Managerial Auditing Journal

Accountability and the Internet
Guest Editors: David Crowther and Lez Rayman-Bacchus

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Abstracts & keywords

Social audit and accountability in IT management

Branka Mraović

A characteristic of the electronically operated global capitalism is that it is structured with the help of information networks integrating capital interests at the global level. The environment in which the selfness realises itself in the informational society is the global networks and computer communications, creating a wide range of virtual communities imposing a new type of logic – the network logic. In the new network landscape, information technologies, including the Internet, provide a technical support for a greater justice and equality on the virtual highways, thus affirming the voice of an individual. In this way, Foucault's thesis that power relations are rooted into the entire network of society comes into realization. Corporate behaviour is in line with the dominant social norms, values and expectations, but at the same time it can be significantly modified by social pressures and changes. The same goes for the ways in which information technologies are implemented within organisations, which means that a continual evaluation of IT management programmes is needed, not only from the point of view of its technical effectiveness but also from the point of social audit and accountability in management.

Contextualising corporate governance

Lez Rayman-Bacchus

Corporate governance systems aim to supervise and guide corporate behaviour. Information and communication technologies and in particular the Internet are providing unprecedented scope for innovative behaviour, both undesirable and useful, and as means for greater scrutiny and control. There are calls to reform the governance system, to make it more sensitive to what is seen as the primary purpose of the enterprise, that is the pursuit of economic prosperity through innovation. Moreover, any reform needs to develop a sensitivity to the social context of corporations, since this is the locus of attitudes, strategy practices and innovative capacity. Through exploiting ideas from cultural theory this paper proposes that corporations exhibit a limited but discernible number of ways of life or social realities, and these realities give meaning to the system of governance in use.

Strategy, accountability, e-commerce and the consumer

Ruth Murphy and Margaret Bruce

Whilst increasing numbers of firms have launched themselves on the Internet, evidence suggests that they are doing this without any consideration of the strategic implications of developing, implementing or running a Web site. Adopting a strategic perspective, the aim of this paper is to critically examine the potential growth opportunities of on-line retailers together with identification of consumer value a Web site may offer. In being accountable to their shareholders, these firms' efforts must make a profit. For those wishing to recoup their investments in a short time frame, it seems that putting funds into e-commerce firms is not recommended. Rather e-commerce is for long term play.

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A critical appraisal of customer satisfaction and e-commerce

Chia Chi Lin

Keywords Consumer behaviour, Marketing, Electronic commerce, Customer satisfaction

In this paper electronic commerce (e-commerce) is examined in the context of the relationship between firms and their customers and the implications for organisational accountability. The technology of e-commerce determines what can be offered to customers, but only customers determine which of those technologies will be accepted. The author argues that providing the highest customer delivered value by e-commerce can be viewed as making a real contribution to customers, i.e. shopping through the Internet will be accepted by customers. Customer satisfaction is of critical importance when measuring perceived customer delivered value that is offered by e-commerce. Three main scales which play a significant role in influencing customer satisfaction are customer need, customer value and customer cost.

E-CRM: customer relationship marketing in the hotel industry

Diana Luck and Geoff Lancaster

Keywords Relationship marketing, Electronic commerce, Hotels

Explores the degree to which UK based hotel groups had exploited the medium of electronic customer relationship marketing (E-CRM). Research is incorporated that investigated their use of the Internet to verify whether customer relationship marketing was being implemented within online operations or whether their Internet presence merely revolved around the basic functions of ''providing information'' and ''hotel reservations''. The findings and subsequent discussion showed that on the Internet, hotel groups used their relationship with customers to provide rather than gather information. The majority of the hotel groups had only embraced a few elements of E-CRM and even indicated that they had no intention of being led online by the concept. Although the findings of the questionnaire indicated that hotel groups were generally aware of the potential of Web technologies and strategies, they also showed that companies were not putting this knowledge into practice when it came to implementing E-CRM. Primary research concluded that hotel groups based in the UK were failing to take advantage of the many opportunities identified through the secondary research.

Stakeholder communication and the Internet in UK electricity companies

Stuart Martin Cooper

Keywords Stakeholders, Internet, Electricity industry, Accountability, Information management

This paper is located within the corporate social reporting and stakeholder management literature. It is concerned with the use of the Internet as a way of communicating with stakeholders and the extent to which this communication is, or is not, two-way. The evidence from the electricity industry in the UK is that the Internet is used, but this use is selective and there is little true dialogue. It appears that the Internet provides an opportunity for greater corporate accountability in the future, but whether this potential will be fulfilled is as yet unclear. Further research of a longitudinal nature is required to see how the Internet and more specifically corporate social, or stakeholder, reporting develops over time.

Audit and control of the use of the Internet for learning and teaching: issues for stakeholders in higher education

Martin John Broad, Marian Matthews and Kerry Shephard

Keywords Audit, Control, Learning, Internet

The Internet is becoming more widely used by academic institutions to support the learning and teaching activities of students and academic staff. Whilst this is a very efficient mechanism, it is, arguably, important that there are adequate controls in place to ensure that the information is not libellous, defamatory, inaccurate, illegal or inappropriate. The interactivity of the Internet, the immediacy of access to its contents and the public accessibility to much of its information, however, do provide a different operating environment and therefore different audit and control issues arise. This paper discusses the roles and concerns of a range of stakeholders and suggests that the control mechanisms might be failing, or might not be adequately policed in practice. A number of examples are provided where the manner in which controls are put in place do not operate effectively, or where there may be control loops that are open-ended. For each of the stakeholder groups that are identified, an account is given of the use to which the Internet is put and where regulation currently exists or may be desirable.

Strategizing networks of power and influence: the Internet and the struggle over contested space

Steve Conway, Ian Combe and David Crowther

Keywords Internet, Globalization, Localization, Postmodernism, Empowerment

Whilst some authors have portrayed the Internet as a powerful tool for business and political institutions, others have highlighted the potential of this technology for those vying to constrain or counter-balance the power of organizations, through e-collectivism and on-line action. What appears to be emerging is a contested space that has the potential to simultaneously enhance the power of organizations, whilst also acting as an enabling technology for the empowerment of grass-root networks. In this struggle, organizations are fighting for the retention of "old economy" positions, as well as the development of "new economy" power-bases. In realizing these positions, organizations and institutions are strategizing and manoeuvering in order to shape on-line networks and communications. For example, the on-line activities of individuals can be contained through various technological means, such as surveillance, and the structuring of the virtual world through the use of portals and "walled gardens". However, loose groupings of individuals are also strategizing to ensure there is a liberation of their communication paths and practices, and to maintain the potential for mobilization within and across traditional boundaries. In this article, the unique nature and potential of the Internet are evaluated, and the struggle over this contested virtual space is explored.

Guest editorial

Issues affecting accountability and the Internet

It would not be an exaggeration to claim that the Internet is now ubiquitous, playing a substantial role in both our personal and professional lives. IT industry observers and practitioners alike regard the emergence of the Internet as having the same influence on society today as the development of electricity had on our forefathers a century ago. Indeed some would go further, seeing the Internet as the most fundamental technological development in human history, revolutionising the way we work, play and learn – the differing thrusts of the articles in this special issue go some way toward reflecting this diversity. There is clear evidence to support the claim that the Internet is having a profound impact on the way we do business. For example, according to a new study by the University of Texas' Center for Research in Electronic Commerce, "Internet economy forces are transforming traditional companies and jobs" to the extent that this technology is helping generate 70 per cent of the new jobs in the US economy (Internet Indicators, 2002). Moreover, these jobs are traditional non-IT jobs across all sectors. One sector, Internet based tourism services, more than doubled from $4.2 billion in 1999 to $8.7 billion one year later. Latest estimates of the growth of the US Internet economy show $830 billion in revenues in 2000, a 58 per cent growth over 1999 (Internet Indicators, 2002). These macro statistics show the scale of adoption of Internet technology and the blistering pace of that adoption.

A cursory examination of some of the social and organisational processes reflected by these statistics gives a sense of the degree to which this technology is being enrolled by corporations to transform organisational communication and reporting mechanisms. Two examples will suffice. First, within a decade e-mail and the Web site have replaced the traditional typed memo and displaced the laboriously produced corporate report. The first has enabled instantaneous – and at times real-time – communication with all stakeholders, while the second has made possible the provision of public and constantly updated information about corporate activities, both historical and anticipatory. Second, earlier investments made by corporations in PC and enterprise resource management systems sought to automate administrative and accounting processes. These investments have largely been inward looking, concentrating on increasing the efficiency of business processes. The exploitation of the Internet has built on these gains, transforming communication and transaction processes with external stakeholders. In addition to raising internal efficiencies, the Internet has enabled similar and additional benefits to be exploited in developing relations with suppliers, customers and investors alike. Indeed, stakeholders expect corporations to have a Web site, as a mark of legitimacy. While these two examples highlight the transformational nature of the Internet, they also suggest two concerns that have a bearing on the content of what corporations report and on how they report their activities. These two issues are information asymmetry and variation in institutional frameworks across the globe.

The World Wide Web (WWW) is characterised as being a repository of an overwhelming amount of information, not just within individual Web sites but also across the millions of pages that constitute the Web; an on-going proliferation facilitated by the low cost of access to the Internet. Not surprisingly therefore, a major benefit of the Web to any proactive stakeholder is that fast and relatively free access to this vast resource reduces the cost of gathering information (Larsson and Lundberg, 1998). Information that is dynamic, being regularly updated as on-line information can be, seems more likely to be respected by visitors than poorly and infrequently updated Web sites. However, organisations and individuals alike commonly exploit the medium's flexibility by posting material in such a way that it is often difficult to distinguish between promotion and information. More generally, the Web site is simply an additional medium that the corporation enlists in managing information exchanges with its public. Ackerlof's (1970) pre-Internet observation remains valid that there is a gap between what the corporation knows about its products and what customers are told. More critically, the stakeholders, be they investor or potential customer, cannot evaluate the quality and reliability of on-line information, thereby undermining their willingness to execute on-line transactions (Oxley and Yeung, 2001), and more broadly compromising their ability to judge the

credibility of corporate claims and expectations. This asymmetrical distribution of information between corporation and stakeholder reflects its political value.

Variation in both the technological infrastructure and institutional frameworks across the globe mean that the exploitation of Internet technology is not even (Oxley and Yeung, 2001), and therefore issues of accountability will vary significantly. The developed economies, in particular the USA, far outstrip developing economies in their engagement with the technology. The existence or otherwise of supportive institutional frameworks have an important part to play, first in supporting the engagement of the technology by corporations, and second in the ways in which that engagement unfolds. Of particular relevance to issues of accountability is the existence of differentiated legal and ethical frameworks around the globe. We have seen for example that Internet service providers are treated differently in the USA and Europe. In the USA they are not liable for defamatory material generated by a user, while in the UK they can expect to be found liable. Also data protection legislation within the European Union prohibits corporations sharing customer information with their USA operations, where such protection does not exist.

These concerns are inherent to relations between corporations and their stakeholders and between corporations and the state. They do not show up on any financial statement and leave no audit trail. Traditionally the accountability of companies to their stakeholders has been recognised only to a limited extent, with a chief concern being expressed for accountability to shareholders as owners of the business. One of the principal mechanisms for ensuring that accountability has been through the mechanism of audit but even this audit of the activities of an organisation has tended to be an activity of relatively little importance in the life of the organisation. Such auditing has tended to be mostly in financial terms, on the basis that it was only shareholders as the legal owners of the business who mattered to the managers (in accordance with agency theory), and carried out in arrears (Crowther, 2000). Indeed for most stakeholders to an organisation the only mechanism for that audit was the annual report of the organisation, which was published some period of time after the activity it recorded had taken place. Thus auditing, like accounting, was an activity which happened after the action had taken place and merely provided confirmation that

this action was acceptable. Thus very often in the past such an audit was a token verification which at the same time, provided a validation of the efforts of the management of the firm. In this respect auditing serves both a legitimating purpose for managerial activity and a focus upon that activity.

More recently the activity of firms, and hence of their managers, has become of concern to a wider range of stakeholders to the firm, particularly with respect to the social and environmental effects of that activity. In this way the auditing of the activities of a firm has been extended both in terms of the scope of these activities and in terms of the number of stakeholders demanding accountability from the firm and its managers for their activity. Thus auditing has been considerably extended in its scope and accountability has become more prominent. The development of the Internet, and the increasing access to it by individuals, has the potential of increasing the extent of accountability of a firm, has provided individuals with increasing power to make their respective voices heard, and has made auditing a current activity rather than an examination of the past. Indeed auditing has become a means whereby the various stakeholders to the organisation can influence, or at least comment upon, the activities of the organisation (Crowther, 2002). Thus auditing has changed not just in scope, nor in range of stakeholders involved but also in its temporal immediacy. In doing so it has affected the way in which managers can make use of information, and justify any decisions made therefrom.

The advent of the WWW has enabled other stakeholders to an organisation to participate in the running of that organisation through their ability to undertake immediate on-line auditing of the activities of the organisation and to communicate their opinions to the managers of the organisation. At the same time organisations have supplemented the published, paper-based reporting of activities and resultant performance with on-line reporting. Such reporting is different from the annual report in that more detail is provided concerning performance, with much more non-financial data being provided. This has been done by organisations as part of the governance procedures to make their activities more transparent and therefore the organisation more accountable. More significantly however such reporting is readily available to anyone who cares to look and is provided more immediately than the retrospective annual report. This has the potential of

opening up the discourse of corporate accountability to a much wider range of stakeholders and to facilitate a demand for accountability in a time frame which enables future actions of the organisation to be more readily affected by those stakeholders. More specifically it potentially holds the managers of an organisation more directly accountable for the actions of the organisation.

The increasing availability of access to the Internet has been widely discussed and its effects suggested, upon both corporations and upon individual members of society (Rushkoff, 1997). For corporations much has been promulgated concerning the opportunities presented through the ability to reach a global audience and to engage in electronic retailing; much less has been said about the effects of the change in accountability provided by this medium. Much of what has been said is based upon an expectation that the Internet and the WWW will have a beneficial impact upon the way in which society operates (see for example Holmes and Grieco, 1999). Thus Sobchack (1996) argues that this technology will be more liberating, participatory and interactive than previous cultural forms while Axford (1995) argues that it will lead to increasing globalisation of politics, culture and social systems. Much of this discourse is concerned at a societal level with the effects of Internet technology upon society, and only by implication, upon individuals within society. It is however only at the level of the individual that these changes can take place. Indeed access to the Internet, and the ability to communicate via this technology to other individuals, without regard to time and place, can be considered to be a revolutionary redistribution of power (Russell, 1975). Moreover the disciplinary practices of society (Foucault, 1977) breakdown when the Internet is used because of the lack of spatial contiguity between communicants (see Carter and Grieco (1999) regarding the emerging electronic ontologies) and because of the effective anonymity of the communication which prevents the normalising surveillance mechanisms of society (Clegg, 1989) to intercede in that communication. Thus the Internet provides a space for resistance to foment (Robins, 1995).

Of particular interest however from the viewpoint of this issue is the way in which access to the technology to use the Internet can redefine the corporate landscape and change the power relationship between large corporations and individuals. In this respect the changes in these power relationships can be profound and even revolutionary. The technology provides a potential challenge to legitimacy and can give individuals the ability to confront large corporations and to have their voice heard with equal volume within the discourse facilitated by cyberspace. Much of the discourse surrounding this changed accountability has a positive note to it, expecting the changes to benefit stakeholders generally. Dissenting voices are much less prominent.

It is the aim of this issue to question this optimism and provide evidence towards a more balanced view of accountability in the electronic age. With this in mind, the following papers are presented in this special edition, bringing together academics to share their research and ideas on this important issue. The aim is to present a set of papers which reflects some of the current thinking concerning corporate accountability in the electronic era. The backgrounds and interests of all of those who have contributed to this special edition span various disciplines. Furthermore the papers offer both theoretical approaches as well as empirical investigations. It is hoped therefore that a combination of all of these contributions will improve and reinforce the exchange and discussion of research ideas between the different disciplines, and seek to enable a more balanced consideration of the effects of the Internet upon corporate accountability to take place.

And so to the papers. In the first paper in this issue Rayman-Bacchus considers the effect of the Internet upon corporate governance. He uses ideas from cultural theory and shows that corporations construct their social realities based upon a variety of factors including their heritage. From this he argues that any attempt to reform systems of corporate governance to make them more responsive to the various purposes of a corporation must take into account a sensitivity to the social context in which any corporation operates. He therefore sees little change resulting from the increased openness to accountability to the wider stakeholder community which arises from the scope of the Internet. Cooper however is slightly less pessimistic but argues that more time is needed to ascertain the effects of the Internet upon corporate accountability. He uses evidence from the UK electricity industry to investigate the use of the Internet as a mechanism for dialogue between companies and their stakeholders. He recognises the potential for such dialogue but shows that there is little evidence of any dialogue and that companies use it mainly to make information available. Thus he argues that more information about corporate activity is more speedily available to more

stakeholders than previously but that little else has yet changed.

Murphy and Bruce consider the uses of the Internet from a very different perspective. Their concern is with accountability to shareholders alone and they consider the trend for all companies to need to establish an Internet presence and to evaluate the potential for on-line retailing. Adopting a strategic perspective, the paper critically examines the potential growth opportunities of on-line retailers together with identification of consumer value a Web site may offer. They argue that many companies have developed a Web presence without any consideration of the strategic implication of doing so and that any benefits which might accrue will only materialise in the long term, rather than in the short term as expected by many such companies.

Broad *et al.* are concerned with the accuracy and reliability of information present on the Internet, recognising the possibility for "libellous, defamatory, inaccurate, illegal or inappropriate" information to be present without any means of control. They equally recognise that the interactivity of the Internet allows immediate access to anyone who presents a different operating environment who raises issues of audit and control. They use the role of the Internet in the learning and teaching activities of academic institutions to consider a wide range of stakeholder groups which are affected and to consider where regulation currently exists or may be desirable.

In the final paper of this issue Combe *et al.* recognise that the Internet provides a contested space that has the potential to simultaneously enhance the power of organisations, whilst also acting as an enabling technology for the empowerment of grass-root networks. Starting from this position the authors evaluate the unique nature and potential of the Internet, and explore the struggle over this contested virtual space. They accept that the Internet provides a facility to give a voice to people who would otherwise find difficulty in obtaining that voice and that, as far as the technology is concerned, that voice is equal to all other voices. Their argument, using a range of examples, however is that the liberating and vocalising power of the Internet, which is extolled by some authors, is actually subject to many invisible and insidious controls. These controls can have the effect of maintaining the prevailing hegemonic interests by control masquerading as freedom.

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Social audit and accountability in IT management

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Abstract
A characteristic of the electronically operated global capitalism is that it is structured with the help of information networks integrating capital interests at the global level. The environment in which the selfness realises itself in the informational society is the global networks and computer communications, creating a wide range of virtual communities imposing a new type of logic – the network logic. In the new network landscape, information technologies, including the Internet, provide a technical support for a greater justice and equality on the virtual highways, thus affirming the voice of an individual. In this way, Foucault's thesis that power relations are rooted into the entire network of society comes into realization. Corporate behaviour is in line with the dominant social norms, values and expectations, but at the same time it can be significantly modified by social pressures and changes. The same goes for the ways in which information technologies are implemented within organisations, which means that a continual evaluation of IT management programmes is needed, not only from the point of view of its technical effectiveness but also from the point of social audit and accountability in management.

Prologue

The main difficulty of the Modern Age man comes from the fact that he is socialized in such a way as to see obedience to authority as virtue. In this paper, we use information technologies as a material in which we explore the reasons of those who have had the courage, no matter how painful this may have been, to say no to the unacceptable. However, this *no* is not fatalist nor anarchic, destructive. Thanks to the Internet, theory has finally got a necessary weapon for struggle for a better world.

Introduction

Information technologies spread quickly and permeate all areas of human endeavour; because of their universal character, they can be potentially applied in all the industrial countries having the needed level of education and qualifications among their population (British Information Society Ltd, 1990). As the changes of the information technologies affect the overall changes in society, it follows that these technologies should be the subject of general interest.

Information technology strategy is a crucial part of the overall managerial strategy and should not be considered optional. However, information technologies are implicitly understood as a factor having an important, yet supporting and subordinate role, as they are limited by the boundaries set up by market and business strategies. Also, factors such as political, social and strategic choices significantly differ among countries, considering the ways in which they respond to the developments in these information technologies. A productive use of strategic potentials of information technologies is a principal condition for the penetration of the technologies into national and international markets, which should be followed by a synchronised action of the major decision makers on the scene. These include governments, industries, corporations, research and development, trade unions and education systems.

Computer networks are not mere technical facts, but social catalysts in the first place, which significantly affect human relationships, especially when it comes to economic relations and power relations that we find in the organisational culture of the global age. Hence power struggles in IT environments do not arise from economic development only, but also from opportunities to access communication channels. The new system of wealth production comprises the global networks made of markets, banks, government agencies, industrial centres and research institutes, which, due to information technologies, are able to have prompt communication with one another, exchanging data, information and knowledge (Arnold, 1991; Dosi, 1984; Elliot and Starkings, 1988; Gates and Hemingway, 2000; Rivlin, 1999).

It should not be overlooked, though, that the network society is a capital society, as Castells (2000) reminds. However, the social relations between labour and capital have radically been transformed. At its core, capital is global. Networks converge towards a "meta-network" of capital, integrating capital interests on the global level. By contrast, although there is a unity of labour process within the complex global networks, labour is, in principle, local, disaggregated in its performance, individulaized in its capacities, fragmentised in its organisation, diversified in its existence, and divided in its collective action. In this way labour and

capital increasingly tend to exist in different spaces and times, because the global capital is no longer dependent on specific labour, but is ever increasingly dependent on accumulated generic labour led by virtual global networks. Hence, a characteristic of the new type of society, Castells argues, is a pre-dominance of social morphology over social action. Also, for the majority of people, the network society is represented as a "meta-social disorder".

Accounting and social evaluation of corporate performance

Today's managers are faced with new values closely related to changes in the business world, and to employees' demands for greater individual rights. There is no doubt that increasing global competition and changing social expectations, coming out of the crises and slumps which can be experienced in capitalism, call for new managerial responses. Current tendencies in the evolution of social values point to an ever increasing public demands for managerial decisions to be a reflection of both ethical and high performance standards:

> Today's managers, and those of tomorrow, must accept personal responsibility for doing "right" things. Broad social and moral criteria must be used to examine the interests of multiple stakeholders in a dynamic and complex environment. Decisions must always be made and problems solved with ethical considerations standing side by side with high performance objectives, be they individual, group or organizational (Schermerhorn, 1996, p. 119).

Organisational accountability for ethical and social performance, as well as for economic performance, implies inherently new parameteres for measuring its effectivness, including economic, legal, ethical, and discretionary performance criteria.

Although it is not questionable that the major power in the organisation lies in the hands of managers, the context in which control takes place requires an open system, which means that legislatory and regulatory requirements from the external environment, as well as the organisation's interactions with its environment, should be considered. In this way systems of control become agents of social change (Tinker, 1985, 1997; Munro, 1998; Vives, 2000). In this context, corporate reporting becomes a crucial issue, as it can be seen then to whom organisations are accountable, and who has authority to evaluate their performance (Crowther, 2002). Accountancy has a central

site in the organisation as part of the control as well as evaluation system. If we look at the publications of annual reports by organisations in the past, we can see that their primary function was to inform shareholders, as the legal owners of the business, while today a corporate publication emphasizes the managers' actions related to the company's future and its desirable form, taking into consideration a wide range of stakeholders as well. These changes are brought about, as some authors (e.g. McDonald and Puxty, 1979, cited in Crowther, 2002) think, because companies are not mere instruments of shareholders, but their accountability towards a wider social community comes from the fact that they are part of that community. Others hold that the information architecture of reporting changes under the influence of pressure groups (e.g. Lee and Parker, 1979; Aryana, 1979, both cited in Crowther, 2002). This opens up the issue of the criteria for measuring business performance, and it is possible that different evaluations will appear, implying different uses of accountancy in the process of measuring. Therefore it is evident that what is thought to be the concept of good performance depends on the points of view taken by the distinctive stakeholders' groups. This, however, opens up the debate about the presentation of accountancy data, use of language and the control of accounting discourse. For Morgan (1988, cited in Crowther, 2002), accountancy is an "interpretative art", while Puxty and Tinker (1994) point out the need for policing accounting knowledge to recognise the material nature of language. Language is not a mere communication device, but is a central constituent of the communication world. Hence the control of the signifier through the socialized gatekeeper is in essence a control of the material world. Control over the process of production of knowledge is not only a control over communication media, but also over the materiality of the accounting knowledge itself. The way in which language is used in accounting journals, whether it presents or misrepresents the material world, becomes an ideological means which supports capital, as well as a means of censoring "dangerous minds". This is the way in which the academic community manipulates a certain "thing", and not with the description of the thing:

> The key point here is that what appears at first to be merely an ideological state process becomes, in its operation, part of a repressive state process (Puxty and Tinker, 1994, p. 258).

Since discourse constitutes the central form of academic life, to control scientific discourse is the same as to control scientific life itself.

The same pattern of ideological formations in handling accountancy, or any other data, can be applied in corporate practice as well. Considering the fact that managers perform their working tasks at the critical crossroads, between people and organisations, as well as between organisations and their environments, their work should continually be subjected to the public's evaluation. Hence, accountability in management is:

> The process of making top corporate leaders responsible for their actions, goals and so on, utilizing available objective measures (Rosenberg, 1993, p. 4).

The positive element coming out of these processes is a new social context in which the public expects business and other organisations to incorporate social accountability into their action. This means that the boundary between ethical and legal behaviour is further moved so that the organisation fulfils its ethical responsibility not only through its legally appropriate actions, but also through wider values and moral expectations set by society. As the manager's job description is to evaluate other people's work, he or she is also a person who assesses whether we benefit from our institutions or whether they waste our talents (Schermerhorn, 1996).

At the organisational level, "social audit" becomes a key concept, which can be defined as:

> ... an identification and evaluation of organizational activities that are believed to have a positive social impact (Rosenberg, 1993, p. 313).

Organisations act in an environmental context made of legal requirements, competitors, and social norms and values. The differences in cultural context, as well as in the economic, industrial, political and legal environment in which corporations work, significantly determines the profile of the strategy chosen for their social responsibility. Organisations differ in the levels of accepting their social responsibilty, depending on whether managerial responsibility is taken only in the sense of running the company to increase profit, or whether the interests of all those involved in the operation of the company are taken into consideration. When viewed as a continuum, at one end of it then there are companies which obstruct social accountability, while at the other end are those which endeavour to improve human rights. Schermerhorn emphasizes four distinctive strategies of corporate social responsibility:

1 obstructionist strategy ("fight the social demands"), when the company avoids social responsibility in the name of economic priorities;
2 defensive strategy ("do the minimum legally required"), when the company takes that it meets legal obligations if its work is not against the law;
3 accomodative strategy ("do the minimum ethically required"), when the company accepts its social responsibility, acting responsibly towards social community;
4 proactive strategy ("take leadership in social initiative"), when corporate behaviour is preventive in actions so as to avoid damaging social consequences which could be brought about by the company's operation (Schermerhorn, 1996, pp. 117-18).

Experience shows that corporate behaviour is normally in accordance with dominant social norms, values and expectations, but also with social pressures and changes. Hence the voice of the public becomes a decisive factor.

Power as essential component of accountability

Conceptualising power

A definition of power should meet the following criteria:

1 coherence of theory;
2 its application in empirical data; and
3 measurability of its conclusions in theory and practical action (Abercrombie *et al.*, 1984).

Yet it is here where the difficulties arise. There are many definitions of power, and the concept as such is confusing. The main dilemmas are concerned with the issue of whether power should be taken intentionally or structurally, or whether it is perhaps more productive to combine the two approaches (White, 1972; Tannenbaum, 1968; Dahl, 1968; Pfeffer, 1981; Fligstein, 1987; Perrow, 1972; Zald, 1969, 1970; Chandler, 1962, 1977; Rumelt, 1974). According to Philip (1985), it is possible to identify three major sources of dispute. First, different disciplines in the social sciences focus on different sources of power (wealth, status, knowledge, authority). Second, there are various forms of power (influence, coercion, control). Third, there are various uses of power (individual or

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collective goals, political or economic goals). Consequently, different aspects of the concept have been emphasized, depending on theoretical and practical interests.

Also, authors differ in their views on whether power has value connotations. For example, McLachalan (1981) holds that there is no formal-logical relationship between the concept of power and the system of values. On the contrary, when we say that a person uses power in any way, we do not necessarily express the moral values of the person. Unlike McLachalan, Lukes (1974) argues that the very definition of power, as well as any of its uses, is inevitably related to given value orientations determining the range of its applications. Furthermore, Connolly (1974) says, competition in defining the meanings and interpretations of the concept of power belong to the sphere of political action, which means that the differences in the judgments of what the phenomenon of power is are inevitably based on values.

Power, the self and resistance

We believe that struggles for power in IT environments can be fruitfully analysed with the help of Foucault's conceptual framework, as it includes productive reactions of the individual, and this in the first place in the sense of resistance against things existing. Therefore, we shall, for the purpose of this paper, borrow some of his ideas (Foucault, 1980, 2001). One of the key issues of Foucault's philosophy is certainly the way in which individuals, as thinking beings, constitute their identity. On one hand, we constitute ourselves indirectly, through excluding others, such as the sick, the insane, the criminals, etc., while on the other hand, we do it directly through certain ethical procedures of the self, developed over the centuries of thinking and practice in the Western world. In the basis of Foucault's political technology of individuals are the issues of "technologies of the self" belonging to the eighteenth century: what are we in our actuality? In which way are we forced to recognize ourselves as society, as part of a social entity (Foucault, 2001, pp. 403-17)?

Following the philosophical tradition, Foucault postulates a contra-thesis and a contra-question: perhaps the goal of today's world is not to reveal what we are but rather to reject what we are. Hence, it seems that the political, ethical, social and philosophical goal of the present times would be to try to free the individual from his "double bind" related to his simultaneous individualization and totalitarisation of modern power structures. This is, Foucault argues, only

made possible through a continual improvement of the new forms of subjectivity by rejecting the type of individuality imposed on us over the past centuries.

The fact that political structures are made of big destructive mechanisms and institutions that take care of the life of the individual is one of the central antinomies of our political rationality. What Foucault is interested in is techniques and procedures that give a concrete form to the new political rationality, and to the new kind of relationships between social entity and the individual. Unlike the ancient *polis*, in which the individual was integrated into social entity through the form of ethical community, in the modern state the integration is achieved through the form of government of people, which is characterised by that the individual exists in so far as he can be of benefit to the state. In other words, man exists only if he can be used for a purpose. This is because the modern state is a form of political power which is based only on the interests of totality or a certain social class. Yet as Foucault points out, the modern state is a distinctive form of power, individualized and totalitarian at the same time. The form implies the knowledge of consciousness and the ability to guide consciousness, and is related to the production of the individual's truth as well. However, the issue is not that the state is an entity above the individual, but the issue is more about a structure which can integrate individuals, provided their individuality is modified into a new form and subjected to a range of specific patterns. A main characteristic of modern rationality is the fact that the integration of the individual into community or totality is a continual process of interdependence between the growing individualization and the growing influence of totality, which in turn brings about the antinomy between law and order.

What becomes the primary goal of philosophy after the development of the modern state and political management is to keep watch over the excessive display of power of political rationality (Foucault, 2001, pp. 326-48). Unlike some authors of the Frankfurt School, Foucault is not concerned with the phenomenon of "rationalization", which is specific of the modern culture of our age, and dates back to the enlightenment era. Instead, he analyses specific rationalities of power relations through anatagonism of strategies used, as he believes that this approach implies a closer relation between theory and praxis. The approach is concerned with the resistance to various power forms, whereby the main aim of the

struggles is not to attack a particular institution or social group, but rather a technique, or form of power in action. These are the struggles against the "government of individualization" which connects the individual with his identity in a limited way. What is common to the struggles is:

- that they are "transversal" ones, that is, they are not limited to one country, or one political or economic form of government;
- the struggles are aimed at the effects of power as such;
- they are direct, that is, are aimed at the nearest, and not the ultimate, instances of power;
- they assert the right to diversity;
- they are against privileges of knowledge, secrecy, deformations and mystifying representations imposed on individuals; and
- they reject abstractions of economic and ideological violence that ignore the individuality of human beings.

Historically, three forms of social struggles, be it separate or interconnected, could be distinguished:

1. against domination forms (ethnic, social and religious);
2. against economic exploitation; and
3. against the submission of subjectivity.

The form power used in an immediate, everyday life, is the form which transforms individuals into subjects.

> There are two meanings of the word "subject": subject to someone else by control and dependence, and tied to his own identity by a conscience or self-knowledge. Both meanings suggest a form of power that subjugates and makes subject to (Foucault, 2001, p. 331).

The concept of power, therefore, Foucault views as a set of actions that will encourage other actions and follow one another. Power relations are rooted in the entire social network, which means that they cannot be reduced to one primary and basic principle. In this way, an opportunity opens up to have impact on others, but also to define various forms of power. Considering the fact that power exists insofar as it is exerted over other human beings, that is, when it is put into action, Foucault is not interested in the power itself, but the subject of his analyses is power relationships in all their multiplicity of connections and interactions. Power relations can be achived if two basic assumptions are met:

1. if the other, upon whom power is exerted, is recognized as an acting subject; and

2. power relationships include in themselves a range of responses, reactions, results and inventions.

> Perhaps the equivocal nature of the term "conduct" is one of the best aids for coming to terms with the specificity of power relations. To "conduct" is at the same time to "lead" others (according to mechanisms of coercion that are, to varying degrees, strict) and a way of behaving within a more or less open field of possibilities. The exercise of power is a "conduct of conducts" and a management of possibilities. Basically, power is less a confrontation between two adversaries or their mutual engagement than a question of "government" (Foucault 2001, p. 341).

However, government in this sense relates not only to the forms of political and economic subjection, but also to forms of action. To govern, in this sense, means to build up a potential field for action for others. In the game, freedom occurs as a major precondition for exerting power, which in itself involves the recalcitrance of the will. Without the right, Foucault underlines, power would be an equivalent for physical determination:

> For, if it is true that at the heart of power relations and as a permanent condition of their existence there is an insubordination and a certain essential obstinacy on the part of the principles of freedom, than there is no relationship of power without the means of escape or possible flight. Every power relationship, implies, at least in potentia, a strategy of struggle, in which the two forces are not superimposed, do not lose their specific nature, or do not finally become confused. Each constiues for the other a kind of permanent limit, a point of possible reversal (Foucault, 2001, p. 346).

Social networks in the IT landscape

The environment in which the self realizes itself in the informational society consists of global networks of instrumentality and computer based communication that create a wide range of virtual communities, imposing in the process a new type of logic – the network logic of its basic structure. The concept "informational society" is much wider than the concept of "network society", though the dominant social functions and processes in it are organised along the networks. Castells (2000) makes an analytical distinction between the concept of "information society" and "informational society". The former represents a type of society in which information has a function to communicate knowledge, and as such, it constitutes the cultural history of mankind,

and the latter represents a distinctive form of social organisation in which data production, processing and transmission are major sources of wealth and power.

For Castells, the pre-eminence of identity represents an organising principle of the early stage of informational societies, while Tourraine (1994, cited in Castells, 2000) claims that in post-industrial society it is the defence of the subject, his personality and culture, against the logic of apparatuses and market, that replaces the idea of class struggle. Information systems and networking increase human potential for organisation and integration in that they link nodal points all over the planet, while at the same time disconnecting and excluding whole regions, countries and societies. Hence networks are both inclusive and exclusive, enabling a whole range of reciprocal relationships:

> There seems to be a logic of excluding the excluders, or redefining the criteria for value and meaning in a world where there is shrinking room for the computer illiterate, for consumptionless groups, and for under-communicated territories. When the Net switches off the Self, the Self, individual or collective, constructs its meaning without global, instrumental reference: the process of disconnection becomes reciprocal, following the refusal by the excluded of the one-sided logic of structural domination and social exclusion (Castells, 2000, p. 24).

There is no doubt that being connected, or for that matter, disconnected in the network, as well as the dynamics within and between the networks, are the key factors of dominance and change in the informational society; henceforth a special emphasis in anthroplogy and sociology literature is given to the research on social networks. In this context, special attention is drawn to the phenomenon of power, so the authors tend to deal with structural determinants of power in exchange networks, which they test in laboratory experiments and a computer simulation of bargaining in network structures (Cook and Emerson, 1977, 1978; Blalock and Wilken, 1979; Granovetter, 1979; Miller, 1980; White *et al.*, 1976; Cook, 1982).

