areas provide more shopping opportunities for their residents, making it easier for them to spend their money at local businesses. However, when urban residents travel outside of their community to shop, the average respondent stated they spend approximately 45 minutes to get to the location. Although the analysis showed that urban residents buy more of the specified product categories in their home communities, they still outshopped for the same general product categories as rural residents. Also, rural and urban respondents were given the opportunity to indicate the product categories for which they shop online. The most popular product categories that both rural and urban respondents bought online were clothing for children and adults, adult shoes, jewelry, and entertainment.

Factor analyses were conducted for both social identity (SOCID) and intent to inshop (INSHOP) scales. The Cronbach's alpha value for SOCID was .907 for all 10 original items; the Cronbach's alpha value for the 13 items of the INSHOP scale was .999, a remarkably high reliability score. The item-total correlations for both SOCID and INSHOP indicated that each loaded on the intended construct (see Tables 1 and 2).

A correlation test was then run to test for multicollinearity in the data (see Table 3).

Much of the data was highly correlated at the .01 and .05 levels, so before any further tests were conducted, the data were transformed into standardized z-scores to minimize the multicollinearity in the data.

A linear regression analysis was run to test the main effect, the direct effect of SOCID on INSHOP. The overall regression was significant (see Table 4). Subsequently, the rural and urban samples were separated and both were determined to be significant at $p < 0.01$, with social identity explaining significantly more of the rural INSHOP model ($R^2 = .288$, see Table 5) than the urban INSHOP model ($R^2 = .125$, see Table 6). Hence, H1 was supported.

For the remainder of the hypotheses tests (H2–H5), the analyses were based on the rural sample. Interaction values were created with SOCID to test individual moderator effects of age, education, individual income, and stage in life cycle. The beta of the moderator age was $-.066$, and not significant; thus, H2 was rejected. The beta of moderator education was $.098$, and not significant; thus, H3 was rejected. The beta of moderator individual income was 0.091 and was not significant; thus, H4 was rejected. To test the moderator effect of stage in the life cycle, moderator effects of household income, age of youngest child, and age of oldest child were individually tested. The betas were found to be $.011$, $.123$, and $-.173$, respectively, none of which were significant; thus, H5 was rejected (see Table 7 for a summary of all hypotheses tests conducted).

Cronbach's Alpha	N
.907	10
	Corrected Item-Total Correlation
Proud	.592
Feel good	.719
Respect	.674
Tell	.657
Identify	.553
Like	.629
Reflection	.638
Continue	.758
LikeRes	.815
LiveHere	.697

Cronbach's Alpha	N
.999	13
	Corrected Item-Total Correlation
Conv. Store Hours	.996
KnowPay	.996
Extent	.997
Give back	.998
Fair	.998
Pers. Assoc.	.995
Spec. Att.	.996
Provide Service	.998
Support	.999
Good select	.995
LowPrices	.997
Concern	.997
NoShop Out	.995

Table 3: Correlations

	INSHOP	SOCID	Age	Education	Ind. Income	Household Income	Youngest Child	Oldest Child
INSHOP	1							
SOCID	.454**	1						
Age	.160**	.224**	1					
Education	-.034	.070	-.107	1				
Ind. Income	.054	.199**	.255**	.297**	1			
Household Income	.035	.194**	.206**	.211**	.644**	1		
Youngest Child	.143*	.136*	.841**	-.197**	.127*	.152*	1	
Oldest Child	.147*	.159**	.836**	-.211**	.144*	.184**	.967**	1

** Correlation significant at the 0.01 level (2-tailed).
 * Correlation significant at the 0.05 level (2-tailed).

Table 4: Descriptive Statistics (Overall)

	Mean	Std. Deviation	N
INSHOP	4.418295518	.3833755473	279
SOCID	5.209	1.1838	
R ²			
	.207		
<i>Adjusted R²</i>			
	.204		
<i>F</i>			
	72.108		
<i>Sig.</i>			
	.000		

Table 6: Descriptive Statistics (Urban)

	Mean	Std. Deviation	N
INSHOP	4.346309573	.3511625885	143
SOCID	5.064	1.2252	
R ²			
	.125		
<i>Adjusted R²</i>			
	.118		
<i>F</i>			
	20.062		
<i>Sig.</i>			
	.000		

Table 5: Descriptive Statistics (Rural)

	Mean	Std. Deviation	N
INSHOP	4.493986621	.4021112243	136
SOCID	5.362	1.1232	
R ²			
	.288		
<i>Adjusted R²</i>			
	.283		
<i>F</i>			
	54.196		
<i>Sig.</i>			
	.000		

Discussion

This is the first study in which social identity was used in a rural inshopping context. The social identity scale, although adapted for this study, still held. It was hypothesized that a positive significant relationship existed between social identity and a rural resident's intent to inshop, which was supported after a linear regression was run. A positive relationship also existed between social identity and an urban resident's intent to inshop, although the relationship was not as strong as for rural residents. The hypothesized moderating effects of age, educa-

tion, individual income and life cycle stage were found to have no effect on the relationship between SOCID and INSHOP.

Results from this study show a strong contribution of social identity to a rural consumer's intent to inshop. Hence, rural communities' reliance on "shop local" initiatives may be a suboptimal solution. Rather, rural communities ought to focus on reinforcing residents' positive affect about their communities from which they may derive their social identity. In other words, reinforcing positive feelings about their town may indirectly entice residents to shop locally, given the direct relationship between social identity and intent to inshop.

As discussed in the literature review, residents' intent to shop at local retailers was found to be only indirectly, not directly, linked to reciprocity (Miller & Kean, 1997). Rural businesses would be able to utilize this finding better than online companies or businesses outside their community, as they are located within the community and they are aware of the community's needs (Miller & Kean, 1997).

Also, in many instances, there is no local retailer that provides a product category that a consumer may be seeking, even though the desire to shop for such products locally may exist. Therefore, economic development initiatives continue to be important, yet they may have to focus stronger on attracting new businesses to rural communities, rather than on mere "shop local" campaigns.

Variable	Control and Independent Effects	Interactions			
Control Gender ^b	.024				
Independent effect SOCID	.537*				
Interactions Age x SOCID		-.066			
Education x SOCID			.098		
Individual Income x SOCID				.091	
Stage in Life Cycle					
Household Income x SOCID					.011
Youngest child x SOCID					.123
Oldest child x SOCID					-.173
R ²	.288	.292	.297	.296	.291
Adjusted R ²	.283	.282	.287	.286	.270
Change in R ²		.004	.009	.008	.003
F	54.196	27.455	28.108	27.976	13.467
df	134	133	133	133	131
^a Entries are betas. ^b Coded as male = 0, female = 1. * Correlation significant at the 0.01 level. ** Correlation significant at the 0.05 level. *** Correlation significant at the 0.10 level.					

Limitations and Future Research

There are several limitations to this study. The sample was one of convenience. Surveys were collected primarily from one Midwestern state, and the researchers did not define geographic areas such as suburbs, where the proximity to urban or metropolitan areas, or to remote rural areas that may have no shopping opportunities, could skew the data. Inshopping intent may vary for different product categories as well. Individuals may desire to shop locally for convenience and impulse goods, but may not have as strong of a desire to shop locally for big-ticket items.

Because this was the first study that used social identity in a rural inshopping context, future research on the topic has many avenues to be pursued. A potential moderating effect may include the individual's acceptance of online shopping. Future studies may also include the effect of social identity on rural inshopping intent in respect to specific retailer and product categories, or even the shopping environment, shopping frequency, and the like. Eventually, a comprehensive model that includes all significant variables from previous studies should be created.

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Small Business Owner Satisfaction with Financial Performance: A Longitudinal Study

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This exploratory study examines the financial performance satisfaction of small business owners at two time periods: (1) nearing the end of the Great Recession and (2) three years into economic recovery. In addition to considering small business owners in general, special attention has been paid to women and minority owners. Using independent samples *t*-tests, results indicate that business owners are more satisfied with their financial performance in 2012 than they were in 2009. However, results were not consistent for all subgroups of the population; differences exist between men and women owners and between Caucasian and minority owners. Whereas men mirrored the results for all business owners, women did not report increased satisfaction in any of the five areas of financial performance examined. Caucasian owners reported increases in four of the five areas of financial health and minority owners saw an increase in only three. The study also provides practical implications and areas for future research.

Keywords: small business; financial performance; recession; women; minorities

The popular media is actively debating the current status of the economy and the impact that recovery is having on all Americans, including small business owners. Research by DeNardi, French, and Benson (2012) found that the Great Recession was characterized by “the most severe and persistent decline in consumption the United States has experienced...since World War II.” The activities of small businesses are typically dependent on the expectations of the owner; currently expectations for real income growth are still quite low (DeNardi, French, & Benson, 2012). If small business owners are not satisfied with their overall financial health, they are unlikely to act in ways, such as increased hiring, marketing expenditures, and overall production, that contribute to the continued growth of the economy.

This study examines the satisfaction of small business owners with their financial performance at two points in time—2009 and 2012. Surprisingly, there is a paucity of research on small firm performance during economic recessions. Latham (2009) examined the impact of the 2001–2003 recession on small businesses in the software industry. The findings showed that small firms generally relied on their flexibility to serve customers and a renewed focus on their revenue-generating activities, while larger firms focused more on cost-reduction strategies. This indicated a situation in which small businesses are more customer-centered during tough economic times than their larger peers, which choose to concentrate more on reducing expenses. Furthermore, it is noteworthy that Latham found that managers of larger businesses felt more threatened by economic pressures during a recession than the managers/owners of small businesses. Perhaps this is due to the entrepreneurial mindset of small business owners, or their

confidence in their abilities to adapt to the more uncertain environment. Nevertheless, it is important to provide additional research on the mindset of small business owners during tough economic times, particularly in regard to their perceived financial wellness. Thus, the purpose of this study is to examine small business owner satisfaction with financial performance during the most recent economic recession and several years into the current economic recovery.

Literature Review

Small Business and the Economy

The small business sector plays a significant role in the U.S. economy, functioning as a major source of innovation, supplier of goods and services, and creating a means to economic opportunity for millions of Americans. In addition, small businesses account for approximately one half of the privately generated GDP in the country and 55 percent of jobs in the private sector; they have created approximately two out of every three new jobs in the United States since the early 1970s [National Federation of Independent Businesses (NFIB), 2012a]. However, for small business owners to survive and thrive, they must maintain adequate levels of financial health. Small business owners, like most Americans, are not immune to the ups and downs in the U.S. economy.

Prior research has offered mixed findings with regard to the impact of a recessionary period on small businesses. Some argue that the flexibility and adaptability of small firms makes them more suited to environmental changes (Latham, 2009; Carr, Topping, Woodard, & Burcham, 2004; Andren, Magnusson, & Sjolander, 2003). Others suggest that the resource limitations of small businesses make them more susceptible to failure in harsh economic conditions (Lawless & Warren, 2005); resource constraints generally do not allow smaller firms the time needed to survive a prolonged slowdown in the economy and make them more sensitive to changing economic conditions. This, as suggested by Latham (2009), makes it critical for small businesses to employ the appropriate fiscal strategy to effectively deal with such situations because they cannot rely on excess resources to offset slow financial periods.

Consistent with this, Hofer (1980) developed a framework for strategic fiscal responses during an economic recession; the responses include asset reduction, cost reduction, and revenue generation. Hofer argues that the specific conditions of a recession can cause firms to adopt a strategy based on one of these three responses. The appropriate response is determined by cash flow and the firm's proximity to its breakeven point. Since small businesses often struggle with economies of scale, simply reducing costs is typically not adequate to deal with strained financial conditions. Rather, small businesses should concentrate on revenue-generating activities, often in niche markets

away from low-cost competition (Latham, 2009; Beaver & Ross, 2000). While larger firms may focus on reducing expenses during difficult times, small businesses may consider investing resources in areas such as sales, marketing, and supply chain management (Latham, 2009). This indicates that organizational size can be a hindrance to the adaptability necessary for revenue growth and customer service in a recessionary period.

