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First Movers, Late Shakers: Between Innovation, Uncertainty and Skepticism in Norway's Market

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Abstract

This analysis discusses and applies the skepticism discourse as a methodology for amplifying risk and uncertainty so that researchers can understand in another fashion why consumers and institutions make decisions.

Keywords: Market Pioneer, Innovation, Uncertainty, Risk, History, Skepticism, Norway

Contents

1.0 Foreword

I have been repeatedly challenged by my master's advisor to keep upping the bar with every draft and for this I am truly grateful. In addition to Rune Lines, I give numerous thanks to Rolf Brunstad, Aksel Mjos, Kjell Salvanes, Ingeborg Kleppe, Victor Norman, Siri Strandenes, Gregory Corcos and Helge Thorbjornsen for their support and counsel over the years.

2.0 Introduction

This analysis argues the skepticism discourse is helpful as a methodology for amplifying risk and uncertainty to understand why consumers and institutions make decisions. In the beginning, this thesis will open with a discussion on rational choice theory. Secondly, this analysis will begin with the ways in which first mover advantages have been defined in the last few decades, showing the relevant scholarship on order of entry effect and success of firms. After showing how late entrants can achieve market dominance through innovation, I will ask what innovation entails. I will then look at the relationship between uncertainty, and uncertainty writ large, to which I look at various examples of the notion of cultural skepticism in Norway, in order to demonstrate the variability and application of socio-cultural consumer patterns and attitudes in business practices today. Then the skepticism discourse will be developed as an analytical tool. I hope to render skepticism a useful paradigm for thinking about decisions made within cultures, individuals, and institutions and as a supplement to literature on risk and uncertainty.

Part 1: Homo-Economicus: The Enterprising Man and Rational Consumers

3.1 Rational Economic Theory

We know that business is a process of competition for resources. The individual is but one agent in this complex process that involves myriad social networks and structures, like corporations, firms, policies and the government (which participates, regulates, and benefits from this process). This individual is either a consumer of a market, or the corpus that is entrepreneurial. The units of the individual vary depending on the kind of business practice, application or research.

For example, for marketers and brand planners, research about consumers as individuals proves critical to decisions deployed by corporate strategies. How consumers behave is a central question in this literature and we will consider some of the main literature coming from this kind of behavioral research in the discussion of first mover advantage.

Other scholars, notably economists, have long asked questions about individual's behavior in particular economic contexts, generally along with the supposition that self-interest, and desire for wealth create healthy conditions for financial competition, of which much can be speculated through advanced mathematical models and other positivistic heuristics. We will look at models in this camp when discussing first movers. Much of the classical economic theories assume the individual to be a *Homo-economicus*, or Economic Man. John Stuart Mill (1836) first gestured towards this understanding of the individual, which in later versions is depicted as a rational agent:

> "[Political economy] does not treat the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging the comparative efficacy of means for obtaining that end."[1]

Influenced by free market advocates like Adam Smith and David Ricardo, who were both equally important to classical economic thought, Mill asserted that this man acts in a rational utilitarian way with accompanying self-interests to obtain the best possible option, and towards happiness. In *The Wealth of Nations*, Adam Smith reminds us that exchange is not for the good of all, but for self-interest. He writes, " It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own

[1] Mill, John Stuart. "On the Definition of Political Economy, and on the Method of Investigation Proper to It," London and Westminster Review, October 1836. *Essays on Some Unsettled Questions of Political Economy*, 2nd ed. London: Longmans, Green, Reader & Dyer, 1874, essay 5, paragraphs 38 and 48.

interest."[2] He acts rationally in so far as he optimizes the possibilities towards a goal, from costs-benefits, means to ends, maximizing utility with the eventual goal of profit and accumulation.

Drawing on these classical assumptions economists in the 19th century such as Francis Edgeworth, William Stanley Jevons, Leon Walrus, and Vilfredo Pareto went on to build mathematical models to explain human economic patterns and political economy. More recently, rational choice theory has become the modern avatar for this homo economicus theory, which grants rational agents with abilities to make determined decisions and judgments based on complete knowledge. As Lionel Robbins said after evaluating The Great Depression, economics is “"the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" (Robbins, 1932). It is no wonder that scarcity, with a nod towards means to end, became a central thread of economic thought precisely at a time of such poverty.