Cook *et al.* (1983) sought to test two theoretical traditions:
1 point centrality in graph-theoretic representation of structure, as an approach to power distributions; and
2 power-dependence principles applied to exchange networks.

Their research has shown that measures of centrality can be applied to big and complex networks, but that they are not adequate for forseeing power distribution. On the other hand, the power-dependence concept generates the hypotheses on power distribution in all types of networks, but the hypotheses are cumbersome for the analysis of complex networks. As a contribution to solving the difficulties, the authors offer two conclusions:
1 a distribution between two different principles of "connection" in social networks suggest that current measures of centrality might predict power in one type of network but not in the other; and
2 it offers a first step toward a fusion of power-dependence theory and structural centrality in a way which might be general across networks of both types (Cook *et al.*, 1883, p. 275).

Marsden (1983) seeks to develop a relationship between Emerson's power-dependence framework and the model of power and collective decision making developed by Coleman (1973, 1977) in that he modifies Coleman's model of purposive action (which includes a conception of dependency in terms of the control of one actor's interests by another). He especially aims to integrate Emerson's idea into Coleman's model that dependency is inversely related to the number of alternative relationships an actor may choose among in attempting to realize interests. Marsden holds that one useful way of doing this is to view differences in alternatives as a result of the different positions of individuals within a network of access relationships. Hence the actors who have a favourable position in relation to accessing the network have an opportunity to inflate the exchange value in transactions with peripheral actors. Taken together, these modifications enable the actors to influence the outcomes of events in three distinctive ways.

> The first is through the direct control of events or resources with high impact on events, as discussed by Coleman (1973). A second form of control is indirect; it involves the use of social status or control over information to persuade actors in possession of the first type of control to pursue interests consonant with those of the actor exerting the influence (Marsden, 1981). The final form of control arises as a result of an actor's occupancy of a nodal position in network of potential transaction routes; this allows such an actor to affect the exchange value of resources he controls (Marsden, 1983, p. 714).

These modifications begin to integrate social structural constraints into the framework of

the basic exchange model and to show how networks constrain individual and collective actions. An advantage of the modified exchange model is that it can help in the interpretation of features to be found in static analyses of social networks so that it enables a description of the processes inherent in the generation of such models.

A convergence of social evolution and information technologies has created a new economy organised along the global networks of capital, management and information. A network operated social structure:

- is a highly dynamic open system;
- is capable of expanding with no limitations;
- is of variable geometry;
- unifies and commands;
- includes and excludes; and
- acts in timeless space (Castells, 2000).

The integrated, global capital networks are sources of huge and dramatic reorganisations in power relationships because the switches that connect the networks, and using signal codes in the process, have an ability to shape, guide and misguide societies. The networks are appropriate instruments of capital economy, and their interrelations and crossings reflect the relations between corporations and small firms, sectors and geographical entities. The new social organisation is defined by the evolution aiming towards the network forms of management and production, and its main ingredient is information.

A characteristic of the electronically operated global capitalism is that it is structured with the help of information networks in the timeless space of financial flows. Money has become almost totally independent of production, escaping into the networks of high-order electronic interactions. Capital network unifies and has a command over specific centres of capital accumulation, structuring and conditioning the behaviour of capitalists in global networks. By acting directly through financial institutions, financial capital, "… mother of all accumulations that is the global financial network", determines the fate of industry and economy all over the world (Castells, 2000, p. 504). It is no surprise then that it incites emotions, passions and criticisms. But, in any case, it does call for organised responses.

Castells, however, is not optimistic about these processes, while we believe that they open up a space not only for new forms of workers' resistance, but also for new

methods of struggle. This certainly presupposes a much greater ability of the labour movement to adapt itself to a networking logic as a major source of social cohesion in the global capitalism. In the new global environment, IT is an omnipenetrating social force that changes power relations, provides mechanisms that enable the shift of power from those who abuse it to those who are their victims, which ultimately brings the issue of control of the controllers on the agenda.

Munck (2000) focuses on the main arguments of the left movement against the processes of globalisation that it is possible to derive a direct correlation between globalisation and decreasing labour rights all over the world. On the other hand, as an answer to the "myth of globalisation" one can identify:

> … a whole range of multi-faced, fluid and probably contradictory responses by labour and other social forces (Munck, 2000, p. 387).

Unlike Castells, for whom capital is fluid, mobile and proactive, while workers are purely reactive, Munck points out an important argument that labour should not be understood as a passive recipient of capital and government strategies. It seems that economic globalisation has created common grounds for the struggles of workers in many countries, and that cultural globalisation minimalised or relativised the former barriers of difference, or distance between labour movements. Hence trade unions were "going global" in the methods they used in their strategies in the 1990s. Therefore, globalisation has created a whole new range of sites of resistance to capitalism and has helped generate a whole repertoire of labour strategies and tactics. The raising of labour activities to the level of international communication is an important quality step forward, in the sense of learning to interpret language, because all social struggles are the struggles related to interpretation on the discourse level:

> The new global agenda talks about the need "to make our voices heard for a new global social development, for democracy and human rights and for the improvement of workers' rights everywhere in the world" (SID Global Labour Summit, 1997).

> International labour organisations will play a role in this discursive construction of new reality, and the Internet will probably be a privileged medium (Munck, 2000, p. 391).

On the grounds of criticism of the corporate sector taking the example of financial and environmental reporting, Crowther (2002)

also finds the liberating way out for the selfness in a technology of the Internet. Inspired by the thesis developed by Munro (1999) that one of the most effective ways of affecting a change is to stay outside and to try to affect the stream of conduct at a distance, Crowther believes that the Internet provides means that could affect the dominant relations of power in the corporate world. On the practical plane, the Internet is an instrument by which the selfness could activate its operating principle: resistance against a big corporation. Stakeholders have increasingly greater access to information that makes them more capable to cooperate virtually in the form of pressure groups, thus contributing to changes in corporate reporting and conduct.

Baker (2002) warns that although the Internet has a potential to intensify the power of the individual to take control over their own lives, the darker side of the cyberspace is something that has to be dealt with. Crimes and fraud are market and capitalism side effects in the same way as it is impossible to define fraud and abuse in the world of conflicting interests in a conclusive way. This problem is enlarged by the fact that the involvement of the state is constantly inhibited by supporters of "the free market". Relying on Castells (2000), who claims that global capitalism demands global regulation, Barker is in favor of a meaningful use of the Internet in order to improve society.

IT management and change

Organisations as social actions

Theories of organisational structures and change have traditionally been divided between structural-functional approaches, which aim to explain the phenomenon of organisation by means of its formal structure, and action-oriented perspectives, in which conceptions of organisations are understood as entities evolving through the actions of their actors (Wilkinson, 1983). If we look at these theories historically, then we can conclude that the analyses of various aspects of organisational life became the focus of researchers as a response to the practical questions asked by management. Hence their main intention was to serve the management, so it was no wonder that the conceptions emphasised the condition of system's equilibrium and the processes of employees' adjustment as their major field of study. A main difficulty of the conceptions was that they could not offer appropriate answers to the questions raised by the speedy development of new technologies, because they were not able to satisfactorily explain changes and conflicts.

The concept of the organisation we have in mind in this paper relies on the work of Silverman (1987), who suggests that action is taken as a referential framework for interpreting organisational phenomena. A key element in the approach is an understanding of organisations as an outcome of actions and interactions of motivated people who aim to solve their own problems and follow their own goals. Research into organisations is not a goal in itself, but it is a means by which it is possible to understand general social processes from a clear sociological viewpoint. Silverman's methodological approach, which emphasizes actions, perceptions and meanings of organisational rules, now focuses its analysis on language. In line with this, the environment is initially defined as a source of meanings for members of organisations who themselves give meaning to their actions and define situations in line with the goals they want to achieve.

Silverman's major contribution is that he has introduced an action oriented perspective into the theory of organisations. In other words, he has found an alternative to the then dominant system theory, which understood organisational structure as something immanent to human behaviour, and something that gave it its meaning and defined its goals. Silverman makes distinction between three features of formal organisations. First, organisations can be perceived, more than any other form of social relations, as inherently human creations. Second, relations within an organisation are less taken for granted by those who have coordination and control in it. The third feature is that planned changes in social relations and the rules of the game are open for discussion. Consequently, Silverman's criticism of other theories of organisations is based on the concept which sees an organisation from the point of view of social relations prevailing in it, and which concentrates on the ways in which its actors interpret and understand those relations.

Why do managers need IT?

Over the past decade information technologies have rapidly developed and changed, offering to organisations in this process better results and a higher level of services at lower costs, which in turn has increased their competitiveness in the market. This, however, means the opposite as well. A threat from the competitive companies superior in their use of

information technologies means, warns Hinton (1988), that learning how to use and apply them becomes a priority. In 1987, research was carried out under the auspices of the British National Economic Development Council (NEDC), which showed that a big problem which British companies were facing was a lack of well educated managers, especially those with technical knowledge (MSC, NEDC and BIM, 1987). Eaton *et al.* (1988) say that British managers were, for a long time, at the mercy of technical experts, particularly in the field of data processing. However, this can hardly happen in the world in which information technologies permeate all aspects of business and social life. Information technologies have rapidly been changing and developing, so that the learning of IT skills becomes imperative both at the individual and the organisational level. In any case, it is indicative that education in the field of information technologies takes place within the limits of technical issues and practical knowledge, ignoring the social context and the consequences of technological development (Finnegan *et al.*, 1990). After the implementation of technology, it is the knowledge and skills of employees, as well as the abilities of managers, that will determine the level of the company's competitiveness in the new technology. Yet, despite the huge potentials, the impact of these technologies on management creates more difficulties than many other issues. One of the main reasons for this lies in that the technologies impose wide organisational implications.

It is evident that the implementation of new technology should be followed by two complementary programmes – one related to changing the structure of the organisation, and another directed at developing managers as the actors of change. The programmes need to be set up and take place simultaneously, and here a continual evaluation is decisive for the success of the entire process. Information technologies deal with information, and this is the most important resource for the organisation and its managers. They differ from all types of technologies which, though having an important role in the organisation, have only a partial influence on managers. Information technologies, however, are in the very centre of the managers' work and so become very important to them. Information technologies have developed as an answer to the demands for data processing, and their development is marked by a long evolution of processes and ideas. They have a wide range of applications in the organisation, they enter the production sphere through robotics and automation and into offices through computers and telecommunications.

Any implementation of information technologies within the organisation depends upon the social processes and is influenced by the values held by the managers at the top of the organisational hierarchy as the key agents of change. The top managers can radically change the culture and ethics of the company, and can select a desirable form of organisation. That is why they need to clearly define the company's goals, taking into consideration not only short term but also long term planning, and they are also expected to be socially responsible. Consequently, the differences in values represent a source of essentially different viewpoints as to the usefulness of the offered information systems, and to the issues arsing from their usage. Individual characteristics of top managers can significantly influence the dynamics and range of changes. Since information technologies comprise numerous technologies and their applications, they interact with numerous and various organisational forms (Kling, 1990; Street, 1990; de Sola Pool, 1990; Zell, 1997; Webb, 1996; Moss-Jones, 1990).

Patterns of IT influence

A study of literature on this comprehensive field can identify three patterns of IT influence in organisations (Mraović, 1998). The first one is a determinist pattern of IT influence, which says that IT has direct consequences for organisational structure, culture and processes, and the advantage that managers can take from this position is that they can achieve very specific goals if they implement the technologies (Jackson, 1986; Benchimol and Pomerol, 1987; Chorfas, 1987; Liebowitz and De Salvo, 1989; Wild, 1990; Freeman, 1990). The second is an additive pattern of IT influence; here information technologies play an important part, yet still a subordinate and supporting role in the process of designing business organisations, and their influence on the organisational structure and practice is additive compared to other parameters within and outside the organisation (O'Hare, 1988; Parker, 1989; Twiss and Goodridge, 1989; Booth, 1991; Wysocki and DeMichiell, 1997). The third is an interactive pattern of IT influence, where the implementation of information technologies is a result of the choices made by the managers as the key agents of change. Once implemented, however, they can have their own effects which can enable or prevent

certain choices (McLoughlin and Clark, 1988; Finnegan *et al.*, 1990; Brown and Scase, 1991; Robey and Sales, 1994; Strassmann, 1997).

The range in which IT can contribute to designing organisations and raising their effectiveness will significantly depend upon the questions of when, where and with whom IT is being implemented. The fact questions mainly the technical connotations of the concept of design and the way it is used in technical sciences and architecture, and brings forward the patterns of meanings in social systems in organisations. What is at stake here is a dynamic structure of causes and effects, that is, any application of information technologies is essentially an application to a set of interrelated systems and processes. This means, as Hinton (1988) warns, that prior to any particular implementation we need to know what kinds of effects it will have on other interdependent systems.

Effective managers, as Robey and Sales (1994) point out, are those who are able to recognize the demands of their environment and respond to them with an appropriate level of organisational change. In the approach that views the process of designing business organisations as an emergent process, that they advocate, managers know that they are not the only actors in the design process, that is, they know that other stakeholders influence the choice of design as well. Hence the final form of the organisation will depend upon the actions of numerous actors. So managers have partial control, that is partially inaccessible to them. This means that the external limitations, coming from the economic, political and cultural environment in which the organisation operates, as well as the internal limitations being the result of the available resources and the actions of other actors representing diverging interests within the organisation, can significantly determine the final choice of design. In this way, the process of design becomes a fluid activity full of unpredictable situations such as "wrestling with jellyfish" (Robey and Sales, 1994, p. 32). The emergent process to organisational design is a challenge for managers, because they choose the moment for the organisation to react so they bear the greatest responsibility for its effectiveness.

Creating an appropriate environment for the development and implementation of information technologies in the organisation should be viewed in the context of interdependence of the three aspects: cultural, innovative and technical. In this way we can get an insight into the ways in which changes have been accepted in the company's culture, as well as into their impacts on the structure of the organisation, systems and style of management, and its technical effectivness. An analysis of the results related to the level of competitiveness can reach a conclusion that the company needs innovation, but the endeavour will succeed only if the internal corporate culture agrees with this viewpoint. In most cases, innovation is developed within a specific type of corporate culture, different from the one that can be found in an established organisation opposed to changes. Flexibility to change is a key determinant of the new culture of the organisation, which in turn increases its opportunities in the market. Hence any consideration of possible changes should start with an evaluation of the existing values. In the case of incongruence between the existing culture and innovation, chances to succeed will be small, so that is why it is necessary to do as soon as possible a transfer from an established into an innovative organisation. A company will be successful only if its members share the same viewpoints, aspirations, values and needs, that is, consensus is a major precondition for co-operation.

Once the new technology is implemented in the organisation, we then need to see what kind of effects it has after the implementation, that is, we should be interested in the range in which the implementation of the new technology changes power relations in the organisation. In other words, do integrated systems of management lead to a greater concentration of power at the top of the organisation or can they be used to help transfer of authority towards the lower end of the hierarchy? (Pfeffer, 1981; Blau *et al.*, 1981; Clutterbuck and Crainer, 1988; Eaton *et al.*, 1988; Hinton, 1988; O'Hare, 1988; Pettigrew, 1988; Twiss and Goodridge, 1989). The results of up to date research show that new technologies, and information technologies in particular, imply the following changes.

First, IT systems are above the traditional, functional divisions, which means that the organisation becomes a single integrated system. The transfer from relatively separate structural departments, characteristic of the bureaucratic model of an organisation, towards the systemic entity in an innovative or integrated organisation, poses difficulties for many managers who take strong functional attitudes. In the innovative organisation, management is a holistic and integrating process, and it is information that is used for this crucial role. Second, team work replaces the autocratic styles of management, while centralisation and

decentralisation of decision making are not antipodes, but complementary elements. Information technologies permeate jobs at all hierarchical levels, so strategy planning should be a result of a wider consultation with staff and their representatives. Third, considering the fact that an effective use of information technologies requires necessary changes in work organisation and level of control, the final consequence of their implementation is a change in the structure of the management pyramid. This means that a large number of jobs at the middle managerial level are supressed; polyvalent professionals replace field specialists, and the individual's influence in the organisation is based on the level of personal contribution to the company's growth, and not from the position in the hierarchy. Fourth, the structure of working tasks in the organisation is changed. Self-regulating working groups use the information systems that help them in the process of decision making, which results in lower levels of technical uncertainty. Instead of boring, repetitive, precisely defined and controlled working tasks typical of a bureaucratic organisation, the tasks in an innovative organisation are expanded with new content, such as responsibility for programming and a certain level of responsibility for planning, labour process organisation and quality control. In this way the level of autonomy is increased at the working place.

Nevertheless, it needs to be taken into consideration that, though new technologies have an undeniable impact on all organisations, there are no universal guidelines for managing technological changes. This will depend on the nature of industry, individual organisation and characteristics of its style of management. Hence each organisation should be analysed according to its own and unique IT path, which means that there can be no generalisations of various forms of experience (Mraović, 1995). In this manner a way is opened up towards a great number of options and opportunities for IT use, whereby the paradigm of organisation gives way to the paradigm of organising.

Conclusions

This paper emphasizes the need for a continual evaluation of IT management programmes in the organisation, as well as the importance of its assessment not only from the point of view of its technical effectiveness, but also from the point of view of social audit and acccountability in

management. It is evident that the programme of implementation of new technology should be followed by two complementary programmes; one is concerned with the change of the organisational structure, while the other is directed towards the development of managers as key actors of changes. The programmes need to be set up and take place simultaneously, and here continual social as well as accounting evaluation is decisive for the success of the whole process. Accounting has a crucial role in the organisation as part of the control and evaluation system.

Although it is not questionable that the major power in the organisation lies in the hands of managers, the context in which control takes place requires an open system, which means that legislatory and regulatory requirements from the external environment, as well as the organisation's interactions with its environment, should be considered. In this context, corporate reporting becomes a crucial issue, as it can be seen then to whom organisations are accountable, and who has authority to evaluate their performance. In the new network landscape, IT and the Internet provide technical support to greater justice and equality at virtual highways, affirming the voice of the individual. The environment in which the self realizes itself in the informational society implies global networks of action and computer communication, which offer a wide range of virtual communities, imposing in the process a new type of logic – the network logic. We believe that struggle for power in IT environments can be productively analysed with the help of Foucault's (1982) conceptual framework, according to which power relations are rooted in the entire social network, which means that they cannot be reduced to one primary and basic principle. In this way an opportunity opens up to influence the actions of others, but also to define various forms of power.

Social audit becomes an important agent of social change, providing for the involvement of different actors in the realisation of these changes. First of all, accountability in management is increased, which triggers changes in organisational behaviour not only towards the external environment in the sense of its greater responsivness and accountability towards stakeholders, but also within its internal structure, meeting the requirements for greater individual rights of the employees. Through the social audit, and owing to the Internet, the technical mind is subordinated to social goals, giving

opportunity to men to become the masters of technology, not its victims. In this way technology contributes to the changes of power relations in the sense that it emphasizes the impact of technology at the expense of autocratic behaviour of managers, which then ultimately leads to changes of strategy related to corporate social responsibility.

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Contextualising corporate governance

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Abstract
Corporate governance systems
aim to supervise and guide
corporate behaviour. Information
and communication technologies
and in particular the Internet are
providing unprecedented scope for
innovative behaviour, both
undesirable and useful, and as
means for greater scrutiny and
control. There are calls to reform
the governance system, to make it
more sensitive to what is seen as
the primary purpose of the
enterprise, that is the pursuit of
economic prosperity through
innovation. Moreover, any reform
needs to develop a sensitivity to
the social context of corporations,
since this is the locus of attitudes,
strategy practices and innovative
capacity. Through exploiting ideas
from cultural theory this paper
proposes that corporations exhibit
a limited but discernible number of
ways of life or social realities, and
these realities give meaning to the
system of governance in use.

Introduction

There is broad agreement that corporate governance is a process comprising accountability to shareholders, supervision of managerial action, and setting strategic direction (Tricker, 1984). The strategic decisions of companies are routinely monitored by institutional investors and regularly debated in the public domain, from scrutiny of executive salaries and interests, to the appropriateness of this or that acquisition or investment, to the social or environmental impact of corporate action. Many of these debates reflect a widespread belief that information and communications technology (ICT) will transform the way that companies work and how societies function. Some embrace the prospect of change but worry regulation will spoil the story, while others worry about the risk to society of uncontrolled corporate freedom to exploit ICT. The outcome of these debates can have real consequences for how companies work. Today stakeholder groups, representing shareholders, consumers and the environment, hold corporations to account for their decisions and actions, on pain of public vilification. Much of this activity is global in scope, and made possible through the Internet. These developments suggest that corporate behaviour has become more open to scrutiny and action (Whysall, 2000) and more subject to democratic process (Samuels, 2001). Nevertheless, some argue that this shareholder model of corporate governance needs reforming if sustainable prosperity is the aim (Porter, 1990; Blair, 1995; O'Sullivan, 1998). Governance systems, argues O'Sullivan, should be based on a theory of the innovative enterprise. In her proposal, the innovative enterprise is a "learning collectivity" where those making the investment decision:

> Must be integrated into the relevant learning collectivities if they are to have the abilities and incentives to transform inherent uncertainty into sustained competitive advantage (O'Sullivan, 1998, p. 201).

Underlying O'Sullivan's model of governance is the assumption that engaging the decision maker in this way leads to personal commitment and enlightened self-interest. This managerial commitment is precisely the basis of start-ups. During the late 1990s many highly respected executives were enticed onto the boards of Internet start-ups. The seemingly unlimited financial support in pursuit of Internet start-ups was based on a common belief that the Internet would become the basis for a new economy. Within a short time a large pool of innovative Internet-based enterprises was being launched by committed executives, many of whom had a track record of success in the old economy. Indeed intensity of the belief in the transformational force of Internet start-ups was reflected in the recruitment of high flyer executives, high profile investing institutions, supported by a blaze of publicity.

However, as is common knowledge, the dot com bubble did not last. In a study of the collapse of Internet start-ups, Finkelstein (2001) found a number of weaknesses in the governance arrangements. First, although there was strong board commitment (a predominance of board members held significant shareholdings, and thereby vested interests), independent directors were scarce, and by implication, so was supervision. Second, although venture capitalists were present (providing both vested interest and oversight experience), they tended to be on too many boards to

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provide any effective vigilance and control. Third, the experience of high flyers from the old economy seems not to have successfully transferred to the new context.

Start-ups have a high probability of failure, Internet-based or otherwise. Nevertheless, the failure of veterans, with experience of running complex old world corporations, to make their mark in the new economy suggests that recipes for success are context dependent. Moreover, the failure of experienced venture capitalists in providing adequate oversight might have been lessened or avoided had they been more intimately involved with the implementation of strategy. While accepting that governance systems should more explicitly acknowledge the centrality of innovation to corporate and societal prosperity, any reform should also be sensitive to the contextual nature of corporate governance. This corporate context is important since it locates "firm specific" expertise (Kay and Silberston, 1995) and thereby innovative capacity and potential sources of competitive advantage.

This paper explores corporate governance systems as social contexts, wherein the practice of strategy gives rise to particular and shared attitudes, practices and innovative capacity. The argument presented here is that corporate behaviour is rooted in these social contexts, discernible as particular ways of life. From this perspective corporate governance should not be regarded as a dispassionate overlay, easily transferable between corporations. Rather, in seeking to strike an effective balance between vested interest and independent oversight, strategy overseers might benefit from recognising the social context of corporate governance systems. Before presenting the findings and analysis, the next section will review ideas that help establish the intellectual foundations for the analysis.

Background

The practice of strategy in an organisation is the embodiment of a way of life for its managers, whose sense of value and relevance comes from their shared reality. Understanding why the practice of strategy is the way it is requires understanding the way of life that practitioners take for granted. First, writers on strategy agree that organisations can be characterised as having shared commitments. However they disagree on the role of these commitments, some seeing them as providing benefits as "recipes" (Grinyer and Spender, 1979), others seeing them as the source of cognitive

blinds or "paradigms" (Johnson, 1989) that distort managers' understanding of the competitive world. Second, writers on organisation culture agree that there is limited number of cultural types, but cannot agree on what those types are. Third, these categorisations are *ad hoc*, failing to provide the underlying dimensions that support the categories.

Consequently the aim here is to offer new insight to the strategy process from the perspective of cultural theory. This theory offers a simplified view of the world, using a coherent theoretical framework, and provides categories that are mutually exclusive and jointly exhaustive (Hood, 2000). The framework is enriched by Bloor's (1983) analysis of Wittgenstein's "language games" and "forms of life", and by ideas about distinctive "styles" of rationality (Wettersten, 1995).

A typology of social realities

Many writers have developed descriptive frameworks to offer comparative accounts of various societies and communities, for example cultures (Douglas, 1982a, b), and political regimes (Swanson, 1969). Douglas, a social anthropologist, developed her "group/grid" construct to describe and compare cultures of entire communities. Her ideas are based on many years of studying the cultures of societies, both "primitive" and industrial, and her work has been very influential in a number of different contexts, and at different levels of aggregation. For example as a tool for assessing the experiences of research scientists moving from academia to industry (Bloor and Bloor, 1982), and for explaining the rationalities and conflicts engaged in macro technological policy development (Schwarz and Thompson, 1990).

The analytical framework below (Figure 1) draws on the work of Douglas (1982a). Her "group/grid" construct provides the basis for comparing organisational social reality. It is a useful structure because it accommodates the sense that people construct their way of life through the way they work together, their taken for granted practices, and through adherence to collectively sanctioned rules of behaviour.

The degree to which people may legitimately work alone or whose contribution to their organisation depends on working collectively, influences the form of an organisation's social reality. This dimension is labelled "social commitment". Juxtaposed with these ways of working is the degree of constraint that rules of behaviour impose on how people work together, rules of behaviour that the organisation's members

are only dimly aware of and are taken for granted. This dimension is labelled "social control". These considerations produce four discernible archetypal social realities:
1 individualist;
2 egalitarian;
3 hierarchy; and
4 atomistic.

Social commitment
This defines the importance of group membership and the extent to which group boundaries represent constraints to the free movement of individuals in and out of a group. It describes the degree of commitment that individuals give to a group, such as their functional department or the whole organisation. It is about the balance between the calculated acceptance of practices, and the internalisation of social values, norms and rules. This dimension describes an individual's guiding of their own actions to comply with a perceived expectation of others; the transactional process between individual and organisation.

The rules of admission to a group, and its continued support by its members, may be strong or weak, explicit and implicit, making membership more or less exclusive. Group commitment can be rooted in a variety of common concerns, manifest in a variety of ways: as a common pride in its ancient lineage and the common view that "stewardship" is needed to ensure the continuity of that heritage; as an evangelical commitment to some purpose; or as a commitment to "the bottom line", or pursuit of personal gain.

Figure 1
Plural social realities
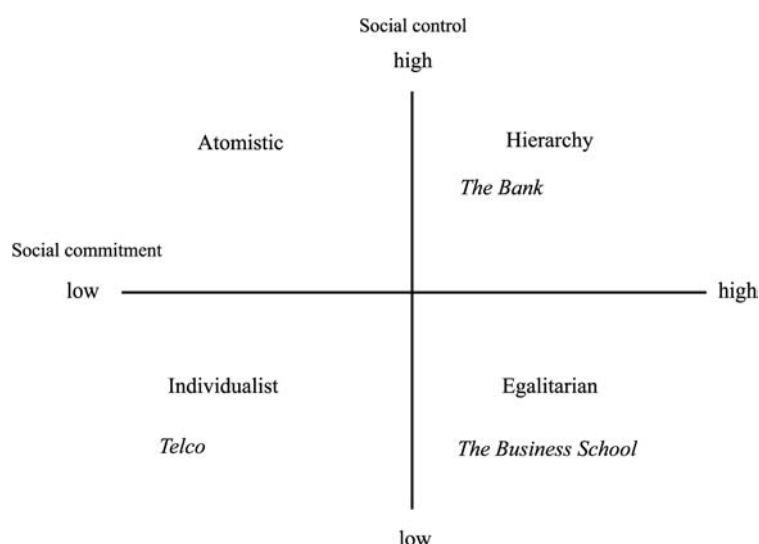
Social control
This defines the extent of prescriptive behaviour, regulation and formal controls, both within and outwith the group. Some of these "dos and don'ts" are abstract, others more definite rules. Choice over one's actions range from "freedom of choice" (civilian) to highly regulated behaviour (military or prison). At one end of the spectrum relationships and compliance are negotiable, while at the other end everyone knows their place in the institutional order. Social control reflects the degree of influence or power exerted by the organisation's socialised membership to ensure that members use their knowledge and expertise, and fulfil their commitments to the organisation.

Alternative social realities: three cases

This section describes the way of life of three organisations. The three organisations hold in common the view that technological innovation, in particular involving ICT, is critical to their long-term prosperity. Even so, this analysis is not about technology, but about strategy processes. It explores how alternative realities coalesce as a result of the tension between the constraining effect of a body of ideas, social prescriptions, and the reconstructive effects of social interaction.

Telco
Telco is a 30 year old company, designing and installing data networks (intra- and extra-nets) for globally distributed businesses, mainly in financial services. It was one of the first to offer modem communications technology. Today companies like Telco are at the heart of a sector in explosive growth as well as financial despair.

Legitimate decisions are routinely made among participants acting more out of individual interest than as representatives of departments. Individuals are free to negotiate and enter transactional relationships with anyone, within and outwith the company, even between colleagues. Some have left to set up in business, motivated by a belief that customers invest trust in individuals, more than in the (faceless) company. There is a lot of money to be made in this business if one works hard, so why not claim the rewards for themselves rather than the (ungrateful) company.

In this and other examples managers and engineers alike are more committed to the "exciting gamble for big prizes" (Douglas,

1982a). This attitude is pervasive, implicit in the practice of strategy, taken for granted. Individuals that like to be given a broad canvas thrive in this environment. Here the task of leaders is to paint the vision of the future, and leave the interpretation and realisation of that future, in short the strategy, to others with initiative and a desire to shape their own career path. Internal competitiveness characterises individuals' belief in the scope to shape or carve out a niche for themselves; through individual enterprise they would determine the order of things.

The tensions common between departments is seen as healthy rivalry and a spur to innovative behaviour and productivity gains.

Those few not committed to the pursuit of glory and gain for self may complain that the organisation lacks strategy and direction, seeing anarchy not loose integration. They are apt to accuse their superiors of greed, of exploiting their position at the top of the company. These critics fail to see that in this organisation's reality strategy is what the individual makes of it; that they are not being subjected to some form of organisational psychosis.

Respondents stressed the irregularities and instabilities of the telecomms competitive environment rather than its order. The competitive environment is seen as responsive to the special skills of individuals who pay attention to it. Managers and engineers move among competitors almost at will. The industry is rich with opportunities because new products are always appearing, as well as chances of promotion in growing and new companies. There is a constant turnover of staff in Telco, in common with many firms in this sector. Managers and engineers account for the high turnover of staff in terms of career opportunities within the sector, and the continual need for new blood to remain competitive. The risk of redundancy is constant, keeping staff on edge, but that's how things are. Anyway, the attractions of entrepreneurialism seems to overshadow such fears, in that staff are much more preoccupied with creating and exploiting opportunities. Redundancy is just one expression of the risk and uncertainty that characterises the environment. In order to remain flexible and adaptive in the dynamic data comms environment, managers transact with the market (more than rely on internal hierarchy) to provide both essential and support services (field service engineers, producing technical literature, management accounts, management information system, car fleet management).

Knowledge is traded through personal networks. It's about knowing how useful individuals are to you, personal recognition and prestige are highly prized. Routine work is subordinate to novelty. The marketability of novelty is more interesting, and tends to reflect much more on the individual that the collective, and there is considerable scope for individual initiative.

There is minimal use of long-term planning and devices to order and sequence activities. Such devices as exist (a problems escalation log) may have less to do with organising the future than recording history: as a record of activities, therapy and communication, and public relations that everything is under control (Langley, 1988).

Projects with a clear beginning and ending, with time scales of months rather than years are favoured, then move on to the next interesting problem. Managers organise their work so that this happens leaving subordinates to sort out the detail and administration. Subordinates in turn may complain that their manager is not interested in the detail, but praise them for being good at manipulating the system and getting new business. The attraction of new opportunities and the relative disinterest in the routine is institutionalised. Here customer service strategy is shaped by the customer that has the greatest financial muscle, or shouts the loudest.

The individual is expected to be dynamic, entrepreneurial, go getting. Learning through mistakes is natural here. Bloor and Bloor's (1982, p. 97) assessment of their industrial scientists' attitudes to risk seem equally applicable in this context:

> It is beneficial to take risks [and] is a waste of time to cover oneself too fully against the possibility of failure, for some failures are inevitable.

Here rewards are based on getting results, whatever it takes, and being competitive.

While self-interest reigns, the group is held together by a common belief in "the bottom line", the notion of market forces, and "survival of the fittest". This commitment is shared by its competitors, and reinforced by customers always ready to exercise their right to choose between competing alternatives, and to demand value for money. Customers and competitors alike appear to support the principle of minimal-interference in the market place. This is apparent by the vast array of technical alternatives that come and go, the fierce price and service competition within most segments of the telecommunications and computing

industries, and the competitive turbulence as the fortunes of companies wax and wane.

Global companies like Telco have global informal social networks that transcend national boundaries, undermining attempts by senior managers to control information flows within formal reporting structures. In this environment where the stakes are high and job security is fragile, conspiracy theories abound and everyone is suspicious of threats, from within and without.

While the commitment to unbridled entrepreneurialism is common to all staff, departmental competitiveness breeds distrust and conspiracy theories. These internal divisions induce differentiated information flows resulting in staff holding different perspectives on what the strategy is and should be. These boundary issues encourage speculation about what is really going on, so that conspiracy theories remain an inherent feature of this individualist reality.

Generally, group barriers are weak, as is group support. This is because informal networks, and a shared commitment to individual freedom to contract, weakens barriers. People may have two or three different responsibilities, cutting across functional barriers, thus defining individuals as "a network node" as much as an element in a hierarchy.

Telco's way of life is dominated by an individualist reality, but this fluid environment needs the counterweight of hierarchy and egalitarianism. Unhappy customers can and do pull on the internal chain of command to allocate resources to their problem, or if necessary will invoke statutory powers of compliance. Also, hierarchy exerts influence through setting strategic direction, the allocation of budgets, and attempts to control information flow. There is also an atmosphere of egalitarianism. Staff belief that the company is a meritocracy, where everyone has an equal chance of success; a claim supported by countless examples of staff progressing rapidly up the career ladder.

The bank
The bank provides clearing services to the whole UK community. The bank is proud of its 300 year history, and of being the first bank to offer remote banking services in the UK in the 1980s.

Staff are content to rely on the existing pattern of role allocation within a complex business. They look for satisfactory hierarchical principles to guide decision making. Here there is little individual freedom to transact or negotiate without

reference to a higher authority. If a divisional general manager wanted to purchase an air ticket, s/he must get written authorisation from the bank's general manager. The validity of the hierarchy principle is reflected in staff at various levels expressing the uniform view that many strategies are "bottom up". The hierarchy is taken for granted.

The bank is a multi-layered and compartmentalised society. There are at least seven layers of managerial titles, and the degree of specialisation is partly reflected in the divisional structure. The provision ICT capabilities is centralised as the management services division (MSD). Scope for disorder and individual independent action is strongly circumscribed by the protocol of hierarchy, formal rules of title, banking qualifications, and the pride of staff in upholding the bank's traditions.

There is a strong belief that there are correct methods of work and if properly followed these practices will automatically produce desired results. The importance attached to following procedure is like a ritual to maintain purity, rather than a mechanical ritual. It is seen as necessary for establishing a "proper" relationship with its competitive environment, showing reliability, ensuring financial prudence, and demonstrating transparency of accountability to stakeholders. There are formal procedures for guiding every facet of life here, from routine administration to entrepreneurial initiatives: assessment of product development, lending criteria, financial exposure assessment. These formulae seek to ensure that all routines are meticulously followed.