One potential indicator of small business health is the buying and selling of businesses. Some argue that the sale of small businesses is indicative of improved availability of credit in the market. If this is indeed the case, 2012 was on a positive upswing with business sales above 2011 figures, a higher median asking price, and higher median revenues for the businesses being sold (CNBC, 2012).

Another indicator of small business success is the actual perceptions of the business owners. In March 2011, only 9 percent of microbusiness owners said the overall economy was good or excellent; this was well below the 2007 pre-recession, 50 percent level (Shane, 2011). According to the Small Business Optimism Index (NFIB, 2012b), overall optimism of small businesses has been on the rise in the past several years with the index rising from 86.5 during the summer of 2009 to 91.2 during the fall of 2012. However, the increase in optimism is tempered by “uncertainty over economic conditions,” which is ranked as the second most pressing concern by small business owners (NFIB, 2012c). Although robust economic recovery has typically followed previous recessions, the current recession recovery has been quite slow, resulting in significant loss of consumer confidence.

Given the slowness of the current recovery in conjunction with increased sales of existing small businesses and apparent increases in overall confidence, it is difficult to predict the degree to which small business owners are actually satisfied with their financial health. As such, the current study aims to examine empirically owner-reported satisfaction with financial performance at two points in time—first in 2009 and again in 2012.

Gender and Minority Issues

The idea of a glass ceiling (a term coined to describe women in corporate settings who faced barriers when attempting to rise within the organizational ranks) is not new (Hymowitz & Schellhardt, 1986). Indeed, many argue that entrepreneurship among women and minorities has actually grown in response to this glass ceiling as business ownership may provide an alternative avenue to financial security and business success (Acs, Tarpley, & Phillips, 1998; Gibson, Harris, & Mick, 2007). Some research even indicates that future job growth is heavily dependent on women-owned small businesses; by 2018 women entrepreneurs are expected to create more than five million new jobs nationwide (Lesonsky, 2010). Women currently start businesses at twice the rate of their male counterparts; by the year 2020 women are expected to own nearly half of all U.S. companies (BizOffice, 2012). Similarly, minorities currently own 5.8 million firms, generating \$1 trillion in revenues and employing almost six million people (U.S. Department of Commerce, 2007). Furthermore, the rate of business ownership by minority women is increasing more rapidly than nonminority women; minority women-owned firms account for more than half the increase in women-owned organizations (U.S. Department of Commerce, 2010).

Significant fiscal differences exist between businesses owned by women versus men and minorities versus nonminorities. For example, women and minorities are known to start with less capital, have greater difficulty obtaining loans, have

less of a credit history, and are also less likely to take on additional debt to expand (Boden & Nucci, 2000; Shaw, Carter, & Brierton, 2001; Verheul & Thurik, 2001; Coleman, 2002; Fairlie & Robb, 2010; U.S. Department of Commerce, 2010). According to the census, minority-owned firms averaged \$179,000 in gross receipts in 2007, but this is less than half the \$490,000 average of those companies run by nonminorities (Fairlie & Robb, 2010). Finally, women and minorities are also more likely to fail with starting a new venture (Carter, Williams, & Reynolds, 1997; Boden & Nucci, 2000; Robb, 2002). Unfortunately, it is difficult to determine if this represents differences in preference and strategy or the impact of constraints such as less favorable loan conditions and diminished tolerance for risk.

Because we know that access to financial resources and overall success rates are not always comparable for men and women and minorities versus nonminorities in entrepreneurship, it is plausible that differences in financial satisfaction will also exist across these subgroups of the population.

Method

Participants

Small business owners who had received previous assistance from the North Carolina Small Business and Technology Development Center (SBTDC) were contacted via email and asked to complete an anonymous online survey regarding their small business and its developmental needs. The surveys were conducted at two distinct points in time. The first survey, conducted in 2009, had a total of 270 responses (18% response rate), of which 237 were usable (others were incomplete). This sample was 55 percent male and 50 percent ethnic minority (non-Caucasian). The average age of respondents was 49 years and the average length of time that individuals had been in business was 10.7 years. The second survey, conducted in 2012, had a total of 159 responses received (16% response rate), of which 105 were usable (others were incomplete). This sample was 40 percent male and 51 percent ethnic minority (non-Caucasian). The average age of respondents was 53 years and the average length of time that individuals had been in business was 15.6 years.

Measures

Satisfaction with one's financial outcomes is a multifaceted construct. This article examines the degree to which small business owners have experienced a change in satisfaction with their financial health at two distinct points in time. It also considers whether changes in satisfaction are the same for men and women as well as for Caucasian and minority small business owners.

As part of both surveys, participants provided demographic information including gender, age, and ethnicity. Participants were also asked to indicate the level of satisfaction with various aspects of financial performance utilizing a five-point Likert scale. These items, along with their descriptive statistics at each point in time and for the subgroups of interest, are shown in Table 1.

Analyses

Independent sample t-tests were computed to ascertain if significant differences in financial satisfaction exist between time one (2009) and time two (2012). Although both groups of respondents represent clientele of the North Carolina SBTDC, they were not actually the same group of individuals; as such a paired-samples model was not appropriate.

Table 1. Descriptive Statistics for Financial Health Items

		Total		Males		Females		Caucasians		Minorities	
	Time	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Revenue Growth	2009	2.58	1.03	2.56	1.04	2.62	1.05	2.56	1.09	2.61	.94
	2012	3.03	1.23	3.11	1.18	2.85	1.29	3.04	1.20	3.00	1.35
Profit Margin	2009	2.69	1.02	2.64	1.01	2.80	1.05	2.70	1.03	2.68	1.02
	2012	3.05	1.14	3.06	1.08	2.98	1.23	3.09	1.07	2.92	1.38
Cost Containment	2009	3.08	1.00	3.03	.99	3.19	1.01	3.30	.93	2.77	1.01
	2012	3.33	.97	3.32	.86	3.30	1.11	3.32	.92	3.36	1.15
Market Share	2009	2.67	.85	2.64	.83	2.73	.90	2.65	.83	2.70	.89
	2012	2.99	.97	3.03	.91	2.87	1.03	2.94	.94	3.17	1.05
Return on New Products or Services	2009	2.81	1.00	2.84	.91	2.80	1.11	2.95	.91	2.60	1.09
	2012	3.26	.84	3.34	.73	3.08	.94	3.22	.86	3.38	.77

Results

Overall, results indicate that small business owners have had increasing satisfaction with their financial outcomes during the past three years. Revenue growth ($p=.001$), profit margin ($p=.006$), cost containment ($p=.037$), market share ($p=.004$), and return on new products or services ($p=.000$) all had significantly higher ratings of owner satisfaction in 2012 than they did in 2009.

Despite this overall improvement in satisfaction, the improvement was not consistent across men and women business owners. Although men mirrored the across-the-board consistency in improvement seen in the overall group [revenue growth ($p=.002$), profit margin ($p=.011$), cost containment ($p=.054$), market share ($p=.005$), return on new products or services ($p=.000$)], women did not experience increases in satisfaction in any of these categories [revenue growth ($p=.290$), profit margin ($p=.398$), cost containment ($p=.570$), market share ($p=.479$), and return on new products or services ($p=.187$)].

When examining minorities and nonminorities in terms of satisfaction with financial outcomes, Caucasians showed satisfaction gains across four of the five categories [revenue growth ($p=.004$), profit margin ($p=.012$), market share ($p=.032$), and return on new products or services ($p=.044$)], but did not have improved satisfaction with regard to cost containment ($p=.886$). Minorities showed satisfaction gains on three of the five financial factors [cost containment ($p=.015$), market share ($p=.033$), and return on new products or services ($p=.002$)], but did report significant gains in revenue growth ($p=.106$) or profit margin ($p=.352$). Figure 1 depicts these changes in financial satisfaction as they were found for each subgroup between 2009 and 2012.

Discussion and Practical Implications

Although the NFIBusinesses survey found that 2009 was the worst year in decades for small business owner optimism, this optimism has improved in the years since. Furthermore, according to the Small Business Administration (SBA), credit conditions are improving for small businesses. In mid-2010 commercial banks began to ease the tight lending conditions placed on small businesses since 2007. Furthermore, venture capital investment dollars began to increase in mid-2010 (SBA, 2012). Consistent with these positive outcomes, the ADP Na-

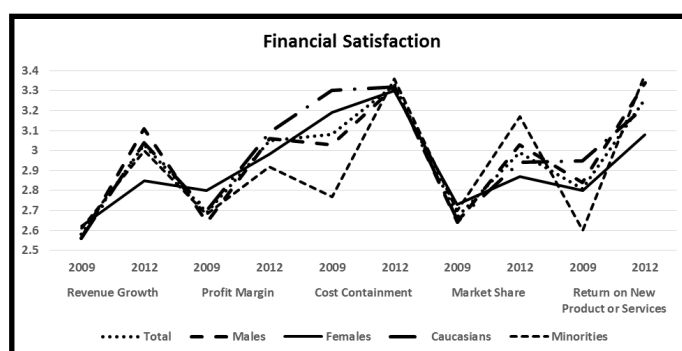


Figure 1: Changes in financial satisfaction for each subgroup between 2009 and 2012

tional Employment Report indicates that companies with 49 or fewer employees have been increasing their payrolls in recent years; they employed 2.6 percent more people in March 2012 than they did in July 2009, when the economic recovery began (ADP, 2012). Hence, it appears that on a national level the financial outlook for small businesses is indeed improving.

Our study focused on a much smaller demographic, small business owners in North Carolina at two periods in time—2009 and 2012. Historically North Carolina has been very well ranked among states with regard to its business climate: #1 Top State Business Climate (*Site Selection* magazine), #1 Lowest State & Local Tax Burden on Business (Council on State Taxation and Ernst and Young), #3 Best State for Business (*Chief Executive* magazine), #4 Best States for Business '12 (Forbes), among others; unfortunately this does not mean that small business owners escaped the Great Recession. Consistent with findings at the national level, small business owners in North Carolina reported significantly lower satisfaction with their financial performance in 2009 than they did in 2012. The Great Recession had a devastating effect on many North Carolinians; more than 300,000 jobs were lost (approximately 8% of all employment) and the jobless rate reached 11.3 percent. Both of these measures are well above the national average (SBTDC, 2013). Given that most analysts characterize 2009 as marking the “official end” of the Great Recession, our findings substantiate that small business owners perceive an overall improvement in their fiscal well-being. Consistent with this, North Carolina had approximately 150,000 net payroll jobs

added and the unemployment rate is down significantly from its peak. Obviously the rate of recovery has not been the same everywhere and business owners from other states may continue to struggle to a greater degree.

Unfortunately, improvements in financial satisfaction have not been universal in North Carolina. Research has noted that in general, women and minorities tend to be less optimistic overall with regard to their expectations for success in new enterprises (Carter, 2000). Our findings as related to financial satisfaction are consistent with this. These lower levels of satisfaction may indicate that these groups are experiencing slower levels of economic improvement. It also may be indicative of the fact that these groups are still having a more difficult time than their nonminority counterparts in obtaining access to capital and other resources that are related to financial success. Unfortunately, published research at the national level has not yet begun to report on these discrepancies in outcomes. However, given that North Carolina has been ranked among the top 10 states for women-owned business (American Express OPEN, 2012), the discrepancies found here likely indicate greater discrepancies in other states. As such, our findings indicate a significant need for further research across a national demographic.