As a consequence, Malthusianism and Benthamitism complemented these economic rationalities with theories of population and poverty control that were then implemented into policy. What these policies set up were the familiar Social Darwinist approaches, that included ideas about ‘survival of the fittest’ in society, that elites and the most apt and intelligent should rule, and that employees should be trained, disciplined and under surveillance. These logics get mapped onto corporate structures because they function well, allowing businesses to compete in the “dog-eat-dog” free market, with employee policies that manage the work force. In today’s diverse economies, where wage-labor is cheap, such as offshore factories and assembly lines, these ideologies about the population proved helpful for efficiency.

These were the kinds of question such economists, along with social theorists were thinking about, especially as the British encountered their industrial revolution. New factories required new labor, which eventually crowded urban spaces, calling for new developments in policy and social welfare. These kinds of theories that involve a distinct sense of moral existence (i.e., Social Darwinism, Mathusianism) make the individual actions and human behavior fit into a logic. These logics can predetermine outcomes and decision-

[2] Smith, Adam. “On the Division of Labour,” The Wealth of Nations, Books I-III. New York: Penguin Classics, 1986, page 119

making processes and practices, creating an appearance that these logics are necessarily natural. Looking at these logics that legitimize *homo-economicus* within rational choice theory, for example, as 'bounded' can mitigate the extent to which this rational logic is challenged or questionable.   Looking to models of uncertainty that move beyond this bounded rationality, moreover, can provide helpful tools for assessing the functionality of business practices, either for consumer or institutions. Skepticism, as this thesis argues, provides a way for rethinking these kinds of processes to understand decision-making.

Critics of these aforementioned classical and neo-classical economic theories have professed that the individual rational agent has at best a "bounded rationality" and that these rational models assume a world without variables, risk or uncertainty (Simon 1957). Some have even gone to call rational choice theory absurd because it forgets intrinsic values, like morals and ethics (economic nobelist Amartya Sen) or extrinsic values like rewards or punishments as examined by Bruno Frey. Moreover, Kahneman and Tversky (1979) discovered that behaviors are not always consistent with rational economic theory. Their studies demonstrated that many agents will act irrationally, leaning toward loss aversion. Opponents of homo-economics found voices in the cross-cultural examples provided by anthropologists and sociologists such as Marshal Sahlins, Karl Polanyi and Marcel Mauss.

Economic theorists like Frank Knight updated models by looking at uncertainty, and the factness of risk (as we will see in more complex terms, through an exploration of first movers later on and then again in risk and uncertainty section). The rational bounded model has limits, too, on consumer behavior, especially in response to new trends as seen in technology and entertainment. Critics of this overly rational model also included Veblen and Keynes, contesting – along with vastly different analysis – that *homo-economicus* had been previously framed as an actor with too keen a macroeconomic knowledge and decision-making capacity. This has led to some businesses that maintain positivist assumptions about how things will transpire in the market, only to be shamed later, when human or economic conditions might shift suddenly, like in recessions or other financial crisis.

These insights lead us to various questions. Might there be legitimate alternatives for thinking about business beyond a *homo-economicus* model? Have cultures such as Norway, constructed their own kind of "bounded rationality"[3] that assumes *homo* a bit more of a reciprocating collective, as in *homo reciprocan*? Might trust, risk and uncertainty be formulated in different ways in societies that promote and protect small-scale farms and businesses? That societies operate towards conditions of collective harmony demonstrate the limits of older economic theories. We have already begun to witness shifts toward geopolitical re-orderings of economic capital, along with trends in ethical 'conscious' and green consumption, rethinking sustainability and economies of scale, along with Corporate Socially Responsible Marketing models. Might today's business world, market strategies, benefit from rethinking these *homo-economicus* models? How can skepticism give us new clues about these other socio-economic contingencies? Or even more precisely, how can skepticism shed new light on decision making?

Before I address more abstract questions, the next section reviews the prevailing literature on first mover advantage. This key concept in business strategy serves as an important category to determine success or stature; either for speculating which firms will maintain profit share as well as answering questions about the processes by which firms outperform their competitors. The following section investigates the ways in which firms are considered first movers, how firms maintain or become pioneering and innovative in their strategies. I will then review the literature on Uncertainty and market performance, (from barrier-entry to consumer reception) and relate it to historical understandings of skepticism.