Staff do not feel restricted or somehow circumscribed by their way of life. Indeed, many describe the bank's approach to strategy as "opportunism", a reference to their dismissal of the once fashionable strictures of corporate planning as being too rigid. In fact at least one division does follow a detailed planning framework, including the publication of strategic plans. "Opportunism" in their terms is not at odds with very regulated work practices, and group unity. All opportunities are subject to the same evaluation and selection frameworks. "Opportunism" also means identifying and pursuing ways for improving the bank's efficiency and effectiveness. This can be seen in the preoccupation with cost control. In one division, detailed instructions and scripts guide telephone conversations with customers, accompanied by formulae for measuring the productivity of every call. In another division regular reports on notice

boards testify to the rivalry among departments to show cost control successes.

Regulatory authorities and users expect financial stability from its banks. Clients expect the bank and its competitors that hold client deposits, to be risk averse. This commitment is published in its annual corporate statement, report and accounts. Where risk is taken the bank must satisfy stakeholders, including regulatory forces, that it can afford to suffer a loss and absorb the risk. The bank's concern with prudence and reliability explicitly recognises that public trust depends on showing the exercise of strong control. Here, taking risk is accompanied with giving up as little control as possible.

The bank's preferred way of life is to be opportunistic in an orderly fashion, to anticipate outcomes. Entrepreneurial behaviour is regulated, in contrast with its "unbridled" individualist cousin, Telco. Relations with external and potential sources of innovation is cultivated, and regulated, through the posting of a senior nominated executive, an entrepreneurial broker.

The pattern of innovation in the bank is less likely to be revolutionary because it does not depend on an imbalance of power among groups; the distribution of power is stable and not negotiable. When the bank perceived a major environmental anomaly, such as the threat from the English banks, it accommodated those threats through a considered and orderly internal change and response, with little disruption to the functioning of the company. Revolutionary change is also less likely because institutional power relations within the banking sector is largely stable and regulated. The Government's initiatives during the 1980s to deregulate the sector did produce a few significant anomalies, removing some of the barriers to competition between building societies and banks. However even here the bank accommodated these anomalies through changes more akin to "rearrangement" than any "transformation" of its banking practices (Barnes, 1974, p. 86)[1].

In an organisation where the combination of strong social control and strong group commitment is the norm, the pattern of innovation is more likely to be incremental extensions to existing practice. The "entrepreneurial brooking" between the bank and one technology supplier (and client), NCR, will enrich rather than disrupt that process. The bank's 300 year history is one of progressive change. For this organisation, progressive change means having a relatively high expectation that anticipated outcomes will be realised. There would be little tolerance here for a "trial and error" approach.

Nevertheless, this does not rule out the possibility of major technological shifts. An example of a major shift, from the bank's perspective, is home banking, introduced in 1984 and held up by both the bank and the press at the time as an example of a major innovation. This was the bank's response to the English banks crossing the border, and the bank sought to accommodate or "absorb" (Schwarz and Thompson, 1990, p. 67) the risk.

There was no major investment in infrastructure, and therefore low financial risk. Investment followed on incrementally as the bank learnt the technical and commercial implications of providing a remote banking service. It nevertheless regarded the enterprise as a risk to its reputation. The competitive threat of the English banks delivered that risk. Doing nothing presented a greater threat than accommodating that risk. It had a duty to respond, but in a controlled way. Home banking extended existing technologies and knowledge within the bank, and involved little immediate organisational change. Nevertheless, this "rearrangement" (Barnes, 1974) of knowledge provided the first marker in the construction of a new sector or remote (electronic) banking services.

The bank developed over the decades a significant level of expertise in ICT. This expertise grew out of the bank's concern for prudence, and constant search for ways of reducing cost. The majority of the bank's innovations are a result of seeing cost anomalies within its internal processes. The pattern of behaviour within the financial services environment is an extension of the bank's concern with internal order, and vice versa. The bank, its competitors, and customers support the principle of an ordered and predictable environment, and in the right of the state to regulate, in what Schwarz and Thompson (1990, p. 67) call "Leviathan governance".

The business school
The business school provides distance learning management courses, and is perhaps the first organisation to apply distance learning innovation to management education. Although market leader, the business school now shares the distance learning market with others. Perhaps more threatening is that ICT based innovations in the provision of training and education mean that the business school is competing with a wider range of providers. Its own definition of distance learning, which has for 30 years

guided thinking (both within and outwith the university) is being overtaken by an even broader definition that include course delivery via the Internet, and "e-learning" initiatives.

An assessment of strategy development in the business school's way of life demands more than a passing reference to its parent university and the wider social framework. The parent university was a Labour government sponsored innovation. It was an assault on privilege and class that in Douglas' (1987, p. 7) terms sought "to reject pointless rituals and to preach direct to men's [*sic*] hearts". It shares most of the high social ideals of its parent, about equal opportunity. However the business school charges market rates for its courses, which reflects the pragmatic demands of operating in a competitive environment.

The university, like the bank, is characterised by procedures. Unlike the bank many of these procedures uphold the egalitarian spirit and factionalism, rather than extending ascribed hierarchy. For example, the equal opportunity principle is enshrined in formal selection procedures. These principles are institutionalised and manifest as the equal opportunities unit and faculty equal opportunities groups.

Team effort is highly regarded. There is a high tolerance of deviant behaviour among the academic community. Individual freedom is negotiable and determined much more by group commitments than any regulatory mechanisms. For example, at least one faculty has "gone its own way" on producing course material, rather than wait for the university's senior managers "to sort themselves out".

While deviance from prescription is tolerated, there is less tolerance of deviance from group norms. Thus the first director of the embryonic business school, and his successor the first dean, grew the business school at a meteoric pace; a rate of growth that also bred internal dissent and discontent with the leadership, contributing to their eventual loss of office[2]. There was a shared sense that the dean was unaccountable, taking the business school in various directions without internal support. He was replaced by the second dean, whose election manifesto was based on promising a strategy of consolidation and instituting greater controls on the dean's powers. Peers, administrative staff and the university "godfathers" perceived him as a team player. The university collective felt that the business school, its credibility now secured through the efforts of two predecessors, needed to return to consensual decision

making. Arguably the first director and dean contributed to their own demise through failing to recognise a distinction between negotiated freedom and unfettered freedom, that their freedom to govern was given by colleagues on the basis of consensual decision making.

The creation of more formal committees and centres of academic excellence were meant to circumscribe the freedom of future deans[3]. This strengthening of internal group boundaries was a reaction to what many saw as the previous dean's individualistic and favour ridden approach. At the same time, although the second dean was elected on the promise to establish such controls, many staff initially resisted joining a centre, seeing it as a layer of managerial control. This compartmentalisation as a way of strengthening group support was acceptable, but not as a way of greater regulatory control. In Bloor and Bloor's (1982, p. 142) terms these centres are "secondary elaborations" to enhance the protection of the business school's egalitarian way of life.

There are also strong compartmental lines drawn between secretaries and administrators, course managers, academics. Decision making is based on the interdependence of these groups, expressed as a myriad of committees and teams. Staff is very conscious of a group identity, a sense of shared expertise, a collective commitment to a social mission, and a keen appreciation of the business school and university's boundary with the external environment.

Staff in the business school enjoy significant freedom within the very broad parameters of the school's declared research and teaching interests. There is no comprehensive analytical mechanism for screening and selecting new projects. A group of academics can band together to develop a course around a subject that they consider to be interesting, and lobby individuals and the school board to support the new course idea. Despite arguments about market forces and appeals from the dean, many uneconomic courses nevertheless emerge. Responsibility for committing the business school's resources is shared between the dean, boards, committees, and course teams. This freedom to create, the plasticity of obstacles, and the relative subordination of rules to group commitments controlling all aspects of behaviour, is shared with Telco.

The pattern of innovation in an organisation dominated by an egalitarian reality is predicted to be periods of normal strategy interrupted by revolutionary discontinuity (Bloor, 1983). Increasingly staff

has viewed developments in the external environment (the explosion of communication technologies) as threatening the supremacy of its distance teaching expertise. Internally this has generated much heated debate and division, leading to a fragmented range of views about the nature of the threat, and how the university should deal with it. A myriad of committees has invested considerable time and energy, gathering information, disseminating it, and making proposals for action. At the same time faculties have been experimenting and implementing their own ideas on teaching and learning employing electronic communications technologies. Following a lengthy period of debate (about two years) the university planners did develop a comprehensive vision of providing life-long learning through the innovative use of ICT. Nevertheless, the university, once the vanguard of social change through distance learning, is now almost indistinguishable among a bewildering variety of education providers exploiting the seemingly limitless scope of ICT in delivering training and education.

According to Bloor (1983, p. 142), these external threats leading to internal disorder can be understood as responses to anomalies. Such anomalies will accumulate and may lead to crisis. Revolution will depend on the balance of power between the relevant groups. Bloor predicts that:

> The revolutionaries might win and sweep away the old guard. They will proclaim a wonderful new beginning and, for a while, all will be well. Then the whole pattern will repeat itself (Bloor, 1983, p. 142).

Undoubtedly there have been power struggles, yet preferences have been expressed. Some ideal standard has not been applied, nor have groups fragmented to the point of individuals pursuing personal strategies. While a longitudinal study of the university's development might shed more light on Bloor's proposition about revolutionary change, it is clear that there has been internal disorder over the future of the university. The evidence suggests that disorder is an inherent feature of the egalitarian way of life, sustained by the tension between the fluidity of individualism and the orderliness of hierarchy.

There is increasing tension between a pull toward individualism from the business school, against a pull toward hierarchy from the university. Within the business school academic freedom to create seems to be under increasing scrutiny, and administrators are increasingly under pressure to ensure that academics work within budget. It is also a tension between a justification based on respect for history and elaborated social prescriptions and procedures, and a justification based on the freedom to generate new knowledge and teaching practices. The first can regulate creativity and bring status differentials, while the second can dissipate resources through extreme factionalism.

Many of the preferences and tensions found within the university and the business school are common across the higher education (HE) sector. In recent years successive governments, as a significant social institution and stakeholder in HE, have initiated change to make HE institutions more accountable for state funds, teaching standards and research quality (and quantity) across the sector. The amount and process of debate within HE (sometimes heated), surrounding these issues highlights a suspicion that their academic freedom is being eroded by stifling regulation on one hand and by a Philistean culture of market forces on the other. In the wake of these policy changes, new debates are emerging: a greater concern with quality and market relevance, and a fear of creeping inequalities between institutions in terms of wealth and status. Its principles are more in tune with what Schwarz and Thompson (1990) call "Jeffersonian governance" (ideal socialism, or parliamentary or referendum democracy). Disagreements between the HE community and the government are rooted in a failure to agree on what the goals of HE should be, what the problems are, and what is an appropriate framework for moving forward. The government's notion of "consultation" may fall outwith the HE expectation of "Jeffersonian governance", so that a clash of realities remain.

General discussion: drawing comparisons

Introduction

The framework provides a means for assessing how setting strategic direction and exercising control is rooted in different ways of life and patterns of innovative behaviour. These realities yield alternative guiding principles and assumptions for sanctioned behaviour:

> ... that are also used for judging others and justifying [oneself] against others (Douglas, 1982a, p. 5).

These realities are stable, taken for granted, and a product of social interaction. Individual organisations are not a jumble of choices and preferences, moving freely and

collectively from one reality to another. Nor are preferences and expectations for the future somehow detached from the collective memory. All decisions are framed by the existing practice of strategy, which in turn reflects a commitment to a package of assumptions and social prescriptions about how to behave in the organisation's environment.

A number of more specific observations may be drawn from the foregoing analysis, in particular
• forms of collective control;
• risk and rationality, the nature and scope for change; and
• boundary management within the organisation.

These differences are not exhaustive; they highlight features of corporate strategic thinking. These features are discernible rather than definitive. They give a sense that organisational life is plastic and developmental, while at the same time reinforcing existing practice.

Collective control
Regulatory mechanisms, anchored in wider social institutional structures, tend to exercise strong control over those organisations to the right of the framework (the business school and the bank), demanding conformity on pain of expulsion. Those toward the top of the framework, such as the bank, are least able to perceive alternatives. For them:
> The situation of being closely controlled and insulated from free social intercourse stabilises a perception of having no options (Douglas, 1982a, p. 6).

Increasing or relaxing the criteria for entry to the organisation results in more or less distinct compartments. The flow of ideas and knowledge may depend on personal networks, as in Telco; or a mixture of personal networks and group sanction, as in the business school; or be highly regulated, as in the the bank's use of an entrepreneural broker. In this latter case many ideas are "bottom up", but in the interests of being efficient and prudent, higher authority must be given before any commitment or contract can be entertained. Otherwise, as Douglas (1982a, p. 6) says, "to open small gates on control desensitizes the control centres to flood warnings".

Decisions to give up control of both content and process results in separation, a loosening of the regulatory chains that hold the organisation together. This tension between more or less control describes the relationship between the business school and

its parent the university. Many in the university see the business school as pulling toward individualism, while those in the business school see the university as pulling them toward hierarchy.

The individualism of Telco and the egalitarianism of the business school, have in common the right of individuals to pursue their particular interests. They differ in the form of socialisation necessary for doing so: loose integration of individuals or individual autonomy granted by group sanction. In contrast the way of life of both the business school and the bank share an intolerance of Telco's unbridled individualism as a basis for choosing alternative strategies. They differ in the degree to which the force of regulatory mechanisms guide choice.

Risk and strategic rationality
Each way of life features a distinctive style of reasoning, based on an inexhaustive and largely complementary range of taken for granted ideas. Each alternative reality, taken as a whole, appears to be incommensurate with others, in that their features cannot be measured against some common standard, and these features have meaning only as part of a particular reality. Moreover, they do not have more or less of "rationality" relative to each other. Rather, embedded in these social realities are alternative "styles of rationality" (Wettersten, 1995).

Weber's (1964) formal or procedural rationality and Allison's (1971) "organisation process paradigm", are consistent with the hierarchist's overriding concern with rules and roles. Following procedures will deliver acceptable outcomes. Substantive rationality (Allison's "rational actor paradigm") puts outcomes first, "the bottom line" matters above all else. How "the bottom line" is achieved is of secondary importance. Schwarz and Thompson's (1990, p. 7) critical rationality describes the egalitarian concern with "communal and voluntaristic co-operation". Both outcome and process are important. Here Allison's "governmental politics" describes the negotiated and political dimension of rational choice, and complements the "co-operative" perspective of "critical" rationality.

Differing styles of strategic rationality perceive and manage risk and uncertainty differently. Anomalies present risks and uncertainty, and opportunities for innovation, and each organisation handles them differently in ways that seem akin to Schwarz and Thompson's (1990, p. 105) proposed categories for explaining how policy makers, like government bodies, deal with technological risk: anticipatory,

opportunism, resilience. Telco's strategic rationality is characterised as "opportunistic". All levels of management always keep an eye open for the unexpected. Sticking their necks out makes the adrenaline flow and is often rewarded. Telco staff seize them eagerly as opportunities to demonstrate substantive outcomes, wherein trial and error with its attendant risk of failure are taken for granted. The bank through its ordered way of life tries to anticipate anomalies, and to accommodate or absorb those anomalies within its existing order. Anticipating external anomalies remain feasible through the professional banking social network, co-operative relationships with some competitors, social relations with financial regulators, and a formal role on the boards of many customers.

The business school's members are more critical or "resilient" in their risk taking attitudes. They do not go out of their way to "court danger" (Schwarz and Thompson, 1990, p. 105), preferring to debate and evaluate the implications of different future scenarios, what Schwarz and Thompson (1990, p. 66) call the "trial without error" of "critical rationality".

Plural realities and strategic change

Wettersten (1995) argues that we should accept the possibility of different rationality styles and seek to integrate them, rather than try to evaluate alternative rationalities as being more or less developed. Different styles of reasoning produce:

> New interesting problems and permits reconciling differences better than [trying to banish alternatives to] the absent unique standard (Wettersten, 1995, pp. 87-9).

While these social realities appear incommensurable, it does not mean that an organisation cannot be host to more than one at the same time. Indeed, these alternative ways of life need each other. Despite Telco's individualism, there remains in the background a chain of command, and externally legislation and regulation, available as a last resort if negotiation fails. Behaviour within the banking world may be heavily prescribed, but the bank, along with other providers of financial services, operate in a competitive market.

The business school may be thrusting to build market share, but its strategy is in large part based on exploiting the established and respected reputation of its parent, the university. While they differ in important ways, they are held together by a common commitment of providing open access to higher education. Staff working in these two organisations, engaged in conventional activities, are unconsciously committed to a common social reality. There is little chance in the two becoming alien to each other while they have this common commitment.

Obvious market and technological upheavals do not necessarily mean that the way of life within an organisation or its sector will be revolutionised. Rather it shows the plasticity of, and scope for innovation within a given reality.

The business school feels that it is at a cross roads in the development of distance education, and as noted above has spent a couple of years researching and evaluating different scenarios. Consistent with its strategic rationality, the business school has now started implementing an approach that seems designed to encompass as much of their technology's interpretive flexibility as they can conceive of, by recruiting expertise to cover a broad range of possibilities. Telco too is at a crossroads, having built a very profitable business on modem technological expetise that now looks like a liability, is investing in new expertise around local area network and wide area network technologies, "trying to come from behind to being in front" within 18 months. It is trying to do this as fast as possible, recruiting and firing staff with equal facility, endless rounds of re-organising, and making extravagant promises to both themselves and customers. Change within Telco is so incessant that new work organisation schemes overtake preceding ones before they are completed. Stakeholder have grown to expect this level of uncertainty from the telecomms sector. The bank, in common with its competitors is remodelling its relationship with users, trying to re-educate a distrustful public to engage in remote financial transactions through online banking.

Boundary management

Political arguments may be about whether group boundaries should be tightened or relaxed, and about the need or not for more rules. These discussions and arguments are justified in terms of perceived demands of the external environment. Many of the bank's divisions are in a constant argument about the extent to which they should control their own management information systems (MIS), and about centralised versus distributed management of that information. They argue that being customer responsive means having control of these resources. Some divisional managers would like the right to choose between the internal MIS, provided by MSD, and external competitors

of MSD. Most accept the veto on such choices as necessary to support an internal MSD.

Telco's two main revenue generators, customer support and sales, are constantly arguing about redrawing the boundary between them, as if it were something that is negotiable. The protagonists claim to be better placed to serve the customer; from their opposing positions each side feels that they hold the "natural" vantage point. Similar arguments rage among the university's faculties. The business school points to its own performance in the market place as evidence that it should have greater control over the distribution of its own income within the university.

These arguments about where group boundaries should be drawn are attempts to effect competing interpretations of strategic direction. In the process practitioners construct an innovation space, whether or not the argument is resolved. The constant threat to each group's competitive scope and political legitimacy creates space for innovative problem – solution configurations. Innovation (of which projects are a crystallisation) are thus constituted, and build on Fincham *et al.*'s (1994, p. 133) observation of innovation projects in the financial services sector:

> Innovation provides a critical juncture for the negotiation and reconstruction of the sector, whereby preconceptions and alliances may be challenged, and new avenues of knowledge deployment and occupational mobility opened up.

In this reconstruction each argument is presented as a "strategic rationale", comprising assumptions about outcomes, benefits, and drawbacks, and is the basis for economic and technical justification. It reflects the mobilization of arguments about the significance and utility of special knowledge for the success of an organisation as a whole – that is, the adoption of a discourse about strategy (Fincham *et al.*, 1994, p. 133). These arguments about control of strategic resources do not undermine the stability of the natural order. While the bank's way of life may drift a little by relaxing or tightening group commitment, or regulation, for example toward more or less reliance on the market to meet its ICT requirements, it will remain fundamentally hierarchical in outlook. The justifying arguments and ideas that characterise Telco as operating in an essentially individualist reality are not challenged by internal arguments about where the group boundaries should be drawn, for example between customer support and sales.

Conclusions

While corporations are economic units, they are at the same time social units. Each social unit is host to a cocktail of social realities, although one tends to be dominant. Social reality is not bounded by any formal organisational boundary, but is constituted of social relations that include customers, suppliers, competitors, regulators, and other stakeholders, much like Fleck's (1979) "thought collective". The dominant social reality is different in each organisation studied, and is not a product of organisational design.

Each social reality describes a bundle of features that separately mean little, but together give meaning to the way that corporations develop strategy and control decision making. Individuals are not lone atoms, but socialised beings, with a commitment to one or other social institution. Individuals carry a piece of a social jigsaw, and strategy practice, while purposive, involves many decisions being routinely and unconsciously made through a taken for granted strategic rationality. Conflict within organisations may be the result of competing institutional commitments, like the tensions between the business school and the parent university, or between the outward facing operating divisions of the bank and their internal relationship with the inward focused management services division.

The analytical framework employed here, the strategic rationality model, presents a qualitative and useful way of comparing and contrasting the practice of strategy development across the three organisations. This is not accidental. The framework was adopted because of its explanatory value in social anthropological settings that, while different from organisational settings, share the sense that strategy development practices do vary in distinctive ways.

The framework highlights the complexity and sociality of "choice", and give a flavour of its inaccessibility to practitioners. It is as Douglas (1982a, p. 6) suggests:

> [In examining] the principles of individual choice and conflict of rights we have no way of considering the effect of institutional forms upon moral perception. Yet something about institutional forms is generated by elementary choices and the resultant institutions incorporate judgements which reciprocally influence further perceptions of choice. Once any of these elementary choices has been made, it entails a package of intricately related preferences and secondary moral judgements.

The concept shows that when practitioners appeal to commonsense and rational judgements as the basis for action, they are invoking a constellation of knowledge claims, rooted in taken for granted expectations and beliefs, heritage, and experiences in the "here and now". When there are too many exceptions to the rule, they leap from one set of socially constructed rational judgements to another that seem to offer a better account of material reality.

The evidence shows that there are multiple and equally valid interpretations of the truth, supported by different styles of reasoning. These different styles go beyond the attributes of "rational" and "non rational" judgements, showing that such labels are grounded in a taken for granted reality. There is also evidence that strategic change labelled as "incremental" or "revolutionary" are "after the fact" social constructions that vary with the observer's perspective. Significant strategic change may take place within a given social reality, without upsetting its fundamental nature, or an organisation may switch social realities although this is likely to be a more traumatic experience for those involved. Incremental change measured over centuries, such as experienced by the bank, may be labelled as significant or transformational when looked at over the whole of its history.

It seems likely, though not certain, that the strategic rationality framework can explain variation between a broad range of organisations, and at different levels of focus. All three in this study exist in what appears to be a largely individualistic Anglo-American socio-economic setting, yet the three are sufficiently different to suggest that national culture does not blur differences. Even within the same industry it is possible that the same differences in social reality can be shown. For example, it is conceivable for BT, Britain's largest telecommunication services provider, to have a hierarchical profile in contrast to Telco's individualism. Business units within BT need not be homogeneous; some could be individualistic, while others – perhaps the research oriented units – be more egalitarian. The framework's explanatory power in some settings is more unclear. For example, family owned businesses might be hierarchical, yet differentiated in different ways other than those used in this analysis. Also, whether the framework would throw light on organisations in different socio-economic settings, such as companies in Japan or Korea, is unknown. These settings offer other possible areas for research.

Notes
1 Barnes' (1974) review of Kuhn's analysis of scientific progress provides an analogy. Barnes (1982, p. 86) also notes that "major cultural change can be brought about not just by the accumulation of many small deviations from routine, or extensions of routine, over a period of time, but even by activity carried out in meticulous conformity of routine".
2 One of the university's social prescriptions for maintaining its way of life takes the form of "dean by open election", with the elected dean holding office for five years. This mechanism supports accountability of the dean, and circumscribes the incumbent's power (through manifesto and term of office).
3 "Centres" are career development homes for groups of like minded academics and administrators. Centres would be a forum for developing personal or collective agendas.

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Strategy, accountability, e-commerce and the consumer

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Abstract
Whilst increasing numbers of firms have launched themselves on the Internet, evidence suggests that they are doing this without any consideration of the strategic implications of developing, implementing or running a Web site. Adopting a strategic perspective, the aim of this paper is to critically examine the potential growth opportunities of on-line retailers together with identification of consumer value a Web site may offer. In being accountable to their shareholders, these firms' efforts must make a profit. For those wishing to recoup their investments in a short time frame, it seems that putting funds into e-commerce firms is not recommended. Rather e-commerce is for long term play.

Introduction

Evidence suggests many companies have engaged in e-commerce activity, whether it is on a business to business or business to consumer basis (B2C), without any consideration towards a return on investment (Damanpour and Madison, 2001). One of the reasons for this may be that many businesses fear that without an Internet presence, the firm will get left behind. Hence a number of companies have turned their focus towards e-commerce, often by emulating the business module of another firm, as "me too" entities. In all, firms have been seduced by suggestions that e-commerce provides opportunities to access bigger markets at lower costs. For instance, Bloch *et al.* (1996) propose that e-commerce offers cost advantages to firms via less expensive product promotions, whilst Benjamin and Wingand (1995) suggest that it offers a more cost effective distribution channel and overall reduction in physical distribution costs. Bloch *et al.* also advocate that e-commerce can enable a company to implement customer focus strategies through better customer relationships. Together with various reports regarding the growing numbers of consumers who now have access to the Internet and use it for purchasing, it is understandable that e-commerce is seen as an attractive way forward for many firms (Mintel, 2001). In all, the characteristics of virtual markets presented to firms via e-commerce open new opportunities for wealth creation (Amit and Zott, 2000).

As a consequence, a number of firms have eagerly launched Web sites some, with considerable financial success to date. Such firms include the auction site eBay and the portal site Yahoo. However other firms have either experienced relatively little success to date or they have gone out of business. Evidence suggests these companies have set themselves up without consideration of the strategic implications of developing, implementing and running a Web site. For example, Neal and Veitch (2000) indicate that more than a third of 102 UK based Web sites surveyed by the Trading Standards Institute, including those of high-street shops and well-known on-line specialists were problematic. For instance, 38 per cent of orders did not arrive on time, and 17 per cent of orders were unfulfilled because of system crashes, out-of-stock items, forgotten orders, or companies collapsing.

In the eagerness to have an Internet presence it is likely that firms may neglect to ask themselves whether their Web initiative targets their existing customer group, whether it attracts a new customer group and most significantly, what value is the site offering to any customer group. Indeed consumers may be drawn in to a Web site via various advertising initiatives, however once there they do not find the product offerings compelling enough to purchase and subsequently don't return to the site (Adams and Heraghty, 2000). One reason for failure is the neglect of on-line retailers to develop an adequate business model to achieve profitability, due either to their lack of foresight in calculating total operating costs or they have overestimated the size of the market for on-line shopping (Ring and Tigert, 2001).

In all, whilst the media has paid much attention to the Internet as a way of offering profit potential, conversely there are indications that firms need to take caution. At present it seems as though any company with real ambitions for the Internet must permanently live with a high degree of risk and uncertainty. For as Ody (1997) notes:

Experiments by retailers are more notable for their failure or low profitability than for their success.

Watson *et al.* (2000) suggest that if organisations are going to take advantage of new Internet technologies, then they must adopt a strategic perspective, and in doing so, take into account stakeholders needs. They point out that in terms of shareholders, given the low or zero financial performance of a number of Internet retailers to date, they are being asked to pay now for long term future value creation.

Adopting a strategic perspective, the purpose of this paper is to identify the growth opportunities for firms functioning as on-line retailers, and critically assesses the viability of such growth strategies. Secondly, in order to be profitable, on-line retailers need to offer some kind of value to consumers. Therefore an examination of consumer value in an on-line environment is also undertaken.

Growth strategies: new market opportunities through e-commerce

Strategy is concerned with planning and the long term survival and success of a business. It defines the direction for a firm; it specifies where the business is going and determines how it will get there. It also guides the company towards its financial objectives (Davies and Brooks, 1989). The essence of strategic planning lies with the consideration of current alternative strategic decisions, given possible threats and opportunities. In all, a major objective of any organisation is the acquisition of a competitive advantage, which results from its appropriately selected strategic choices (Simomkos and Vrechopoulos, 2000).

E-commerce provides retailers with the means to buy, sell and provide support for business transactions via computer networks. In effect all the activities which are common to the combined efforts of each of the three channels conventionally used in the buying and selling process, these being, marketing communications, transactions and distribution channels. Consequently in an on-line environment a Web site is able to advertise products, allow consumers to pay for them, and in the case of digital software distribute the product via a download (Li *et al.*, 1999). With regards to non-digital products such as food and clothing, communications and transaction functions are achieved on a Web site but not distribution. With such functionalities, the Internet has the potential for both existing and start-up retailers to pursue growth

strategies as the technology has the potential for firms to achieve an additional source of revenue made possible by the existence of this alternative marketing and distribution channel. The strategic potential of the Internet can be understood by applying Ansoff's (1965) product-market matrix (see Table I) as it functions to illustrate the main growth vectors available to a company.

Documented below are current examples of growth strategies pursued by various on-line retailers used to illustrate each of the four segments of the matrix.

Market penetration
The Internet can be used to sell more existing products into existing markets. This can be achieved by using the Internet for increasing the awareness of the firm as illustrated by UK supermarkets such as Tesco and Sainsburys' plus the bookseller WH Smith and numerous clothing retailers including the Arcadia Group, Next and Marks and Spencer who all pursue a multi-channel strategy selling both via the Web, the high street and/or mail order to their existing customers. Finlay (2000) suggests that market penetration fits strategically for a firm when its present customers can be induced to buy more and typically, when a company wants to attack the market share of their competitors, they will undertake market penetration as a way of increasing their own share in the market.

Given that generally the market for consumer goods within the UK is mature, then penetrating these markets by targeting consumers who are looking for convenient ways to shop via a Web site would seem to be a viable growth strategy. Typically for these multi-channel retailers, it is not important to them where the customer shops, that is, using the firm's Web site or in the high store or mail order catalogue, the key is that they shop with them. Whilst multi-channel retailing offers consumers this kind of choice, from a strategic perspective it is important to the retailer to co-ordinate customer data information, such as identifying the channel with the highest value customer, in order to exploit Internet technologies for the purposes of market intelligence.

Table I

Ansoff's (1965) product market matrix

| Market | Product/service | |
	Existing	New
New	Market development	Diversification
Existing	Market penetration	Product development

Market development

E-commerce facilitates market development. For example, Amazon initially used this as a growth strategy by taking their existing e-commerce strategy of book selling in the US market and developing it for the UK. However the success of this growth option requires that the firm's product or service satisfies the requirements of any new customer group (Doyle, 1992), which may be different from those of the original customer market (de Chernatony and McDonald, 1995). For example offering a Web site in only one language will not swiftly facilitate the creation of worldwide customers.

In all, firms need to balance the decreased costs of distribution associated with marketing communications and transaction facilities using the Internet with the increased costs of support in terms of the resources required to target different audiences. For instance according to Duncan (2001) after English, the languages that are likely to get the greatest return on translation investment are French, German, and Spanish and looking in to the future, he predicts Chinese. He suggests that consumers are far more likely to complete a transaction on-line if the Web site is in their own language rather than English. Further to this he suggests that in order to reach 70 per cent of the consumer audience in Europe, the content of the Web site would need to be translated into five languages. Additional considerations include tax, VAT and different local legal requirements together with an understanding of data protection and approaches to registration of domain names for each of the local markets.

Perhaps the most significant factor to be considered in terms of market development is logistics. Indeed the Internet is providing an increasing number of opportunities to better manage logistics activities such as inventory management as it provides constant connectivity between firms engaged in logistics management. Hence facilitating market development. However the order fulfilment and logistics requirements for handling e-commerce are much greater than those in traditional retailing. The reason being that the greater geographical spread of a market, will inevitably result in final product destinations being more widely dispersed, particularly in the case of the B2C market, where the final destination is to the customer's door (UNCTAD, 2001). Ring and Tigert (2001) sum this up quite clearly in their paper, and in doing so, identify a major logistics challenge for on-line retailers, quoting from the *Wall Street Journal*:

In retrospect it seems clear that loading up 10,000 consumer items in a van and trucking them to a central location (known as a "store") is cheaper than sending 10,000 vans to deliver the same goods individually to 10,000 doorsteps.

Product development

The Internet has facilitated the development of new products and services that can be delivered via a download to an existing target market. Examples of such Internet based products include on-line newspapers, magazines, market reports, films and music.

However perhaps the most significant development of a growth opportunity via product or service development can be seen in on-line banking services. Indeed the UK banking industry has made great strides to provide this, for example Barclays Bank, Abbey National and the Royal Bank of Scotland all have a number of initiatives to deliver new services to existing customers. On-line banking provides an opportunity for growth as it can facilitate the offering of further new services for customers. For instance an on-line bank customer is likely to access their account from home on a regular basis, more so than, for example, a customer who buys their car insurance on-line. This subsequently provides the bank with an opportunity to offer the existing customer new services available from their portfolio. Alternatively, the bank may act as a broker for an insurance company, promoting their services on the bank's Web site. A further rationale for this type of service development in the banking industry is in the cost savings made via administrative tasks. For instance funds can be transferred between accounts and responses made to queries without any bank staff needing to intervene.

A recent survey by consulting firm CapGemini Ernst & Young found that currently just 4 per cent of all bank transactions in Europe are done on-line, this is expected to rise to 25 per cent by 2003 (Bachelor, 2001). However the current opportunities for fully exploiting this type of service development, to date, is limited. For example, current UK Internet based accounts are restricted to banking within the UK, neither can UK customers trade in the currency of their choice nor dabble in overseas stock exchanges.

A number of current consumer benefits from on-line banking can be identified, such as access to banking services 24 hours a day, the facility to check current account balances and pay bills from home, all contributing to raising customer service standards by giving consumers new and more convenient ways of handling their money. However evidence

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suggests that consumers would rather prefer personal attention rather than use the new services offered via the Internet. For instance Bachelor (2001) suggests that a vast majority of bank customers think that an on-line banking service is not important in their relationship with a bank nor are many of them even aware that their bank provides on-line services. Therefore at present, there is a major divide between what consumers want and the kind of new service development, which the high street banks are keen to push. In terms of strategic fit, Finlay (2000) suggests growth through product or service development is appropriate when a firm's brand reputation is high, the competitive arena is characterised by rapid technological developments, the business has especially strong research capabilities and economies of scope are significant. All of these apply to the UK banking industry.

Diversification
With regards to this quadrant of Ansoff's (1965) matrix, new products and/or services are developed, which are sold to new markets. Amazon.com again is a good example of a firm who has followed this growth strategy. For whilst the company began by selling books in one market, the US, moving gradually on to audio and video products, it quickly moved into new geographical markets for example the UK. Its most recent new market is France. According to McDonald (2000) the firm is keen to concentrate upon the European market because of its high population density, which means lower transportation and shipping costs. As well as developing into new markets, in July 1999 it began an expansive product diversification strategy consisting of having 18 million items of merchandise across 14 different categories. Such a diversification program includes selling electronic equipment such as DVDs, lawn and patio furniture, garden products, hardware supplies and cars. Similarly, the UK site includes, along with books and CDs, cameras, computer software and electrical goods plus an auction facility. Advantages of such a strategy include embedding the firm's brand as a leader in on-line retailing plus the ability to capture customer data about purchase behaviour from each product shipment and subsequently use in direct marketing activities.

Such diversification has led critics to consider that it could prevent Amazon.com from achieving any sustainable longterm profitability as its too diversified range of products may increasingly stress its complex distribution infrastructure. Finlay (2000) points out that whilst diversification may be an advantage to the firm, the costs ensued may be significant. For it is unlikely that unrelated diversified firms will add value unless there are managerial or financial synergies.

Strategic success and corporate governance

Applied to e-commerce, Ansoff's product market matrix is a useful strategic tool in identifying the possible growth strategies available to a firm in terms of how the it may grow. The matrix shows how e-commerce firms can generate new sources of revenues and look at additional opportunities to offer new products and services in addition to those it traditionally offers. However it evident that all cases of the examples offered, the success of the outcome or otherwise is not guaranteed.

Consumer value

Achieving customer satisfaction is an important goal for retail businesses. In all, customers will spend their money on what they expect will give them the most satisfaction (Bach *et al.*, 1987) and therefore increasing this satisfaction leads to improved profits, positive word of mouth and lower marketing expenditures (McDougall and Levesque, 2000). One way of achieving customer satisfaction is through understanding consumer value (Woodruff, 1997). Perceived consumer value may be defined as benefits customers receive in relation to total costs, or what Zeithmal (1988) refers to as the overall assessment of what is received relative to what is given. However Bowman and Ambrosini (2000) suggest that the concept is more complex than this. They propose that:

> Customers perceptions of a value of a good are based on their beliefs about the goods, their needs, unique experiences, wants, wishes and expectations.

Further to this, in line with the classical economists, they identify two types of value, use value and exchange value. Each are defined below:

Use value: specific qualities of the product perceived by customers in relation to their needs. Here subjective judgements are made pertaining to the individual that, in turn, translates into what the customer is prepared to pay.