Interestingly, prior research has indicated that minority business owners often have limited potential because they are overly dependent on a smaller customer base and often operate in segregated business environments (Sriram, Mersha, & Herron, 2007). Their inability to attract customers from more traditional markets often forces them to be involved in microbusinesses in the retail and service sectors, which generally have higher failure rates (Sriram, Mersha, & Herron, 2007). Fortunately, however, recent evidence indicates that the number of women and minority business owners has been on the rise since the 1990s and is becoming more of a viable career option (Fairlie, 2010; Martin, Wech, Sandefur, & Pan, 2006). As suggested by the Global Entrepreneurship Monitor, minority involvement in the entrepreneurial process can play a critical role in accelerating the overall pace of entrepreneurial activity within a national economy (Reynolds, Camp, Bygrave, Autio, & Hay, 2001).

Although ratings of satisfaction were improved in general, they still do not indicate a cadre of small business owners who are particularly pleased with their current financial health. Recovery is slow. Although real gross domestic product is growing, it is doing so less rapidly than in any other recovery period: nominal home prices are still at very low levels and prices have continued to fall, consumers continue to avoid taking on new debt, and the unemployment rate stubbornly remains high (Walker, 2012). This may explain why the 2012 ratings of financial satisfaction are not particularly high overall even though they improved statistically since 2009 (responses were provided on a five-point likert scale; the vast majority of means ranged from 2.5–3.0 and none exceeded 3.38). So, whereas improvement may indicate better outcomes in recent years, overall scores may represent an adoption of a new frame of reference. Perhaps the expectations of small business owners have shifted downward to reflect the realities of the current economy as opposed to actual improvement. If this is indeed the case, as a nation that relies heavily on its small businesses for job creation, technological innovation, and overall economic prosperity, we still have a long way to go.

Given this new reality and potentially lowered expectations, successful small businesses must continue to adapt to the strained conditions of the U.S. marketplace. This may require a willingness of small business owners to develop a more strategic approach that allows them to best serve customers and

identify relationships with greater long-term potential. Research by Bumgardner, Buehlmann, Schuler, and Crissey (2011) suggests that during tough economic circumstances smaller firms must adopt a strategy that emphasizes product or service customization and superior customer service. This is often best achieved by focusing on niche markets where larger firms are unable to take advantage of economies of scale or scope (Bumgardner et al., 2011; Penrose, 1995).

In addition, small businesses should serve local markets and work with suppliers and vendors within their own geographical region. These types of connections allow smaller firms to develop agreements based on open communication and trust, thereby leading to more long-term mutually beneficial relationships (McDowell, Harris, & Gibson, 2010; Bumgardner, Romig, & Luppold, 2007). Fortunately, most small businesses already focus on their local customers and suppliers, but the missing link may be their inability in the past to adopt a strategic approach that maximizes the value of these relationships.

By focusing on niche markets, small businesses are able to use their flexibility to provide better service, which can help offset price sensitivity and resource limitations. Smaller firms rarely compete with larger corporations based on price or economies of scale. However, customer responsiveness and specialization can create a substantial competitive advantage, particularly during an economic recession (DeDee & Vorhies, 1998). Bumgardner et al. (2011) suggest that this type of advantage can help small businesses survive and perhaps thrive in harsh economic conditions.

Future Research and Conclusions

While this represents an empirical examination of the satisfaction levels of small business owners, additional research should delve deeper into the literal performance of small businesses during the past economic recession. Future studies should address the strategic decisions of small business owners as they adapt to the new realities of the business world. This should include research that critically investigates potential differences based on personal factors such as demographics, education, business skills, and prior entrepreneurial experience. Other studies should also consider the impact of organizational size and resources and how these factors affect financial and operational performance. Additionally, more geographic regions should be examined and compared to our findings. Certain regions of the United States may have infrastructure or resource advantages that can better insulate small businesses from the financial pressures associated with an economic downturn.

Our findings provide insight into the outcomes experienced by small business owners and point toward the need for future research. With a more nuanced understanding of small business performance during this most recent recessionary period and knowledge gained from future studies, actionable research can point the way toward preparing small business owners to adapt and survive during future economic downturns. Small business owners often encounter obstacles that can negatively impact new venture development, and any additional knowledge gained from similar studies can improve our understanding of how to best serve them. Fluctuations in the national economy are not a new phenomenon, but small businesses are often impacted to a greater extent and take longer to recover from such occurrences. This is especially true with women and minority-owned firms. Further research may identify strategies that small business owners can use to better withstand these recessionary periods.

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The Impacts of Trust and Feelings on Knowledge Sharing among Chinese Employees

Michael Jijin Zhang

This article examines the differential effects of two types of trust (affect based and cognition based) and two types of feelings (*ganqing* and *jiaqing*) on different knowledge-sharing processes (seeking, transfer, and adoption) among Chinese employees. The influences of these different types of trust and feelings on Chinese employees' propensities to seek, transfer, and adopt explicit and tacit knowledge are also analyzed and discussed. The analysis shows affect-based trust increases knowledge transfer, while cognition-based trust is more important to knowledge seeking and adoption. Affect-based trust alone can facilitate the different processes of sharing explicit knowledge. Effective sharing of tacit knowledge, on the other hand, requires the simultaneous support from affect-based trust and cognition-based trust. *Ganqing* and *jiaqing* are also important in knowledge transfer and adoption. Either feeling may increase the likelihood to seek, transfer, and adopt explicit knowledge by itself. The influences of both feelings on tacit knowledge seeking, transfer, and adoption hinge on the presence of cognition-based trust.

Keywords: trust; feelings; knowledge; sharing; Chinese

Nowadays, knowledge management is widely viewed as a key determinant of sustainable competitive advantage in the global economy. Effective knowledge management practices enable firms to harness innovative and entrepreneurial activities for continual change and survival in today's fast-changing environment. Previous research has shown that firms improved their competitiveness and organizational performance through innovations and corporate entrepreneurship enabled or supported by better knowledge management (Darroch, 2005; Duplessis, 2007; Jiang & Li, 2008; Palacios, Gil, & Garrigos, 2008; Zack, Mckeen, & Singh, 2009; Kim, Song, Sambamurthy, & Lee, 2012). For instance, Zack et al. (2009) argued and empirically found that companies implementing certain knowledge management practices, such as identifying knowledge sources, enjoyed product leadership. Kim et al. (2012) showed that knowledge integration capability mediated the positive effects of entrepreneurial activities on firm performance.

For a company that operates in more than one country, one of the primary knowledge management challenges is to create and mobilize knowledge effectively in different cultural environments. In the knowledge management literature, there is growing recognition that effective knowledge management practices, such as knowledge sharing, are culturally bound; that is, they are affected by differences in national cultures (Glisby & Holden, 2003). Current studies on the knowledge-sharing behavior of Chinese employees suggest that interpersonal trust and feelings formed in the Chinese culture may play important roles in influencing Chinese employees' propensity to share knowledge with others (Zhou, Siu, & Wang, 2010; Huang, Davison, & Gu, 2011; Wang, Tseng, & Yen, 2012). Given the increasing importance of a multinational firm's operations in China and their contributions to the firm's global knowledge

management efforts, it is important and necessary for Western managers to gain a deeper understanding of how trust and feelings influence Chinese employees' knowledge-sharing behaviors so as to manage the creation, dissemination, and utilization of valuable knowledge in China effectively.

The purposes of this article are twofold. First, it examines the potential differential effects of two types of trust (affect based and cognition based) on different processes of sharing explicit and tacit knowledge among Chinese employees. Prior research on the knowledge-sharing impacts of trust in China focused on how trust affects one's tendency to transfer (provide) knowledge to another person and paid less attention to trust impacts on other processes (knowledge seeking and knowledge adoption) involved in knowledge sharing (e.g., Huang et al., 2011; Wang et al., 2012). As Holste and Fields (2010) showed in their study, affect-based trust and cognition-based trust influenced knowledge transfer and knowledge adoption to different degrees. Hence, investigating the effects of different types of trust on knowledge-sharing processes would help increase our understanding and knowledge of how trust affects knowledge sharing in China.

Second, the article explores the potential influences of interpersonal feelings on knowledge sharing among Chinese employees. Although feelings Chinese people hold about others determine how they treat each other in social relations and exchanges (Chen & Chen, 2004; Wang et al., 2012), research on how Chinese feelings affect knowledge sharing remains scant in the literature. The potential impacts of two common types of feelings (*ganqing* and *jiaqing*) in China are examined in this article. Figure 1 depicts the conceptual model where the two types of trust and two types of feelings are related to different knowledge-sharing processes, which include seeking, transferring, and adopting knowledge. The manners in which different types of trust and feelings affect different knowledge-sharing processes are elaborated in the rest of the article. The impacts of different types of trust and feelings on Chinese employees' propensities to seek, transfer, and adopt different types (explicit and tacit) of knowledge are also examined and discussed.

In the next section, the concepts of trust, its two major types, and their general effects on knowledge sharing are first reviewed. This is followed by a discussion of the different influences of affect-based trust and cognition-based trust on Chinese employees' propensities to engage in different knowledge-sharing processes (seeking, transfer, and adoption) and to share different types of knowledge (explicit vs. tacit). The following section discusses two types of feelings (*ganqing* and *jiaqing*) Chinese people often form about others as well as the manners in which each feeling affects Chinese employees' propensities to seek, transfer, and adopt explicit and tacit knowledge. The last section discusses the research and practical implications of the article as well as its limitations.

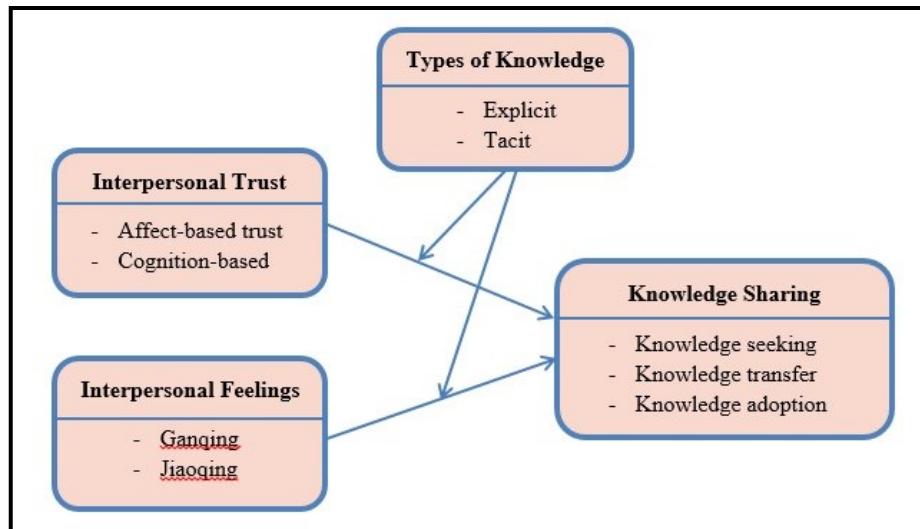


Figure 1: A Conceptual Model of Trust, Feelings & Knowledge Sharing

Trust and Knowledge Sharing

Literature Review of Trust and Its Linkage to Knowledge Sharing

Different definitions of interpersonal trust have been offered in the trust literature reflecting the Western view of trust. Mayer, Davis, and Schoorman (1995: 712), for instance, defined trust as “the willingness to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.” McAllister (1995: 25) viewed trust as “the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another.” Ng and Chua (2006: 45) synthesized these two prevalent conceptualizations of trust as “an individual’s confidence in the goodwill of others and the expectation that others will act in beneficial way.”