Part 2. First Mover Advantage, Order-of-Entry Effect, and Late Mover Innovation

4.1 First Mover Advantage

Empirical and scientific studies about market behavior, which utilize bounded and rational models of predicting and speculating business, have long created a language to engage patterns and features of business and market behavior, whether technical, strategic, or

[3] Simon, Herbert (1957). "A Behavioral Model of Rational Choice", in Models of Man, Social and Rational: Mathematical Essays on Rational Human Behavior in a Social Setting. New York: Wiley.

related to management. These positivist thinkers have analyzed first mover advantage repeatedly over the last three decades. The term “first mover” is evident when a firm becomes “pioneering” in an industry. “Pioneering” exists when a company creates a new type of product or service, makes revolutionary changes in distribution and price, or is the first national company to expand into a new international country or specific area. To use a concrete example that will provide a concrete thread throughout this section, Dell Computer became pioneering in personal computers due to its solely owned distribution model, which eliminated inventory and competition among retailers for its products. This new “low cost model” for the PC industry allowed Dell Computer on the surface to achieve number one market share within the American PC market, leading to significant first mover advantage in countless global markets later on. And this market share and profitability occurred within two decades of Dell´s founding. As a result, we can understand superficially that a pioneering firm develops a significant competitive advantage compared to both historic and newly formed competitors, at least, with respect to its specific product or service available. It is this “pioneering” of processes that leads to eventual first mover status.

Within research and academic literature, it is generally understood that these kind of firms will gain a long term competitive advantage, as order of entry and market share have been shown to be causally related (Urban and Star 1991). Research has also shown that companies consider preemptive strategies to achieve first mover status (Miller, Gartner and Wilson 1989). Following Lieberman and Montgomery, the ways firms can achieve first-mover status are by (1) producing a new product, (2) using a new process, or (3) entering a new market (1989). Kalyanaram, Robinson, and Urban posit:

> A market pioneer typically is defined as the first entrant in a new market. Theoretical research on first-mover advantage points to potential sources of long-term revenue gains for pioneers. For example, a first mover can benefit from risk averse consumers, be recognized as the industry standard, and preempt competition with broader product lines. (1995:212)

Notwithstanding the obvious advantages of being the a pioneer, Urban et al and other researchers caution that a “head start alone” is not enough to sustain the enduring advantage that bequeaths the status of a “first-mover” and reaps higher market shares and profits. According to Kerin, Varadarajan and Peterson (1992), “though being the first firm to pursue an opportunity is a necessary condition for exploiting entry-related advantages, the factors involved in achieving and sustaining first-mover advantage are considerably more complex than a simple order of entry effect." This research examines the debates on first-mover advantage and order of entry effect, considering the kinds of processes that mediate the allegedly causal relationship of entry order and market dominance and share. They conduct a critical assessment of the first mover literature, looking towards the sources of first mover advantage and "product-market contingencies" that negotiate the order of entry competitive relationship. Then, they unpack the moderating effects of various product-market contingencies before making implications for marketing practices and future research.

There are two main threads of work on first mover advantage framed by the authors: theoretical-analytical explanation and empirical documentation. Of the theoretical analytical camp, we find research coming from economists, on one hand, and a combination of behavioral theories that convey possible consumer responses to pioneering and later entry brands, on the other hand.

The economic research has focused overwhelmingly on sequential market entry (Lane 1980, Nti and Shubik 1981) theorizing how first movers might gain advantages through entry barriers. Von Weizacker's research defines entry barriers as "a cost of producing which must be borne of the firm which seeks to enter the industry but is not borne of other firms already in the industry" (1980:400). Whether the non-pioneer is inside or outside the industry, numerous entry barriers are known to contribute to first mover advantage (Demsetz 1982: Karakaya and Stahl 1989). Leadership in technology, the preemption of scarce resources, buyer-switching costs, for example, are known entry barriers (Lieberman and Montgomery 1988; Porter 1985; Rumelt 1987). Others established theories for entry barriers include asymmetric information about risk averse consumers and product quality (Conrad 1983), scale and experience effects (Roa and Rutenberg 1979; Smiley and Ravid 1983), reputational and communication good effects (Bain 1956; Krouse 1984; Teece 1987). There has been research, moreover, that looks at the differences in marginal effects of advertising between first mover and later entrants (Comaner and Wilson 1979).