Exchange value: refers specifically to price:

The monetary amount realised at a single point in time when the exchange of the good takes place (Bowman and Ambrosini, 2000).

Typically firms create use value by attempting to translate customers' needs into goods and services. Marketing and other activities communicate the translation of these needs. Whereas, in contrast, the exchange value is realised when the sale is made.

Holbrook (1999) offers a model that considers the various concepts surrounding the term of use value, what he refers to as consumer value. His model offers a typology that identifies the key dimensions of this. A brief explanation of each is shown in Table II.

Using the dimensions outlined below, Holbrook (1999) developed a matrix where each cell of the typology presented represents a distinct type of consumer value. This is offered in Table III.

Holbrook (1999) proposes that the model is flexible enough to be able to apply it to a variety of consumer experiences. To test this, the researchers have applied the model to on-line retail sites' offerings. The prime purpose being to assess how on-line retailers are currently creating value for consumers via their Web sites.

Each of the above types of consumer value is now considered.

Excellence

Excellence may be acquired through the quality of produce or service received which functions to bring excellence for the consumer's benefit. Oliver (1997) offers three conceptual perspectives of quality, these being, attainment, implying the product or service offering has achieved a high level of technical accomplishment. Second, desirability referring to the consumer's need for attachment to the offering and usefulness, referring to the traditional utility based definition of quality such as "fit for purpose". With regard to value derived in the form of excellence pertaining to on-line retail

Table II
Holbrook's dimensions of value

Value dimension	Explanation
Extrinsic	The offering is not valued in itself but rather for its ability or function to achieve something, e.g. the extrinsic value of money or value of a hammer which exists to function to drive in nails
Intrinsic	Relates to the essential nature of the offering, which is valued as an end in itself, e.g. a music concert
Self oriented	The source of value derived from an offering is its capacity to contribute to an individual for his or her own sake, e.g. reading a book for pleasure
Other oriented	Value derived from an offering is in terms of what or how the offering may affect or influence others, e.g. family and friends or the community, society, the country
Active	Value is active when it involves a physical or mental manipulation of a tangible or intangible offering, e.g. value derived from using time saving devices such using ATM machines instead of queuing in a bank to access money
Reactive	Value is reactive when something is undertaken by the offering or with a consumer being part of the consumption experience, e.g. the experience of receiving a quality service

Source: Adapted from Holbrook (1999)

Table III
Holbrook's typology of consumer value

	Extrinsic	Intrinsic
Self oriented		
Active	Efficiency – convenience	Play – enjoyment
Reactive	Excellence – quality of product or service	Aesthetics – beauty of offering
Other oriented		
Active	Status – success communicated to others via offering	Ethics – virtue communicated to others via offering
Reactive	Esteem – reputation communicated to other via offering	Spirituality – faith embedded in offering

Source: Adapted from Holbrook (1999)

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offerings, examples include, the standard of service offered via home deliveries, e.g. delivering goods when they state they will be delivered. Other examples of excellences are the width and breadth of product assortment plus the quality of information offered in relation to the product or service being sold. Further to this, ease of accessing information or ease of making transactions, payment security and returns policies plus visual representations offering clarity of detail of products would also be termed as excellence in the context of Holbrook's typology. An example of a Web site offering excellence in the form of quality of information is the UK health and beauty retailer, Boots the Chemist (www.wellbeing.com), who provide detailed information about their products, offer health advice in the form of "ask the pharmacist", and also produce a "good hospital guide". However whilst firms may be able to respond to consumer enquiries on a one to one basis via e-mail, there is no opportunity to talk directly to store personnel, which may frustrate some consumers.

Further to this, product assortment is often reduced in an on-line environment compared to the high street equivalent. Indeed a number of "clicks and mortar" retailers offer a reduced selection of products on their Web site compared to their high street offering, for example Laura Ashley, Marks and Spencer and Tesco. This subsequently affects the quality of service these firms are offering and may probably be the case that excellence in terms of transactional functionalities or product information would not be sufficient enough to outweigh the inferior product assortment on offer.

Efficiency
Efficiency as a value may be acquired through convenience, which involves the consumer actively doing something for their own sake which functions to bring efficiencies, for example, using time saving products or services. Therefore the extrinsic value of a Web site may be gained by not having to physically go to a high street store to buy goods, but rather order them from the comfort of your own home plus have them delivered there. All on-line retailers who are transactional offer this efficiency, Tescos Plc (www.Tesco.co.uk), being an example of this. Efficiencies may also be accrued by way of the convenience of accessing information on-line, e.g. written details of product attributes together with illustrations of product offerings, e.g. Landsend (www.landsend.com), illustrate their clothing products in the form of 3-D product presentations. By way of further convenience, they also offer a personal model whereby the user may build and select their clothes based on their own shape and lifestyle. Another example of convenience is offered by the Web site NikeLondon (www.nikelondon.co.uk), that specifically caters for residents in London who wish to play football for leisure. The Web site functions to provide details of venues, teams and dates of games being played. Cost efficiencies accrued through products and services are also seen as efficient. However typically customers are required to pay a delivery charge, for example both Tescos and Amazon and do this. Ring and Tigert (2001) estimate that customer's pay approximately between 10 and 20 per cent more for home delivery, relative to the low priced supermarkets within the UK. This is significant given that low prices are seen to be an important determinant of store choice particularly in grocery shopping (Arnold *et al.*, 1983). This is even more significant as Arnold *et al.* further point out that many customers will switch stores for only a 3-4 per cent differential in prices across leading competitors.

Status
It is suggested that status is derived from an individual actively manipulating their behaviour as an end in itself to achieve a favourable response from others (Solomon, 1999). In terms of using a Web site to engage in status seeking behaviour, chat room facilities can function to provide this. For example, that offered by the sportswear retailer Ellis Brigham (www.ellis-brigham.com), who offer a forum where snowboard enthusiasts have the opportunity to engage in discussions about their sport.

Esteem
Esteem is defined as an outcome as a result of an individual reacting to a response to others appreciation of that individual (Holbrook, 1999), i.e. the high regard of others when they view what they own or have accomplished. In the context of a commercial Web site, this may be achieved through the publication of individual names who have achieved something specific, e.g. sportswear retailers providing an account of athletes who performed in the Sydney 2000 Olympics as the Nike Web site (www.Nike.com) has done. However whilst consumers may value such associations by going on to purchase products as a result of such "celebrity" endorsements, the firm's gains as the association does much to enhance their brand.

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Ethics

Holbrook argues that purchasing products or services which are environmentally friendly or for ethical reasons is a form of intrinsic value and therefore such behaviour is valued for its own sake, what is referred to colloquially as "virtue is its own reward". Here value is accrued via the virtue one communicates to others by making such a purchase. Benetton (www.benetton.com), encourages such purchases, using their Web site to communicate the values embedded within the company, for example a quote on one of their Web pages is:

> All human beings are born free and equal in dignity and rights.

Spirituality

Holbrook defines spirituality as being a sense of communion one may feel within himself or herself and with humanity. In Brown's (1999) view purchasing activities are not typically determined by such convictions and therefore this dimension of consumer value is not considered here.

Play

Holbrook sees the value of play or enjoyment as something actively sought for an individual's own pleasure. As such, enjoyment may be derived from individuals accessing Web sites who offer puzzles, games and so forth. Pleasure for its own sake can also be derived from undertaking information searches, e.g. hobbyists seeking to build up their knowledge in their areas of interest. A number of Web sites provide value to various enthusiasts in this way, e.g. forming on-line clubs or communities such as the previously mentioned Nike's London initiative Web site (www.nikelondon.co.uk). Another example is the UK fashion retailer, Top Shop (www.topshop.co.uk), who sell personalised CDs from its Web site whereby a visitor is able to select a ten track CD from a choice of 80 music tracks after listening to 30 second samples. The company also offers enjoyment in the form of a chat room for interactive dating.

Aesthetics

Aesthetics is defined as something in which consumers react positively to and value, for its own sake a product or service offering for their own pleasure. This may be for example an individual's reaction to the beauty of a piece of craftsmanship. With regards to the Internet, individuals may react positively and value the look and feel of the Web site in terms of its attractiveness. The visual representation of products may also be valued by way of attractiveness of the nature of the offering e.g. Liberty of London's Web site (www.liberty-of-london.com), offers a facility for the user to view the Regent street's store's scarf room around a 360 degree panorama. Whilst many consumers would probably prefer to see the real thing, however if they do not live in London, this is not feasible. Nevertheless, pleasurable and aesthetic shopping environments do contribute to impulse purchases. Beatty and Ferrell (1998) define impulse purchasing as: "No pre-shopping intentions either to buy the specific product category or to fulfil a specific buying task" and consider that in-store browsing is central to the impulse buying process. In their view, as individuals browse longer, in turn they will encounter greater stimuli, which they consider increases the likelihood of making an impulse purchase. A store environment, in which consumers have the opportunity in which to physically see, touch and smell the merchandise, all contributing factors to stimulating the purchasing, are not possible to replicate via a Web site.

Assessment of Holbrook's model

In all, we can see that from the above given examples used to explain Holbrook's typology, offerings are defined in the broadest sense from which an individual can derive value. Therefore the model is flexible enough to be able to apply to a variety of consumption experiences. For example it is feasible to argue that the same product or service can impart different types of value to different perceivers and it is therefore from the perspective of the perceiver that one can truly understand the value that has been created for their benefit. Therefore, what a consumer perceives as valuable could comfortably fit into more than one box of the matrix, an example of this being information i.e. the value of information may be aesthetic, playful, convenient or excellent. It may even be a combination of all four. Consequently identification of consumer value for specific lifestyle segments and/or household types would be helpful to on-line retailers in determining what value would be most appropriate for their target market and in turn help them to develop their positioning strategy. For example, whilst one consumer, who is time poor, may value efficiency highly, another user, who is time rich, may value play more highly. From the above exercise it seems that the consumer values which are being pushed most by retailers are value-as convenience and value-as-excellence. Nevertheless whatever sort of

value being offered to the consumer, it must offer the retailer some kind of competitive advantage in order to be accountable and ultimately satisfy stakeholders needs.

Discussion and conclusion

The paper establishes, that on-line retailers are forging out growth strategies by way of market penetration, market development, new product/service development and diversification. The paper also establishes through examples that on-line retailers are endeavouring to offer value to consumers. Using Holbrook's typology, evidence is provided that value is delivered in the form of excellence, efficiency, play, aesthetics, esteem, status and ethics. Albeit these types of values can be both applied and interpreted by the consumer in a variety of ways.

In all these efforts must make a profit, that is, generate sufficient funds that are equal to or greater than the sales produced by "bricks and mortar" retailers. This is a challenge, given as already stated; customers will switch retailers for as little as 3-4 per cent price difference.

Numbers of sales from on-line customers are increasing. For instance, the figure for UK on-line retail sales from August 2000 to August 2001 rose to £345 million, an increase of 150 per cent (Azeez, 2001). This increase seems quite significant, however compared to the whole of the home shopping market, which is estimated to have been £15 billion (Keynote, 2001), the figure is not so noteworthy. Nevertheless whilst numbers are growing, to date it is evident not many customers have moved from buying in the high street to the Internet. It seems that they still need to be convinced that added value can indeed be accrued in shopping via Web pages.

As reported at the beginning of this paper Damanpour and Madison (2001) point out that a number of firms have engaged in e-commerce activities without consideration of the costs and benefits of a thoroughly thought through e-commerce strategy. As a result, as documented in the media the probability of failure was high (albeit in retrospect!) and many firms have found that the impact of their strategic investment decisions have damaged their return on investment.

With so many Internet companies running at a loss, the question is how long financiers are willing to wait for returns on their investment. The choice is between consuming and investing that is, consuming profits that have been made today or

investing for growth in the future. It seems therefore rather that investments made in e-commerce firms are not good stock for short term investors but rather for long term play. The Internet industry is still in its growth stage and the potential for further growth exists. Investors will have to remain patient, and in the meantime, the two models presented in this paper assist strategists in identifying strategies for growth of the firm and also offer Web sites that provide value to consumers.

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A critical appraisal of customer satisfaction and e-commerce

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Abstract
In this paper electronic commerce (e-commerce) is examined in the context of the relationship between firms and their customers and the implications for organisational accountability. The technology of e-commerce determines what can be offered to customers, but only customers determine which of those technologies will be accepted. The author argues that providing the highest customer delivered value by e-commerce can be viewed as making a real contribution to customers, i.e. shopping through the Internet will be accepted by customers. Customer satisfaction is of critical importance when measuring perceived customer delivered value that is offered by e-commerce. Three main scales which play a significant role in influencing customer satisfaction are customer need, customer value and customer cost.

Introduction

Customer behaviour in traditional shopping contexts has received much attention. As the competition in the marketplace continues to grow, understanding customers has become an important method of marketing. According to the Chartered Institute of Marketing, marketing can be defined as:

> The management process for identifying, anticipating and satisfying customer requirements profitably.

This means today's companies have moved from a product and sales philosophy to a new marketing philosophy. Customer-centred companies have emphasised a better understanding of customers' needs and wants and then translated them into the capability to give customers what they really need and want. For this purpose, much marketing research has been done on analysing customer behaviour. The field of customer behaviour studies how customers select, buy, use and dispose of goods, services, idea or experiences to satisfy their needs and wants. Moreover, measuring customer satisfaction has become increasingly popular in the last two decades and the satisfaction construct has gained an important role in the marketing literature.

The new glamour field in research studies today is electronic commerce (e-commerce). There are many, varied definitions of e-commerce: Zwass's (1996) definition of e-commerce is adopted describing Internet commerce as:

> The sharing of business information, maintaining business relationships, and conducting business transactions by means of Internet-based technology.

Savoie and Raisinghani (1999) state that e-commerce is the current manifestation of a wave to provide a customer with instant access to all the products/services he/she could need or want at any given time and the touch of a button. Fiore (2001) argues that e-commerce means selling products, services and information over the Net. Based on Bloch *et al.*'s definition for e-commerce, Murphy (2001) extends this to include activities such as the provision of information to customers, marketing and support activities. According to Anderson Consulting (1999), e-commerce can be defined as "the conduct of business among e-enterprise[1] and consumers" where e-business means:

> A business enterprise with the capability to exchange value electronically.

In short, e-commerce has been used both as a broad term to cover the use of the Internet for advertising and presenting information about products and services, and a narrow term which recognizes e-commerce to include only business transactions, involving ordering and payment on the Internet. Blackwell *et al.* (2001, p. 147) indicate that:

> The winners in "clicks and order" retailing, like their predecessors in "bricks and mortar" retailing[2], will be those who know how to take care of the customer better than competitors and provide better solutions than were available to consumers in the past.

The technology of e-commerce determines what can be offered to customers, but only customers determine which of those technologies will be accepted. The key to success for e-commerce lies in knowing customers. Thus, much e-commerce research has been done regarding customer behaviour, value and satisfaction. In this paper e-commerce is examined in the context of the relationship between firms and their customers and the implications for organisational accountability. This is considered in the context of customer satisfaction.

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Customer satisfaction

There are two principal interpretations of satisfaction within the literature – satisfaction as a process and satisfaction as an outcome (Parker and Mathews, 2001). Early concepts of satisfaction research have typically defined satisfaction as a post-choice evaluative judgment concerning a specific purchase decision (Oliver, 1980; Churchill and Suprenant, 1992; Bearden and Teel, 1983; Oliver and DeSarbo, 1988). The most widely accepted model, in which satisfaction is a function of disconfirmation, which in turn is a function of both expectations and performance (Oliver, 1997). The disconfirmation paradigm in process theory provides the grounding for the vast majority of satisfaction studies and encompasses four constructs – expectations, performance, disconfirmation and satisfaction (Caruana *et al.*, 2000). This model suggests that the effects of expectations are primarily through disconfirmation, but they also have an effect through perceived performance, as many studies have found a direct effect of perceived performance on satisfaction (Spreng and Page, 2001). Swan and Combs (1976) were among the first to argue that satisfaction is associated with performance that fulfils expectations, while dissatisfaction occurs when performance falls below expectations. In addition, Poisz and Von Grumbkow (1988) view satisfaction as a discrepancy between the observed and the desired. This is consistent with value-percept disparity theory (Westbrook and Reilly, 1983) which was developed in response to the problem that consumers could be satisfied by aspects for which expectations never existed (Yi, 1990). The value-percept theory views satisfaction as an emotional response triggered by a cognitive-evaluative process (Parker and Mathews, 2001). In other words, it is the comparison of the "object" to one's values rather than an expectation. Customers want a meeting between their values (needs and wants) and the object of their evaluations (Paker and Mathews, 2001). More recently, renewed attention has been focused on the nature of satisfaction – emotion, fulfilment and state (Parker and Mathews, 2001). Consequently, recent literature adds to this perspective in two ways. First, although traditional models implicitly assume that customer satisfaction is essentially the result of cognitive processes, new conceptual developments suggest that affective processes may also contribute substantially to the explanation and prediction of consumer satisfaction (Fornell and Wernerfelt, 1987; Westbrook, 1987; Westbrook and Oliver, 1991). Second, satisfaction should be viewed as a judgment based on the cumulative experience made with a certain product or service rather than a transaction-specific phenomenon (Wilton and Nicosia, 1986).

> There is general agreement that: Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations (Kotler, 2000, p. 36).

Based on this review, customer satisfaction is defined as the result of a cognitive and affective evaluation, where some comparison standard is compared to the actually perceived performance. If the perceived performance is less than expected, customers will be dissatisfied. On the other hand, if the perceived performance exceeds expectations, customers will be satisfied. Otherwise, if the perceived expectations are met with performance, customers are in an indifferent or neutral stage. A product's perceived performance is based on how a customer assesses goods or services delivery. The brand of companies represents a promise about the total resulting experience that customers can expect. A high-performance business must align brand value with customer value. The extent of product's perceived performance is determined by a large number of factors in which stakeholders, processes, resources and organisation are important keys. Thus, regarding an evaluation of product's perceived performance on a business (e.g. e-commerce), the researcher would consider whether a business defines its stakeholders and provides their needs and wants; whether a business offers its goods and services by managing its core work processes such as new-product development, customer attraction and retention, and order fulfilment; whether a business pays attention to resources such as labor power and information; and whether a business holds a distinctive set of values for delivering high value and satisfaction to customers.

The satisfaction judgment is related to all the experiences made with a certain business concerning its given products, the sales process, and the after-sale service. Whether the customer is satisfied after purchase also depends on the offer's performance in relation to the customer's expectation. Customers form their expectation from past buying experience, friends' and associates'

advice, and marketers' and competitors' information and promises (Kotler, 2000). Based on customers always buying from the company that they perceive offers the highest customer delivered value[3], the author argues that high customer delivered value from their choosing is expected to satisfy customer needs and wants by customers. Therefore, other factors determining the extent of expectations include customer needs, total customer value and total customer cost.

Researchers who study customer choice have long known that the actual act of choosing is just one of several stages customers go through when they buy. A purchase decision is influenced by the buyer's characteristics. These include cultural, social, personal and psychological factors. In addition to the buyer's characteristics, a purchase decision is influenced by the buyer's decision process. The typical buying process develops through five stages:

1 new recognition;
2 information search;
3 information evaluation;
4 purchase decision; and
5 post-purchase evaluation (Chaston, 2001).

Although buyers may skip or reverse some stages, basically they pass sequentially through all five stages in buying a product. Value reflects what customers do in evaluating, obtaining, using and disposing of the product or service. Values can be defined as principles or standards of an individual as a whole. They reflect an individual judgment as to what is valuable or important in life. Customer delivered value is a result of comparison of total customer value with total customer cost. There are a number of models that have been developed to assist our understanding of value that customers expect from a given product or service (e.g. Engel *et al.*, 1995; Murphy, 2001). For example, Holbrook (1999) lists efficiency, convenience and quality of products or services as customer value, and Ravald and Gronroos (1996) list purchase price, acquisition cost, transportation, risk of failure or poor performance as customer cost.

To quote Harddrell (1994, cited in Danaher and Haddrell, 1996, p. 4):

> A review of the literature revealed over 40 different scales used to measure consumer product or service satisfaction, from retail to airline settings.

As they mention, many different scales have been considered to measure customer satisfaction. Let's consider three main scales which play a significant role in determining customer choices:

1 customer need;
2 customer value; and
3 customer cost.

A deeper understanding of the interactions these should go a long way in enabling more effective measurement in the customer satisfaction field.

Influencing satisfaction: customer need

A fundamental concern of customer satisfaction is to understand why customers buy a range of products/services from a particular company or business. In terms of satisfaction as an outcome, research has focused on one of the natures of satisfaction – fulfilment (Parker and Mathews, 2001). According to Maslow (1943), motivation theories state that people are driven by the desire to satisfy their needs. Satisfaction can be viewed as the end-point in the motivational process. Thus, customer satisfaction can be seen as the customer's fulfilment response (Rust and Oliver, 1994). The dynamics of the interaction between the supplier and customer are influenced by the specific needs and expectations of each customer.

According to Solomon (1999), needs can be differentiated along two dimensions:

1 utilitarian (a desire to achieve some functional or practical benefit); and
2 hedonic (an experiential need, involving emotional responses or fantasies).

The satisfaction of utilitarian needs implies that customer will emphasise the objective or tangible attributes of products, such as eating many vegetables for nutritional reasons. Hedonic needs are psychic needs. Psychic needs are not important for customer survival or even maintenance of what might be termed basic life standards. Instead, they originate in dimensions of the mind often characterized as feelings, emotions or human needs. In other words, hedonic needs (psychic needs) are subjective and experiential. Customers might rely on a product or service to meet their needs for excitement, fantasy, or self-fulfilment. In addition, some other important needs that are relevant to customer behaviour/ satisfaction include needs for achievement, needs for affiliation, needs for power and needs for uniqueness according to Solomon (1999).

Much research has been done on classifying customer needs. For instance,

Maslow formulates a hierarchy of biogenic and psychogenic needs (Kotler, 2000; Solomon, 1999). The implication of Maslow's hierarchy is that one must first satisfy basic needs before progressing up the ladder. Groth (1994) draws attention to customer needs in terms of a marketing environment: survival, utility, achievement, attainment, entitlement, satisfaction, social, interpersonal, image, status, reward, fulfilment, pride, affinity and independence.

Influencing satisfaction: customer value

One way of achieving customer satisfaction is through understanding customer value, as perceived value is considered an important contributor to customer satisfaction (Woodruff, 1997). Value is considered to be an important constituent of customer satisfaction. In shopping, a value is often held dear to many customers' hearts. A person's set of values plays a very important role in consumption activities – many products and services are purchased because people believe these products will help to attain a value-related goal (Solomon, 1999, p. 117). Values affect customers in determining evaluative criteria, answering the question, "Is this product for me?" Value can be defined as principles or standards of an individual, group, organisation or society as whole (Kenny, 1994). They reflect an individual or collective judgement as to what is valuable or important in life. Moreover, values are by their very nature abstract, vague and subjective (Kenny, 1994). They reflect what people do and what guides behaviour, i.e. what is done at work and how it is done reflects the values people hold. Values can and do mean various things to different customers. Woodruff and Gardial (1996) argue that satisfaction and value are complementary, yet distinct constructs.

As Ravald and Gronroos (1996) observe the theories of consumer behaviour research argue that "value" is constantly used in a context meaning values of consumers. Peter and Olson (1993), however, discuss another meaning of value – the value or utility the consumers receive when purchasing a product. Monroe (1990) defines customer perceived value as the ratio between perceived benefits and perceived sacrifice. Kotler's (2000) definition is similar to Monroe's. Customer delivered value is the difference between total value and total customer cost. Total customer value is the bundle of benefits customers expect from a given product or service. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining and using the product or service. Much research has been done in helping managers to understand what their customer value and to relate it developing marketing strategies (e.g. Mentzer *et al.*, 1997; Walters and Lancaster, 1999).

Influencing satisfaction: customer cost

Customer satisfaction or dissatisfaction results from experiencing a service quality encounter and comparing that encounter with what was expected (Oliver, 1980). What must be taken into account is the customer's need for quality improvements and his willingness to pay for it. Best (1997) also suggests that value is benefits/price (customer costs) based and links value creation. Based on Best's customer analysis, value creation and customer satisfaction model, costs can be understood as a rather essential aspect in the discussion of customers' evaluation of services as well as values and needs. Monroe (1990) also points out that buyers tend to be more sensitive to a loss than a gain. A reduction in customer perceived costs may be a real contribution of providing the total value to the customer.

However, customer cost has received relatively little attention in the customer satisfaction literature. Obviously, cost can be said to be a rather neglected aspect in the discussion of customer's satisfaction compared to value and need. Moreover, most definitions describe perceived customer cost narrowly – perceived cost is only described in monetary terms (Anderson *et al.*, 1993). For example, Iacobucci *et al.* (1994) claims that the customer's evaluation of a given offering would be a comparison of what they got for what they paid. Monroe (1990) suggests that we must keep in mind that buyers in most buying situations use reference prices when they evaluate the attractiveness of an offering. In fact, the total perceived cost consists of more than the monetary costs though the price may be the most important criterion at the time of purchase. That is the reason of why customers don't always choose to buy at the lowest price. In addition to monetary cost, Kotler (2000, p. 35) argues that:

> Total cost includes the buyer's time, energy, and psychic costs.

Ravald and Gronroos (1996, p. 21) also comments that:

The perceived sacrifice includes all the costs the buyer faces when making a purchase: purchase price, acquisition costs, transportation, installation, order handling, repairs and maintenance, risk of failure or poor performance.

Therefore, the total costs (e.g. time and risk) as well as the price will have an impact on the customer's evaluation of alternative offerings and customer satisfaction. A customer might evaluate the same product differently on different occasions and different customers may have different perceptions of the value of offering.

Effects of the Internet/ e-commerce

Recent advances in the field of computer networks and telecommunications have increased the significance of e-commerce. This research on the effect of e-commerce is based on the main e-commerce channel – the Internet. Forecasting the future of a new technology, opinions very widely on the effect of e-commerce. For example, Arthur Andersen/Rosen (2000) argue that the Internet will not have a substantial short-term impact, because percentage rents account for less than 10 per cent of shopping centre revenues in the USA and base rents remain intact regardless of physical store sales levels. However, Thurow suggests that:

> You'd better sell your shopping centres. In 2010, half of the retail stores in America will be closed because half of all purchasing will occur online ... (Worzala *et al.*, 2002, p. 142).

In 1996 at the Verdict Research Retail Conference, Mayoh, Managing Director of Littlewoods Home Shopping, pointed out:

> Home shopping is not a threat to retailers, but can run alongside their existing business ... customers like to go shopping so home shopping will never take over from the high street (Markham, 1998).

While some analysts predict a negative impact on retail sales due to the Internet, others argue that the Internet has no real future and that physical space will continue to attract shoppers. Although we remain unclear as to which business model and category will succeed, it is clear that many consumers have embraced this form of shopping. The great majority of consumers regard e-commerce as hugely significant, confirming that it is expected to have far reaching consequences both for the business developments and for their shopping activities, though e-commerce is still only a small proportion of total business at the moment. E-commerce has

been the subject of intense debate worldwide. McQuitty and Peterson (2000) have observed that in the past trade journals have focused more directly on the Internet and its implications for marketing than have academic journals.

For marketers, e-commerce offers a new marketspace through which to enact the product purchase and delivery process in addition to a physical marketplace. Why has e-commerce become so popular? Marketers have long accepted that success demands the identification of some form of competitive advantage. Research suggests that the following major benefits for suppliers are involved, as witnessed by the views expressed of Kotler (2000) and Skyrme (2001):
- 24-hour, 365-day opening;
- lower costs;
- efficiency gains;
- extended market reach;
- quick adjustments to market conditions;
- influence customer purchases; and
- improved customer service.

According to Kotler (2000) and Skyrme (2001), e-commerce also provides a number of benefits to customers:
- convenience;
- information;
- fewer hassles;
- low procurement costs;
- streamlined process;
- private shopping; and
- transaction can be instant.

The increased use of the Internet has suggested that there may be many advantages to both suppliers and customers in using e-commerce in a Web-based environment. However, disadvantages have also been expressed. E-commerce has at least five disadvantages:
1. The largest is the lack of physical contact (human interaction), which prevents scrutiny of products and lack of face-to-face interaction (Skyrme, 2001).
2. Communication is different on the Internet because the interaction between the Web site and the customer is often one way, the Web site providing information to the customer (Cox and Dale, 2001).
3. It is difficult to capture visitors' attention as the Internet offers millions of Web sites.
4. A staggering volume of information has expressed the uneven quality to customers.
5. Online users are more upscale and technically oriented than the general population, making them ideal for computers, electronics, and financial

services but less so for mainstream products (Kotler, 2000).

One further aspect of electronic shopping however is the effect of such shopping on customer loyalty. Without any direct contact between the customer and any of the staff of the company it becomes much harder to affect that loyalty and customers are more able to switch between outlets. The quality of service provided is the only factor which can affect that loyalty, and the accountability effect becomes less obvious. A customer will demonstrate a failure in the required level of accountability in the electronic environment not by complaining but by switching to an alternative supplier. Consequently that accountability must be focused on in terms of customer satisfaction.

Impact on shopping

Wasteful time spent in shopping for everyday articles is, many shoppers, up to now, have found a necessity. That has been one of the reasons why making shopping a more pleasurable experience has received so much attention in recent years. Retailing is simply about giving the customer what he/she wants. Merchandising, advertising and promotion influences the customer to reach the decision and choice. The pleasure of most shoppers is to have the purchase there and then. Part of the pleasure of a new purchase is to take it home, or use it, dwelling on the possession of a new asset. One of the places where the impact of new information technology can be clearly seen is in the growth of retail spending through the Internet. Although the Internet may remain a modest channel of distribution for retail spending overall, there are numerous product categories that lend themselves to the Internet as a channel of distribution. In these categories, which include products like books, music and consumer electronics, the loss of store-based sales could have a devastating impact on store profitability. We should consider the present shopping developments. Then we should look at the future trends which are shaping new developments by a review of the likely effects of the Internet. These reviews will need to be seen against the many facets of the present and future of electronic shopping developments, in order to gain a perspective on the effects, good or bad, of online shopping, and give a time frame of possible changes.

The earliest shopping centres were located in places which were the areas where people congregated. Shopping development has,

until now, been concentrated on the primary need to locate as conveniently as possible to the shopping public estimated to be within its conurbation. We say "until now", because the concept of online shopping offers the prospect that geographical boundaries cease to exist and that, consequently, location will become unimportant. However, it is a fact that historically location has been ingrained in the shopping process. Mayoh thinks that "significant costs are associated with building up a presence" and that retailers already benefit from the support and reassurance their high street visibility gives to customers (Markham, 1998, p. 23). To quote Arthur Andersen/Rosen:

> E-commerce will have a gradual impact on physical real estate … (Worzala *et al.*, 2002, p. 145).

Geocentric shopping advantages, based on distance and location, become less important as consumers go online.

According to Markham (1998), the obvious four items of inconvenience are:
1   getting to the shop either by public transport or car, and parking in the latter case;
2   knowing whether the shop has the type of product you are seeking;
3   the time taken to process the items selected for purchase; and
4   the burden of getting the items to your car and transporting home.

Information technology can be of great help to improve the aspects of inconvenience. Electronic retailing will remove much of the pedestrian traffic, mean fewer shops, allow shoppers to shop from home, and generally reduce the location value of the retail premises which may be represented only by an Internet page. Open 24 hours per day, seven days per week, the Web is well suited to be the point of customer contact for a wide range of self-service applications (e.g. overnight shipping, technical, home banking and travel reservations) (Schwartz, 1997). It means that the electronic customer can "shop" at his/her leisure – anywhere, at anytime, and always have the same level of service. The capability of Web sites provides information and service direct to customer efficiently, automating transactions/ servicing (Hughes, 2001). Shoppers who desire to make a purchase will find a number of relevant data if they spend time searching for information online. In other words, the e-customer can know whether the shop has the type of product he/she is seeking easily. Some Web sites, such as Amazon, can enable customers to be reminded of items which they often buy.

Their system can act as a prompt – subject, of course, to an adequate database being in place. Moreover, such a database can be helpful by automatically advising the customer of any special features which a product has. They can be either beneficial, or a warning. For example, if a retailer knows that a customer is allergic to an ingredient but also, at the same time suggests an alternative, it would speed up the shopping process and ensure a happy shopper who buys a suitable product, rather than one who finds that the purchase is unsuitable and tries somewhere else in the future. Furthermore, the burden of getting the items to your car and transport home will not exist by shopping on the Internet. When e-customers shop from home, they can directly download digital products and services (e.g. software) into their computers or physical products (e.g. books) will be delivered to their home by post.

In addition to convenience, the Internet offers shoppers potential cost saving benefits. The Internet provides retailers with an unlimited, rent and tax-free sales floor (McQuitty and Peterson, 2000). Customers know this and expect that, in the round, they will save time and money by buying online. Price will also head downward as customers have access to more information on the best price/performance mix from a variety of sources via the Internet (Savoie and Raisinghani, 1999). In rare cases, the Internet will be the low cost provider.

Another difference between the physical service environment and the Web site interface is that companies are able to customise their service to individuals, particularly when they interact directly with the customer. Parasuraman *et al.* (1991) point out that customers place a great deal of importance on relationships in service experiences. Most customers want to be served by the same contact person each time they visit their bank, or be recognized by staff in a hotel if they use it regularly. The development of information technology has paid a contribution in order to satisfy this customer need instead of a human contact. Web sites are now capturing customer information and can recognize returning customers by means of a simple registration of an e-mail address and by offering different options (Cox and Dale, 2001). By capturing customer specific information, the Internet and World Wide Web can offer the opportunities for the customisation of product and services. On the other hand, by placing an order with payment option form on the Internet, customers can quickly customise their

orders. The information can be routed directly to the manufacturers and suppliers in real-time (Greis and Kasarda, 1997). The transactions created in real-time not only will increase the competitive intensity with regard to speed and efficiency of the business, but also will place a heavy demand on organisations to manage customers' information for their future use.

The rapid growth of the Internet in such a small amount of time has prompted some analysts to suggest an electronic future in which traditional shops and stores will no longer exist. However, some other observers argue that online services have a long way to go before they pose a threat to suburban malls and mail order catalogues. Although shopping over the Internet is still slow at the moment, the use of technology by retailers has been expanding rapid. This has now become what is termed "electronic commerce (e-commerce)". WAP technology that allows users to access the Internet via a mobile phone and digital television will offer shopping opportunities that appeal to wider market (shopping environment) than personal computer technology. The future of Internet retailing will result in a combination of Internet only and bricks and mortar players, which will increase their presence online (Mintel, 2000). E-commerce will also play a greater role in home shopping, particular for wealthier, time-poor shoppers (Markham, 1998).

Barriers to e-commerce

Although e-commerce has seemed to be a potentially beneficial business and has provided a big revolution to the customer shopping experience, there are of course downsides to e-commerce. Some Web commentators cite a number of challenges and barriers that e-commerce face. The main ones are concerns about security and confidentiality of transactions, the authenticity of suppliers, trust in their ability to deliver and the legal enforceability of contracts (Skyrme, 2001, p. 42). Arthur Andersen/Rosen (2000) point out that some of the causes of problems such as conservatism in shopping habits, limitations in bandwidth technology, distribution problems, and lack of profitability of e-tailers are also important to influence the development of e-commerce. Moreover, Kotler (2000) indicates the following key barriers to e-commerce growth:
- limited consumer exposure and buying;

- skewed user demographics and psychographics;
- security;
- privacy;
- consumer backlash; and
- ethical concerns over the use of "cookies"[4].

Other barriers for e-commerce include poorly organised sites, slow downloads, and difficulties in finding information, according to McQuitty and Peterson (2000).

Finally Oliver (1997) has especially considered that the critical questions for e-commerce growth are whether customers will accept an electronic form of receiving information and performing transactions instead of the physical shopping experience is one of life's small rituals and social pleasures. However, occasionally consumers would be happy to align their interests with those of the product and service providers. If the consumer can receive the level of service he/she desires, and it just happens to be achieved electronically, and it just happens to reduce the cost of the transaction for the provider and hence the price of the item to him/her, then he would go electronic.