In the Chinese discourse about trust, the equivalent word of trust in Chinese is *xing*. While *xing* can imply both *xingren* (trustworthiness) and *xingyong* (credit worthiness), researchers who compared the concept of *xing* to the Western notion of trust generally regarded *xing* as *xingren* or trustworthiness (Chen & Chen, 2004; Kriz & Keating, 2010). Indeed, trustworthiness is deemed as closely related to trust in the Western trust literature (Mayer et al., 1995; Levin & Cross, 2004; Colquitt & Rodell, 2011). Furthermore, there are some similarities between the attributes of Chinese *xing* and those of Western trustworthiness. For example, Mayer et al. (1995) conceptualized trustworthiness as encompassing ability, benevolence, and integrity. Ability reflects the trustee’s skills and competencies; benevolence refers to the belief that the trustee wants to “do good” to the trustor; integrity describes the trustee’s adherence to a set of acceptable principles or shared values. In a similar vein, Chinese scholars view *xingren* as manifested in sincerity, honesty, credibility, reliability, and capability (Chen & Chen, 2004). Among these attributes of *xingren*, sincerity (a person’s true intention to form and maintain a relationship with another and have the other person’s best interest at heart) seems to be more unique to the Chinese conceptualization of trustworthiness (Yang, 2001a; 2001b).

Trust has been widely viewed as a critical facilitator of knowledge sharing in the knowledge management literature. Nonaka (1994) viewed trust as an indispensable base for creating a shared experience among individuals to facilitate tacit knowledge sharing. Husted and Michailova (2002) noted that people in general are not willing to share knowledge without a feeling of trust. This is especially the case when sharing knowledge involves the risk of losing one’s competitive advantage over their peers (Leonard & Sensiper, 1998; Stenmark, 2002). Ample evidence in the literature confirms this supportive role of trust in knowledge sharing (Szulanski, 1996; Lee & Choi, 2003; Chowdhury, 2005; Lucas, 2005; Holste & Fields, 2010). In his study of barriers to internal transfer of best practices in eight organizations, Szulanski (1996) found that the lack of trust between knowledge seekers and knowledge recipients hindered knowledge exchange. Lucas (2005) also found a similar pattern on how interpersonal trust affected knowledge transfer among employees within a Fortune 500 company in the United States.

Recent research on the impact of trust on knowledge sharing in the Chinese context has also generated evidence in support of the positive role of trust. For instance, Tong and Mitra (2009) conducted a qualitative case study of Chinese cultural influences on knowledge management practices in a Chinese mobile phone company and found interpersonal trust increased Chinese employees’ motivation to share their knowledge by reducing some cultural barriers to knowledge exchange such as being afraid to lose face and being modest. Using data collected from the top firms in Taiwan’s high-tech industries, Wang et al. (2012) confirmed the positive relationship between trust and knowledge sharing. Similar empirical evidence was obtained by Huang et al. (2011) in their recent survey of 200 MBA students, many of whom held senior full-time positions in a variety of industries in China. Specifically, the authors found one type of trust (affect based) explained significant variations in tacit knowledge sharing as well as explicit knowledge sharing.

Two Types of Trust and Their Influences on Knowledge Sharing

In the Western trust literature, trust is commonly regarded as a multidimensional construct. Lewis and Wiegert (1985) noted

that interpersonal trust had cognitive and affective foundations. Based on this distinction, McAllister (1995) classified trust into two types: cognition based and affect based. Cognition-based trust is founded on the trustor's assessment of the trustee's competence and dependability. Affect-based trust, on the other hand, is formed through the emotional bonds between the trustor and trustee as well as their mutual care and concern for each other. While acknowledging these two forms of trust were closely related, McAllister (1995) argued and empirically demonstrated that they were qualitatively different. This dichotomy of trust has been widely adopted in many studies on interpersonal trust and its impacts on cooperative behaviors including knowledge sharing (e.g., Levin & Cross, 2004; Chowdhury, 2005; Ng & Chua, 2006; Chua, Ingram, & Morris, 2008; Holste & Fields, 2010). From the Western point of view, the formation of cognition-based trust in general precedes the development of affect-based trust (Holmes & Rempel, 1989; McAllister, 1995). According to McAllister (1995), the trustor's baseline expectations for the trustee's reliability and dependability must be met before both sides invest further in building an emotional tie. The notion that cognition-based trust is more fundamental than affect-based trust does not necessarily hold true in Chinese culture, as discussed below.

While recognizing the dichotomy between cognition-based and affect-based trusts also exists in Chinese culture, Chinese scholars noted that Chinese affect-based trust refers primarily to sincerity and tends to bear more influence on the development of close interpersonal relationships (Chen & Chen, 2004; Tan & Chee, 2005). Moreover, it is likely that Chinese people build affect-based trust before developing cognition-based trust. In other words, a Chinese would typically evaluate the sincerity of another person before appraising his or her ability or credentials in forming relationships. Even though affect-based trust appears to precede and outweigh cognition-based trust in the Chinese culture, they are harder to separate for Chinese than for Westerners (Chua, Morris, & Ingram, 2009). Chua (2012) further noted that Chinese business people today place increasing emphasis on cognition-based trust in building business relationships.

Since each type of trust "functions in a unique manner and has a distinct pattern of association to antecedent and consequent variables" (McAllister, 1995: 51), both Western and Chinese researchers have attempted to differentiate between the two types of trust in investigating the relationships between trust and knowledge sharing. Using data collected from 164 MBA students from a large state university in the United States, Chowdhury (2005) found that both affect-based trust and cognition-based trust increased complex knowledge sharing, although there was no joint effect between the two. The author also found a stronger effect for cognition-based trust, which is consistent with the Western emphasis on cognition-based trust. Based on data collected from U.S managers and professionals, Holste and Fields (2010) also found both affect-based trust and cognition-based trust positively related to willingness to share tacit knowledge and willingness to use tacit knowledge. Furthermore, their results showed that affect-based trust had a stronger influence on willingness to share tacit knowledge, whereas cognition-based trust increased willingness to use tacit knowledge to a greater degree. As mentioned earlier, Huang et al. (2011) used a Chinese sample to investigate the relationships between the two types of trust and sharing of tacit and explicit knowledge. Congruent with Chinese emphasis on affect-based trust, the researchers found this type of trust positively related to the intentions to share both types of

knowledge. On the other hand, cognition-based trust had no influence on the intention to share either tacit or explicit knowledge.

Affect- and Cognition-based Trust in Different Knowledge-sharing Processes

According to Hansen (1999), the entire knowledge-sharing course involves the processes of knowledge seeking, knowledge transfer, and knowledge adoption. Before knowledge is transferred, it is usually located and requested by someone (the knowledge seeker). After the knowledge is transferred, the recipient must decide whether he or she would adopt the knowledge received. From the above review of the current research on how the two types of trust are related to knowledge sharing in both Western and Chinese contexts, it appears that affect- and cognition-based trusts may affect different knowledge-sharing processes in different manners in China. Before a Chinese employee (the knowledge seeker) initiates a knowledge request to a coworker (the knowledge holder), the knowledge seeker must trust the knowledge holder's expertise as well as his or her ability to transfer the knowledge effectively and efficiently. Although trust in the sincerity of the knowledge holder is also important to the extent the sincerity-based trust affects the knowledge seeker's confidence in the knowledge holder's sincerity and honesty in not giving wrong or misleading knowledge, the major consideration is given to whether the knowledge holder is capable of providing the knowledge being sought. In other words, it is unlikely that the knowledge seeker would request knowledge from someone not very trustworthy for his or her expertise or ability even though the knowledge seeker trusts the sincerity and honesty of that person.

In a similar vein, it is likely for a Chinese employee receiving knowledge from a coworker to evaluate the expertise and ability of the knowledge holder first and then his or her sincerity and honesty before adopting the knowledge. Levin and Cross (2004: 1480) noted that "knowledge seekers who trust a source's competence to make suggestions and influence their thinking are more likely to listen to, absorb, and take action on that knowledge." Holste and Fields' (2010) finding that cognition-based trust had a stronger influence on the willingness to use knowledge provided some empirical support for the more pronounced role of cognition-based trust in knowledge adoption.

H1. Both cognition-based trust and affect-based trust are positively related to Chinese employees' propensities to seek and adopt knowledge, with the relationship being stronger between cognition-based trust and the propensities to seek and adopt knowledge.

While cognition-based trust may have a stronger effect on Chinese propensity to seek and adopt knowledge, affect-based trust seems to be more salient in influencing Chinese employees' willingness to transfer knowledge to coworkers who need it. It is evident in the extant literature that providing knowledge may carry some risks for the knowledge contributor such as losing his or her knowledge power and competitive advantage (Huang et al., 2008). The knowledge contributor may even lose face if the knowledge he or she shares turns out to be inadequate or inferior (Tong & Mitra, 2009). Consequently, knowledge hoarding is still common in the workplace in China (Hutchings & Michailova, 2006; Liu & Porter, 2010). For a Chinese employee to give his or her knowledge to another em-

ployee, the knowledge holder must have confidence in the sincerity of the knowledge seeker and/or have close emotional bonds with him or her. In contrast, cognition-based trust in the knowledge seeker is less important or even irrelevant to the knowledge holder whose main concern here is whether to provide the knowledge requested by the knowledge seeker. Findings by Huang et al. (2011) noted earlier demonstrated that, between the two types of trust, only affect-based trust influenced Chinese employees' propensity to offer their knowledge.

H2. Affect-based trust is positively related to Chinese employees' propensity to transfer knowledge sought by others.

Affect- and Cognition-based Trust in Explicit and Tacit Knowledge Sharing

The knowledge management literature draws a distinction between two types of knowledge: explicit and tacit. Explicit knowledge can be easily articulated and captured in documents, reports, presentations, and formulas (Nonaka & Konno, 1998). In contrast, tacit knowledge (e.g., skills, insights, and "gut feelings") is hard to articulate and document (Polanyi, 1967) because it is "deeply rooted in action, commitment, and involvement in a specific context" (Nonaka, 1994: 16). Tacit knowledge is of greater strategic significance to firms because it is harder to be imitated by competition (Barney, 1991; Nonaka, 1994).

Prior research has demonstrated that the characteristics of knowledge transferred influence the knowledge-sharing effects of affect- and cognition-based trust (Hansen, 1999; Levin & Cross, 2004; Chowdhury, 2005; Huang et al., 2011). Since explicit knowledge is easy to codify and explain, it can stand alone and be understood apart from the expertise of the knowledge holder (Levin & Cross, 2004). Hence, trust in the competence of the knowledge holder is less crucial (Hansen, 1999). From the knowledge holder's perspective, affect-based trust in the knowledge seeker's sincerity and honesty is important in that the knowledge holder must believe that the knowledge seeker's adoption and use of the knowledge transferred would not harm the former. Evidence from previous research in both Western and Chinese settings lends support to the more pronounced role of affect-based trust in knowledge transfer. Levin and Cross (2004) found that competence-based trust did not facilitate the transfer of codified knowledge. Huang et al. (2011) and Zhou et al. (2010) both found that it was affect-based trust that increased explicit knowledge sharing.

H3. Affect-based trust is positively related to Chinese employees' propensity to seek, transfer, and adopt explicit knowledge.

Affect-based trust is not only essential to sharing explicit knowledge, but also it plays an important role in tacit knowledge exchange. Since tacit knowledge often entails insights, beliefs, and intuitions that are hard to articulate and tightly intertwined with the experience of the knowledge holder, social collaboration with close and frequent social interactions between the knowledge seeker and the knowledge holder is often necessary to create shared experiences (Nonaka, 1994). Affect-based trust facilitates the creation of shared experience by promoting social and emotional ties between the two parties (Simonin, 1999), which, in turn, increase openness with shared values, mental models, and perceptions (Chowdhury, 2005). Cognition-based trust also contributes to tacit knowledge sharing in that both sides must trust each other's competence to

create shared professional experience (Chowdhury, 2005). In other words, the knowledge seeker must believe the knowledge holder not only possesses the tacit knowledge, but also has the ability to externalize the knowledge. In addition, the knowledge holder must have confidence in the knowledge seeker's capacity to understand and absorb the tacit knowledge. Since affect- and cognition-based trusts are both indispensable to the seeking, transfer, and adoption of tacit knowledge, it can be argued they jointly influence tacit knowledge sharing.