What some of these analytical and empirical models suggest algorithmically, however, are difficult to put into practice. Moreover, the empirical evidence on a broader assessment reveals that "market pioneers, early followers and late entrants tend to have different skill and research profiles" (Robinson, Fornell, Sullivan: 1992). This confirms Abell's (1978) assertion that a 'strategic window' can be responsible for a comparative advantage based on market evolution, where pioneers need not 'intrinsically' be stronger. The 'strategic window' for market entry, as we will see in later examples of competition, between the likes of Apple and Nokia, "opens at different times for different entrant types." (Abell: 1978; Robinson, Fornell, Sullivan: 1992) But Robinson, Fornell, Sullivan caution us to consider the 'strategic window' as too over simplistic. It is more than just 'opened' or 'closed' but hinges on contingencies these authors call 'specific situation factors' that range from innovation to distribution channels (1992).

The first mover status is not merely a function of order of entry, or sequence per say, but also time. For example, Von Hippel (1984), considers the extra benefits of the lead-time during which the firm is first, and also by definition a monopoly, setting the parameters of the market, gleaning higher market share and profits along with benefitting from learning curve economies, which allow this first firm to retain dominance. But the dominance in the market is not only a question of time. Research by Makadok, for example, reminds us that if early pricing strategies are considered:

> Depending upon a firm's pricing strategy, any first-mover or early mover advantage that firm holds may be manifested in the firm's ability to command a higher price than later entrants, or in its ability to command a larger market share than latter entrants, or in some combination of the two. (1998: 685)

The limits of this literature is the overwhelmingly positivist reasoning and emphasis on specific individual attributes or effects of first mover advantage and order of entry effect, as opposed to investigating the amalgam of attributes and effects in place. Such analytical reasoning is counter-productive, because a positivist perspective fails to produce a one-size-fits-all paradigm for understanding and explaining first mover advantage and order of entry effect. For example, nearly all of the current literature seems to explain attributes and effects of first mover advantage and order of entry effect, but some literature seems to emphasize first mover as a significant advantage and others as a disadvantage. Why might this be?

Perhaps the lack of entrepreneurial backgrounds by some researchers creates confusion on what is and what is not important. Perhaps a broader perspective in first mover advantage and order of entry effect can be introduced. Being a first mover allows firms to crush their competition with respect to marketing spend, fixed production costs, brand equity, research and development, and/or a solid platform for launching new products and services. Much of this aforementioned research seems to be focused, instead, on how change in time duration of first mover advantage over the last century, or whether first mover advantage is more endurable within industrial activity than services. What is more interesting, however, is *how* first mover advantage is overcome by latter entrants and more specifically to this paper, *how* latter entrants might have difficulty in gaining significant international market share in specific international markets. Let us consider how later entrants push beyond the defining constraints of first mover status. Through innovations in technology and other areas, later entrants can still beat the pack, becoming pioneering. For example, Apple has recently developed significant market share in smart phones compared to Nokia, the industry bell-weather in the handset market for more than a decade.

Rarely has th**e** literature attempted to explain the complexity of a company's success over a first mover, such as Apple's recent ascension compared to Nokia. Perhaps this is due to the interdisciplinary nature required to fully understand specific case studies. Was not Apple distinctly a brand associated with Western youth culture? And thereby its entrance into the smart phone market clearly helped by an established youthful customer base for the brand? And according to recent literature that looks at third world consumer economy (Garcia-Canclini 2001) does not Western youth culture influence trends globally, both outside Western geographies and above the generations in age? Was it, indeed, the sophisticated brand planning that targeted a hip coming-of-age adult, as well as the tech savvy, a kind of global universal consumer with particular taste? These questions, which seem like compelling reason for Apple's recent and remarkable success beg other, more detailed questions about the promise of Apple strategy.

Has the innovations that gave Apple a better edge been a specifically technological one? There is no question Apple had superior technology, with its touch screen and software? Or is it the superior distribution of the products, with its Apple Stores and Apple syndicated stores globally? Or maybe Apple was clever is in developing exclusive distribution arrangements with either the number one or number two mobile phone operating network in every national market it operates in? How can Apple's success be positively attributed to only one attribute? Or even just a handful of positivist claims? As we will see later, first movers are as successful by strategy, as they are by luck and timing. And these contingencies of success or failures are often a brilliant combination of innovation, strategy, and happenstance. Apple just began making mobile phones within the last four years. Nokia, Research In Motion, and Palm have dominated the smartphone market for almost a decade (Chart 1). But according to Chart 2, Apple is now the second largest maker of smart phones. More importantly, between 2006 and 2010, the firm was the only new competitor to break into the top 3 globally for smartphone market share.