Conclusions

In e-commerce the difference between what the customer needs and what company management perceives these needs as is often blurred (Cox and Dale, 2001). If management misinterprets what the customer needs then this will affect the customer's evaluation of service quality. While the Internet acts as faster, less costly platform both for consumers and businesses, it has inadvertently increased the importance of customer satisfaction, and thereby made organisations more accountable to their customers. By making transactions faster and easier, the Internet has unwittingly enabled the customer to switch just as quickly between electronic businesses, causing the element of competition to take on a new dimension. Just as Heskett *et al.* (1994) stressed the importance of customer satisfaction to achieve good financial performance in services in the physical world, the same can be said of e-commerce where a customer can be lost if unable to access a Web site in the first place. Service quality has become a way of establishing competitive advantage through customer satisfaction in e-commerce.

In the hybrid worlds that e-commerce will spawn, successful providers will provide the value the customer fundamentally wants through the delivery channels which meet the convenience/service demands of the customer, in all channels at the same time to meet coexisting circumstantial and behavioural characteristics of individuals, providing higher and higher levels of customisation of value through interactivity with the customer, as customers actively specify their individual wants and requirements and as companies use information technology to collect and analyse strategic customer information and allowing customers access to the tools with which they can design their own personal products and services. Porter (1985) proposes the value chain as a tool for identifying ways to create more customer value. He argues that the value chain uncovers the strategically relevant activities through which a firm conducts its business. A value chain consists of five core activities:

1 inbound logistics;
2 operations;
3 outbound logistics;
4 marketing and sales; and
5 services;

and four support activities:

1 firm infrastructure;
2 human resources management;
3 technology development; and
4 procurement.

In e-commerce, more and more value chain activities are conducted electronically. Therefore, businesses should understand the implication of the virtual value chain activities. Rayport and Sviokla's (1995) discussion on the virtual value chain provides an important line of thinking about e-commerce. The virtual value chain offers a number of distinct advantages over the physical value chain. Some of these advantages lie in forging alliances between customers and manufacturers, advertising products and services selectively with effects of audio, video and graphics, and saving time and money in efficiently processing customer orders and enquiries. Besides, e-commerce offers flexibility in option pricing and customisation of products and service, by reducing the constraints of time and space (Bhatt and Emdad, 2001, p. 78). In e-commerce, though a number of activities can be replaced electronically, there still remains a need to perform some basic functions physically. Depending on the characteristics of products and services, the relative importance of a virtual value chain and the physical value chain will be different. Therefore, in e-commerce, the successes will depend on the ways the physical value chain and the

virtual value chain activities are matched and integrated.

Security is often considered to be the critical issue for online shoppers, but the recent study found that the quality of information, ease of ordering, and reliability were more important to them than security (McQuitty and Peterson, 2000). The electronic channel permits an organization to provide customers with a range of value criteria:
- convenience;
- personalisation and interactivity;
- availability of vendor information;
- no pressure from salespeople; and
- saving time.

Through careful planning, and wider industry and government initiatives, most barriers are surmountable and detract little from e-commerce's significant advantages. This finding may be explained by the fact that consumers tended to have considerable online experience.

Customer satisfaction is of critical importance when measuring perceived customer delivered value that is offered by e-commerce. A firm is accountable to its customers for the quality of the product and the way in which it is delivered and in the e-commerce environment that delivery becomes more important to the transaction. It is therefore a crucial part of customer satisfaction and this is different to a traditional transaction. Therefore this aspect of accountability in the firm – customer relationship becomes more significant in an e-commerce environment and is crucial to customer retention.

Notes

1 E-enterprise is the term used to define a business that has a virtual presence or Web site on the Internet either to promote brand awareness or enable e-commerce (Cox and Dale, 2001).
2 "Clicks and order" retailing means on-line retailing which is the opposite to traditional retailing – "bricks and mortar" retailing.
3 Customer delivered value is the difference between total customer value and total customer cost (Kotler, 2000).
4 Cookies are text files that sit on a user's computer in order to identify that person when he or she revisits Web sites. Although cookies spare users the hassle of having to identify themselves and type in their password every time they go to a different Web site, they also monitor a user's every move. A cookie can tell Web merchants how long customers linger at different products. The Web merchant can then follow Web window shoppers and use the information to

target promotions at them on return visits (Wingfield, 1998).

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E-CRM: customer relationship marketing in the hotel industry

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Abstract
Explores the degree to which UK based hotel groups had exploited the medium of electronic customer relationship marketing (E-CRM). Research is incorporated that investigated their use of the Internet to verify whether customer relationship marketing was being implemented within online operations or whether their Internet presence merely revolved around the basic functions of "providing information" and "hotel reservations". The findings and subsequent discussion showed that on the Internet, hotel groups used their relationship with customers to provide rather than gather information. The majority of the hotel groups had only embraced a few elements of E-CRM and even indicated that they had no intention of being led online by the concept. Although the findings of the questionnaire indicated that hotel groups were generally aware of the potential of Web technologies and strategies, they also showed that companies were not putting this knowledge into practice when it came to implementing E-CRM. Primary research concluded that hotel groups based in the UK were failing to take advantage of the many opportunities identified through the secondary research.

Introduction

Most commentary on the impact of the Internet and information technology on customer relationship marketing (CRM) is anecdotal, offering exaggerated speculative forecasts of its future potential (Hart *et al.*, 2000). Most published work is biased to e-commerce, sales and marketing (van Hoek, 2001; Kehoe and Boughton, 2001).

In a report published by Keynote (2001) expenditure on Internet software, hardware and services was quoted to have been be worth around £3.59bn in 2000, and predicted to grow to around £4.97bn in 2001. Further, if spending on "intranets" and "extranets" is included, total expenditure was expected to rise to around £6.99bn in 2000 and 9.37bn in 2001.

Despite large investments aimed at stimulating Web-consumers, many corporate Web sites are largely irrelevant. Could this be due to unrealistic expectations of the needs of online customers or the misunderstanding of the true dynamics of electronic-CRM (E-CRM)? Although the implications for CRM are generally recognised from a marketing perspective, in the UK only a handful of hotel groups appear to be led by this vision. The general consensus indicates that many hotel groups, which have hastily launched their Web sites, have conflicting views on the role and potential of E-CRM.

The question of whether hotel groups joined the "cyberworld" for its own sake, or as part of a strategy, is one of the two major issues upon which this article is based. The second issue addresses the fact that although hotel groups have embraced the Internet, they do not seem to be profiting from the opportunities afforded by E-CRM. How then might this be resolved?

Secondary research

The Internet has become a powerful tool, transforming not only the fundamental dynamics behind social and business interactions (Simeon, 1999; Chaffey *et al.*, 2000; Birch *et al.*, 2000) but also the dominant logic of marketing (Brännback, 1997).

Accordingly, the Internet has been the research backdrop of much effort and activity, as well as much controversy and confusion. Yet, as Gattiker *et al.* (2000) point out: "Empirical studies abound but are seldom linked to conceptual schemes or theories".

This secondary research is therefore intended to encompass theories relating to CRM and review relevant practitioner-orientated Internet strategies.

Marketing on the Internet

Marketing on the Internet (e-marketing) is a discipline with the potential to revolutionise the way companies build brands, sell products/services and even develop relationships.

Yet, the term is difficult to pin down because companies are performing so many different activities that could be described as e-marketing (Chaffey *et al.*, 2000; Janal, 2000; Collin, 2000; Davis, 2000). Additionally, few companies seem to have a focused strategy, let alone a clear understanding of the opportunities available in "marketspace" (Brännback, 1997; Cannon, 2000; Chaffey *et al.*, 2000).

Although the objective of Web sites was initially to provide information, nowadays emphasis is placed on the setting of lasting relationships between companies and customers (Reyes Pacios Lozano, 2000). Several authors have reviewed how e-marketing can marry the needs of

customers with Internet technology (Collin 2000; Janal, 2000; Davis, 2000; Chaffey *et al.*, 2000) so that: "Web sites can become the greatest marketing asset for companies (Gabay, 2000)".

Customer relationship marketing
In spite of extensive literature relating to relationship marketing (RM) in general, there seems to be no consensus as to what RM constitutes. Indeed, in an article by Harker (1999) on RM 26 definitions by a pantheon of authors were uncovered.

Yet, the term customer relationship marketing (CRM) has become a buzzword, with the concept being used to reflect a number of differing perspectives. It is sometimes described as one of several forms of marketing such as database marketing (Khalil and Harcar, 1999), quality management (Zineldin, 1999), services marketing (Grönroos, 1994) and customer partnering (Kamdampully and Duddy, 1999a); at other times CRM is specified in terms of marketing objectives such as customer retention (Zineldin, 2000), customer share (Rich, 2000) and customer loyalty (Reichheld and Schefter, 2000). As Lindgreen and Crawford (1999) summarise, the specialised discipline of RM seems often to be:
"... described with respect to its purposes as opposed to its instruments or defining characteristics".

From transactional marketing to CRM
While several authors make strong statements that the concept of RM reflects a "paradigm shift" in marketing thought and practice (Gummesson, 1999; Grönroos, 1994; Zineldin, 2000) Holmlund and Kock (1996) go one step further and posit:
The traditional approach to marketing has not provided the understanding of, nor the tools necessary for developing and managing customer relationships.

Thus, as an alternative to the 4Ps of traditional marketing, Gummesson (1994; 1999) offers the 30Rs (30 relationships), which he deems fundamental to every business in dealing with internal and external customers.
Martin (1998) expresses a similar view when he suggests:
The focus of marketing efforts are (and should be) shifting from marketing mix manipulation for the purpose of immediate exchange transactions to those that focus on longer-term exchange relationships.

By developing a marketing strategy continuum, focusing on steps to enable organisations to move from transaction cost marketing to RM, Grönroos (1994) not only

complements Martin's argument, but further supports Scott's (1995) contention:
Relationship marketing moves the dyadic exchange associated with personal selling from a short-term transaction orientation to a lifelong process where immediate closings must be postponed on the basis of more effectively meeting customer needs.

CRM and the Internet
With the emergence of the Internet and continued advances in technology, CRM has entered a new era. Building upon Zineldin's theory that although:
Basic communications and marketing were the business functions, which dominated Internet usage ... marketing thought is (now) shifting from an emphasis on transactions and acquisition to relationships and customer retention.

Curtis (2000) highlights how, despite the fact that: "Internet hype seems to have been driving business", companies are increasingly:
Realising that it is time to calm down, think less about hype and more about long-term strategy and evolving relationships.

But, creating an environment that successfully nurtures and maintains long-term relationships with customers is one of the greatest challenges faced by every organisation as even though it: "may appear grounded in common sense" (Kamdampully and Duddy, 1999a). Not only do companies all too often lose sight of this primary goal (Matthews, 2000; Kenny and Marshall, 2000):
Many have proved unable to reap the full potential from their relationships – possible testimony to the fact that relationships were not deemed a strategic tool (Kamdampully and Duddy, 1999b).

Indeed, successful CRM does not just emerge or exist, and as Walter and Gemünden (2000) succinctly point out:
Establishing and building successful customer relationships confronts marketing-oriented boundary spanners with a complex bundle of relationship and network management tasks.

CRM strategies via the Web
Despite claims by Rutledge (2000) that: "An Internet growth strategy will work for only one or at most two companies in an industry" the general consensus is that the Internet offers a win-win platform for firms and customers alike (Van Niekerk *et al.*, 1999).
While Werbach (2000) points out that:
"... the flexibility of the Internet architecture means that every company will face a multitude of complex choices in structuring relationships"; Kenny and Marshall (2000)

insist: "Companies need to discard the notion that a Web site equals an Internet strategy".

Many pieces of research acknowledge the importance and usefulness of business models and have highlighted case studies demonstrating how prominent organisations have successfully integrated strategies, tactics and Web technologies to cement relationships with customers online (Reichheld and Schefter, 2000; Kamdampully and Duddy, 1999b).

In this midst of the proliferation of case studies testifying to the benefits of how the Internet favours RM, Fraser *et al.* (2000) draw attention to the fact that:

> Most published case studies reveal that organisations that adopt e-commerce solutions are already involved in customer relationships at a distance.

Although Reyes Pacios Lozano (2000) advocates: "The customer is at the centre of the organisation" Zineldin (1999) argues: "The customer, individual or organisation alike, is at the centre of the organisation's activities and planning".

Despite these conflicting views "the importance of the customer" clearly emerges (Kamdampully and Duddy, 1999a).

Some authors have highlighted the implications of being "customer oriented" as the most important component of RM (Rich, 2000; Siegel, 1999). Supporting this view, Gummesson (1996) claims that "customer focus" not only: "compels management to realise the firm's primary responsibility – to serve the customer", but also "to recognise that customer knowledge is paramount to achieving market orientation".

Although dated in Internet terms, Christopher *et al.* (1991) offer a checklist of how companies can become customer-centric:

- focus on customer retention;
- offer superior products services benefits;
- pursue long-term vision;
- emphasise exemplary customer service;
- engender customer commitment; and
- ensure that quality is the concern of all.

In line with Walters and Lancaster's (1999a) contention: "It is conceivable that power will be with the consumer", Zineldin (1999) advises that "organisations look at their business through their customer's eyes" and measure "their performance against customer expectations". Although E-CRM is a new term, it represents an old phenomenon.

Focusing on the right customer
Because the Internet enables access to any online customer anytime and anywhere,

companies may be tempted to try to attract as many potential customers as possible. However, several authors warn against this lack of focus. For instance, Van Niekerk *et al.* (1999) stress: "the temptation to be everything to everyone must be vigorously guarded against" and "a tighter focus on the specific target audience needs to be paramount". Reichheld and Schefter (2000) express a similar view when advocating: "In moving to the Web, companies need to be careful not to dilute their focus". Thus "their site should be tailored to the needs of core customers".

As a marketing vehicle, the Internet not only offers valuable segmentation opportunities (Walters and Lancaster, 1999a), but it takes "the concept of targeting to new levels" (Prabhaker, 2000). In serving a number of closely-related purposes, customer segmentation is further portrayed as a means of predicting behaviour (Clemons and Row, 2000), a method of detecting, evaluating and selecting homogeneous groups (Reichheld and Schefter, 2000) and a way of identifying a target market for which a competitive strategy can be formulated (Gulati and Garino, 2000). However, more generally, customer segmentation is accredited with enabling the identification of key consumer groups, thereby favouring the effective targeting of CRM programmes which in turn may lead to added protection against substitution and differentiation (Sinha, 2000; Walters and Lancaster, 1999b).

The effect of CRM on pricing in the marketspace
According to Sinha (2000) in spite of:

> ... the most prevalent form of information available on the Internet about prices, the e-commerce paradigm that emphasises building a customer base over making profits is changing the way customers think about costs.

Rich (2000) advocates that focused CRM strategies not only allow companies to protect their markets, but protect their margins from price competition.

Reichheld and Schefter (2000) claim:
> Contrary to common perception, the majority of online customers are not out to score the absolute lowest price.

Instead, they presume that while being:
"... price rational, but not price obsessive, customers have a strong inclination toward loyalty".

Bloemer *et al.* (1999) argue: "Loyalty, regardless of pricing or price tolerance can be viewed as a dimension of CRM" but Sinha (2000) insists:

> Cost transparency may weaken customer loyalty and create perceptions of price

unfairness by encouraging dispassionate comparisons of prices and features.

According to Reichheld and Schefter (2000): "Price does not rule the Web; trust does".

Branding and E-CRM

By favouring a longer-term perspective, CRM complements traditional brand-building techniques. Yet, Katsanis (1999) asserts: "Online, the traditional approach to brand management is changing".

Several researchers agree with this contention. For instance, Ward and Lee (2000) emphasise that while images and allusions are used to communicate branding message in traditional marketing, on the Internet, product features and the provision of information need to be used as the basis for branding. They report: "As consumers gain more experience of using the Internet, they are more likely to search for alternative sources of information and be less reliant on product branding" but argue that branding will not become irrelevant. Instead, they advocate that branding will take: "… a different role – perhaps less dominant in customer choice but still important".

Martin (1998) maintains that customer relationships help to insulate brands from competitors:

> The customer-brand linkage can be viewed as an important subset of relationship marketing.

Reichheld and Schefter (2000) support this when they claim: "A large group of customers are influenced primarily by brand"; and these customers: "… are looking for stable long-term relationships".

> Gulati and Garino (2000) argue:
> Extending a company's current brand on the Internet gives instant credibility to a Web site, but in integrating a brand online, a company may lose flexibility.

Understanding buyer behaviour online

A study on consumer behaviour by Long and Schiffman (2000) conclude: "It pays to understand customers". Despite authors such as Van Niekerk *et al.* (1999) providing evidence that "a complete understanding of how users actually interact with the Internet has not yet been forthcoming", Clemons and Row (2000) offer a plausible model of consumer behaviour on the Internet.

Nonetheless, the general consensus is that consumers very often do not use explicit and rational factors to evaluate and purchase products/services. Additionally, although several authors advocate that online communication systems enable a deeper understanding of customer motivation and behaviour (Rich, 2000; Feiertag, 1997) a year-long survey by online customer intelligence service, WebProbe, shows that although businesses have precise information about Web site hit rates:

> They know little about the habits and preferences of those using the sites (*Caterer and Hotelkeeper*, 2000).

Firat *et al.* (1995) attribute this shortcoming to the fact that:

> Global competition and technological innovations ensure that, as soon as consumer behaviour in any field is on the verge of stability and explainability, new services are introduced to destabilize the consumer behaviour model so as to create competitive openings for challengers, niche players and other contenders.

They claim that traditional values and models used to explain consumer behaviour in the marketplace are no longer as helpful in marketspace.

Implementing E-CRM

While Rich (2000) advocates: "Shared information is one of the key tenets of relationship marketing" Feiertag (1997) argues: "The practice of relationship marketing is centred on nothing more than good communications".

Consequently, the consensus appears to be that the Internet allows for swifter information exchange and more consistent communications (Simeon, 1999; Schwartz, 2000). However, Reichheld and Schefter (2000) warn: "With the freedom to do more comes the temptation to do too much".

> According to Simeon (1999):
> Ideas and technologies are interacting at such rapid pace that the virtual universe of information and services appear at times to be expanding out of control.

Given the plethora of information now available, it is increasingly important that information presented to customers is kept to manageable proportions. Thus, while Van Niekerk *et al.* (1999) propose: "Focus should be on quality and not quantity" and Web sites "must be designed to enhance the flow of a specifically identified customer or group", Walters and Lancaster (1999a) advocate:

> It is only by pursuing a logical approach to the integration of information management into the strategy process that firms can become effective, world-class competitors.

As suggested by Long *et al.* (1999):

> The successful translation of the relationship marketing paradigm from organisational to consumer service markets depends partly on the management of information.

Interactive communications strategy

As innovations and new modes of interaction are realised, the Internet will continue to evolve (Simeon, 1999; Grunig, 2000). Yet, Kenny and Marshall (2000) argue that customer relationships will remain equivalent to: "a series of contextual interactions" for most companies, strategies that "de-emphasise the site itself" should be adopted to promote E-CRM. However, Van Niekerk *et al.* (1999) contend:

> The interactivity of the medium provides immense opportunity for relationship building with the audience.

They further argue:

> To spoil this opportunity with ill considered Web site design would be to negate the considerable benefits to be gained by repeat visits of the target market.

Li *et al.* (1999) express a similar view when highlighting that interactive opportunities afforded by the Internet: "Not only offer information about buyers' current tastes and preferences, but also information about their potential needs and future market trends" thus representing "a valuable source for new product/service ideas".

Several authors agree that control over contact (dialogue) and content is increasingly in the hands of customers (Siegel, 1999; Hoffman and Novak, 2000), but Prahalad and Ramaswamy (2000) go a step further and caution:

> Engaging in dialogue with a diverse and evolving customer base will not only place a high premium on organisational flexibility (but it also becomes critical for companies) to understand the purpose, meaning and quality of the dialogue from the consumer's perspective.

Rich (2000) sums up this dilemma for E-CRM when he states:

> It is not the fact of two-way communication that matters, but the ability to manage that process to the mutual benefit of buyer and seller.

Optimising CRM across virtual value chains

A study by Brännback (1997) indicates: "Successful management of the marketspace requires management of the virtual value chain".

While several researchers have testified to the truth behind this statement (Fraser *et al.*, 2000; Vorhies *et al.*, 1999), others go a step further and claim that changes afforded by the Web now threatens established value chains (McGuffog and Wadsley, 1999; Walters and Lancaster, 1999a).

Supporting this argument, Walters and Lancaster (1999a) offer an alternative view:

Traditional value chain begins with the company's core competences, whereas evidence suggests that modern value chain analysis reverses this approach and uses customers as its starting point.

Building on this contention, Zineldin (1999) agrees that: "Effective marketers view making a first time sale not as an end of a process, but as a start of an organisation's relationship with a customer". He further argues: "To protect added value, a company needs to create and enhance long-term customer relationship".

While Walters and Lancaster (1999c) advocate: "Value delivery comprises those activities involved in delivering the product-service attributes that are considered to be necessary to create customer satisfaction and to maintain an ongoing, long-term relationship with customers" McGuffog and Wadsley (1999) argue:

> The development of value chain process analysis, supported by collaborative event management over the Internet, the structuring and synchronisation of master data among organisations, and the sharing of customer focused value chain data, powerfully enhance the performance of value chains and of electronic commerce.

Walters and Lancaster (1999b) suggest six criteria, which may be expressed as "generic customer value criteria":
- security;
- convenience;
- performance;
- economy;
- aesthetics; and
- reliability.

In a later study (Walters and Lancaster, 1999a) the same authors find evidence that the Web enables organisations to provide customers with an additional range of value criteria such as:
- convenience;
- information;
- personalisation; and
- interactivity.

A study by De Chernatony *et al.* (2000) not only concluded: "Emotional values are the more sustainable added value", and highlighted that added value is: "a multidimensional construct, playing diverse roles, and interpreted in different ways by different people". Slater and Narver (1994) argue for a holistic concept of value, as according to them:

> Creating superior value for consumers requires a detailed understanding of the consumer's entire value chain (holistic needs) not only as it is today, but also as it evolved over time (anticipated need).

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Thus, what establishes a firm's competitive advantages is the ability to serve customers' present and future (holistic) needs.

Despite the conflict in the above viewpoints, the conclusion remains:

An understanding of what is necessary to create expected value is an essential task to be undertaken and should be based on expert knowledge of the customer (Walters and Lancaster, 1999a).

Although the challenge for E-CRM is to seek differentiation in terms of added value (Czuchry and Yasin, 1999) the crucial first step for companies is to recognise that: "The ubiquitous Internet will further reconfigure value chains (Kenny and Marshall, 2000)".

Issues of trust

Reichheld and Schefter (2000) asked Web shoppers to name the attributes of e-tailers that were most important in earning their business. The predominant answer was: "A Web site I know and trust". In spite of warnings that the bond of trust in the depersonalised setting of the Internet is fragile, Prabhaker (2000) claims: "The foundation of success in business is trust".

Although they agree with this, Kandampully and Duddy (1999a) further argue:

In order to establish a long-term relationship with the customer, firms need to win their customers' trust on a continuous basis.

Several authors depict how the Internet opens new opportunities to build trust (Barnett, 2000; Hoffman and Novak, 2000; Hunt, 2000).

By offering a consumer charter that: "sets out the minimum standards that are crucial to winning the support and trust of internet-based customers", Hunt (2000) demonstrates how when customers trust an online vendor, they are more likely to share personal information, which further facilitates a more intimate and personalised relationship. This, in turn, is expected to increase trust and strengthen loyalty.

While such a virtuous circle can quickly translate into a durable advantage over competitors and positive CRM, Reichheld and Schefter (2000) emphasise that companies not only need to respect information gathered about customers, but also demonstrate that they understand the value of trust. While Rich (2000) argues: "Trust contributes to satisfaction and long-term association over and beyond the effects of the economic outcomes of the relationship"; Geyskens (1998) claims: "Both trust and economic outcomes are conductive to relationship marketing success".

Meanwhile, the message to companies remains:

To gain the loyalty of customers, you must first gain their trust (Reichheld and Schefter, 2000).

Reaching new customers and retaining old ones

Advocating the concept of CRM, several authors highlight the strategic advantage in maintaining a customer base as opposed to focusing on merely attracting new customers.

Kenny and Marshall (2000) declare: "The Web is rarely a low-cost customer acquisition channel" but others such as Kamdampully and Duddy (1999a) quote evidence suggesting: "It costs five times more to attract a new customer than it does to keep an existing one".

Meanwhile, the CRM concept has directed emphasis away from transaction strategy towards that of attraction and retention, and as Kandampully and Duddy (1999a) point out: "This shift in focus manifests acknowledgement of the lifetime value of a customer, as opposed to the one time sale".

In support of this paradigm shift, Zineldin (1999) further concedes: "Getting customers is important, but keeping and satisfying customers is more important".

Although Kamdampully and Duddy (1999a) agree: "It has become increasingly difficult for firms to retain distinctive product/ service differentiation over long periods and retain customers' ongoing patronage they nonetheless maintain:

"Firms should focus on retention marketing and aim at achieving long-term relationships through the fulfilment of the service promise".

Despite Gremler and Brown's (1996) suggestion: "Findings in the field of product loyalty cannot be generalised to service loyalty", Macintosh and Lockshin (1998) allege: "Service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty with tangible products".

The Internet can be a powerful tool for strengthening relationships, but basic laws for building loyalty have not changed (Hoffman and Novak, 2000; Reichheld and Schefter, 2000). What is changing is the pace at which companies must improve their products/services if they hope to keep customers loyal. Reichheld and Schefter (2000) maintain: "Loyalty is not won with technology" and insist "It is won through the delivery of a consistently superior customer experience".

Applying the principles of direct marketing to E-CRM

Several authors acknowledge the technological trend to rely on database marketing to acquire and maintain extensive information on existing and potential customers (Krol, 1999; Long *et al.*, 1999; Moncrief and Cravens, 1999). Rich (2000) claims: "Companies are failing to use this information to build relationships".

Dyer (1998) highlights another shortcoming when he points out:

> Few practitioners are making optimum use of their client databases as they are failing not only to update their information, but are not quantifying and qualifying (the information collated about the clients).

Yet, direct marketing and database marketing have been repeatedly identified as two of the immediate forebears of RM in consumer markets (Long *et al.*, 1999). Nonetheless, as the Internet "provides organisations with a powerful tool to profile existing customer bases", "create and retain stronger relationships" and "to find new potential customers" (Zineldin 2000):

> Firms are increasingly embracing and integrating electronic communications into their operations in an effort to strengthen their databases and enhance relationships (with customers) (Rich, 2000).

Integrating workflow technologies with CRM

> One of the biggest opportunities and challenges facing organisations over the coming years will be the deployment of Web-enabled technologies (Fraser *et al.*, 2000).

Although the problems of including IT in building customer relationships have not yet been solved in a comprehensive and satisfactory way, authors such as Peppers and Rogers (1999) support Gattiker *et al.* (2000) when they suggest:

> One of the most exciting implications for business culminating from the Web technology is the potential for reviving a more personalised service for customers.

Meanwhile, Chanaron and Jolly (1999) draw attention to the fact:

> It is widely recognised that global competitive strategies are increasingly becoming technology-driven in the context of the dynamic and turbulent environment afforded by the Internet.

Consequently, Zineldin (2000) proposes that IT tools should be used not only "to provide relationship-building credibility and opportunities" but also to enable marketers to "keep their finger on the customer's pulse and respond to changing needs". Indeed, as companies look to satisfy customer needs for technological advancement, communication tools will: "provide great opportunities for creating long-term and close relationships".

Fraser *et al.* (2000) argue:

> The key to making the most appropriate use of e-technologies is to ensure that organisational and system changes stay one step ahead of the competition.

Zahra *et al.* (1999) emphasise:

> Market dynamism creates opportunities for technological innovation, but also challenges the company to protect, upgrade or even revise its technological capabilities.

Therefore, "a focus on competitive advantage through anticipation, innovation and relationships" as advised by Kandampully and Duddy (1999b) is expected to provide: "the means to sustainable and unequivocal market leadership".

Although many authors agree that technical innovation is essential to ensure the future growth and success of business firms, Czuchry and Yasin (1999) argue:

> Systematic practical approaches to the marketing of technical innovations have been lacking.

Recognising the role of the customer in the foundation of a successful "technologicalship marketing strategy", Zineldin (2000) points out:

> Relationship marketing will fall short of success if it not supported with a quality information technology base that is easily accessible by customers.

Blending technology with customer requirements is an important element in establishing and developing customer relationships on the Internet. Simeon (1999) maintains:

> As the Internet expands and Web sites proliferate, more systematic approaches to the Web site assessment are necessary.

CRM in the hotel context

According to Grönroos (1994):

> Service firms by their inherent characteristics of inseparable production and consumption possess the elements necessary to forge relationships with customers.

Zineldin (1999) agrees and advocates:

> Because most companies offer almost the same core product/services, differentiation will be of greater interest to companies with the strongest capability to develop long-term customer relationships.

Holmlund and Strandvik (1999) propose:

> Customer perceived service quality, satisfaction and value have played an important role in service management (traditionally) in the context of online businesses, so a holistic and multi-purpose view of the whole relationship is required.

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Consequently, organisations need to strive to achieve market differentiation based on additional value.

In a study of the current use of the Internet as a marketing tool in the hotel industry, Gilbert *et al.* (1999) present an argument for the application of the RM model as a framework for the development of hotel Web sites. They contend:

> Hotels need a framework that can bridge the gap between simply connecting to the Web and harnessing its power for competitive advantage.

Jeffrey and Barden (2000) argue:

> The pursuit of the marketing objective will be constrained by the possibilities presented within the hotel's market area, the hotel's location and its current product positioning.

WebProbe claims:

> If hoteliers know more about their visitors, they will be able to redesign their sites to help them build stronger relationships with them.

Geoffrey Breeze, vice-president of marketing at Hilton International maintains:

> Hotels have far more information about their guests than they can actually use (*Caterer and Hotelkeeper*, 2001).

In spite of Fraser *et al.*'s (2000) pessimistic claim: "In cases where human contact is a vital part of transactions, the virtual world of the Internet is unlikely to provide an attractive means of conducting purchasing activities" the hotel industry is gripped by a technological renaissance. Given the involvement of service firms in complex relationships with customers, this article now discusses empirical research that has attempted to establish the degree to which hotel groups are subject to the application of CRM activities online.

Methodology

General perspective
By comparing the two general approaches to research, Jankowicz (2000) provided the authors with a clear perspective on the approach required for this research paper. Hence, the "hypothetico-deductive" perspective was considered to be in alignment with the study.

Subsequently, a theory testing process was adopted whereby the researchers sought to verify if established theories or generalisation applied to specific instances. It could be argued that such a deductive paradigm could be premature for this research, for an adequate understanding of the concepts relating to CRM on the Internet has not been fully developed. However, it

should be borne in mind that research in marketing has historically emphasised deductive processes.

Rationale
Given that the primary research aimed to focus on measurement as well as provide a synopsis of operations and strategies, a quantitative perspective was deemed the obvious choice to express the current reality numerically. The objective was to offer grounding to the secondary research and give the project an in-depth information frame.

Data collection method: the questionnaire
After assessing the pros and cons of the various tools appropriate for the quantitative research (i.e. online observation, non-participant survey), an e-questionnaire was considered the most straightforward method of collecting substantial data as well as being most cost effective.

On account of the widely acknowledged reluctance of hoteliers to openly discuss their strategies and business operations, a well-structured and detailed questionnaire, which could not be too probing had to be devised. (see Appendix 1).

Although the questionnaire consisted mostly of close-questions and "Likert scale" (Malhotra and Birks, 1999) some open-ended questions, more typical of qualitative research, were introduced to provide a greater depth of data. This was also done to enable a better understanding of the complex behaviour of the companies without imposing too many *a priori* categories that could limit the field of enquiry.

Sampling
From the online directory "Hotel groups in the UK" of the HCIMA, all 61 companies that were currently promoting their Web site were selected and key executives to whom the e-questionnaire would be directed were identified (see Appendix 2 for these hotel groups).

Although this purposive sample would usually be more appropriate for qualitative research, the fact that this sample was nested in context provides an added advantage. Moreover, the various types of hotel groups were well represented in the composition of the sample.

It should be noted that hotel groups, which did not have an "up and running" Web site were excluded from the sample due to the nature of the study, which involved examining strategies currently in place and their anticipated evolution. It was not intended that the pre-specified sample would

evolve once the fieldwork began, as this represented the full population of hotel groups in the UK.

Response rate for the e-questionnaire
Of the 61 companies targeted, only 17 responded. Despite the relatively low response rate of 28 per cent, the fact that the respondents were as representative of the population as possible, led to their contribution being regarded as providing information applicable to the larger population.

Analysis and findings

Primary research was conducted to canvass views of senior hoteliers and to establish a benchmark for the state of online marketing and the status of CRM within hotel groups based in the UK.

To make inferences about behaviour patterns, attitudes and perceptions of the population as a whole, the researchers had recourse to statistical analyses. Based on information provided by respondents, various hypotheses about the general population of hotel groups based in UK were tested.

This section has been subdivided with respect to the three main objectives of the research:
1 strategies and technological innovations;
2 how hotel groups are currently using the World Wide Web to promote CRM; and
3 perceptions of hoteliers on the potential of E-CRM.

Strategies and technological innovations
Keeping abreast of technology
By analysing data collected on customer and Web-visitors hoteliers would not only be able to better understand customer needs and buying patterns, but be able to tailor information and products/services to individuals. Nonetheless, 47 per cent of respondents admitted that they did not have technology in place to track the effectiveness of their Web sites and their online campaigns despite online marketing being generally considered to be one of the easiest disciplines to measure. Additionally, it is worth pointing out that companies which do not exploit this function run the added risk of alienating customers with inappropriate and ill-targeted offers.

Other effects of under-investment in technology were noted with regard to monitoring return on investment (ROI). Despite the fact that ROI is regarded as the ultimate indicator of effectiveness of operations and strategies, 53 per cent of respondents were unable to track the

effectiveness of their online financial investment.

For the 47 per cent respondents, who did have some system in place, measures included: cookie crawlers, coded response to each promotion and measuring cost of specific initiatives by income generated as a percentage.

People element
While input in technology had increased, "behind-the-scenes" needs were not ignored. For 60 per cent of companies with a team dedicated to online marketing (35 per cent of respondents), such teams only had "one to two" people. This suggests that the function has a low profile although it looks set to change as 60 per cent of these companies indicated that they intended to invest more in human resource for their online marketing programmes in future. This intention was most marked in companies with less than 25 hotels where 57 per cent indicated that they would grow their internal online marketing team in the next 2 years.

This anticipated expansion of in-house teams would not necessarily result in these companies cutting back on outsourcing. This assumption was consolidated by the fact that more than 82 per cent of hotel groups acknowledged that they repeatedly used external agencies to provide specialist knowledge with regard to an array of technical tasks such as banner advertising, search engine ranking, Web site design and development of new technology features.

Keeping fingers on the pulse
When the researchers attempted to seek patterns of behaviour between "assessing online marketing needs" and "size of hotel group", smaller groups, those with "less than 25" hotels, were found to assess their online marketing needs more regularly with 33 per cent saying that they reviewed their strategy "more than once a year" while 47 per cent did so "as market conditions dictated". As for the larger groups, with "51-100" and "more than 100" hotels, 60 per cent of respondents indicated that "online marketing needs" were reviewed "more than once a year". Although these findings appear to lack magnitude, it becomes clear that hoteliers are catching the "buzz" of online marketing.

Using the Internet to promote CRM
Online promotional activity
A review of the usage of online promotional activities showed that "e-mail campaigns" was not only the most popular, with 71 per cent of the companies using it in some form, but that "e-mail" was also overwhelmingly considered to currently be the most effective

tool by 65 per cent of respondents, thus consolidating the argument that good response rates could still be achieved with careful targeting and adequately tailored information.

Although an impressive 64 per cent of respondents expected that e-mail would remain the most effective promotional activity in the future, in a positive shift, 30 per cent of the respondents considered that CRM would become the most effective, compared with 0 per cent who considered CRM to be currently so.

It could be assumed that the continued growth in importance of e-mail would be mainly due to the fact that it would still constitute an ideal tool for personalised marketing. However, it should also be emphasised that if it is mismanaged, e-mail marketing could damage brands. Still, when being firmly based on the permission principle, e-mail marketing, by indirectly enabling companies to build relationships with their customers, could become an extremely powerful component of CRM strategy.

E-CRM: current deeds
Although most hotel groups had some CRM programmes in place in terms of "loyalty programmes" and "corporate clubs" (each used by 38 per cent of respondents while the other 24 per cent admitted to be using both) it should be considered that not a single group had yet exploited opportunities afforded by online communities.