While previous empirical studies showed that affect- and cognition-based trusts each had a positive effect on tacit knowledge sharing (Chowdhury, 2005; Holste & Fields, 2010; Zhou et al., 2010), the potential interactive effect between the two types of trust remained largely unexplored. One study by Chowdhury (2005) tested the potential interaction but found no such effect. When hypothesizing no interactive effect between affect- and cognition-based trusts, Chowdhury argued that it was possible for professional collaboration (induced by cognition-based trust) with weak social ties (lack of affect-based trust) to improve tacit knowledge sharing. Of note, the sample the author used to test his model was drawn from the United States. In comparison to Westerners, Chinese tend to rely more on affect-based trust (Chen & Chen, 2004) and mix it with cognition-based trust more often (Chua et al., 2009). Consequently, it is unlikely for two Chinese employees to engage in close and frequent social interactions without mutual affect-based trust. It can then be argued that both types of trust must be present for tacit knowledge sharing to be effective.

H4. Affect-based trust and cognition-based trust jointly influence Chinese employees' propensities to seek, transfer, and adopt tacit knowledge in a positive way.

Feelings and Knowledge Sharing

Like trust, feelings play a crucial role in Chinese social relationships. Chen and Chen (2004) consider feelings to be one of the key determinants of *guanxi* (personal connections between two or more people in China). Generally known as *qing* in Chinese, feelings fall into two common types: *ganqing* and *jiaqing*. The compound of *ganqing* describes the emotional feeling, affection, and connection developed and accumulated via long-term social relations (Yang, 1994) and implies loyalty, solidarity, unconditional giving, or even sacrificing (Yang, 1994; Tsui & Farh, 1997). The compound of *jiaqing*, on the other hand, refers to the "sense of obligation and indebtedness that results from social and economic transactions to satisfy the pragmatic needs of work and life" (Chen & Chen 2004). *Jiao* in *jiaqing* literally means interaction or exchange in Chinese. Despite being more salient among familiar members and relatives, *ganqing* can be developed between acquaintances or even strangers in the workplace through socializing (e.g., having dinner and playing games together) and/or helping each other with personal problems after work (Chen & Peng, 2008). Whereas *ganqing* is based on affection, *jiaqing* arises from instrumental exchanges that are often economically driven, such as favor or gift exchanges (Hwang, 1987). The instrumental exchange between two coworkers may take place at work (e.g., helping each other solve job-related problems) and after work (e.g., exchanging birthday gifts).

Three points about *ganqing* and *jiaqing* are worth noting here. First, the distinction between the two resembles that between the expressive and instrumental aspects of a Western relationship (Chen & Chen, 2004). Second, while closely related to affect- and cognition-based trusts, respectively, *ganqing* and

jiaoqing represent distinct concepts that influence Chinese social relationships in their unique manners (Chen & Chen, 2004). Third, these two types of feeling are often mixed in acquaintance relationships (Hwang, 1987) including work relationships (Chen & Peng, 2008).

Ganqing and Jiaoqing in Different Knowledge-sharing Processes

Like affect-based trust, *ganqing* is based on the emotional bond and affection between two people. Moreover, two people connected by *ganqing* are loyal to each other and are willing to take care of each other under all circumstances (Chen & Chen, 2004). Consequently, a Chinese employee would feel very obliged to honor a request for knowledge from a coworker to whom he/she is emotionally attached. It is also possible that *ganqing* may influence the knowledge recipient's willingness to adopt knowledge. The strong sense of loyalty and emotional obligation to the knowledge sender may cause the knowledge recipient to either ignore the competence of the knowledge sender or to accept the knowledge despite having some doubt about the ability of the knowledge sender. On the other hand, *ganqing* is less likely to affect knowledge seeking in that the knowledge seeker would not necessarily feel compelled to request knowledge from a knowledge source whose competence is questionable.

H5. *Ganqing* is positively related to Chinese employees' propensities to transfer and adopt knowledge.

H6: *Ganqing* is positively related to Chinese employees' propensity to seek knowledge only if there is cognition-based trust in the knowledge source.

According to Chen and Chen (2004), Chinese people generally follow the rule of "dynamic reciprocity" in developing *jiaoqing* through instrumental exchanges. The unique features of Chinese dynamic reciprocity include "self-oriented reciprocity," unequal exchanges and a long-term orientation (Hampden-Turner & Trompenaars, 1997; Chen & Chen, 2004). Self-oriented reciprocity means returning a favor without consideration of the receiver's need and well-being so as to relieve the giver of the burden of indebtedness. In unequal exchanges, "both sides will practice trying to do more, improving with every new effort, in a system of escalating favors (Hampden-Turner & Trompenaars, 1997: 179). The long-term orientation of Chinese reciprocity values extending the time for repayment and keeping exchanges in balance in the long run. Consequently, the depth of *jiaoqing* is determined by the frequency, scope, and history of the exchanges (Chen & Chen, 2004). In view of the influence of these unique characteristics of dynamic reciprocity, a Chinese employee is expected to transfer the knowledge assistance requested by a coworker with whom the knowledge holder has had a long history of frequent favor exchanges in the past. This prediction is consistent with evidence found among Chinese as well as Westerners who also rely on instrumental exchanges frequently. Zhou et al. (2010) discovered from a survey of Chinese MBA students that an instrumental tie (based on *jiaoqing*) had a positive effect on knowledge transfer. In a recent study of the knowledge-sharing patterns among American and Canadian scientists, Ensign (2009) found that the duration and reciprocity of two scientists' past interaction were positively related to the occurrence of knowledge sharing between them. The author also found that the frequency of the interaction between scientists contributed to their reciprocity, thus influencing knowledge sharing in an indirect way.

It is possible for a Chinese employee to ask for knowledge assistance from a coworker with whom the knowledge seeker has had many favor exchanges before. However, it is unlikely that the knowledge seeker would use *jiaoqing* to request the knowledge from someone who is not believed to be a competent knowledge source. The condition of whether the knowledge holder is competent also influences the decision of the knowledge recipient to adopt the knowledge advice even though he or she has deep *jiaoqing* with the knowledge holder. Unlike knowledge transfer, seeking or adopting knowledge from others is not necessarily deemed as a return of favor.

H7. *Jiaoqing* is positively related to Chinese employees' propensity to transfer knowledge to coworkers.

H8. *Jiaoqing* is positively related to Chinese employees' propensity to seek or adopt knowledge if they have cognition-based trust in the knowledge source.

Ganqing and Jiaoqing in Explicit and Tacit Knowledge Sharing

Since explicit knowledge is easier to understand without the explanations and guidance of the knowledge holder, seeking, transferring, and adopting explicit knowledge do not require cognition-based trust in the knowledge holder or the knowledge recipient, as discussed earlier. Hence, *ganqing* and *jiaoqing* are expected to increase Chinese employees' propensities to seek, transfer, and adopt explicit knowledge because both feelings promote social exchanges and ties among Chinese employees. *Ganqing* and *jiaoqing* are even more critical to tacit knowledge sharing, which requires shared experience developed through close and frequent interaction and cooperation between the knowledge seeker and the knowledge holder. Coupled with cognition-based trust, either *ganqing* or *jiaoqing* is expected to exert positive influence on tacit knowledge seeking, transfer, and adoption among Chinese employees.

H9. *Ganqing* is positively related to Chinese employees' propensities to seek, transfer, and adopt explicit knowledge.

H10. *Jiaoqing* is positively related to Chinese employees' propensities to seek, transfer, and adopt explicit knowledge.

H11. *Ganqing* and cognition-based trust jointly influence Chinese employees' propensity to seek, transfer, and adopt tacit knowledge in a positive way.

H12. *Jiaoqing* and cognition-based trust jointly influence Chinese employees' propensity to seek, transfer, and adopt tacit knowledge in a positive way.

Discussion

Theoretical Implications

This article examines the potential differential effects of two types of trust (affect- and cognition-based trust) and two types of feelings (*ganqing* and *jiaoqing*) on Chinese employees' propensities to seek, transfer, and adopt explicit and tacit knowledge. The analysis suggests that affect-based trust influences Chinese employees' willingness to offer the knowledge requested by others, whereas cognition-based trust is the primary consideration when Chinese employees decide whether to seek knowledge assistance from others or adopt the knowledge help they receive from others. The different roles each type of trust

plays reflect not only Chinese traditional emphasis on affect-based trust, but also the growing importance of cognition-based trust in business relationships in contemporary China (Chua, 2012). The important role of cognition-based trust in knowledge seeking and adoption also helps explain why previous research using Chinese subjects did not find any effect of cognition-based trust on knowledge sharing measured as the act of offering knowledge (Huang et al., 2011). To the extent both types of trust affect different knowledge-sharing processes, future research may benefit from including knowledge seeking and adoption in assessing the effects of affect-based trust and cognition-based trust on knowledge sharing.

It is also argued in this article that affect-based trust and cognition-based trust are both needed for effective tacit knowledge sharing. This revelation is important in that most of the existing studies focused on the individual effects of the two trust types. In view of the dominant role of affect-based trust in Chinese social relationships and the contribution of cognition-based trust to tacit knowledge sharing, the potential joint effect between these forms of trust may be more salient among Chinese than Westerners and thus warrants empirical testing using Chinese samples in future studies. Besides affect-based trust, cognition-based trust may also work in conjunction with *ganqing* and *jiaoqing* in increasing Chinese employees' propensities to seek, transfer, and adopt tacit knowledge. Given that Chinese people tend to mix different types of trust and feelings in social interactions (Chua et al., 2009), the potential interactive effects among different types of trust and feelings represent interesting and important topics for future studies.

Even though *ganqing* and *jiaoqing* are influential in Chinese social relations and exchanges, their roles in knowledge sharing have not received sufficient attention in previous research on knowledge sharing among Chinese employees. As argued here, both feelings may be conducive to seeking, transferring, and adopting knowledge, and their effects may vary depending on the knowledge-sharing processes. In general, both feelings facilitate knowledge transfer, while *jiaoqing* may influence knowledge adoption as well. Moreover, it is proposed that both *ganqing* and *jiaoqing* would have direct effects on seeking, transferring, and adopting explicit knowledge and interactive effects (with cognition-based trust) on tacit knowledge seeking, transfer, and adoption. In view of these findings, it is worthwhile for future empirical research to measure *ganqing* and *jiaoqing* and to test their effects (direct and indirect) on Chinese employees' propensities to seek, transfer, and adopt explicit and tacit knowledge.

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Managerial Implications

This article may also point the way for Western firms and their managers on how to increase knowledge sharing among Chinese employees. As noted, Chinese people are often reluctant to share information and knowledge with others in the workplace (Hutchings & Michailova, 2006; Liu & Porter, 2010). With an understanding of the potential impacts of trust and feelings on knowledge sharing, companies operating in China can take several measures to nurture trust and feelings among their Chinese employees and utilize the trust and feelings engendered to promote knowledge sharing. For instance, companies can organize more after-work social activities (e.g., dining and traveling together) to foster the development and accumulation of emotional feeling and affection between employees. Assigning employees to team-based tasks or to jobs at different departments or locations can also help connect employees with more colleagues and build emotional and instrumental bonds with them. When transferring tacit knowledge between departments, managers may consider selecting from both departments employees who have close ties or frequent interactions with their counterparts in the other department and having the employees work together on the knowledge transfer, so as to utilize any affect- and cognition-based trust existing between them.

To facilitate an employee's appraisals of other coworkers' ability and competence, companies need to provide organizational tools and channels whereby the employee can easily and quickly locate information about the professional profile, credentials, and expertise of a coworker. With the aid of Internet technology, a variety of online tools, such as knowledge portal, intranets, communities of practice and micro blogs, can assist employees in locating experts in different tasks or evaluating the task knowledge of coworkers.

Limitations

Although the key arguments advanced in this article are developed from a careful review and synthesis of the related literature, they need to be validated through empirical testing before more confidence can be placed on them. Nevertheless, the analysis and hypotheses presented here contribute to a more holistic conceptualization of the roles different types of trust and feelings play in knowledge sharing among Chinese in the workplace. As another limitation, the article does not analyze the potential interactive effects between *ganqing* and *jiaoqing*. Since many job-related relationships among Chinese employees involve both *ganqing* and *jiaoqing* (Chen & Peng, 2008), it would be interesting to investigate how these two feelings are intertwined and what impact their interaction may have on knowledge sharing.

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The Alien Tort Statute of 1789 and International Human Rights Violations: *Kiobel v. Royal Dutch Petroleum Co.*

Paula Alexander Becker

K *obel v. Royal Dutch Petroleum Co.* involves an action under the Alien Tort Statute (ATS). The case was brought in the United States, Southern District of New York, by the widow of Dr. Barinem Kiobel, a Nigerian activist and member of the Ogoni tribe, and others for human rights violations committed in the Niger River Delta. Defendants include Royal Dutch Petroleum, Shell Transport and Trading Co., and Shell Petroleum Development Company of Nigeria. Although the human rights violations including murder and torture were allegedly committed by the Nigerian military government, it is claimed that the Royal Dutch Petroleum defendants aided and abetted the Nigerian military in the human rights violations. The plaintiffs had engaged in protests about the environmental damage caused by the Royal Dutch Petroleum defendants in the area of the Niger Delta and the plight of the Ogoni people in Ogoniland. At the trial level, the court decided that certain claims involving violations of the Law of Nations could be heard by the court. However, the case was appealed to the U.S. Supreme Court, which decided that there is a presumption against extraterritoriality in the application of the ATS, and that “mere presence” of a defendant corporation in the United States is insufficient for a court to assume jurisdiction. However, the question remains: What corporate presence would serve as a sufficient basis for a court to assume jurisdiction under the ATS? Given the possibility that corporations could, and perhaps in the future will, be found liable for human rights violations occurring in foreign locales even after *Kiobel*, prudent risk management behooves corporations and their counsel to monitor whether human rights violations are occurring in connection with their operations, even when those human rights violations are committed by foreign governments or their agents.

Keywords: *Kiobel*; Alien Tort Statute; extraterritoriality; human rights; risk management

Kiobel v. Royal Dutch Petroleum Co. (133 S. Ct. 1659, decided April 17, 2013) involves an action under the Alien Tort Statute (28 U.S.C. 1350; ATS). The case was brought in the United States, Southern District of New York, by the widow of Dr. Barinem Kiobel, a Nigerian activist and member of the Ogoni tribe, and others for human rights violations committed in the Niger River Delta. Defendants include Royal Dutch Petroleum, Shell Transport and Trading Co., and Shell Petroleum Development Company of Nigeria. Although the human rights violations including murder and torture were allegedly committed by the Nigerian military government, it is claimed that the Royal Dutch Petroleum defendants aided and abetted the Nigerian military in the human rights violations. The plaintiffs had engaged in protests about the environmental damage caused by the Royal Dutch Petroleum defendants in the area of the Niger Delta and the plight of the Ogoni people in Ogoniland.¹

The Alien Tort Claims Act

The Alien Tort Statute of 1789 (ATS, also known as Alien Tort Claims Act or ATCA) provides: “The district courts shall have

original jurisdiction of any civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States” (28 U.S.C. 1350).

The courts developed modern jurisdictional rules for the application of the ATS beginning with the *Filartiga* case (630 F.2d 876, 2nd 1980). During the regime of Paraguay President Alfredo Stroessner, Inspector General of Police Americo Norberto Pena-Irala tortured the brother of plaintiffs *Filartiga* to death in Paraguay, allegedly in retaliation for the family’s opposition to the incumbent regime. Subsequently both Pena and the plaintiffs *Filartiga* moved to the United States. When plaintiff *Filartiga* learned of Pena’s presence in the United States, she sued Pena in the Eastern District of New York, under the ATCA, alleging torture in violation of the Law of Nations. The Eastern District of New York dismissed the case on the grounds that the court could not exercise jurisdiction over Pena-Irala. However the Second Circuit reversed, on the grounds that torture violates the Law of Nations, and that the ATS grants jurisdiction to U.S. courts for violations of the Law of Nations. In the *Filartiga* case, the U.S. courts exercised personal jurisdiction over the defendant Pena-Irala for acts committed in a foreign territory. The *Filartiga* court noted: “It is not extraordinary for a court to adjudicate a tort claim arising outside of its territorial jurisdiction (630 F.2d at 885).” Later, in 2004, in *Sosa v. Alvarez-Machain* (542 US 692), the U.S. Supreme Court reviewed the legislative history of the ATS of 1789. The Supreme Court interpreted the ATS as a jurisdictional statute for claims arising from law of nations, and treaties of United States.

Procedural History of the *Kiobel* Case

The *Kiobel* complaint was initially brought in Federal District court for the Southern District of New York. The trial court decided that the plaintiffs stated claims could be heard under the ATS for torture, crimes against humanity, and arbitrary arrest and detention (456 F. Supp. 2d 457, 2006), and that claims alleging aiding and abetting for cognizable claims under the ATS were also viable. Other claims were dismissed by the trial court because the claims were not recognized as violations of the Law of Nations. The case was appealed, and the Second Circuit Court of Appeals (621 F.3d 111, 2010) reversed on the grounds that corporations are not liable under the ATS. Certiorari was granted in by the U.S. Supreme Court. The *Kiobel* case was argued during the 2011 term, then reargued during the 2012 term to address the question “[w]hether and under what circumstances the Alien Tort Statute...allows courts to recognize a cause of action for violations of the law of nations occurring within the territory of a sovereign other than the United States.” In April 2013, the U.S. Supreme Court decided that there was a presumption against extraterritorial application of the ATS, and that “mere presence” of a defendant corporation

in the United States is insufficient to overcome the presumption against extraterritorial application of the ATS.

Open Questions after *Kiobel*

Post *Kiobel*, the question now arises whether corporations can conduct their operations abroad in the expectation that they will not be liable for human rights violations committed by foreign governments or whether they must manage their operations so as to avoid the risk of aiding and abetting liability for human rights violations touching on their operations. Several issues remain open. This is particularly important in view of Justice Kennedy's concurring opinion in *Kiobel*, which states: "The opinion for the Court is careful to leave open a number of significant questions regarding the reach and interpretation of the Alien Tort Statute." Although the judgment of the Court was unanimous, four Justices, Justices Breyer, Ginsburg, Sotomayor, and Kagan, filed a concurring opinion, which sets out a different rationale.

Unlike the Court, I would not invoke the presumption against extraterritoriality. Rather, guided in part by principles and practices of foreign relations law, I would find jurisdiction under this statute where (1) the alleged tort occurs on American soil, (2) the defendant is an American national, or (3) the defendant's conduct substantially and adversely affects an important American national interest, and that includes a distinct interest in preventing the United States from becoming a safe harbor (free of civil as well as criminal liability) for a torturer or other common enemy of mankind.

Indeed, William Dodge (2013) opines "that the Court's language on corporate presence 'should send chills down the spines of corporations domiciled in the United States (and their general counsels).'"

Corporate Presence Justifying Jurisdiction

The majority in its language, "even where the claims touch and concern the territory of the United States, they must do so with sufficient force to displace the presumption against extraterritorial application" leaves open the question of how claims must "touch and concern the territory of the United States" and with what force to justify the assumption of jurisdiction by the courts under the ATS. Ingrid Wuerth (2013) analyzed the majority opinion in *Kiobel* that because corporations are often "present" in many countries, their presence alone does not suffice to overcome the presumption against extraterritorial application of the ATS. Wuerth suggests that "the physical presence of individual defendants or the incorporation of legal entities under domestic state law" might provide the presence sufficient to justify the assumption of jurisdiction under the ATS even where such jurisdiction concerns actions that occurred outside the territory of the United States.

In addition, Judge Pierre Leval (2013, 16) has suggested that state courts could provide a forum for the litigation of claims of human rights violations committed even by foreign governments.² *Doe v. Unocal* is such a case. *Doe v. Unocal* is a pre-*Kiobel* case involving a complaint brought under the ATS by Burmese villagers who complained of human rights violations including forced labor, murder, torture, and rape against United Oil Company of California (Unocal), which was conducting operations in Burma/Myanmar in a joint venture with French company Total. Unocal, the defendant, is a legal entity incorpo-

rated under the laws of California. The case was prosecuted in the California state courts under the ATS. *Doe v. Unocal* was settled once the 9th Circuit Court of Appeals decided to rehear the case *en banc*. Based on Unocal's presence in the United States, its status as a legal entity of the country and of the state of California, and given the majority analysis in *Kiobel* that the United States not give sanctuary to criminals as well as Justice Breyer's concurring opinion that defendant's status as "an American national" provides a basis for liability under the ATS, it is likely that *Unocal* is the type of case that would survive a *Kiobel* analysis, overcoming the presumption against extraterritorial application of the ATS. Even if *Doe v. Unocal* would not survive a *Kiobel* analysis leading to the assumption of extraterritorial jurisdiction by the U.S. federal courts, the courts of California might assume jurisdiction under state law as suggested above by Judge Pierre Leval.

In its *Kiobel* decision, the U.S. Supreme Court never addressed the liability of corporations under the ATS, the rationale on which the Second Circuit overruled the trial court decision of the Southern District of New York. However, *Citizens United v. Federal Elections Commission* (558 U.S. 310, 2010) establishes that corporations and other associations that are not "natural persons" are nonetheless legal persons under U.S. law (providing corporations with constitutionally based right of political free speech).³ It is likely that corporations *qua* corporations could be liable for human rights violations under the ATS.

Indeed, foreign sovereigns, including both the UK and the Netherlands, submitted amicus curiae briefs, arguing that the assumption of jurisdiction by the courts of the United States under the ATS was unnecessary because they provided an appropriate forum for the litigation of the claims in *Kiobel*. Royal Dutch Petroleum is a corporation of the Netherlands; defendant Shell Transport and Trading Co. is a joint venture, incorporated in the United Kingdom. The UK and the Netherlands argued that the courts where the defendant corporations are citizens were the appropriate forum for litigating the plaintiffs' claims.⁴

Political Risk and ATS exposure

Given the possibility that corporations could, and perhaps in the future will, be found liable for human rights violations occurring in foreign locales even after *Kiobel*, prudent risk management behooves corporations and their counsel to monitor whether human rights violations are occurring in connection with their operations, even when those human rights violations are committed by foreign governments or their agents. It would be imprudent to assume the attitude embodied by Total and Unocal, expressed by a Total executive to Unocal (395 F.3d 932, 9th Cir. 2002):

By stating that I could not *guarantee* that the army is not using forced labour, I certainly imply that they might, (and they might) but I am saying that we do not have to monitor army's behavior: we have our responsibilities; they have their responsibilities; and we refuse to be pushed into assuming more than what we can really guarantee. About forced labour used by the troops assigned to provide security on our pipeline project, let us admit between Unocal and Total that we might be in a grey zone.