Despite the fact that these findings could simply indicate that the hotel groups would prefer to adhere to established CRM programmes rather than invest in newer online programmes, they could also indirectly shed light on the fact that hotel groups are still limiting their "Web operations" to providing information and processing hotel reservations.

Channelling future investment
With 47 per cent of respondents acknowledging that they considered online marketing to be effective, it could be deduced that hoteliers are generally highly positive about the future of online marketing in their business. However, 41 per cent of respondents admitted that they "could not say" whether they rated online marketing as being effective or not. Still, despite the fact that the modal value for the percentage of gross revenue budgeted for Internet marketing expenditure was consistently "less than 1 per cent" for 2000, 2001 and 2002, it could not be denied that investment on technology and online marketing, whether actual or intended, was positive. With a

majority (59 per cent) stressing that they intended to increase spend in future, it was clear that hoteliers were realising the increasingly important role that technology is playing in the growth of the hotel industry. However, what was not clear was whether they would spend enough on the type of technology that would help them reap the benefits of CRM online. Perhaps this low investment percentage on online marketing campaigns was to be expected given the relative immaturity of the discipline within the hotel industry in general.

Perceptions of hoteliers about online marketing and CRM
Influences regarding CRM decisions
Building on notions explored during the secondary research, the researchers aimed to discover whether "guest demand" influenced CRM decisions within all hotel groups equally. Based on the expectation that "luxury/first class" hotel groups would be more customer orientated, the null hypotheses denoted by $H0$ was set as follows:

$H0$. "Guest demand" has more influence on "luxury/first class" hotel groups than on "mid-market/budget" hotel groups.

The alternative hypothesis, denoted by $H1$, which would be the hypothesis that would automatically be accepted should the null hypothesis be rejected, was set as:

$H1$. "Guest demand" has varying influence on hotel groups.

As the value of the Mann-Whitney "U" statistic was 16, and the results were significant at the 0.193 level, hence below the exact significance of 0.296; the null hypothesis was rejected in favour of the alternative hypothesis. It was concluded that "guest demand" has varying influence on hotel groups.

With this test revealing that "guest demand" was not influenced by the category of hotel groups, it was deemed appropriate to verify if "revenue generation" would have the same subjective influence.

As it was expected that "mid-market/budget" hotel groups would be more focused on "revenue generation", the null hypotheses denoted by $H0$ was set as:

$H0$. "Revenue generation" has more influence on "mid-market/budget" hotel groups than on "luxury/first class" hotel groups.

The alternative hypothesis, denoted by $H1$ was:

$H1$. "Revenue generation" has varying influence on hotel groups.

With the value of the Mann-Whitney "U" statistic being 12 and the results significant at the 0.073 level (hence below the exact

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significance of 0.130), the null hypothesis was again rejected in favour of the alternative hypothesis. It was concluded that "revenue generation" had varying influence on hotel groups.

Despite being repeatedly ranked as the two factors having the most influence on CRM decisions, "revenue generation" and "guest demand" were conclusively found to have varying influence on hotel groups when both variables were cross tabulated with the "category of hotels".

Subsequently, it could be concluded that although hotel groups had their own aspirations and agenda as far as CRM decisions were concerned the influence of "guest demand" and "revenue generation" far outweighed that of "staffing ability" and "technology advancements". This was clearly seen to be the case regardless of whether the groups were upmarket or more "budget" orientated.

The rating of the effectiveness of e-marketing by hoteliers

To examine whether the attitude of hoteliers towards the effectiveness of e-marketing was dependent or independent on the size of the hotel group, the researchers had recourse to the chi-square contingency test.

As the key point in this type of hypothesis testing is that the null hypothesis involves independence the following hypotheses were set:

H0. "Attitudes of hoteliers" and "size of groups" are independent (null hypothesis).

H1. "Attitudes of hoteliers" and "size of groups" are dependent (alternative hypothesis).

Responses of participants were categorised in a contingency table to establish their attitudes towards the effectiveness of Internet marketing.

In line with the requirements of the chi-square contingency test, χ^2 would be significant if the test statistic was in the critical zone and less than 5.9991. Further, *H0* would be rejected if the significance level was less than 0.05. As in this case the χ^2 was equal to 2.38533 and the significance level greater than 0.05, *H0* was maintained and *H1* ignored.

Consequently, it was concluded that "attitudes of hoteliers towards Internet marketing" and the size of hotel groups was independent.

Exposing attitudes of hoteliers regarding online tools and techniques

Although it was not possible to review detailed financing and implementation of CRM within hotel groups through questionnaire responses, an assessment of the rating of specific techniques and technological tools was compiled.

A problem lay in the fact that respondents had neither clarified in which areas of technology they had invested, nor had they indicated those to which they would direct capital in future. Still, cross-tabulations were intended to shed light on attitudes prevailing within the hotel industry. The issue of whether larger hotel groups were more likely to regard recommended techniques more favourably than smaller groups was the basis of the crosstabs.

The aim was to find out whether hoteliers had responded to what had been said and written in the business arena about the various tools and techniques.

Segmentation of information

In many areas of marketing, exchange of information has traditionally been a key to customer loyalty. The Web has become more than simply another medium for "pushing" information to target markets, as making customers become "involved" is now dramatically easier.

When cross tabulating "segmentation of information" and "size of hotel groups" it became clear that larger hotel groups tended to attribute more importance to "segmentation of information". For the majority of smaller hotel groups, the rating was evenly distributed, suggesting that many smaller hoteliers had not fully grasped the potential of this technique.

It was further deduced that in spite of the threat of "information overload" and "unfocused strategy" few hotel groups were doing much to exploit "segmentation of information" to achieve differential advantage online. Although "segmentation of information" is probably not the only reason why "content marketing" works, it undoubtedly helps to accelerate the success of E-CRM programmes.

Pricing structures

Responses for cross tabulation of "pricing structures" and "size of hotel groups" were evenly distributed for both smaller and larger hotel groups suggesting that "pricing structures" was not always considered a priority for online marketing. Nonetheless, it should be considered that pricing, in terms of "rack rates", did feature on all Web sites in the sections dedicated to hotel reservations. "Consolidating" as was emphasised in "The effect of CRM on pricing in the marketspace" suggesting that the Net makes pricing more transparent.

Interactive dialogue

By implying that each engagement with the customer be built on previous contact and

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directed towards customer needs, developing an "interactive dialogue" could be an important contributor to E-CRM programmes. In spite of "interactivity" being viewed in technological terms, it is one of the pillars on which online communication was created. Hoteliers surveyed did not consider this feature to be important. The majority of respondents indicated that they thought "interactivity" had "no effect" on E-CRM programmes.

This negative view served to consolidate the initial assumption that the hotel industry was lagging behind other industries in terms of more advanced online technologies. However, it is the ability of companies to manage the process to its benefit and that of its customers that matters rather than the two-way communication itself.

Privacy of customers

Just as important as keeping customers informed, is the responsibility of hoteliers to keep guests' details safe. Although hoteliers appeared to be "ahead of the game" in the marketplace, it was suggested in "CRM in the hotel context" that when it came to online operations, hoteliers had conflicting views. Some respondents even went so far as to say that privacy of customers was "not important" or "irrelevant". Yet, many cost-effective security measures are available that augment business relationships instead of intruding on them. Perhaps, before implementing more specialised data mining systems to enhance E-CRM programmes, hoteliers should first absorb the key elements of trust in e-commerce, especially confidentiality and privacy.

Integration of up-to-date technologies

Technology has a vital role to play in E-CRM as it has potential to deliver the foundation for one-to-one marketing. Although technology is only an "enabler" of E-CRM, heightened use of up-to-date technologies will assist hoteliers in their efforts to integrate CRM systems in their online operations. This view was reflected in positive responses of some hoteliers, but others seemed to be indifferent to the adoption of new technologies and some even suggested that embracing newer technologies was not necessary to engage in E-CRM.

Nonetheless, in order to manage CRM more profitably, some hotel groups would have to reassess how they handle and integrate their IT functions so as to create a new customer-centred focus. This in turn should generate added value that could be brought to E-CRM.

Tracking and monitoring customer behaviour

Although responses of hoteliers were scattered, the high level of importance attributed to tracking indicates that a growing number of hotel groups had already invested in complex "data mining" facilities and tracking engines.

However, it became evident that these hoteliers had also understood that the real value of "tracking measures" did not merely lie in reviewing loyalty, but more in allowing them to see beyond the fads of technology to the underlying drivers of business success. By highlighting what works and what does not, "tracking systems" can help make E-CRM programmes more responsive, direct and successful. By enabling hotel groups to gain a deeper understanding of their customers, these tracking systems can ultimately help companies to maximise return on investment. "Data mining", "tracking" and "monitoring" are of course on-going initiatives that require careful planning and focus.

Testing the hypotheses

H1. Customer relationship marketing is being actively developed by hotel groups to achieve competitive advantage online.

It is argued that the hotel industry lags behind the business world with regard to operations on the Internet. By this, the researchers do not mean that hotel groups are alienated to the medium, but that their business usage is limited. The embracing of E-CRM encompasses an entirely new set of concerns that are neither easily defined nor measured.

While the secondary research identified an array of possibilities, findings of the primary research showed that hotel groups were not using their online presence to promote CRM. Further, responses of some hoteliers made it apparent that many companies were not even interested in taking advantage of the full potential of their Web site. In fact, the results of the primary research consolidated initial assumptions and clearly revealed that although hotel groups were familiar with what went on beyond an Internet presence, they had by no means translated that knowledge into their operations.

Responses led to the researchers understanding that a large percentage of the hotel groups were primarily concerned with providing rather than acquiring information. Thus, the more specialised and "technologically advanced" opportunities afforded by the Internet were almost ignored by the majority of the companies surveyed. Yet, some hotel groups seemed to have a

much clearer idea about their purpose for being online and were considering various options for the future. Unfortunately, it was impossible to deduce what these would be. From the onset, these hoteliers voiced their reluctance to discuss their future corporate strategies.

Meanwhile, it seemed that although hotel groups were mostly aware of the potential of the Internet, many were only prepared to embrace fragments of the medium despite anticipated rising expectations of customers and the opportunities afforded by E-CRM. It also became apparent that many hotel groups had simply not asked themselves how they could also benefit from E-CRM. Indeed, the potential was perceived to be vast even when constrained by limited resources.

Subsequently, although the findings did not specifically confirm the alternative hypothesis, such a continuum deemed it adequate to reject the first hypothesis (see *H1* above) in favour of the alternative one:

> *H2*. Hotel groups use their Web sites mostly for information and reservation purposes.

Synoptic overview
A hotel's success is determined by its ability to establish and maintain positive relationships with its guests. Over the years, hoteliers have prided themselves on the loyalty their personal interactions and service have engendered.

Although nothing can diminish the importance of direct customer contact, hoteliers are increasingly trying to woo both loyal and potential customers online with technological innovations. Indeed, technology is fast becoming the arbiter of success in this essentially people-oriented industry.

Yet, in this investigation, hotel groups which appeared to be at the forefront of embracing E-CRM also seemed to be those who took a personal approach to online marketing and facilitated the exchange of mutually beneficial information with their customers. This could indicate that although it emerged from technology and communications, E-CRM is simply an evolution of RM.

Meanwhile, despite the fact that the primary research revealed that hotel groups were using their Web sites mostly for information and reservation purposes, it was anticipated that as management of their Internet presence improves, hotel groups will increasingly turn to E-CRM to unlock further opportunities. Unfortunately, at present for UK hotel groups the promise of E-CRM (the Holy Grail of online marketing) remains precisely that: a promise!

Reliability and validity

In order to specify reliability as a criterion for assessing the investigation, an attempt was made to determine how far the particular choice of methodology could continuously lead to the same measurement or results.

What was problematic was the fact that the phenomenon under study, the use of the Internet for CRM, was itself expected to be continually changing. Additionally, when assessing the research against the backdrop of notions under study in the literature review, the researchers could not guarantee consistency of results if another investigation of the topic was to be carried out at the same time using different research instruments. However, to counteract the unconscious deformation of information gathered and to strengthen the reliability of the primary research, a standardised questionnaire was used. Despite the fact that limitations of the questionnaire in terms of depth and relevancy of information gathered could not be completely eradicated, the data requested was deemed appropriate for quantitative analysis.

Evaluation and conclusions

Although various obstacles were encountered in the primary research, this article has presented reality and not simply reproduced what was recommended in the secondary research. The authors' outlook was grounded in the theories of fellow researchers, but the chosen path for investigation did not work out as planned. In retrospect, the researchers believe that a better format would have begun with the non-participant observation of Web site features. Questionnaires would then have been sent out. Thereafter, interviews with respondents would have been carried out to substantiate the initial findings.

The small scale of respondents to the questionnaire was expected to lead to a flaw in the investigation, despite the results being used for generalisation. Nonetheless, a revision of sources would not have increased the sample size as the purposive sample represented the full population of hotel groups in the UK.

At the end of the research, two questions still remained unanswered. Firstly, how could one design a methodological procedure which would do justice to both the issues under study and the views of the respondents; secondly, how to monitor whether respondents were given any cause to

consciously or unconsciously supply biased information which did not correspond to the operations and strategies of their respective companies.

However, to achieve further authenticity does not lie in rejecting the methodology, but in reviewing the current status of hotel groups while focusing on discovering the differences instead of trying to supply the winning formula. If the investigation were to be carried out anew, the researchers would focus on areas of strategy and not just look at missed opportunities.

Despite obstacles encountered throughout the investigation, the information and knowledge gathered from primary and secondary research resulted in the researchers being able to present and analyse the findings with reference to the objectives of the research project. Although the literature review did not relate directly to the hotel industry, contrasting viewpoints might have provided answers on how to achieve a competitive edge on the World Wide Web through E-CRM. Although many authors have provided useful benchmarks and suggestions with regard to Internet strategies, relationship marketing and even customer management, none truly came up with what might be regarded as a successful formula.

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*E-CRM: customer relationship
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Table AI
Standardised questionnaire

Name:
Job Title:
Hotel Chain:

1. How many hotels are there in your chain?
    Less than 25   ☐
    25 - 50   ☐
    51- 100   ☐
    More than 100   ☐

2. Which of the following best describe your hotel group?
    Luxury/Deluxe (5*)   ☐
    First class (4*)   ☐
    Mid-market (3*)   ☐
    Budget/Economy   ☐

3. What percentage of your gross revenue was/has been budgeted for "Internet" marketing expenditures?
    (i.e. Internet campaigns, web site maintenance)

	2000	2001	2002
None	☐	☐	☐
Less than 1%	☐	☐	☐
1% - 1.9%	☐	☐	☐
2% - 2.9%	☐	☐	☐
2.9% - 3.9%	☐	☐	☐
4% - 10%	☐	☐	☐
11% or more	☐	☐	☐

4. Please rank the following criteria based on how <u>you</u> believe they influence Customer Relationship Marketing programmes/campaigns.
    (Rank 1 being the highest)

    Guest demand   …
    Revenue generation   …
    Staffing ability   …
    Technology advancements…

5. Do you have a dedicated team for handling "marketing on the Internet"?
    Yes   ☐   No   ☐

    If yes, how big is the team now and how much do you expect it to grow?

	July 2001	July 2002	July 2003
0	☐	☐	☐
1-2	☐	☐	☐
3-5	☐	☐	☐
5-10	☐	☐	☐
>10	☐	☐	☐

6. How do you use external agencies for your on-line marketing?
    Not at all   ☐
    Fully (no internal staff involved)   ☐
    Some aspects (Please specify)
    …………………………………………………………………………………….

7. Which of the following option best describes, how often your company reassesses its on-line marketing needs? *(Please select only one)*
    More than once a year   ☐
    Once a year   ☐
    Less than once a year   ☐
    As market conditions dictate   ☐
    As part of any corporate strategy review   ☐
    Not at all   ☐

8. Which on-line promotional activities do you use?
    Banner advertising   ☐
    E-mail campaigns   ☐
    Viral marketing (Word of Mouth)   ☐
    Customer Relationship Campaigns   ☐

(Continued)

Table AI

Site sponsorship ☐
Other (please specify)
....

9. Which promotional activity would you <u>currently</u> consider most effective?
....

10. Which promotional activity do you think will be most effective <u>in future</u>?
....

11. Do your hotels have any of these Customer Relationship Programmes in place?
Loyalty Programmes ☐
On-line communities ☐
Corporate Clubs ☐
Other, please specify
....

12. Do you personalise your on-line marketing campaigns?
Yes ☐   No ☐

If yes, how would you rate the effect?
No effect
Improved response rates
Decrease response rates
Too early to say

If no, do you plan to personalise your "Internet marketing" in future?
Yes ☐   No ☐

13. Do you have any Return on Investment measures with regard to on-line marketing?
Yes ☐   No ☐

If so, please specify which measure:
....

14. Do you have any technology in place to track campaigns or promotions on-line?
Yes ☐   No ☐

If so, please specify which measure:
....

15. How would you rate the importance of the following features with regard to Customer Relationship
Marketing on the Internet:
*("1" = "very important", "2" = important, "3" = no effect, "4" = not important, and "5" =
irrelevant")*
Segmentation of Information   1-------2--------3------- 4------- 5
Pricing structures   1-------2--------3------- 4------- 5
Interactive Dialogue   1-------2--------3------- 4------- 5
Privacy of Customers   1-------2--------3------- 4------- 5
Integration of up-to-date technologies   1-------2--------3------- 4------- 5
Tracking/Monitoring Customer Behaviour   1-------2--------3------- 4------- 5

16. How would you rate the effectiveness of Internet marketing?
Very Effective☐ Effective☐ Cannot Say☐ Fairly Ineffective☐ Ineffective☐

17. What do you understand by E-CRM?
....
....
....
....
....

Would you like to receive a copy of the final report?   Yes ☐   No ☐

Would you like to participate in any interview?   Yes ☐   No ☐

Many thanks for your valuable co-operation

Appendix 2. Targeted hotel groups based in the UK

1 Accor UK Business & Leisure Hotels Ltd (www.accor.com)
2 Bass Hotels and Resorts (www.basshotels.com)
3 Beale's Hotels (www.bealeshotels.co.uk)
4 Brend Hotels (www.brendhotels.co.uk)
5 Butterfly Hotels Ltd (http://www.butterflyhotels.co.uk)
6 Campanile UK Ltd (www.campanile.fr)
7 Center Parcs Ltd (www.centerparcs.com)
8 Chamberlain Hotels Ltd (www.chamberlain.co.uk)
9 Channel Hotels and Leisure (www.channelhotels.com)
10 Choice Hotels Europe (www.choicehotelseurope.com)
11 Cliveden Hotels Ltd (www.clivedenhouse.co.uk)
12 Crown Leisure Management Ltd (www.cmm-group.com)
13 De Vere Hotels (www.deveregroupplc.co.uk)
14 English Lakes Hotels Ltd (www.elh.co.uk)
15 English Rose Hotels (www.englishrosehotels.co.uk)
16 Epworth Hotels (www.epworth.co.uk)
17 Exclusive Hotels Ltd (www.exclusivehotels.co.uk)
18 Forte Hotel Group (www.forte-hotels.com)
19 Four Pillars Hotels (www.four-pillars.co.uk)
20 Goring Hotel Ltd (www.goringhotel.co.uk)
21 Greenstar Hotels plc) (www.greathouseatsonning.com)
22 Hastings Hotel Group Ltd (www.hastingshotels.com)
23 Hatton Hotels Group Services Ltd (www.hatton-hotels.co.uk)
24 Hilton International (www.hilton.com)
25 Historic House Hotels (www.hartwellhouse.com)
26 Hyatt Hotels and Resorts (www.hyatt.com)
27 Imperial London Hotels (www.imperialhotels.co.uk)
28 Impney Group Ltd (The) (www.chateau-impney.com)
29 Jarvis Hotels plc (www.jarvis.co.uk)
30 Jurys Doyle Hotel Group plc (www.jurysdoyle.com)
31 Lyric Hotels Ltd (www.lyrichotels.com)
32 Macdonald Hotels (www.macdonaldhotels.co.uk)
33 Marriott International* (www.marriotthotels.com)
34 Marston Hotels Ltd* (www.marstonhotels.com
35 Menzies Hotels plc (www.bookmenzies.com
36 Midland Hotels Ltd (www.midland-derby.co.uk)
37 Millennium and Copthorne Hotels plc* (www.mill-corp.com)
38 Milsom Hotels Ltd (www.talbooth.com)
39 Milton Hotels Ltd (www.miltonhotels.com)
40 Modern Hotels Group (www.modernhotels.co.uk)
41 Old English Inns plc* (www.oldenglish.co.uk)
42 Orient Express Hotels* (www.orient-expressshotels.com)
43 Paramount Hotels Ltd* (www.paramount-hotels.co.uk)
44 Peel Hotels Ltd (www.peelhotel.com)
45 Poste Hotels Ltd* (www.georgehotelofstamford.com)
46 Principal Hotels Group Ltd (www.principalhotels.co.uk)
47 Queens Moat Houses plc (www.moathousehotels.com)
48 R F Hotels Ltd* (www.rfhotels.com)
49 Radisson Edwardian Hotels* (www.radisson.com)
50 Regal Hotel Group plc (www.corushotels.co.uk)
51 Ryan Hotels plc* (www.ryan-hotels.com)
52 Sarova Hotels (www.sarova.com)
53 Savoy Group* (www.savoygroup.com)
54 Servotel Corporation (www.servotel.net)
55 Seymours Hotels of Jersey* (www.seymourhotels.com)
56 Shire Inns Ltd* (www.shireinns.co.uk)
57 Sty-Al Hoteliers (London) Ltd (www.hotel.uk.com/royalnorfolk)
58 Thistle hotels plc* (www.thistlehotels.com/)
59 Vienna Group* (www.vienna-group.co.uk)
60 Whitbread Hotel Company (www.whitbread.co.uk)
61 Wyndham International (www.wyndham.com)

* Note that an asterisk represents those hotel groups which responded.

Stakeholder communication and the Internet in UK electricity companies

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Abstract

This paper is located within the
corporate social reporting and
stakeholder management
literature. It is concerned with the
use of the Internet as a way of
communicating with stakeholders
and the extent to which this
communication is, or is not, two-
way. The evidence from the
electricity industry in the UK is
that the Internet is used, but this
use is selective and there is little
true dialogue. It appears that the
Internet provides an opportunity
for greater corporate
accountability in the future, but
whether this potential will be
fulfilled is as yet unclear. Further
research of a longitudinal nature is
required to see how the Internet
and more specifically corporate
social, or stakeholder, reporting
develops over time.

Introduction

Throughout the 1990s there has been a
growing interest in the concept of
stakeholders and stakeholder management.
Important to the concept of stakeholder
management is the need to engage and
communicate with stakeholders in order to
identify stakeholder concerns and issues.
Such communication allows the organisation
to set objectives and key measures of
performance for each of the stakeholder
groups identified. It is argued in this paper
that the Internet, as a medium for
communication, has an important role to
play in this stakeholder management
process. It is the expected accessibility of the
Internet that makes it a good tool for
communication with an incredibly wide
range of stakeholder interests. In addition
the Internet allows users to easily identify
information relevant to their own interests
without first being required to wade through
endless irrelevant data. Finally, more in line
with the idea of stakeholder dialogue, the use
of hyperlinks provides the opportunity for
organisations to be connected with
stakeholder groups, thus enabling other
interested parties to see both the
organisation's and the stakeholder's
perspectives. At present these are the most
apparent opportunities that the Internet
provides for stakeholder communication and
dialogue, but this is not to say that as the
technology develops further there will not be
an even greater, more interactive role, for the
Internet to play in the future. The purpose of
this paper is to attempt to look at the
developments to date in this process and will
do so by a consideration of the electricity
industry in England, Wales and Scotland. In
order to do this the paper will be structured
as follows: first the stakeholder concept will

be developed further; then a brief history of
the electricity industries in England, Wales
and Scotland will be given and a justification
provided for its relevance to this study; third,
an analysis of the electricity companies'
Internet sites will be used to consider how
the use of the Internet for stakeholder
communication has developed; and finally
the paper will provide some tentative
conclusions explaining the developments to
date and consider how this may progress in
the future.

Stakeholder management

Donaldson and Preston (1995) examine
stakeholder theory and suggest that the
theory can be justified on the basis of three
aspects. These three aspects are its
"descriptive accuracy, instrumental power,
and normative validity". Taking each of
these three aspects in turn, it has been
argued, therefore, that stakeholder theory is
descriptively accurate in that it correctly
reflects, and predicts how businesses operate
– not by simply considering shareholders but
other stakeholders as well. The second
aspect, instrumental power, argues that
adopting a stakeholder approach will
improve the organisation's performance,
either in terms of economic performance or
some other criteria, and that in this case the
theory would be classified as having
instrumental power. This is to say that
stakeholder theory is a tool that can be used
to improve results and in this respect is
superior to the more short-term shareholder
value approach (e.g. Coates et al., 1995).
Hutton (1995) takes this a step further and
suggests that shareholder focussed
economies such as the UK and the USA are
short-termist in comparison to those in more
stakeholder economies, typically Germany

and Japan. The final aspect, the normative validity justification, refers to the moral rights of individuals and therefore may require a complete reconsideration of the bases of modern Western capitalist societies. It is not sufficient to say that shareholder wealth should be maximised, or that stakeholder theory should be used to achieve this end, without first considering its ethical appropriateness.

In the UK the term stakeholder is perhaps most commonly associated with the UK Prime Minister Tony Blair who, prior to the 1997 election, called for a shift from capitalism to stakeholder capitalism, but in reality the term has been used over a much longer period of time. Specifically within the field of stakeholder management, Freeman (1984) is often considered a seminal text, but the term itself has been traced further back in time. Freeman himself actually refers to an internal memorandum at the Stanford Research Institute in 1963 as an earlier use of the term. Preston and Sapienza (1990) traced the approach, as opposed to the term, back a further 30 years and in reality the idea of managing an organisation with regard to its different constituents, an earlier term that in reality is interchangeable with stakeholders, is by no means new. Before we can proceed any further it is necessary to provide a definition of a stakeholder and this is complicated by the numerous stakeholder definitions that have been used within the literature. Sternberg (1997) demonstrates that Freeman himself has used multiple definitions of stakeholders and cites the following two:

> Those groups without whose support the organization would cease to exist (Sternberg, 1997, p. 31).

> Any group or individual who can affect or is affected by the achievement of the organization's objectives (Sternberg, 1997, p. 46).

Sternberg states that the second of these definitions, which is now the more commonly used, has increased the number of stakeholders to be considered by management adopting a stakeholder approach. Therefore a group can be affected by an organisation without necessarily being able to bring about its cessation by withdrawing its support. In fact the difference in these two definitions has resulted in a distinction between primary and secondary stakeholders (Clarkson, 1995); where a primary stakeholder is one whose continued support is necessary if the firm is not to be seriously damaged. Again this appears to be another modification of the definition where instead of an organisation

ceasing to exist it is "seriously damaged" by the withdrawal of support. The inclusive nature of the stakeholder definition has proved a weakness that opponents suggest makes the idea of stakeholder management untenable. Sternberg suggests that the wider definition would suggest that management would need to consider "every conceivable animate or inanimate object".

Perhaps in response to this criticism there have been numerous attempts to produce criteria by which relevant stakeholders can be identified, two such attempts are the stakeholder salience model of Mitchell *et al.* (1997) and the risk model of Clarkson (1995). Clarkson (1995) here suggested a distinction between voluntary and involuntary stakeholders. Certain stakeholders choose to invest some form of capital in the organisation and the organisation accepts and uses this investment. These are the voluntary stakeholders (these include shareholders, investors, employees, managers, customers and suppliers) who can withdraw their stake and as a result they should be provided with some value added. It is argued that involuntary stakeholders (such as individuals, communities, ecological environments, or future generations) do not choose to enter into, nor can they withdraw from, the relationship with the organisation. Wheeler and Sillanpaa (1997, p. 167) have made another classification as they "define stakeholder in four ways" and this is summarised in Table I.

There is a strong resonance between the primary social stakeholders and voluntary stakeholders and between the involuntary stakeholders with secondary social stakeholders. The most significant difference between the two models is that Wheeler and Sillanpaa's secondary stakeholders do not feature in Clarkson's model. The importance of these secondary stakeholders is an interesting, but moot point the broader stakeholder listing will be used here. It is worthwhile noting here that within the electricity industry in England, Wales and Scotland the influences of secondary stakeholders, not least government and regulators, may well be felt more keenly than in other industries. It is to this industry that we now turn to consider its history and present structure in order to state why it is relevant and of interest.

The electricity industry in England, Wales and Scotland

After decades of government ownership the electricity industries of England, Wales and

Table I

Primary social stakeholders	Secondary social stakeholders	Primary non-social stakeholders	Secondary non-social stakeholders
Shareholders and investors	Government and regulators	The natural environment	Environmental pressure groups
Employees and managers	Social pressure groups	Future generations	Animal welfare organisations
Customers	Civic institutions	Non-human species	
Local communities	Trade bodies		
Suppliers and other business partners	Media and academic commentators		
	Competitors		

Scotland were sold to the private sector as part of a larger privatisation programme undertaken by the then Conservative Government. The electricity industry in England and Wales was privatised separately to the Scottish industry, but both privatisations occurred in the early 1990s and both were initially to be regulated by the Office for Electricity Regulation (OFFER). At the time of the initial privatisations the industries were structured differently and have since evolved and so the next paragraph provides a very brief history of these developments.

In England and Wales the industry was vertically separated into three parts: its generating capacity; the transmission network; and the supply and distribution companies. The generating capacity, excluding nuclear which was not privatised at this time, was split between two companies, National Power and Powergen. Electricity generation is a potentially competitive industry and therefore does not require formal regulation. In the last decade the number of generating companies in England and Wales has increased as Powergen and National Power have been required to divest capacity. The transmission network is owned and operated by The National Grid, a company that on privatisation was owned by the regional electricity companies (RECs), but has subsequently been publicly sold and is now quoted on the London Stock Exchange. The transmission network constitutes a natural monopoly as the most efficient service is provided by a single organisation (Foster, 1994) and it therefore requires regulation. Finally 12 supply and distribution companies (the RECs) were created and at the time of privatisation these companies held regional monopolies. As this was the case these companies were also regulated until competition could be introduced. In 1995 the Government sold its golden share in these

companies and subsequently all 12 companies have been taken over. Therefore the RECs are now either owned by international energy companies, the UK generators, the Scottish electricity companies, conglomerates or are part of a multi-utility company. More recently the supply market has been opened up to competition, finally including the domestic market in 1998, and as a result of this there have been new entrants into the electricity supply market (OFGEM[1] now list approximately 30 business electricity suppliers and 20 domestic electricity suppliers). It is hoped that with competition the need for regulation of electricity supply companies will cease in the near future. As the regional distribution networks are still monopolies this aspect of the industry will continue to need regulation into the future. In Scotland the structure on privatisation was very different, with two vertically integrated companies being formed. As these companies were vertically integrated they were responsible for generation, transmission, supply and distribution. As mentioned above, the Scottish electricity companies have been able to buy RECs and also water companies in England.

From the point of view of stakeholder analysis the electricity industry is an interesting one to study. This is because not only does it have the normal stakeholder pressures that affect most companies, but is also has other, more industry specific stakeholder pressures. One of the reasons for this is that the industry has a very important effect on the every day life of the whole of a society. Electricity is an essential commodity and therefore access to electricity is seen as a fundamental right of every citizen. Further, the lack of competition in the industry on privatisation was such that one of the major concerns was the monopolistic abuse of consumers by the private companies (Veljanovski, 1991). As mentioned above, it is

the lack of competition that requires regulation, but further it is the potential abuse of consumers that resulted in price-cap regulation being preferred. This is because over time it targets lower real prices. The need for regulation and the importance of it to society also means that it is a politically sensitive industry and therefore one in which the Government will have an interest.

Another motivation for the selection of price-cap regulation was that of improving efficiency. Vickers and Yarrow (1988) suggest that it is against this that the success or failure of the privatisation programme will eventually be judged. In these terms improved efficiency has been considered synonymous with reducing costs. Therefore to enhance profits, for their newly formed shareholders, the regulated companies were motivated to reduce costs at a faster rate than the prices were falling. This cost reduction has fallen primarily onto employees, as the common view was that the nationalised industry was inefficient and over-manned. This has resulted in extreme reductions in employee numbers in the electricity industry since 1990, and one of the primary means for achieving this has been the increased use of contractors as external service providers. These external service providers are often heavily dependent on the electricity companies for work and are now very important partners/suppliers of services for these companies.

Finally, as well as external service providers, the key supply to the electricity industry is that of the primary fuel for generation. The Department of Trade and Industry (DTI, 2000) publish the *Digest of United Kingdom Energy Statistics*. This includes a breakdown of the "Fuel used in electricity generation, electricity supplied basis" which shows that in the UK the following changes occurred between 1994 and 1999 (see Table II).

These changes in primary fuel are not inconsequential and the replacement of coal by gas has significant impacts on the coal industry and certain communities that have relied heavily upon that industry for employment. Also it is important to

recognise that the primary fuel used to generate electricity significantly influences the environmental impact of the industry. The environmental impacts of the industry, in terms of the perceived dangers of emissions as well as the future implications of nuclear power, are significant and manifold as reflected by the following passage:

> Energy creation is itself very energy-intensive and therefore not energy-efficient. Its use and processing produce waste heat, by-products and emissions of gases and are thereby directly linked to the creation of acid rain, global warming, air pollution and myriad other intrusions into the biosphere. The implications of these intrusions are still very much a matter for argument but the worst-case scenarios suggest devastation of the human species – developed and lesser developed countries alike – not to mention the impact on other species and the planet as a whole. The implications of nuclear power are also far from straightforward and geothermal and hydro schemes raise many difficult environmental problems themselves. It would appear that no use of conventional energy in the West is entirely without its problems (Gray *et al.*, 1993, p. 111).

To conclude, the electricity industry has been selected, as it is an industry that impacts greatly on the lives of everyone in the developed world. Further, the industry's recent history in the UK suggests that there are significant stakeholder issues, whether the stakeholders be primary, secondary, social or non-social, which may require a greater degree of stakeholder management than in many other industries. In the UK this supposition is supported by Cooper *et al.* (2001) who found that formerly nationalised utility companies were more likely to be stakeholder managed than other companies.

Method

Given the nature of the relationship between organisations and their stakeholders, and the idea that stakeholder communication is a two-way dialogue, it is intended to consider not only the use of the Internet by the companies in the industry, in each part of the industry discussed above, but also to consider their interaction with stakeholder interest groups. The actual stakeholder interest groups are in actuality the secondary stakeholders identified by Wheeler and Sillanpaa (1997). It is necessary to consider these interest groups because it is unlikely that individual shareholders, consumers etc. will have Internet sites dedicated to company's stakeholder issues, whereas the

Table II

Type of fuel	1994 (per cent)	1999 (per cent)
Gas	15.0	38.5
Coal	48.0	28.0
Nuclear	25.0	24.5
Imports	5.0	4.0
Other fuels	1.5	2.5
Oil	4.0	1.5
Hydro	1.5	1.0

specific interest groups will have the resources to undertake such a project.

The first stage of the analysis will consider the companies in the UK electricity industry. At the end of 2000 the industry appears to consist of the following numbers of companies (see Table III).

As a result of the mergers and take-overs in the industry there are now many groups of companies that offer vertically integrated companies, and some that own more than one supply company. The analysis for this paper will be based on 35 groups of companies, and this covers all of the industry except some of the smallest generators. As a first step it is necessary to see which of these 35 companies have Internet sites. The Web sites visited are provided in the Appendix. All of the companies contacted either had a Web site or it was "under construction". In the three cases where the Web site was under construction there was a Web address and a holding page in place, and some contact details were provided. Two of these companies are small independent supply companies and the third a small generator. The lack of a Web site is probably a resource issue, either in terms of time or money, as it is certainly the case that all of the larger companies had Web sites. In addition there were three companies generating in the UK that are subsidiaries of larger US groups of companies. In each of these cases there were no separate Web sites specifically relating to the UK activities, although one did list the UK generating capacity, and therefore the information was subsumed within much larger group information. There appears a difference here with the supply and distribution companies owned by non-UK interests as there were separate Web sites for these companies. This is an interesting difference and it may well be that the fact that the generators are further removed from the final consumer, and therefore not operating in the competitive market for end users, results in less of a need for UK stakeholder communications.