Risks may be greatest in the energy sector and in less economically developed nations. The mining of energy is a sector where the demand of economically developing nations including China and India is stimulating global operations by corporations. Much of the mining operations occur in less economi-

cally developed countries, some of which are governed by military or nondemocratic regimes. Several of the cases arising under the ATS involved energy companies, including the *Kiobel* case, *Wiva* case, *Unocal* case, and *Botomov v. Chevron*.⁵ Guidance is given by the Equator Principles, which were adopted by the International Finance Corporation World Bank Group and incorporate social and environmental principles into Project Finance. The Equator Principles are envisioned for big project

financing involving multiple partners, such as in the Unocal and Total operations in Burma, the Royal Dutch Petroleum and Shell Companies in Nigeria, and Texaco oil drilling operations in Ecuador.⁶ Appropriate risk management by international energy companies requires that they manage the terms of engagement for their operations so as to minimize human rights violations and even environmental torts.⁷

End Notes

1. <http://ccrjustice.org/files/05.14.04%20Amended%20Complaint.pdf>. A related case, *Wiva v. Royal Dutch Petroleum*, was also brought under the ATS, but the case settled on the eve of trial. See *Wiva v. Royal Dutch Petroleum Co.*, 2007 U.S. Dist. LEXIS 72562 (S.D.N.Y., Sept. 28, 2007)
2. See also Judge Leval's concurrence in judgment (dissent as to rationale) in *Kiobel v. Royal Dutch Petroleum Co.*, 621 F.3d 111 (2d Cir. 2010), *aff'd*, 133 S.Ct. 1659, (2013).
3. *Citizens United* established the principle that "First Amendment protection extends to corporations," citing to *First National Bank of Boston v. Bellotti*, 435 U.S. 765 (1978)], at 778, n. 14, 98 S. Ct. 1407, 55 L. Ed. 2d 707 (citing *Linmark Associates, Inc. v. Willingboro*, 431 U.S. 85, 97 S. Ct. 1614, 52 L. Ed. 2d 155 (1977); *Time, Inc. v. Firestone*, 424 U.S. 448, 96 S. Ct. 958, 47 L. Ed. 2d 154 (1976); *Doran v. Salem Inn, Inc.*, 422 U.S. 922, 95 S. Ct. 2561, 45 L. Ed. 2d 648 (1975); *Southeastern Promotions, Ltd. v. Conrad*, 420 U.S. 546, 95 S. Ct. 1239, 43 L. Ed. 2d 448 (1975); *Cox Broadcasting Corp. v. Cohn*, 420 U.S. 469, 95 S. Ct. 1029, 43 L. Ed. 2d 328 (1975); *Miami Herald Publishing Co. v. Tornillo*, 418 U.S. 241, 94 S. Ct. 2831, 41 L. Ed. 2d 730 (1974); *New York Times Co. v. United States*, 403 U.S. 713, 91 S. Ct. 2140, 29 L. Ed. 2d 822 (1971) (*per curiam*); *Time, Inc. v. Hill*, 385 U.S. 374, 87 S. Ct. 534, 17 L. Ed. 2d 456 (1967); *New York Times Co. v. Sullivan*, 376 U.S. 254, 84 S. Ct. 710, 11 L. Ed. 2d 686; *Kingsley Int'l Pictures Corp. v. Regents of Univ. of N. Y.*, 360 U.S. 684, 79 S. Ct. 1362, 3 L. Ed. 2d 1512 (1959); *Joseph Burstyn, Inc. v. Wilson*, 343 U.S. 495, 72 S. Ct. 777, 96 L. Ed. 1098 (1952)); see, e.g., *Turner Broadcasting System, Inc. v. FCC*, 520 U.S. 180, 117 S. Ct. 1174, 137 L. Ed. 2d 369 (1997); *Denver Area Ed. Telecommunications Consortium, Inc. v. FCC*, 518 U.S. 727, 116 S. Ct. 2374, 135 L. Ed. 2d 888 (1996); *Turner*, 512 U.S. 622, 114 S. Ct. 2445, 129 L. Ed. 2d 497; *Simon & Schuster*, 502 U.S. 105, 112 S. Ct. 501, 116 L. Ed. 2d 476; *Sable Communications of Cal., Inc. v. FCC*, 492 U.S. 115, 109 S. Ct. 2829, 106 L. Ed. 2d 93 (1989); *Florida Star v. B. J. F.*, 491 U.S. 524, 109 S. Ct. 2603, 105 L. Ed. 2d 443 (1989); *Philadelphia Newspapers, Inc. v. Hepps*, 475 U.S. 767, 106 S. Ct. 1558, 89 L. Ed. 2d 783 (1986); *Landmark Communications, Inc. v. Virginia*, 435 U.S. 829, 98 S. Ct. 1535, 56 L. Ed. 2d 1 (1978); *Young v. American Mini Theatres, Inc.*, 427 U.S. 50, 96 S. Ct. 2440, 49 L. Ed. 2d 310 (1976); *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 94 S. Ct. 2997, 41 L. Ed. 2d 789 (1974); *Greenbelt Cooperative Publishing Assn., Inc. v. Bresler*, 398 U.S. 6, 90 S. Ct. 1537, 26 L. Ed. 2d 6 (1970).

This protection has been extended by explicit holdings to the context of political speech. See, e.g., *Button*, 371 U.S., at 428-429, 83 S. Ct. 328, 9 L. Ed. 2d 405; *Grosjean v. American Press Co.*, 297 U.S. 233, 244, 56 S. Ct. 444, 80 L. Ed. 660 (1936). Under the rationale of these precedents, political speech does not lose First Amendment protection "simply because its source is a corporation." *Bellotti*, *supra*, at 784, 98 S. Ct. 1407, 55 L. Ed. 2d 707; see *Pacific Gas & Elec. Co. v. Public Util. Comm'n of Cal.*, 475 U.S. 1, 8, 106 S. Ct. 903, 89 L. Ed. 2d 1 (1986) (plurality opinion) ("The identity of the speaker is not decisive in determining whether speech is protected. Corporations and other associations, like individuals, contribute to the 'discussion, debate, and the dissemination of information and ideas' that the First Amendment seeks to foster" (quoting *Bellotti*, 435 U.S., at 783, 98 S. Ct. 1407, 55 L. Ed. 2d 707)).

The Court has thus rejected the argument that political speech of corporations or other associations should be treated differently under the First Amendment simply because such associations are not "natural persons." *Id.*, at 776, 98 S. Ct. 1407, 55 L. Ed. 2d 707; see *id.*, at 780, n. 16, 98 S. Ct. 1407, 55 L. Ed. 2d 707. Cf. *id.*, at 828, 98 S. Ct. 1407, 55 L. Ed. 2d 707 (Rehnquist, J., dissenting).

4. Brief for the governments of the Kingdom of the Netherlands and the United Kingdom of Great Britain and Northern Ireland as Amici Curiae in support of neither party, at p. 21:

The Netherlands also recognizes tort jurisdiction based on the territorial and active personality principles. Based on the latter, the Netherlands already has a pending case brought by Nigerian plaintiffs against Royal Dutch Shell and its Nigerian subsidiary, in which the Court exercised extraterritorial jurisdiction over the Nigerian subsidiary because it had personal jurisdiction over the Dutch parent corporation. 33 [Text of FN 33: Rb. Gravenhage [Court of the Hague], 30 December 2009, JOR 2010, 41 m.nt. Mr. RGJ de Haan (Oguro/Royal Dutch Shell PLC)(Neth.) available at <http://zoeken.rechtspraak.nl/resultpage.aspx?snelzoeken=true&searchtype=ijn&ijn=BK8616>. The Court exercised jurisdiction under Article 7(1) of the Dutch Code of Civil Procedure.

See also the concurring opinion of Breyer, J. in *Kiobel*, 133 S. Ct. at 1676:

Many countries permit foreign plaintiffs to bring suits against their own nationals based on unlawful conduct that took place abroad. See, e.g., Brief for Government of the Kingdom of the Netherlands et al. as Amici Curiae 19-23 (hereinafter Netherlands Brief) (citing *inter alia Guerrero v. Monterrico Metals PLC* [2009] EWHC (QB) 2475 (Eng.) (attacking conduct of U. K. companies in Peru); *Lubbe and Others v. Cape PLC* [2000] UKHL 41 (attacking conduct of U. K. companies in South Africa); *Rb. Gravenhage* [Court of the Hague], 30 December 2009, JOR 2010, 41 m.nt. Mr. RGJ de Haan (Oguro/Royal Dutch Shell PLC) (Neth.) (attacking conduct of Dutch respondent in Nigeria)). See also Brief for European Commission as Amicus Curiae 11 (It is "uncontroversial" that the "United States may . . . exercise jurisdiction over ATS claims involving conduct committed by its own nationals within the territory of another sovereign, consistent with international law").

Other countries permit some form of lawsuit brought by a foreign national against a foreign national based upon conduct taking place abroad and seeking damages. Certain countries, which find “universal” criminal “jurisdiction” to try perpetrators of particularly heinous crimes such as piracy and genocide, see Restatement §404, also permit private persons injured by that conduct to pursue “*actions civiles*,” seeking civil damages in the criminal proceeding. Thompson, Ramasastry, & Taylor, Translating *Unocal*: The Expanding Web of Liability for Business Entities Implicated in International Crimes, 40 Geo. Wash. Int’l L. Rev. 841, 886 (2009). See, e.g., *Ely Ould Dab v. France*, App. No. 13113/03 (Eur. Ct. H. R.; Mar 30, 2009), 48 Int’l Legal Materials 884; Metcalf, Reparations for Displaced Torture Victims, 19 Cardozo J. Int’l & Comp. L. 451, 468-470 (2011). Moreover, the United Kingdom and the Netherlands, while not authorizing such damages actions themselves, tell us that they would have no objection to the exercise of American jurisdiction in cases such as *Filartiga* and *Marvos*. Netherlands Brief 15-16, and n. 23.

5. In *Bowoto v. Chevron*, a jury determined that Chevron was not liable under the ATS for the human rights violations committed by the Nigerian government. See <http://articles.latimes.com/2008/dec/02/local/me-chevron2>. See also 621 F.3d 1116 (9th cir., 2010).
6. Texaco (Chevron) was prosecuted for environmental torts committed by its operations in Ecuador. The case was initially brought in the Southern District of New York, but that court did not assume jurisdiction based on *forum non conveniens* (142 F. Supp. 2d 534 (S.D.N.Y. 200 1), affirmed by 303 F.3d 470 (2nd Cir. 2002). However the SDNY in rejecting jurisdiction over the case granted an extension of time for plaintiffs, residents of Ecuador, to file a complaint in Ecuador. The case was tried in Ecuador with a judgment of 8.6 B \$US rendered in February 2011, then doubled because Chevron failed to apologize. See “Jungle Law, *Vanity Fair*, May 2007. See also <http://www.nytimes.com/2011/02/15/world/americas/15ecuador.html> and http://www.newyorker.com/reporting/2012/01/09/120109fa_fact_keefe?currentPage=all.
7. See for example, Herz (2000). Litigation of environmental torts under the Alien Tort Statute, would require that environmental pollution violates a treaty of the United States or the law of nations.

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Framebuilder Entrepreneurship

Joshua Shuart

The handmade bicycle industry has grown exponentially over the past decade. Although existing for decades in much smaller numbers, the popularity and credibility of framebuilder entrepreneurship—custom, handmade bike frames—has increased significantly in the past 10 years. The companies that specialize in custom-producing bicycle frames vary in size, scope, reputation, profitability, and even building materials.

Keywords: framebuilder, bicycles, marketing, velocipede

A Framebuilders' Primer

Two major initiatives have aided the ascension of framebuilding entrepreneurs into the media spotlight—the establishment and perpetuation of The Framebuilders' Collective (TFC) and the first annual North American Handmade Bicycle Show (NAHBS) in 2005.

The Framebuilders' Collective

TFC is a group of some of the most influential, powerful, and successful framebuilding individuals and companies in the industry. Currently, TFC includes 14 members, 7 of which were founding members (see Figure 1). Among the collective's chief purposes are to gather like-minded veterans to establish unspoken quality standards, to disseminate information and insights to others, to act as mentors to younger builders, and to support the highest professional standards.

There are several qualifications that members must satisfy, which is why the membership is small, and is limited to some of the biggest names in the framebuilder community. Above all, there is a commitment by all members to “pay it forward” in the spirit of growing the reputation of the industry, and in helping younger builders to establish themselves. For example, one of the icons of bicycle framebuilding, Carl Strong of Strong Frames, has continuously given back to industry colleagues by sharing specifics about his methods, techniques, and practices. Many of these TFC members have apprentices learning directly in their shops. For the uninitiated wanting to break into framebuilding, “you either apprentice *or* you go somewhere like Frame Building Classes (e.g., United Bicycle Institute) (Ferris, 2011).

To begin, it is important to look at the types of builders in the industry and the types of materials they use to construct their frames.

Types of Builders and Types of Materials. *Custom brands* are the large, well-known, high-end bike brands commonly referred to as custom even though the majority of their production has a very limited (or no) actual custom element in the frame. In these instances, the term “custom” refers most often to the parts, which may be custom selected depending on the

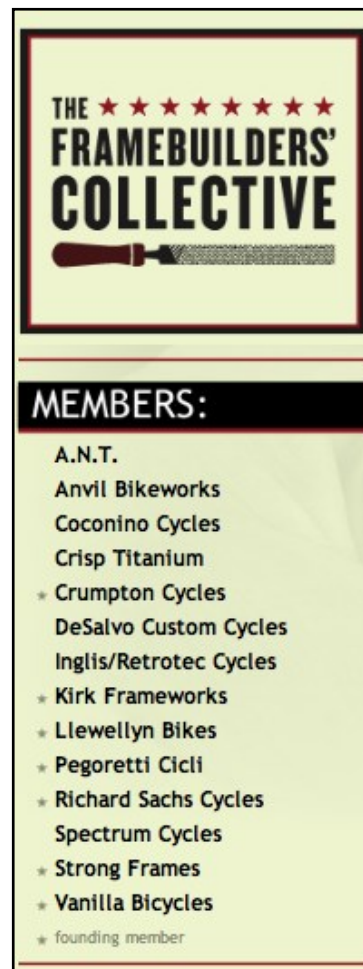


Figure 1: The Framebuilders Collective

Source: The Framebuilders Collective website.

dealer. Examples of custom brands include DeRosa, Colnago, and Litespeed.

Custom manufacturers are smaller companies that sell through bike shops. They offer custom frames but the customer has little to no direct contact with the company and no one person builds the frame. Examples of custom manufacturers include Independent Fabrication, Serotta, and Seven.

Small custom builders can best be described as a one- or two-person shop. The frame is built for the specific customer and the customer deals directly with the person who is fabricating it. Examples of small custom builders are Strong Frames, Kirk Frameworks, and Richard Sachs Cycles. (Strong, 2011).

In addition to types of builders, the chosen *type of frame materials* is of primary importance. Some builders are chiefly

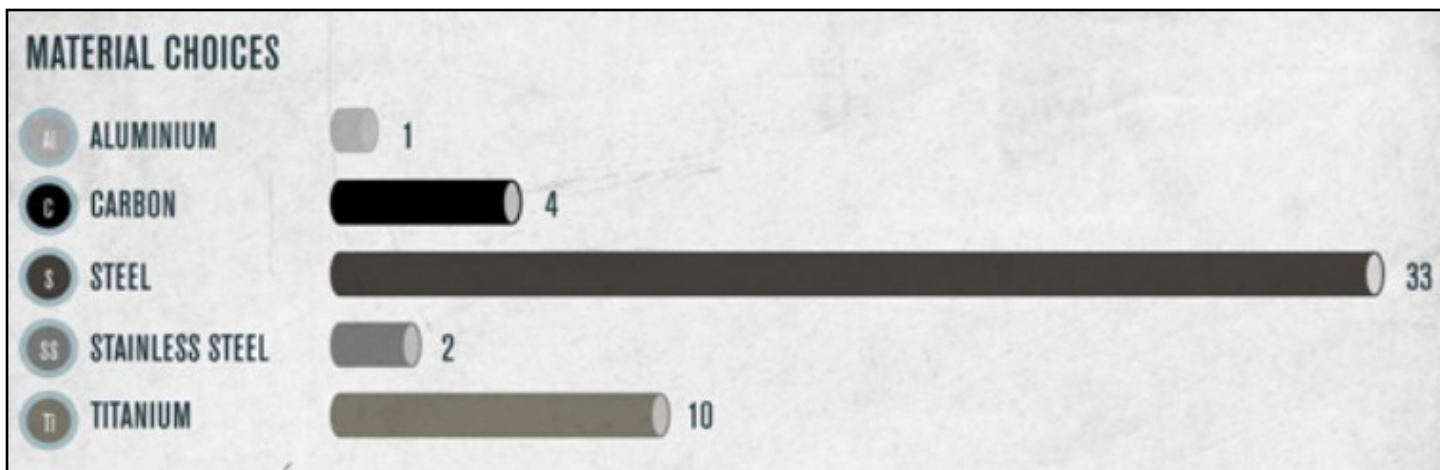


Figure 2: New England framebuilder materials

Source: NE Family Tree website.

known for either their choice of frame material and/or some specific framebuilding techniques. Figure 2, for example, shows the material of choice for all 50 of the known framebuilders in New England as of 2012.

North American Handmade Bicycle Show

Another beneficial initiative for framebuilders was the establishment in 2005 of a major annual get-together, the North American Handmade Bicycle Show (NAHBS). Simply stated, the NAHBS is the Super Bowl for framebuilding entrepreneurs. In addition to being a trade show and exhibition, it also yields a yearly awards ceremony for the best products and handcrafted bicycles. Additionally, NAHBS acts as a showcase for academic and practical seminars and presentations, many given by influential builders on their craft. Don Walker founded NAHBS and also acts as the organization’s president. NAHBS’s greatest contributions to the industry are positive public relations, marketing, dissemination of information, and organization of the annual show. The annual event is the preeminent and largest handmade bike show in the world. “Since its first year in 2005, NAHBS has grown from a show with 23 exhibitors and 700 attendees, to a highwater mark of 172 exhibitors and 7,300 attendees in 2011. The overall trend from 2005–11 has been one of steady growth at a rate of 8 to 10 percent a year” (NAHBS, 2015).

Business of Bike Building

The “craft” of framebuilding aside, the “business” end of this industry is the critical piece in determining success and profitability for each builder. Many of the most well-known builders are also adept businesspeople, with either a business degree or, at minimum, significant marketing and accounting skills.

Each frame is custom made to buyer specifications and, as such, the price for a handmade bicycle is considerably more expensive than one purchased from a big-box retailer. Handmade bicycle frames run from \$1,000 to \$3,000 on the very low end to \$8,000 to \$15,000 on the high end. The more established the brand name and builder, the higher the demand and price. Accordingly, many of the top builders have a waiting list of two to three years for custom-built bicycles. These prices normally do not include many of the things one would expect when buying a bicycle, such as a seat, handlebars, chain, and tires. Framebuilders specialize in the bicycle frame, and elite framebuilding is both an acquired and learned skill and an art (Figure 3).

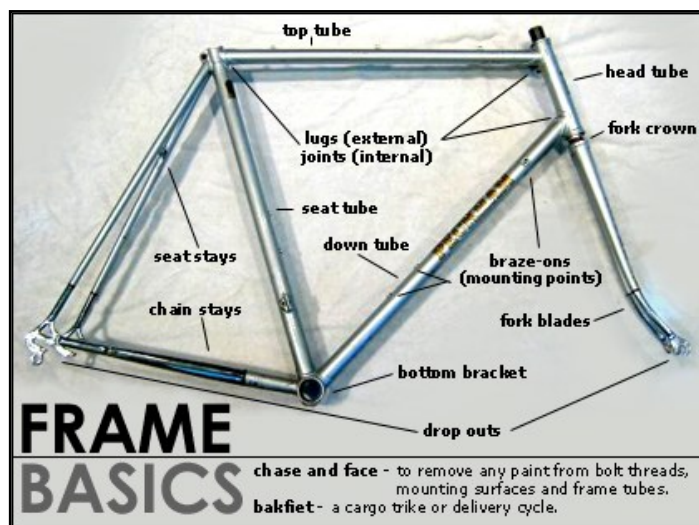


Figure 3: Basic image of a bicycle frame

Source: *Bloodline*, Angles and Poise

In “The Business of Professional Framebuilding,” Strong describes the three types of high-end framebuilding business models.

- Type I. Single Person Custom: 1–150 bikes/year
- Type II. Custom and Small Scale Production: 50–300 bikes/year
- Type III. High-end Manufacturer: 250–3,000 bikes/year

Most entry-level builders start small, as a Type I business. And, much like any successful company, focus is on the customer. The builder is selling his or her brand, not the bike, and the custom frame can represent any of the following to the buyer: Solution, Dream, Comfort, Performance, or Status. (Strong, 2011)

Bikenomics

The above short discussion of handmade, custom framebuilding entrepreneurs is but one small component in the now bustling bicycle industry, which also includes mass-produced, easily obtainable, and more affordable bikes. Significant further study should explore the following: (1) financial analysis of the handmade industry, (2) continued growth and establishment of

greater quality standards, (3) surveys and interviews with builders of all three types of business models, and (4) marketing considerations based on previously collected data.

Bikes and the Economy

Blue's (2013) book, *Bikenomics: How Bicycling Can Save the Economy*, states, "...bicycling is the only form of transportation that doesn't just break even, but brings wealth into the community. Bike infrastructure was once seen as a boondoggle; now it's absolutely necessary" (Harris, 2014). Blue also discusses bike equity and access, and how bicycling presents society with a unique opportunity for change, especially in the areas of racial stereotypes and discrimination (Blue, 2013).

Growth of the Velodrome

Dozens of attempts have been made in various parts of the United States to conceive, fund, and build the next great velodrome—a track for cycle racing. Up until about 100 years ago, indoor velodromes were commonplace, yet most now in existence are outdoors. Efforts continue to build indoor ones on par with some of the world's most famous velodromes in Australia and England. Funding and public support are the biggest stumbling blocks to the greenlighting of new construction for single-use indoor velodromes, while multipurpose facilities that include racing tracks can already be found in many states.

Banked cycling racetracks made of wood or poured concrete were once at the center of the American sporting life. Through the 1920s, track cyclists were among the highest paid athletes in the country, and Madison Square Garden (which was originally built to host cycling) drew crowds that exceeded or rivaled any other sporting event... The sport of track racing is, as one Kenosha, Wisconsin, velodrome regular lamented to an NPR reporter in 2012, "the fringe sport of a fringe sport." (Balf, 2013)

Rails to Trails Movement

A third societal shift that has taken flight, due partially to positive economic ramifications, is the Rails to Trails movement. Rails to Trails makes sense as pro-bike investors purchase defunct railroad systems cheaply and then develop them into trails and paths for bikers and runners. This is increasingly popular as it fulfills several objectives, including beautification of the natural world; opportunities for healthy, outdoor activities; creation of tourist destinations for smaller, more remote locations—oftentimes in long-forgotten, old industrial towns that were once a stop on the railway circuit; and creation of ancillary entrepreneurial ventures for enterprising individuals.

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New England Journal of Entrepreneurship

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Sacred Heart University

5151 Park Avenue

Fairfield, Connecticut 06825-1000

Spring 2014

Volume 17 Number 1

New England Journal of Entrepreneurship