The next stage was to visit each of these sites with the express intention of considering what information was available and how this was targeted at the different stakeholder groups. Due to the potential for companies to update their Web sites at any time this research only provides a snapshot. The Web sites were visited over a two-week period at the end of February – beginning of March 2001 and will, no doubt have subsequently changed. This limitation is acknowledged and an interesting area for further research would be to monitor the evolution of the Web sites over a period of time. Further it is noted that this is very much exploratory research due to the limited history of the Internet and academic interest in the stakeholder concept. The next section considers each of the stakeholder groups in turn.

Shareholders

There has been considerable interest and argument in the premise that shareholders are the primary stakeholders (Sternberg, 1998; Friedman, 1962). In the UK there has been a growing interest in value-based management techniques that specifically target shareholder value and assume that all corporate decisions should be made solely on the criteria of whether shareholder wealth is created (Stewart, 1991; Rappaport, 1992). This view appears to be in contradiction to the stakeholder concept, but some argue that stakeholder management is the best way to achieve shareholder value. Irrespective of whether the shareholder is the primary

Table III

Generators in England and Wales (DTI)	Seven companies accounting for approximately 80 per cent of total in Winter 1999/2000 Approximately 25 smaller companies
Transmission in England and Wales	One company: the National Grid
Distribution networks in England and Wales at 31 August 2000 (DTI)	Eight now owned by non-UK companies Two now owned by the Scottish companies One owned by a UK generator One has been merged to form a multi-utility
Suppliers in England and Wales (OFGEM)	29 business electricity suppliers, 18 of whom also supply domestic electricity
Scotland (DTI)	Two vertically integrated companies One other generation company Some "other suppliers" the majority of which also supply in England and Wales

stakeholder there appears to be consensus that they are, at least, very important and this is borne out by UK company law and the fiduciary duties of directors. Therefore our expectation would be that companies would give a certain degree of priority to this stakeholder group and that we could expect to see some shareholder communication through company Web sites.

In actual fact for the purposes of shareholders the companies can be split into three categories. Those companies that are privately owned, a subsidiary of a larger group, and those companies that are listed on a stock exchange. The privately owned companies, are all small supply companies, provide no financial information and may, in the case of a closely held company, report who the owners are, but may not. This lack of information is understandable as the shareholders are not as far removed from these businesses and probably have other more comprehensive communication channels. As such these shareholders are effectively internal to the business and will therefore receive internal communication. British Nuclear Fuels Limited (BNFL), is owned by the UK Government and this is made clear on the Web site. Despite this the annual report is still made available on the Web site, and in this instance the publication of the annual report must be aimed not at the shareholder, who will have other avenues of information, but a wider financial and stakeholder audience.

Subsidiaries of larger groups can be distinguished between generating companies and supply and distribution companies. As mentioned above, the generating companies owned by US companies do not have separate Web sites and there is very little UK-specific information. For supply and distribution companies there are separate Web sites and these are linked to the group companies. It is at the group level that shareholder communication is made as it is the group that is publicly owned. The US companies provide comprehensive "investor relations" sites that encompass annual reports, SEC documents, company presentations, press releases, share price and dividend information. This is a relatively standard shareholder offering and is also provided by the companies that are listed on the UK stock exchanges, with the exception of the SEC documents. Two of the more innovative elements were the opportunity for investors to join e-mail lists providing company information and the provision of contact details for brokers or analysts that are following the companies activities. The contact details for analysts or brokers,

although hyperlinks were not provided, are more prevalent in US companies and the one UK company, Innogy plc, that have a broker coverage section were updating this page at the time this research was performed. These services are provided by a minority of companies, but appear to offer valuable information for existing and potential shareholders. Scottish Power do provide a link to the Shareholders Association in Scotland (UKBASCOT), but otherwise up-to-date share prices externally provided were the only explicitly shareholder links.

Employees and managers

This is an example of a stakeholder group that is internal to the organisation and therefore there is, presumably, less of a need to use the Internet to communicate with them. This is supported by mention of employee newsletters and the intranet as communication tools with employees, and there are also meetings and contact with managers that make the Internet an unlikely source of employee or management communication. This is borne out by the research. For the vast majority of companies the Internet is not used to communicate with existing employees, but rather potential employees. Therefore job opportunities are frequently listed on Internet sites and for the larger companies on-line application is possible. Within the gambit of recruitment most, but not all companies, refer to and provide their equal opportunities policy. Only two companies go further and refer to their involvement in national schemes that are linked to equal opportunities, such as Race 2000. Also some, usually the larger companies, are attempting to sell themselves as good employers with the kitemark "investors in people" and more unsubstantiated statements of "positive working environments" and as "learning" organisations. Finally the larger companies cite benefits, in terms of remuneration packages.

Health and safety is an issue that is important to employees and as such some companies have produced health and safety reports (sometimes these are combined with environmental reports) that detail the safety record of the company. Approximately half of the companies provide a health and safety policy and report performance, although the smaller supply companies did not. Most of the reports appear to be unverified, but TXU Europe appears to have taken health and safety reporting a stage further. They "use the RoSPA (Royal Society for Prevention of

Accidents) audit system" and provide a great number of links to safety bodies. This is in sharp contrast to the other companies that might provide a link to the H&SE, but little else. Again it must be remembered that policy and performance may well be reported internally not externally, but it is interesting that some companies see it as necessary and others do not. In the case of BNFL and British Energy, the two companies involved in the nuclear industry in the UK, both companies provide environment, health and safety reports and this is not surprising considering the central importance of safety in this industry. Scottish Power includes within its library an "employee relations report", although this relates to 1997/1998, which has sections on employee development, employee relations and employee support, and this appears to go further than the other companies. This is, however, still not of the same scope, nor does it include the range of employee measures that are common, in employee reports in the late 1970s. In fact the decline of such employee or employment reports is evidenced by their absence.

Scottish Power refers to having positive relations with trade unions, although this is completely unsubstantiated, and there is no opportunity given for the trade union to comment on this, nor are we told which trade unions are recognised. Similarly BNFL comment that there is a "high level of employee union membership", but this is not taken any further. In fact the only company to provide a hyperlink to unions was Northern Electric, no other company mentioned trade unions.

Customers

Purely generating companies did not mention customers at all on their Web sites. It is only those companies that deal with the end users that comment on consumers. For these companies, most make such claims as to be "focussing on customers" and assert that customer care is "a way of life". Such similar declarations mean that companies do not distinguish themselves from their competitors by saying this. Another constant feature for the supply companies with operational Web sites is that most provide the consumer with a "savings calculator". This enables the user to enter their present supplier and energy use and their potential savings from swapping supplier are calculated. It is interesting, but perhaps not surprising, that none of the supply companies provide a full list of suppliers and their respective prices. The calculation is

simply made in comparison to the consumers' present supply and does not take into account alternative suppliers. This is not that surprising as only one company will be able to claim to be the cheapest supplier for a specific user and this will not be the same for all users. Also the companies do not, at this point, offer links to OFGEM's site where more complete comparisons are made. This is despite many of the companies actually providing links to the OFGEM site in other parts of their Web site. This is a seemingly obvious case of the companies making use of the Internet to control the message given to the stakeholder.

In addition to price there is the issue of quality. Many of the more established companies reproduced OFGEM's guaranteed and overall standards. The information provided tended to be the standard and the required payment if this was not attained. In terms of distribution, there is a quality issue in terms of security and availability of supply. Most, but not all, of the distribution companies reproduced their quality of supply reports on their Web sites.

Local communities

This is a very popular section on the Web sites of large companies. All of the larger companies made some reference to being "good neighbours". In order to support these claims companies provide examples of the projects they are presently undertaking that constitutes some form of community involvement. There is a great deal of similarity between the schemes used by the competing companies and they tend to focus on special need groups, such as the disabled or elderly, the environment (to which we return later), the arts, sport and education. In this area the larger companies were actually more likely to reproduce a policy statement and also to provide links with their partnership organisations. Therefore several of the companies provided links to Age Concern and Help the Aged, and many provided "learning zones" for school children with links to "Channel 4 schools" and other educational sites.

Perhaps the weakest element of the reporting to local communities was some form of measurement of performance. This is difficult to do and therefore this scattergun approach of detailing projects undertaken appears to have been universally accepted. A feature of the US companies is the different emphasis placed upon the monetary amount of assistance provided. In the UK this is not

emphasised, although information on how to apply for sponsorship is given.

Suppliers and business partners

This is the final primary social stakeholder group as identified by Wheeler and Sillanpaa (1997). This is a stakeholder group that receives very little information on company Web sites, irrespective of the size of the company. In fact there were only two companies that provided any real information for suppliers or prospective suppliers. Both National Grid and Centrica have procurement policies and both operate a vendor qualification system through Achilles (a company that provide a "full range of procurement services" and "EC legislation and supplier database software", www.achilles.co.uk). Centrica operate this vendor database for contracts covered by EU directives and both of these companies provide links to the Achilles database. It may be that the nature of these two companies and their history in monopoly operations are the reason for this additional information.

A few other companies may refer to business partners, but this tends to be infrequent or limited to a small number. The exception to this is East Midlands Electricity, who provides a policy and a list of present external service providers. Overall this stakeholder group is by far the least represented on the company Web sites.

Secondary social stakeholders

The secondary nature of this stakeholder group makes them an interesting case. It has been reported above that the primary social stakeholders do receive information on Web sites and this information should also be of interest, and equally sufficient/insufficient, for the secondary social stakeholders. This is borne out from the company Web sites. The companies do not specifically refer to or appear to be communicating with the secondary stakeholders. Any information is included more for the primary stakeholders' information. Therefore some companies provide an historic background to their companies and the UK electricity industry, and hence the role of government, the regulator and competition, but this is for the benefit of shareholders and consumers. In fact these secondary stakeholders can be seen to be a further information point for the primary stakeholder. One way that companies can assist their stakeholders in finding out more about their "rights" and the working of the industry is by providing links

to the secondary stakeholder. This is done by approximately half of the companies, with the most popular links being to OFGEM, the DTI, DETR and the trade body the Electricity Association. The nuclear companies also provide numerous links to nuclear associations, both nationally and internationally.

Arguably the most widely reported social issue in the electricity industry is that of fuel poverty, and this has certainly received significant governmental and regulatory attention. Therefore the links to OFGEM and the DTI should help inform interested stakeholders about this issue. In addition there is a special interest group called National Energy Action (NEA) that are specifically concerned with fuel poverty and report statistics relating to this issue. It is surprising that 12 of the larger electricity companies are listed as business partners of this organisation, but only a minority of these companies mention or provide a link to the NEA. This seems to be contrary to the expectation that the companies would use such support as evidence of a social conscience.

One of the most popular aspects of the companies' Web sites was media relations. The major feature of this section is as an archive of company press releases. All large companies provided this service and some other summary fact sheet about the company. The companies do not provide a more complete service of news about the company. This is to say that it is only company press releases that are provided and not press comment generated from other sources. It can be argued that such a service would provide a more balanced view of the companies, but this has not been undertaken. The companies do not refer to their competitors except as part of their savings calculator, discussed above, and neither do they provide links to their Web sites. Due to the possible adverse affect of such links, where it might be possible for customers or potential customers to find a better deal, this is not surprising.

Non-social stakeholders

The environment became an extremely important issue in the 1990s and continues to be so in the new millennium. The increase in the use of environmental reports is widely reported (see for example Gray *et al.*, 1993, 1996). It is therefore not surprising that the environment is seen as an important issue for the electricity companies to address on their Web sites. Therefore most companies do

provide an environmental policy and access to externally verified environmental reports on their Web sites. Some companies have not provided this service, but they are the exception rather than the rule. Environmental reports are now well established in the electricity companies and this is probably due to the environmental impact of the industry noted above. The reports produced are significant and provide performance to date and targets for the future. The voluntary nature of environmental reporting means that these reports do not follow a standard format and this does make comparison difficult. Having said this, the largest environmental issue for the generating companies is the emission of greenhouse gases from the generation process, and performance is reported for each of the greenhouse gases. The recognised importance of the environment and the increased use of the Internet have coincided over the last decade, and therefore the ability to provide environmental reports electronically, rather than having to print vast numbers of copies, does make for a powerful argument for Internet reporting.

The companies report their performance and set targets for future performance, but do they provide links or an opportunity for comment by environmental pressure groups? Approximately half of the companies that report on environmental performance also provided links to some external environmental interest group. The most commonly linked sites were the DETR, Environmental Agency, the Environment Council, and Business in the Community. Also specific interest groups, such as the RSPB and the Wildlife Trust were linked by a small number of companies, and this was usually because of a specific project undertaken by the company in concert with the group. The companies were almost all silent in terms of the more aggressive or conflicting environmental groups, such as Friends of the Earth (FoE) and Greenpeace. In fact the only company to provide links with these organisations was BNFL, and this may be due to the fact that nuclear energy does not produce greenhouse gas emissions. Having said this, these groups are concerned with nuclear energy and therefore this link is unusual as it takes the stakeholder to a site that provides adverse commentary on the business. Two other companies refer to FoE with respect to their Green Energy League Tables. These companies both performed well, but not the best, in these tables and draw the stakeholder's attention to this fact, although they do not provide a link to this Web site. This failure to let the stakeholder

easily link to the special interest site allows the company to select the information given and does not provide the whole story.

Finally, one exceptional case was that of Shell. They have a subsidiary that operates in the electricity market and this provides links to the group site. Shell are well known for their social reporting and there is one unusual aspect to their Web site as well. This is that there is a section for comments on the Shell Report and these are published irrespective of whether the comments are positive or negative. This allows the stakeholder to see numerous perspectives on Shell's performance as opposed to that reported. For example, there are especially strong comments against Shell's involvement in Nigeria. Most of the companies ask for feedback/comments on their Web sites or environmental reports, but Shell are the only company that is willing to publish these. This is an exceptional case of a company allowing individual stakeholders the opportunity to voice their thoughts on the social performance of an organisation.

Conclusions

The nature of this research is essentially exploratory, as there is little previous work in the area. Also, due to the fast changing nature of the Internet, it is recognised that some of the Web sites that are commented upon here will have been updated since this study was undertaken. It is possible that the Web sites contain more information than I accessed. In defence, a strict routine of trying to access all pages was followed in order to ensure that the coverage was as complete as possible. Similarly the site searches and site maps were used when possible, although not all sites offered these services. A further defence could be that, if the information could not be found through this process, then it is not easily accessible and therefore will not be found by most stakeholders.

Gray *et al.* (1996, p. 32) believe that an: "... Accountability framework is the most useful one for analysing accounting information transmission in general, and CSR in particular" although they recognise that it can be criticised. The Internet provides a new medium by which organisations can transmit information, but the question remains as to whether the Internet has actually changed the accountability of these organisations. It is this question that is addressed now.

The results from this study suggest that the Internet is widely used as a communication tool, but most predominantly this is by the

larger companies. Therefore all large companies had a Web site and provided much more information than the smaller companies. This is most probably a resource issue as the provision of information via a well-designed Web site is not cheap either in monetary or time terms. The large companies appear to provide most information for primary social stakeholders. The other two main areas of reporting are press releases and the environment, and the actual intended audience for this information could also primary social stakeholders. Therefore, with the increased interest in ethical and environmental investing, it could be argued that the environmental information is provided for shareholders rather than environmental groups.

' ... One of the most notable findings is the selective use of links and independent comment by the companies... '

Similarly, up to date information will be important for shareholders and therefore the press releases could be argued to be included for their benefit. There is also a problem with the stakeholder concept in that an individual can have multiple stakes in the business as employee, consumer, shareholder and a member of the local community. It is easier to identify the information needs of a stakeholder group than those of an individual who has multiple stakeholdings in the same organisation.

> Gray *et al.* (1996, p. 46) suggest that while:
> ... Stakeholder theory can be used to explain some CSR [Corporate Social Reporting] practice, legitimacy theory can be used to explain a little more.

Legitimacy theory suggests that organisations only exist if the society in which it operates allows it to and it must therefore operate within the value system of the society. According to Lindblom (1994) there are four "legitimation strategies" and these are:

1 educating the stakeholders about how the company will improve performance in the future;
2 changing the stakeholders perception of events;
3 distracting attention away from the problem; or
4 changing expectations about the company.

If we use this as a structure for Internet reporting, each can be seen as a possible motivation for their reporting. Certainly on environmental issues companies can be seen to be providing information on performance

and target improvements in the future. However, the voluntary nature of all of the Internet reporting really allows the opportunity for the companies to choose what is given attention and what isn't. Therefore it is interesting that issues of unemployment in local communities are never raised as an issue for the company, and this suggests that this is beyond what should be expected of an electricity company. This is despite the large decrease in employee numbers in the industry since privatisation. The absence of a specific issue, like unemployment, or stakeholder group, like suppliers, in Internet reporting is also interesting as this coincides with:

> The successful exercise of power and influence by organisations (and perhaps states) to keep themselves unfettered by society (Gray *et al.*, 1996, p. 50).

Additionally, one of the most notable findings is the selective use of links and independent comment by the companies. With the exception of the Shell comments page, as noted above, any independent comment provided on Web sites was resoundingly positive. Also, the links provided can be argued to be primarily to business friendly sites, therefore in the environmental section links were provided to Business in the Community, but not FoE. Companies prefer to ignore these dissenting voices rather than enter a dialogue on the Internet. Therefore the only companies that mentioned the FoE Green League Tables had performed well. It is feasible, if not probable, that other companies that did not perform well could have debated the validity or appropriateness of the model used by FoE. Instead the preference was to ignore the report and not engage with this debate. This sweeping under the carpet of issues, which could question the legitimacy of the organisation, can again be explained by legitimacy theory. It may be that this stakeholder dialogue has been entered via another medium and it is simply chosen not to report this on the Internet.

The selective reporting and lack of dialogue on the Internet raises significant doubts as to whether it has resulted in greater accountability. The majority of the information provided was previously available in other forms and so the actual use of the Internet does not necessarily mark a significant change in the competitive pressures for information. The widening access to the information, as it is now accessible from anywhere in the world

(assuming you have a computer and a link to the Internet), may in the future improve accountability. At present this is still debatable as access to the Internet, although growing rapidly, is still in the hands of the minority. Also education, geography and wealth will limit certain stakeholders ability to access information via the Internet. This could also be argued to be true of other media used by companies, but should not be ignored as a very real accountability issue in the future. At present it seems possible to conclude only that the Internet has the potential to improve accountability, but that this is by no means a forgone conclusion, as it will depend on both how organisations' use of the Internet develops and how truly accessible the Internet becomes.

Internet sites are still being developed and improved and there are some instances where companies appear to have gone further than their competitors. The use of the Internet as a communication medium already is significant and at present appears likely to continue to expand. The need for a well-designed Web site is essential as it enables stakeholders to easily find what they are looking for. There are both good and bad examples in the electricity industry, although there already appear to be some standard formats most notably in the investor relations, customer and environmental areas. For future research it would be interesting to provide a longitudinal study of Web sites to see how they develop over time, and this would also provide insights into how the stakeholder issues and priorities change over time.

Note
1 OFGEM is the Office for Gas and Electricity Markets that in 1998 replaced the previous regulatory bodies OFFER and OFGAS.

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Appendix

Edison Mission Energy (www.edisonx.com)
AES (www.aesc.com)
BNFL/Magnox (www.bnfl.com)
Barking Power (www.thamespower.com)
Teesside Power Ltd (www.enron.com)
National Grid (www.nationalgrid.com
Midlands Electricity (www.meb.co.uk/GPU-Power/)
Norweb (www.unitedutilities.com)
Swalec (www.hyder.co.uk)
SWEB (www.westernpower.co.uk)
Aquila Energy Supplies (www.aquilaenergy.com/uk/)
Atlantic Electric and Gas (www.atlanticeg.com)
BizzEnergy (www.bizzenergy.com)
British and Scottish Gas (www.gas.co.uk)
Economy Power Ltd (www.economy-power.co.uk)
Ecotricity (www.ecotricity.co.uk)
Electricity Direct (www.electricity-direct.com)
Enron Direct (www.enron.com)
Maverick Energy (www.lloydlewis.co.uk)
Pentex Oil & Gas (www.sabirenergy.com)
Shell Power (www.shellgasdirect.co.uk)
UK Electric Power (www.ukelectric.com)
Utility Link (www.basicpower.co.uk)
Innogy (www.innogy.com)
Nuclear Electric (www.britsh-energy.com)
Powergen (www.powergenplc.com)
Eastern Group (www.eastern.co.uk)
London Electricity (www.london-electricity.com)
Northern Electric (www.northern-electric.com)
Seeboard (www.seeboard.com)
Yorkshire Electricity (www.yorkshire-Electricity.co.uk/)
Scottish Power (www.scottishpower.plc.uk)
Scottish and Southern Energy (www.scottish-southern.co.uk/)

Audit and control of the use of the Internet for learning and teaching: issues for stakeholders in higher education

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Abstract
The Internet is becoming more widely used by academic institutions to support the learning and teaching activities of students and academic staff. Whilst this is a very efficient mechanism, it is, arguably, important that there are adequate controls in place to ensure that the information is not libellous, defamatory, inaccurate, illegal or inappropriate. The interactivity of the Internet, the immediacy of access to its contents and the public accessibility to much of its information, however, do provide a different operating environment and therefore different audit and control issues arise. This paper discusses the roles and concerns of a range of stakeholders and suggests that the control mechanisms might be failing, or might not be adequately policed in practice. A number of examples are provided where the manner in which controls are put in place do not operate effectively, or where there may be control loops that are open-ended. For each of the stakeholder groups that are identified, an account is given of the use to which the Internet is put and where regulation currently exists or may be desirable.

Introduction

The Internet is becoming more widely used by academic institutions to support the learning and teaching activities of students and academic staff. It is also, used increasingly to distribute information within the organisation, as well as to a wider global audience. Whilst this is a very efficient mechanism it is, arguably, important that there are adequate controls in place to ensure that the information is not libellous, defamatory, inaccurate, illegal or inappropriate. These issues are not new and most are common to both the Internet and paper based information. The interactivity of the Internet, the immediacy of access to its contents, the public accessibility to much of its information and the ease of distributing the information via the Internet, however, do provide a different operating environment and therefore different audit and control issues arise.

This paper discusses the roles and concerns of a range of stakeholders and suggests that certain control mechanisms might be failing, or might not be adequately policed in practice. A number of examples are provided where the manner in which controls are put in place do not operate effectively, or where there may be control loops that are open-ended. For each of the stakeholder groups that are identified, an account is given of the use to which the Internet is put and where regulation currently exists or may be desirable.

The desirability of the development of any formal regulatory framework is given explicit attention and is debated within the paper. Particular consideration is given as to whether such a framework could become more functional than is presently the case or whether self-regulation is more appropriate.

It also raises further practical concerns about who is ultimately responsibility for learning and teaching material which is on the Internet, and considers whether universities are accountable for the way they embrace the Internet to satisfy the needs of other stakeholders in line with their strategic aims.

The paper concludes that caution needs to be exercised about using the power of IT to over regulate the use of the Internet for learning and teaching as this could possibly hinder future development.

Resources on the Internet

The use of the Internet to support learning and teaching activities within a university brings with it an array of issues that are currently supported through a formal and developing regulatory framework. Many of the issues may not be new to the Internet but the openness and electronic nature of the Internet does give rise to particular concerns. A recent case demonstrated that the sender of a private e-mail can be traced by the courts and made accountable for its contents (Scott-Bayfield, 2001). Many uses of the Web are protected behind password and username security devices but it will no longer be reasonable to assume that this will limit the author's responsibility. In many respects this is very different from private paper-based communication. Another example relates to the range of learning resources available to students. Through the use of modern software applications it has become easier for academics to transfer material onto the Internet. The relative ease with which material can now be distributed[1] and viewed worldwide creates a much more open learning environment for

students and academics. With this comes the potential for students to challenge the tutor through access to other online learning resources, many of which have been published by other academics worldwide. Learning resources used by students are therefore, no longer constrained by the imagination and experiences of an individual tutor, or by the financial scope of a student's institution, thus encouraging academic debate.

A related general concern is that a lack of access to resources on the Internet might be designed to ensure that the resources are directed at a particular user group but this exclusivity, whilst desirable in some contexts, also inevitably leads to lack of accountability with respect to other stakeholders. The question is one of expectation. Passwords might, for example, restrict access to an online discussion to tutor and students. If the content of the discussion, however contributes to assessment then they should also be available to an external examiner and others involved in quality assurance. Groups of users who might expect to have access to material on the Internet are naturally, most likely to raise the issue of accountability when such access is denied. Any restriction potentially permits the publisher of the information to hide behind a wall of pseudo privacy.

The generic issue here concerns the extent to which these issues of access, to Internet materials, are any different from the issues that have been with us for many years in relation to printed material. A lecturer may produce "potentially inappropriate" learning resources for limited distribution to student users in the context of tutor-led educational use. This limited distribution may be achieved by passing printed pages directly to students or by placing the material on the Internet behind password and username security. The discussion that takes place within this paper focuses on the differences that do, or should exist between printed material and those that are available via the Internet.

Processes and instruments of control

In this section the processes and instruments of control that apply to users of the Internet for learning and teaching purposes are examined. For each category of user the range of uses, the regulatory framework that exists to moderate or restrict these uses and the nature and effectiveness of the responsible authority are examined. Some areas of concern will be addressed in more detail in the subsequent section, from the perspectives of key stakeholders.

Academics

Academic tutors or lecturers (academic staff) in higher education (HE) form a broad category (all three authors of this article would claim to have roles in this category, although our focus is, in each case, different and, for two of us, primarily within other categories). This breadth gives rise to an enormous range of uses and widely differing acceptance of the nature and even existence of control. Broadly speaking, academic staff use the Internet to present resources that support learning. Learning here may be in a teaching context (i.e. resources that support student learning) or in a research context (i.e. resources that support the advancement of knowledge and primarily addressed at peers). Resources might be text or images on Web pages, online discussions between learners worldwide, computer generated simulations and mathematical models. The list is undoubtedly very long and growing daily.

The concept of academic freedom is widely distributed and appreciated in academia and it translates, in the world of the Internet, into well meaning guidance but very little direct external control at all. Most, if not all, universities provide guidelines and regulations on security; access and dissemination of information through the Internet; and guidance on legal and ethical use of computing facilities and voice networks[2].

In general these regulatory instruments, and information about them, are available to academics through publicly accessible university Web pages. A wide range of national and international legislation also regulates the academic's work including legislation on copyright (Copyright, Designs and Patent Act, 1988) and data protection (Data Protection, 1998). Furthermore, information about these regulatory instruments is available to academics through publicly accessible university or independent authority Web pages (e.g. the Copyright Licensing Agency)[3].

Other than offering guidance and regulations on the use of the Internet, universities have little real control over what the academic puts on the Internet. Editorial scrutiny may be available in principle, but in practice, senior university administrative/ management staff do not

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have the time, or expertise, to audit all material. In addition there is also likely to be the potential for infringement of the principles of academic freedom. Many universities do acknowledge this dilemma in their information policies and strategies and attempt to find a balance between promoting the personal privacy, and academic freedom, of their staff and addressing their institutional obligations as employers and educational providers. The question of how to ensure that institutional legal obligations are met, while providing a reasonable amount of privacy for their users, is a growing burden for organisations. The dilemma tends to be enshrined in principle, for example within an information policy statement such as: "The University will strive to create and maintain an openness and transparency in the availability, treatment and handling of information" (Information Policy, University of Southampton, personal communication) rather than within regulated and audited working practices.

Much has been written about the nature of academic freedom, the need for the academic profession to be unhindered by cumbersome and restrictive management and about the poorly defined nature of academic roles (reviewed for example by Kennedy, 1997). A general conclusion is that academic environments work best when free from "checklist management" (Barnett, 1992) but Hannan and Silver (2000) identify the need to tread carefully between the two extreme options of "diktat" and anarchy. Much of this argument no doubt applies to the potential for over-regulation of the use of Internet resources. Kennedy (1997) attempts to find a balance by comparing academic freedom with its counterpart, academic duty:

> The evidence suggests a kind of dissonance between the purposes our society sees for the university and the way the university sees itself. For although the freedoms necessary for teaching and scholarly work are understood and reasonably well accepted, the counter balancing obligations are vague and even obscure. Duty is to prepare; to teach; to mentor; to serve the university; to discover; to publish; to tell the truth; to reach beyond the walls; to change (Kennedy, 1997, p. 3).

Less is said about duty than freedom and, as argued by Kennedy (1997, p. vii) the missing information amounts to a "lesion in accountability".

One slightly peculiar aspect of control over the way that the Internet is used needs to be addressed here. Peculiar, because it is so novel at this stage of the development of the Internet, and slightly peculiar because it is so inefficient, ineffective and inappropriate in its present form. Some universities, more particularly some university administrators, have attempted to restrict the use of the Internet by restricting access to pornographic or otherwise undesirable Web sites, and restricting the publication of many four-letter words. The results of the latter are often comical and could do more harm than good. Such censorship has stifled communication at least within one institution where, for example, students were suggesting further reading of Larson (1997) but unfortunately this was censored to La***n (1997) with obvious frustrations ensuing.

The issues are serious, however, and relate to the desirability of any form of censorship in an academic environment committed to enquiry. The issues are also highly controversial within HE and even the three authors of this paper do not fully agree on aspects of a censorship-free learning environment. This issue is revisited later in this paper.

If regulations and guidelines do not "control" the Internet-publishing activities of academics, does anything? It is arguable that self-regulation provides an immediate and effective natural control. Self-regulation, of course, is entirely consistent with the principles of academic freedom. A profession that has at its core a commitment to principles of personal freedom, natural justice and fair play is not entirely dependent on an external control to ensure appropriate use of its professional resources.

Academics who have been accepted into the profession will have demonstrated their commitment to a range of professional values. This commitment will be constantly challenged and honed by the process of peer review. Peer-review works at many levels including interactions between tutors working in teams to support learning, the activities of peers as external examiners for taught and research-based programmes of study and the activities of peers in external and internal quality review processes. Few academics would deny the potential of peer review to ensure that learning resources, in general, are both adequate and professionally appropriate. However these may not necessarily meet the aspirations of all stakeholders in education, as this is peer review in relation to the values of the profession, rather than "auditing" in relation to external regulation and values. The professional consequences of repeated adverse peer review are extremely severe.

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Few would deny that, in practice, the peer review process is not able to scrutinise all, even most, learning material placed on the Internet. It is a blunt instrument for control and works primarily, in the context of learning and teaching, at the level of the reputation of the academic (in relation to an individual's work) and of the reputation of the department or institution (in relation to institutional and departmental audits of teaching and research quality) rather than at the level of an individual piece of work.

Quality agencies

There is a gradual movement to formalise these self-regulatory processes. Institutions provide increasingly precise guidelines on the operation of monitoring and review processes within their departments. They have worked with the Committee of Vice Chancellors and Principles – Now University UK[4] and HEFCE (Higher Education Funding Council for England[5]) to develop and use a wide range of good practice guidelines, surveys of practice and codes of conduct. These attempt to ensure reasonable and consistent use of, for example, external examiners, provision of equal opportunities, functioning of consultancy and many other aspects of the operation of HE. In particular, HEFCE, working with the QAA (Quality Assurance Agency), have developed institutional and departmental quality assurance processes to the point where "quality scores" have become a serious descriptor of the quality of HEIs (HE institutions). Competition between HEIs for limited financial and other resources ensures that quality judgements are taken very seriously, both by institutions themselves and by a range of stakeholders (HEFCE, 1999a). Most recently the formal processes of peer review and evaluation have become the responsibility of internal institutional quality review rather than dependent on external intervention. Peer review of learning resources is likely to strengthen as a consequence despite the QAA label of the "lighter touch" (QAA, 2001).

The academic profession is not, necessarily, a bystander in this process. By tradition, professionalism in higher education has been the prerogative of subject-based professional bodies. Their role continues but has been challenged by the new Institute for Learning and Teaching (look for ILTM after the names of this article's authors). The ILT aims to represent the views of professional "supporters of learning" in HE and carries a responsibility to safeguard the reputation and professionalism of its practitioners. It acts as an accreditor of the values and experience of practising university teachers and of the training courses that are being developed for new members of staff. Self-regulation to professional standards has been a feature of academic life in the UK for many years, but perhaps less will be left to chance in the future.

Students

There is no doubt that students also have a role to play in auditing and controlling Internet resources provided by their tutors. Indeed as the primary consumer of the resources, students are in a good position to at least scrutinise the materials. Whether they are in a position to identify errors and judge how appropriate the resources are will depend on the circumstances, but there is no doubt that today's fee paying and often self-financed students, have the power to respond. Students are, for example, empowered by the ability to compare the learning resources offered by their tutor with those offered by many other academics online worldwide. If they do not like their own resources they can access and use others and tell their tutor that they are doing so. How tutors respond will, again, depend on the circumstances. Another avenue for this reaction is via the anonymous evaluation of the quality of learning resources that many universities currently undertake through student evaluation questionnaires. Students also are represented on course boards and committees that generally exert influence on tutors by peer review processes. QAA intervention ensures that the student voice is heard and is increasingly acted upon. Many academics would identify a trend in higher education from teacher centred to student centred learning. As students develop as "collaborators" in the learning process (Laurillard, 1995) their input into the auditing process is likely to become increasingly acceptable, even welcomed, by their tutors. This undoubtedly represents a trend towards increasing the power of students in a relationship that has traditionally been heavily skewed in favour of academic staff.

Students are, of course, also users of the Internet. Students use the Internet as a vehicle for submitting their assignments, for demonstrating the achievement of adequate key skills in C&IT and for all manner of communication. Student work is, at least theoretically, highly moderated. Academic staff are likely to read the work for assessment or feedback and in many circumstances student work is available to

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other students for peer review. No doubt some work does remain unread and unchallenged, but, in academic settings, this is likely to be in the minority. Some issues arise from this.

Student work, unless protected by password and username security, is more open "on the Internet" to uninvited readers, than it would be in print. In addition, students are not necessarily initiated into the academic profession, with its professional values and self-regulation, so their work could, potentially, be more inclined to be inappropriate in some way. From a legal and stakeholder perspective however, student work is unlikely to be particularly controversial, as long as it is clearly identified as student work. Even the, relatively, highly structured laws on copyright impose less restraint on student activity than they would on other educational activity. UK copyright legislation has substantial exceptions for materials for "private study" and these "fair-use" exceptions are even more generous in the USA. For these, and related reasons, feedback on student work, by academic staff, is traditionally likely to focus on the academic nature of the work and not be particularly bound by regulatory frameworks that theoretically apply. In effect a student's freedom to express him or herself is even greater than that of the academic staff member.

University management
On the contrary, university management and support staff are most likely to feel the brunt of potential regulatory controls over the use of the Internet. This group of staff is responsible for identifying important legislation, engaging academic colleagues in discussion about its application in an academic setting and establishing the regulatory framework that is promoted within the institution. Of all groups in the academic world this group is most likely to know the correct ways to use the Internet and, possibly as a consequence, is likely to use the Internet in the least imaginative ways. In particular this group is using the Internet as an alternative, and cheaper way to publish information. Policies, strategies, calendars, agendas and minutes of meetings, prospectuses, course and programme information and much besides are, now-days, routinely available on the Internet, and less likely to be available in print. From this two potentially serious issues arise.

First, much of this information would have a relatively restricted distribution in its printed version, but now has a relatively unrestricted distribution in its Internet version. Of course restriction is possible via IP address authorisation but this is not as widely used as is perhaps advisable. Second, the process of putting material onto the Internet is almost certainly different from the previous process of preparing and distributing printed material. If the information is both correct and appropriate then this "freedom of information" has to be for the general good. If these new processes yield either inappropriate material or errors then there may be problems ahead. An example is available from an Australian university where many academics, accustomed to exercising autonomy with respect to developing and delivering materials, openly resisted the role that the IT Directorate assumed in deciding where learning resources would be provided (McMurray and Dunlop, 1999):

> The manner in which these decisions were taken was interpreted by some staff as signalling a shift in university governmentality from one of supporting a culture of learning, teaching and research to one which is setting off down a path of hyper-competitiveness where technologisation and globalisation become the driving forces (McMurray, 2000).

This example could be interpreted in a number of ways. Here it is used to highlight changing interactions between academic and other staff that are occurring as a result of wider use of the Internet for learning and teaching.

Personal and corporate responsibility

An important consideration, in relation to the use of the Internet for learning and teaching purposes, is the likely consequence to individual users of infringements to regulatory instruments. If, for example, an academic places defamatory material on the Internet then the university, as an Internet service provider (ISP), may hide behind a claim of "common carrier" protection (Flint, 1998) and thus seek recourse from the academic. This point, however, is not at all clear. The decision in *Lawrence Godfrey* v. *Demon Internet* (1999) confirmed that the hosting of a discussion forum, and thus posting messages, was an act of publication as understood by English Law. Therefore the access provider was not simply the owner of an electronic system permitting the transmission of messages (Strowel, 2000) and was therefore responsible for its contents. Nevertheless, the question remains whether

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an ISP can be reasonably obliged to clean up all discussion groups in the event of complaints from third parties and even if steps are taken to pre-empt this then problems can emerge as outlined above in the La***n debacle.

The situation is further complicated by a duty to disclose private information about originators of e-mails where a libellous comment has been made. Whilst the ISP itself would not be liable for the information transmitted within the email (Scott-Bayfield, 2001), there is a fine line to tread between an e-mail that is transmitted to a wider internal audience and an internal discussion forum.

Confusing regulations

In the previous paragraph the nature of personal and corporate responsibility was considered. The related concern is the extent to which the lack of clarity about what is an allowable, or desirable, use of the Internet is inhibiting its use for learning and teaching. A single example will be developed; that of copyright. It is true, for example, that the UK does have extensive legislation that attempts to regulate the nature of copyright as it applies to literary, dramatic, musical, artistic, sound, film, broadcast and cable transmission, and "published edition" material. Interpretation of the legislation is supported by extensive documentation and, in the UK, the Copyright Licensing Agency. Extensive problems arise, however, as many of the resources used to support learning and teaching transform from a text or analogue format into a digital, and in particular, online format. In no sense is the law clear on a whole range of Internet-related issues that have a daily impact on the use of the Internet in universities. The issues for students, who might wish to submit assignments, containing digital copies of resources for comment, on CD or via the Internet, have been considered by Shephard (2001). The issues that relate to the copyright and other intellectual property rights of the institution have been considered by Charlesworth (1997) as a contribution to a conference organised by the UK's Joint Information Systems Committee; "Facing the legal challenges of providing Internet access in HEIs".

The legislation is due to be updated in the near future as a result of a long awaited EU Directive on the "harmonisation of certain aspects of copyright and related rights in the information society" (EU, 1999). The aim is to create a:

... general and flexible framework in order to foster the development of the information society in Europe (Flint, 2001).

The extent to which new legislation will be compatible with existing UK legislation and that of other countries, with which we maintain reciprocal copyright agreements, remains to be seen.

The situation is almost inevitable, considering the rate at which the Internet, and its use to support learning, has developed. The consequence of this situation, however, is variable. Some users tend to interpret the lack of clarity as lack of regulation and make great, but potentially illegal, use of the Internet. Others make a more cautious interpretation and use the Internet for considerably less that they might. The situation certainly contributes to the highly variable adoption of IT by the UK's universities and should be a significant concern to all stakeholders in higher education.

Disability issues and widening participation

Consideration should be given to the role of the Internet in relation to the significant measures that are designed to achieve widening participation in HE. In this section, questions are raised that concern a university's ability or desire to utilise the Internet to deliver maximum benefits from the funding provided. The role the Internet plays in the design and delivery of appropriate learning and teaching materials is considered and the degree to which a range of social organisations have a role in ensuring a collaborative framework to achieve standards of "best practice" and accountability is reviewed.

Education and Skills Minister Margaret Hodge recently (*The Times*, 2001) reaffirmed the Government's commitment to the concept of summer schools providing 5,500 young people with the opportunity to experience a taste of university life:

We want to achieve a 50 per cent participation for the under 30's by 2010 through the introduction of new foundation degrees which incorporate opportunities to combine study and employment.

Furthermore, the Special Educational Needs and Disability Act 2001 will be in force by September 2002. This covers both pre and post 16 education, and amends certain sections of the Disability Discrimination Act 1995 to protect those classified disabled by the original Act. The new law affects all education, training and the provision of

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student services such as leisure facilities, catering, library but does not specifically mention learning technologies or the Internet. The legislation does, however introduce the concept of "adjustments" for the disabled:

> Requiring educators to pre-determine fundamental issues regarding their academic disciplines and the methods used to access and deliver these (Corlett, 2001).

It must be assumed that this will impose some increased control over the acceptability, suitability and design of Internet-based learning materials. Many examples of likely developments are described within the Web Content Accessibility Guidelines[6]. These are intended for Internet content developers and those who develop authoring tools. They cover accessibility principles and design issues as well as physical access concerns. Guidelines encompass all user agents whether desktop browser, voice browser or mobile phone and seek to encourage the use of multimedia content within the framework. Content developers should, for example, use an authoring package that facilitates pronunciation or interpretation of abbreviated or foreign text, thus enabling speech synthesizers and braille devices to automatically switch to the new language. In addition, guideline 7 of the WCA states that a developer should:

> Ensure user control of time sensitive content changes and thus ensure that moving blinking, scrolling, or auto updating pages may be paused or stopped.

Users with cognitive or visual disabilities may be unable to read moving text quickly enough or at all, the movement causes distraction so that the rest of the page becomes unreadable. People with physical disabilities might not be able to move quickly or accurately enough to interact with moving objects. Thus an effective user agent requires a mechanism within a script or applet to allow users to freeze moving content and updates. The guidelines are extensive and will require radical rethinking of the current mechanism for the development of learning resources if they are to be broadly applied.

The "widening participation[7]" initiative requires special attention as it is of significant concern for a wide range of stakeholders in HE. This relates, not to inappropriate or illegal use of the Internet, but to the lack of appropriate use of the Internet. Again the issue relates to the expectations of stakeholders. Many see the use of technology in HE, particularly the use of widely distributed Internet resources, as a necessary tool for addressing many of the problems, present and anticipated of HE, particularly in teaching greater numbers and more diverse range of students.

The problem base is broad. Universities have been seen as elitist institutions that attempt to protect the quality of provision by maintaining exclusivity of access. UK HEIs are largely funded from the public purse and this elitism is being challenged with significant government programmes designed to:
- increase participation in HE;
- widen access to HE to social groups at present poorly represented;
- promote the ethos of lifelong learning;
- increase the cost-effectiveness of HE; and
- promote equal opportunities for a wide range of student groups.

Just about all groups in society have an interest in the success of this ongoing process and are therefore stakeholders. The interest may focus on improvements in cost-effectiveness or the long-term competitiveness of the UK economy. Whatever the interest, it is significant that the role of technology is seen by many as central to the process of change, and it must deliver these goals. Many have argued this case but perhaps most effective was Daniel (1996) who primarily based his experience on the UK's Open University:

> New technologies, most notably the Internet and World Wide Web, may provide superior ways of creating academic communities (Daniel, 1996, p. 17).

The use of Internet resources has been seen as crucial to the operation of equal opportunity policies; for example by providing learning resources accessible to disabled students. A similar case is often made for resources to support lifelong learning and widening participation via flexible delivery of distance learning. A significant element of the development of cost effectiveness involves the use of Internet resources to deliver high quality education to increasingly large groups of students. Investments in computer assisted assessment are just one way that cost effectiveness is being promoted (Sangster, 1992), however it is not suggested that the Internet is a cost reducing strategy. Whilst printing costs can be passed on to the student, there is a substantial investment of staff time and resources to create, and maintain, an effective virtual learning environment that meets the needs of a diverse student body (Broad *et al.*, 2000).

Stakeholder concern is being expressed in a variety of ways. The most direct is via

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government funding which increasingly is being tied to stakeholder interests in the activities of HE, such as funding to support widening participation, quality enhancement (e.g. the Teaching Quality Enhancement Fund; HEFCE, 1999b) and the development of human resources (HEFCE, 2000). The latter, for example, specifically, addresses the need for academic staff in HE to receive training and support for the use of C&IT to promote learning. There is no doubt that the "Government" as a key stakeholder in HE, and a significant representative of a wide range of other stakeholders, does have some ability to control the use of the Internet for L&T. Financial control is powerful and has its effect via all aspects of university management.

Stakeholders also have other influences. For example the widely documented Dearing report (The National Committee of Inquiry into Higher Education, 1997), commissioned by the Secretaries of State for Education and Employment in England, Wales, Scotland and Northern Ireland with bipartisan support has had a significant impact on a wide range of developments in HE since its publication in July 1997.

A key issue for us, however, is to consider not just the aspirations of stakeholders to control the use of the Internet for L&T, nor indeed only the mechanisms of control; we should attempt to address the consequences of these interventions. It is clear that stakeholder concern does find its way back to academics. Many, undoubtedly, feel pressurised into using technology. The real concern here is that many feel that they are being pressurised into using technology in situations for which there is often no clear rationale or proven advantage. Indeed, Surry (2000) suggests that many view the general area of "computer-based instruction" as a threat to their academic freedom and autonomy. The situation is very real and has been identified for some time. Indeed the Dearing report made it clear that UK institutions in general, and academic staff in particular, were not sufficiently engaged with learning technologies for HE to derive many of the benefits that were generally felt to be possible with more widespread use of technology. Stakeholders clearly need access to more than the purse strings to effectively control this central facet of higher education. Whether this represents an essential strength of academia, or a fundamental weakness, probably depends on your personal views on the role of higher education.

Conclusion

A number of issues have been highlighted in this paper. These suggest that different stakeholders of higher education may have different perspectives of the way in which regulations that govern the use of the Internet for learning and teaching are interpreted and desirable.

The current regulatory system that has evolved has led certain stakeholders to strictly interpret guidelines, creating the potential to stifle any innovative use of the technology. There are also questions about whether the developers of learning and teaching materials have the ability, need or desire to use the technology to help meet significant broad aims such as widening participation and opening up HE to a more diverse range of students. The imposition of a strict bureaucratic regulatory framework might undermine existing academic freedom but there are also doubts about the effectiveness of professional self-regulation.

It is clear that stakeholders in HE have great expectations about the potential of the Internet to deliver learning resources in the future. The regulatory frameworks that might allow audit and control of this use are developing rapidly, and to a large extent developing from existing regulatory instruments that have evolved in the era of paper-based learning resources. Concepts such as peer review, professional values, professional self-regulation have co-evolved with copyright, libel and contract law into a generally workable system that is currently outpaced by the rapid development of the Internet.

An inevitable temptation is to use the power of the Internet to audit and control the way that IT is used in learning and teaching. There is little doubt that IT is, or will be, powerful enough to provide this degree of control. Few would doubt the data-storing capacity of tomorrow's computers, nor the extent to which Internet traffic could be intercepted, interrogated and modified to filter out inappropriate, undesirable, libellous, defamatory, inaccurate or illegal material. Of course the control would never be perfect, and clever, particularly deliberate, infringements of the regulatory code will always find a way through. The really important question is whether or not such control is necessary or desirable. A single example illustrates both the dilemma and the lack of consensus on the issue. Should universities restrict the access of staff or students to certain socially-undesirable Web sites? Web sites that incite

racial hatred or encourage and portray paedophilic acts are illegal and not in question here. Many other sites, such as those containing indecent language or pornography, are less extreme but still undesirable. The authors of this article have the following, very different views:

> There is no place for censorship within higher education for either staff or students. National and international legislation makes some resources illegal. To go further and deny access to socially-undesirable resources, or inhibit informed debate about them, would require a censor to define the undesirability of otherwise legal material. Where would the censor draw the line? Would we restrict political debate; would we inhibit commentary on racial or gender prejudice; would we deny the link between HIV and aids? Who would the censors be and who would chose them? The role of higher education is to explore beyond the walls, not within them.

> A different viewpoint may focus on light censorship and certain Websites, as per a defined list of unacceptable material, should be restricted or penalties enforced (as per the private sector) for procrastinating university resources. The problem however, materialises in auditing what is acceptable and what is not. As evidenced above, the poor sophistication of the on-line discussion censorship software was not conducive to academic study. Neither is a censorship device that restricts access to Websites that have common sexual terms within them (for example www.sussex.co.uk). Censorship should be appropriate for the circumstances; it should not stifle academic debate but it should prevent access to Internet sites that are otherwise undesirable.

The issues are complex but the consequences of excessive control over the use of the Internet for learning and teaching in higher education are likely to be severe. Higher education should tread carefully.

Notes

1 Blackboard[TM] and WebCT[TM] provide virtual learning environments whereby content can be uploaded and viewed with restricted access rights to a global audience.
2 See for example: www.bournemouth.ac.uk/disclaimer/index.html
3 www.cla.co.uk
4 www.universitiesuk.ac.uk
5 www.hefce.ac.uk
6 Available at: www.w3.org
7 www.hefce.ac.uk/pubs/hefce/2001/01-29.htm

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Strategizing networks of power and influence: the Internet and the struggle over contested space

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Abstract
Whilst some authors have portrayed the Internet as a powerful tool for business and political institutions, others have highlighted the potential of this technology for those vying to constrain or counter-balance the power of organizations, through e-collectivism and on-line action. What appears to be emerging is a contested space that has the potential to simultaneously enhance the power of organizations, whilst also acting as an enabling technology for the empowerment of grass-root networks. In this struggle, organizations are fighting for the retention of "old economy" positions, as well as the development of "new economy" power-bases. In realizing these positions, organizations and institutions are strategizing and manoeuvering in order to shape on-line networks and communications. For example, the on-line activities of individuals can be contained through various technological means, such as surveillance, and the structuring of the virtual world through the use of portals and "walled gardens". However, loose groupings of individuals are also strategizing to ensure there is a liberation of their communication paths and practices, and to maintain the potential for mobilization within and across traditional boundaries. In this article, the unique nature and potential of the Internet are evaluated, and the struggle over this contested virtual space is explored.

The Internet: a distributed technology?

Any exploration of the distributed nature of the Internet requires a recognition of both the "hard" and "soft" structures that constitute the technology. The "hard" structures can be viewed as the physical artifacts that make up the Internet, whilst the "soft" structures represent the content that is overlaid. It is the dynamic and emergent softer structures that offer the greatest challenges and opportunities to the distributed nature of the Internet. Authors such as Grieco (2002) view the Internet as a non-hierarchical and distributed technology, with the resulting potential for distributed leadership, identity, and discourse. In building this argument, Grieco and Holmes (1999) characterise three powerful features of the Internet:

1 disintermediation or the removal of brokers by allowing direct communication across spatial and sociometric distance;
2 asynchronicity or the removal of temporality as a barrier to communication; and
3 oculacy or the ability to communicate messages through images.

These unique features and the increasing availability of access to the Internet have instigated a discourse that considers the present and likely future impact of this means of communication upon the construction of society and upon the lives of its individual members (Rushkoff, 1997). Much of this discourse is based upon the expectation that the Internet will have a significant impact upon the way in which society operates. One key expectation is that the Internet will reverse the long-term decline in civic involvement witnessed since the 1960s, as documented, for example, in America by Putman (1996). Thus, Sobchack (1996) argues that this technology will be more liberating, participatory and interactive than previous forms, and Sproull and Kiesler (1991) see on-line communities as promoting open, democratic discussion. Another expectation is highlighted by Axford (1995), who contends that the Internet will lead to the increasing globalization of politics, culture and social systems. Postmodernist arguments suggest that the technological capability of the Internet will lead to a duality of social structures. Thus, Eade (1997) for example, suggests that the Internet will increase globalization of social structures on the one hand and also increased localization of such structures on the other, whilst Kapor (1993) argues that the Internet will support the co-existence of multiple perspectives.

This discourse is focused primarily at a societal level and explores the effects of Internet technology upon society, and only by implication, upon individuals within society. It is, however, only at the level of the individual that these changes can take place. Indeed, access to the Internet, and the ability to communicate via this technology to other individuals, without regard to time and place, can be considered to be a revolutionary redistribution of power (Russell, 1975). Moreover, the disciplinary practices of society (Foucault, 1977) break down when the Internet is used, because of the lack of spatial contiguity between communicants (see Carter and Grieco, 1999; regarding the emerging electronic ontologies). This is due to the effective anonymity of the communication that prevents the normalising surveillance mechanisms of society (Clegg, 1989) to intercede in that

communication. Thus, the Internet provides a space for resistance (Robins, 1995), but also provides a psychotic space in which all wishes are (or can be) fulfilled (Weibel, 1990).

The arguments, then, for considering the Internet as a distributed technology are strong, but these arguments should be counterbalanced, since others are strategizing to shape the Internet in completely different ways. Analysis of the emerging morphology of the Internet suggests that the content overlay, such as the portals and links, create quite a different structure; one that may be an anathema to those hoping for a distributed technology. In such a structure, certain nodes are more important than others, and numerous "paths" are already "paved" for users. Many surfers, consequently, are navigated through the Internet rather than having the opportunity to navigate freely themselves. These "soft structures" are a key emerging morphological feature of the Internet, and will be explored later in this article.

A contested space: the unraveling of power and networks in the virtual world

The literature highlights two major contests taking place in the virtual word of the Internet. The first, concerns the contest for political and economic hegemony, that poses a dilemma for governments across the globe. The second, relates to the contest for cultural hegemony, and the tension between globalization and local identity.

The contest for political and economic hegemony

The virtual nature of cyberspace, coupled with the ease of access, has the potential to change the dominant political hegemony by opening up a space for dissidents to be heard as a challenge to the *status quo*. However, the question arises that although it is easier for an individual to have a voice in cyberspace that cannot be censored, is this technology actually increasing dissent and political participation? A recent survey of nearly 40,000 Internet users in the USA, found that whilst heavy usage of the Internet was often associated with increased participation in politics and voluntary activities, there was also a positive correlation between off-line and on-line involvement (Wellman *et al.*, 2001). That is, the survey revealed that the Internet supplemented rather than replaced off-line activity. This finding is supported by others (e.g. Rheingold, 2000).

Holmes and Grieco (1999) point out the dilemma for governments of the open, uncensored nature of the Internet. Citing the case of Malaysia, they argue that:

> The unmuzzling of the Internet necessary to the success of any modern economy has ... been accompanied by the widespread and effective use of the Internet for political challenges and resistance to government.

Carnevale and Probst (1997, p. 241) provide many more examples, including the case of the Zapatista National Liberation Army from southern Mexico, whose leader employed the Internet to raise international visibility to prevent the Mexican Government from widespread repression. In contrast, referring to countries such as China and Singapore, Misztal (2000, pp. 185-6) argues that:

> Electronic democracy advocates do not always confront the facts ... in some nations ... state laws prevent the free exchange of political ideas.

For Misztal (2000, p. 188):

> Although electronic networks may expand our possibility for the revitalization of democracy, it is not an automatic process. The assumption that electronic communication, as inherently free of imposed hierarchies, would foster free speech has turned out to be a half truth.

This view is supported by Brown (1997, p. 84), who contends that: "Cybernetic technology can happily coexist with the centralized political grip".

As well as the possibility of challenging political hegemony, there is also the opportunity to challenge economic hegemony. Corporations are increasingly open to challenge by various stakeholders who were previously largely disenfranchised through the lack of an effective communication medium (see Crowther, 2002). The consequences for corporations are concerned with an increase in their accountability. The Internet, therefore, has opened up a space in which the current hegemonic relationships are opened up to challenge or can be overthrown. Once again, Misztal (2000, p. 174) is less convinced, arguing that:

> The commercialization of the Internet is problematic ... because it raise questions of pricing, access, censorship, and copyright, as well as how and by whom the Internet will be managed and mediated.

The contest for cultural hegemony: globalization versus local identity

It has been suggested that one of the effects of globalization has been to emphasize the superordinacy of English as the language of

intercultural communication and of
American as the culture of the world.
English, it is argued, is de facto the language
of the Internet, and Americanism its culture.
From this perspective the use of the Internet
is, in part, responsible for a move to a
common global culture in the information
age. There are many examples, such as the
advertisements for global brands like Coca
Cola, that seem to conform to this global
cultural stereotype and reinforce the
seemingly global cultural hegemony. This
perspective, however, is open to challenge
since the Internet, as Harvey (1990) suggests,
enables both this increasing globalization
and an increasing localization to occur in
parrallel. Thus, Holmes and Grieco (1999)
when discussing the Malaysian political
sites, note that many of them operate in both
the local and English language. They go on to
suggest that the domination of the Internet
by English is by no means certain. On the
contrary, the effects of globalization can be
mitigated by use of the Internet, because
local identity and cohesion can be enhanced
by the development of local Web sites, such
as www.thisisberkhamsted.co.uk or
www.thisisbirmingham.co.uk

In the aspatial world of cyberspace this
local identity need have no territorial
existence (Crowther and Carter, 2001). This
feature of the Internet can have a positive
impact on local cultures and identities,
because it has the potential to reinvigorate
declining cultures, or at least develop
cohesion between a spatially dispersed
population. On the other hand, it can also be
considered a negative feature, because it
simultaneously opens up the potential for a
watering down of a culture. This watering
down is achieved by the signing up of
peripheral or "non-authentic" members who
eye the social capital of the culture. Thus,
this sense of community may be real but at
the same time a simulacra of the original.

One of the presuppositions of any
definition of community is the notion of a
group of people sharing some commonality of
interest. Often it has been unquestioningly
accepted that this must apply to a group of
people sharing a locality as a place of
habitation. Thus, Harvey and Butler (1965)
identify the reasons for the existence of local
government, that include the meeting of
specific local community needs, without
defining what is meant by the term
community. Community, however, can be
defined as a commonality of interest among a
group of people, but the presumption that
this can be defined by the concept of locality
needs to be questioned. In this regard, studies

of communities as social networks (Barnes,
1954; Bott, 1957; Bulmer, 1985) paved the way
for a less rigid, locality based definition of
community. This work focuses upon the
interaction of primary groups, such as family
and friends, so that the range and spread of
each person's network would vary according
to differing defining factors. Sociometrics
such as age, employment, and gender seem to
be important in defining network
communities. Community, here then
becomes an extremely fluid concept, without
easily recognisable boundaries, based upon
social exchange.

From a postmodernist perspective, the
term community needs to be redefined to
divorce it from geographical proximity.
Indeed, Harvey (1990) argues that one of the
significant features of the postmodern era is
the compression of space and time, brought
about through the development of the
technological and informational architecture
of society. This compression of space and
time has the effect of removing territorial
boundaries from any community. Thus, in
the postmodern era there is a notion of
redefining community in terms of organized
local societal structures without any
geographical constraint. Indeed Lash and
Urry (1994, p. 3) observe that people now have
an ever increasing choice of communities to
"throw themselves into". Thus an individual
can consider him/herself to be a member of a
community for one purpose and a member of
a different community for another.

This redefinition of community also
suggests that an individual can be a member
of a variety of different communities at the
same time. It also suggests that any such
community may exist as a virtual
community having sporadic temporal
presence and no territorial locality. The
information architecture of the Internet
means that examples of such communities
abound, though such communities have
existed for a considerable period of time in
such areas as academic life (Crane, 1972). One
essential feature of postmodernity, however,
is the changing informational architecture of
society makes virtual communities more
prevalent.

Building walls and laying paths: the impact of search engines, portals and "walled gardens" on the distributed nature of the Internet

Although the Internet has opened up space
for dissent and alternative views, and has
enabled an increase in the freedom of voice to
be given to previously disenfranchised

people around the world, at the same time other aspects of the use, and control, of the Internet have been quietly curtailing that freedom.

Search engines: limiting the search

The number of Web sites giving information about any subject is continuing to increase exponentially as more and more people make use of the freedom of access to make their voices heard. Thus, the locating of desired information is problematic. One response to this situation has been the emergence of search engines that are designed to facilitate the process of seeking information. In theory, a search engine will seek out all sites that mention a key word or phrase that is typed into the search box. In practice this is not so, because the search is both limited and skewed towards sites which have been manipulated to ensure that they are always found first in any search. More sinisterly some search engines will find primarily those sites that have paid to be found first. Of equal concern are the closure of sites and the censoring of content. There has been almost universal approval of the closure of sites concerning paedophilic material, but the debate about what should be censured continues. Any small steps in this direction can lead eventually to the silencing of any voice of protest in this space. For example, Holmes and Grieco (1999) suggest that the Malaysian Government have developed their "spin" on their current political problems through the use of a search engine for Malaysia "broadcast" from California. The search engine appears to have no political content whatsoever upon it, suggesting that it is "moderated" in such a way as to keep it clean (www.malaysia.net/links/). Thus, search engines can be designed to limit searches and control access to information, rather than to open up that access as is the general perception. This is surely a case of control masquerading as freedom.

"Walled gardens": limiting the access

A "walled garden" refers to the limited access of a device to a subset of Internet Web sites. Although the Internet provides ostensibly unlimited access to any Web site on the Internet, in practice, any device can limit your surfing to a subset of these Web sites. Louderback argues that currently, mobile phone vendors are the biggest builders of "walled gardens"; he noted, for example, that AT&T claimed "free and unlimited access to the wireless Internet", but in fact provided unlimited free access to just 47 Web sites that

AT&T has signed agreements with. An additional $8 fee a month is levied for full Internet access. Furthermore, he points out that AT&T phones include a pre-configured list of Web sites, that can not be changed by the consumer (www.techtv.com/freshgear/commentary/story/)

Portals: limiting the "paved" paths

Portals are intended to make life easier for anyone attempting to navigate the uncharted world of cyberspace. They work by collecting together sites of common interest and allowing a person access to those sites via the portal site. Thus, one only has to find an appropriate portal in order to find related sites of interest. However, there are two key problems with portals, that impinge upon an individual's freedom to navigate. The first, is that many portal sites are profit making ventures and will give access to someone seeking to enter only on payment of the appropriate fee and then only to those sites chosen to be part of that portal. Access is chosen primarily on the basis of a financial exchange. The second, is that portals, whether profit making ventures or not, are likely to link to sites that coincide with the dominant perspective or agenda of the portal sponsor.

Thus, portal sites act like search engines in purporting to enhance freedom while actually curtailing it, but in a manner that is less overt than is a walled garden. Nevertheless the navigators actually become the navigated and freedom of access to the Internet becomes constrained by covert "keep off the grass" signs. These signs disguise the fact that surfers are actually being directed down paths chosen by others, often for reasons of commercial interest or covert censorship.

Web sites: empowering through Information?

Of particular interest when discussing the contested nature of the Internet is the way in which access to the technology can change the power relationship between individuals and organizations. In this respect, empowerment of individuals through access to information is particularly important.

Empowerment through information: informing the non-expert

Internet technology provides a potential challenge to the prevailing legitimacy of certain individuals and organizations, and

therefore can give individuals the ability to confront large corporations and institutions. Thus, for example, without access to the Internet the trial of Helen Steel and Dave Morris would have gone unnoticed by all but a few close friends, and their protest would have been effectively silenced by McDonalds (www.mcdonalds.com). This may have been expected when all power is accrued by the large corporation rather than the individual. Because of the Internet, however, this balance of power has shifted in favour of the individual. Indeed this power has shifted to such an extent that the Mclibel case has become world renowned. Although McDonalds eventually won the legal case, it is questionable as to whether or not they won either the moral argument or the publicity battle. It is the Internet, and the widespread access of individuals to it, which brought this case to prominence and enabled the defendants to communicate with a large number of people scattered throughout the world. Moreover, it enabled these people, while spatially disparate and unconnected, to join together in their expressions of support and their publicising the actions of McDonalds. This would not have been possible without access to the Internet, whereas its advent enabled mass individualised communication, together with information dissemination mechanisms in the form of Web sites related to the trial.

Perhaps even more significantly, the Internet can also empower people through a transformation of their skills (Holmes, 1995). Some skills can become more powerful when transferred to an electronic domain. For example at the site: http://McSpotlight.org, a debating room is provided which anyone can enter and make comments. The technology gives complete access to anyone around the world to enter a debate and make a contribution on an equal basis. Thus, people who might normally be excluded from a debate, such as those who might not be able to speak in public, can take part. The debate is very open, so that age, gender and race provide no barrier to entry. Moreover, in a virtual environment every person has an equal voice, and no-one can be silenced. This is one of the more liberating aspects of the Internet that allows the redistribution of power within society.

On the McSpotlight site, however, there is a further illustration of the ability of Internet technology to change power relationships and to give power to the individual at the expense of a large corporation. One part of the Web site allows a guided tour around the Mcdonalds site and provides a

deconstruction of what appears on this site. The tour runs alongside an official tour to allow visitors to compare and contrast. Thus, Web technology can be subversive in allowing individuals to appropriate information and use it for their own purposes.

The simple existence of a site does not automatically afford it visitors. A Web site is in itself passive; it requires other mechanisms to raise its profile. Interaction through e-mail and chat-rooms are key to raising this profile. For example, one of the authors of this paper connects with the hungersite.com site to contribute to world aid but did not find this by searching for such a site. He had no idea of the existence of such sites but instead was alerted to the existence of the site through an e-mail that had been repeatedly forwarded amongst a chain of friends, colleagues, and distant acquaintances.

Chat-rooms and e-mail: the power of interaction and information flows

Association with others through the Internet into virtual communities allows for the establishment, re-establishment and creation of identity. On the Internet one is able to assume any identity one wants and to highlight those parts of one's identity which are considered to be important. Thus, Crowther and Carter (2001) found that only one person belonging to a Cornish Internet community was actually resident in Cornwall. The majority, however, had Cornish roots as a distant part of their heritage, but all considered it important and an aspect to be highlighted. This multiplicity of identity is made possible through the Internet, such that a person's identity is constructed both through reference to the present and to the past.

With a virtual community the ease of joining and leaving is greatly enhanced over that of more geographically bounded community groupings. There is no pressure to become more active in the community group as is frequently manifest in groups which meet in person. In such a community the members can be active or inactive, members or non-members as they choose at any particular point in time. Indeed membership of the community group is only manifest at those points in time when any person participates in the group activity, either actively or passively, through the discussion group. Thus features of geographically bounded groups such as commitment and peer pressure do not exist in a virtual community and self interest is the only defining constituent of membership.

Such a virtual community can be considered to be both stronger, in terms of commitment and sustainability, and weaker, in terms of direction, than more conventional community groups having a greater temporal and geographical existence.

One of the advantages of such a virtual community is that the benefits felt by members are entirely personal and need not be held in common with other members. All that is necessary is a shared interest and sense of identity to hold members together, without any need for joint decision-making, joint action or even joint communication. All communication is common to all members of the group without the need for any private conversation between individual group members to the exclusion of others. Indeed one of the features of a virtual community is that the inclusion/exclusion criteria, applied within society in general, do not exist. Inclusion or exclusion, therefore, are self selected rather than being determined externally to the individual concerned. One of the significant features of the Internet is its anarchic structure that enables truly open communities to exist without any impact upon others. Perhaps this is one feature of cyberspace, which will bring about a significant change in the social structure of societal operating.

Building interactive Web sites: the blurring of authorship and readership?

"Incoming voices": the reader becomes co-author

One of the features of some sites, particularly those that are concerned with community building, is that readers are invited to contribute to the site by adding their own comments and opinions. For example, Crowther and Hosking (2002) report upon the outbreak of foot and mouth disease that took place in the UK during 2001, and investigate sites that encouraged readers to join in as co-authors. They state of one site (www.cullmaff.com/) that readers were urged to participate – to add their voices – by sending in "evidence" (pictorial, video or other) of the cruelty and miscarriage of the vicious culling policy. This information was then used to warrant a demand for a full public enquiry. Thus, you can read stories concerning how unscientific the slaughter really was, along with stories of uninfected animals who were slaughtered. Readers were strongly urged to act (report "witnessed cruelty or inhumane slaughter", 11 December), sign petitions, stop new

outbreaks, go to demonstrations, contact the Government/Labour) and to organize themselves. Action was called for in order to provide a counterforce against the policy of the Government. The actors who speak through this site, and who are addressed as "us", are mostly farmers, victims of the policy of the Government, and anyone who is willing to take action; the Government, science, the NFU, "supermarket barons" are "othered" as wrong and culpable.

This suggests that not all voices are welcome in the discourse of this site, but only those voices that speak the desired message. Thus, sites that encourage such commentary from the reader are subject to regular monitoring and editorship, and incoming voices are filtered and comments selected. This selection need not necessarily be insidious or planned, but nonetheless highlights that voices are not always heard:

> We apologise to anyone whose contribution has not appeared. It's became clear that some e-mails have not got through or have vanished. If anyone wishes to re-send an e-mail that has not been displayed, we will endeavour to put it up on the site (http://news.bbc.co.uk/hi/english/static/events/reith_2000/comments.stm (December, 2000)).

The question must be posed, therefore: who selects and filters those incoming voices and for what reason? At one level it is claimed that such censorship takes place to eliminate obscenity and libel, but it is a small step from filtering out undesirable voices to filtering out undesired voices. The difference is solely dependent upon the judgment of the owner and controller of any site.

"Outgoing voices": the "rebirth of the author"

Interactivity in communication through the Internet provides a means by which the author can present fuller contextual meanings. Derrida (1978) argues that the meaning of any message is entirely in the interpretation of that message. Once the message has been transferred into a permanent context, then the author becomes irrelevant to the message. Thus, for Derrida interpretation by the reader of the message is paramount. Lacan (1977) suggests an alternative interpretation and argues that human beings are inextricably intertwined in a message and its meanings, thereby the author is partially reintegrated into the communication event. For Lacan, the message itself is dominant and the author and the reader of the message enact out a dialogue through the message conveyed in the text.

With Internet dialogues and multilogues (Hosking and Bass, 1998), Lacan's "rebirth of the author" becomes not just possible but the normal mode of communication, since the message is being continually modified by new participants. Thus, all participants are involved in the message (to the extent that each individual chooses) as both readers and writers. In this communication space, then, the continual interactivity allows each author to shape the communication event in such a way so as the reader makes the interpretation which the author wishes to convey. The communication event, however, differs from speech in that the communication takes place at a distance with no direct interaction between the author of the message and the reader of that message.

Conclusions: e-litism versus e-galitarianism

The Internet provides a facility to give a voice to people who would otherwise find difficulty in obtaining that voice. As far as the technology is concerned that voice is equal to all other voices. However, it is clear that these voices seem to function in much the same way as in normal speech, and in this respect some voices can be heard much more clearly than others depending upon the power of the language at one's command and upon access to the "microphone". Indeed, wider access and participation in the information society is paramount for broader issues of social inclusion. In many countries, "e-gateways", such as cybercafes, telecottages, and electronic village halls, have emerged to supplement the Internet provision of schools and libraries; these can extend the reach of the Internet (Liff and Steward, 2001; Liff *et al.*, 2002), but still have difficulty in attracting the most deprived and socially excluded in society. It is in these respects that the Internet, rather than providing a vehicle for liberation, serves to reinforce the prevailing hegemony, as the more powerful have the louder and more eloquent voices.

This preservation of the dominant hegemony has been one of the concerns of the virtual society research programme (www.brunel.ac.uk/research/virtsoc/), whose initial findings support the idea that the Internet is currently no more egalitarian and equal to that of any other organ of society. Indeed, as has been argued, the dominant structures are actually reinforced by cyberspace rather than discarded. It must be acknowledged however that the popular use of the Internet is still only in its infancy and as Wall (1998, p. 211) observes:

> The social impact of cyberspace upon the individual is only beginning to be understood.

It is, however, possible to observe some changes that are currently taking place. For example, it is reasonable to maintain that the Internet does give access to quieter voices, such as small or new businesses, organizations in less developed countries, and purveyors of innovative concepts, in a way that would not otherwise be easily possible. Equally, it provides a vehicle for subversion (as in the Mclibel and GM crop cases in the UK) which is perhaps more powerful that other vehicles, and is likely to gain less public hostility than other means of protest. It cannot, however, yet be claimed to be egalitarian. It is argued in this article that it currently provides a reinforcement rather than a dispersion of power within society. This is, however, a Foucauldian view of history that identifies:

> The disordered flaring up and passing away of new formations of discourse" (Habermas, 1994, p. 61).

Habermas is critical of this view of discourse and power and argues in favour of the arriving of an ideal speech situation from which justice can be derived. Such justice includes necessarily the giving of voice to all, and it can be seen that the Internet provides an arena in which this becomes possible. At the moment, however, this arena is in its infancy and so currently it is argued that the technology does not redefine the communicative landscape.

If the Internet is to be a truly liberating technology it should be effective in combating the power of other technologies. In this article, ways in which this liberty is facilitated as well as the mechanisms through which it is contained have been discussed. The article presents this as a struggle over the contested space of the Internet and has sought to show that the liberating and vocalising power of the Internet, which is extolled by some authors, is actually subject to many invisible and insidious controls. These controls can have the effect of maintaining the prevailing hegemonic interests by control masquerading as freedom.

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