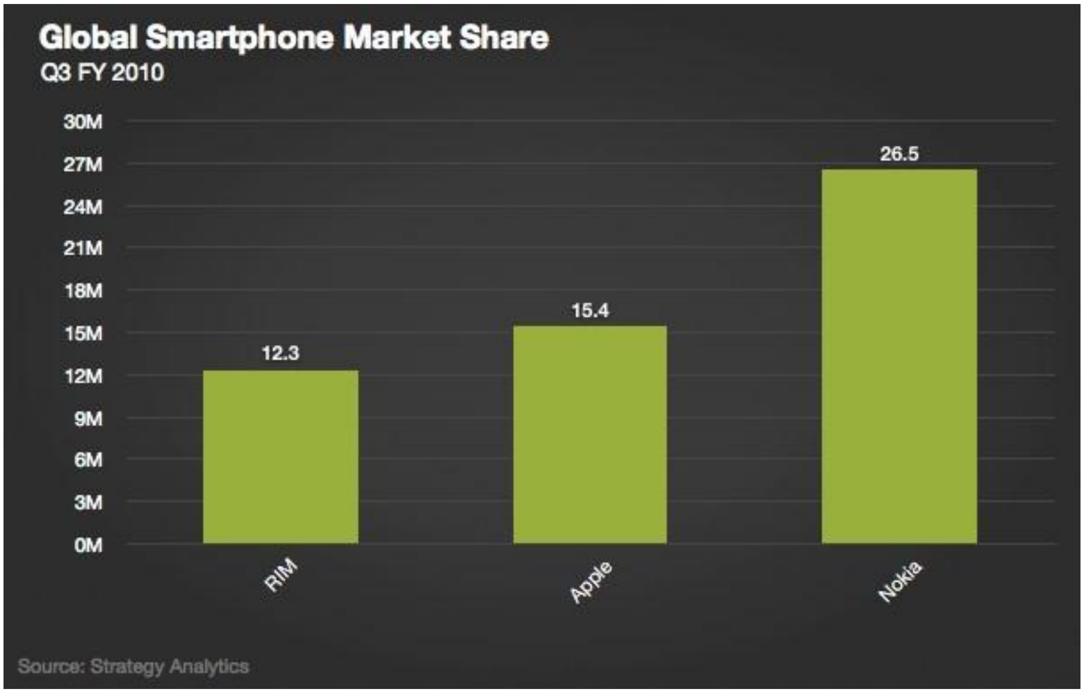
Chart 1

Vendor	Q4 2006 shipments	% share	Q4 2005 shipments	% share	Growth Q4'06/Q4'05
Total	**22,124,400**	**100.0%**	**17,053,930**	**100.0%**	**29.7%**
Nokia	11,114,630	50.2%	9,268,410	54.3%	19.9%
RIM	1,829,260	8.3%	1,185,340	7.0%	54.3%
Motorola	1,463,090	6.6%	777,580	4.6%	88.2%
Palm	1,211,930	5.5%	1,563,680	9.2%	-22.5%
Sony Ericsson	1,137,360	5.1%	108,710	0.6%	946.2%
Others	5,368,130	24.3%	4,150,210	24.3%	29.3%

Source: Canalys estimates, © canalys.com ltd. 2006-2007
Smart mobile device market: handhelds, wireless handhelds, smart phones

http://www.mobilephonedevelopment.com/archives/319

Chart 2



http://gadgetizor.com/iphone-surpasses-blackberry-nokia-still-leading/5841/

It is clear that it is advantageous, no doubt, for a firm to have knowledge of a market when entering, but that knowledge may come to first mover under trials and risks that carve and predict difficulties. Economists have looked at this relationship between the uncertainty faced in being the first, and the subsequent advantages of coming in later. Apple in some ways, as outlined above, benefitted by launching an innovative product to a new market. More specifically, both Dell and Apple had not only a receptive domestic market (i.e. the United States) but also numerous respective international markets for their products. Such high and sustained international customer response allowed the firms to build a global first mover advantage through their knack in cracking various foreign markets. It is unclear to what degree the success of Dell and Apple abroad can be attributed to the type of product categories they offered products in. Obviously, their precise strategies for international market penetration succeeded, but more importantly, the product category was almost universally accepted by consumer; international consumers were willing to buy American PCs, services, and smartphones. Could economists have predicted Apple's and Dell's success through models?

Game theorists, for example, have challenged the competitive advantages of first mover via conditions such as "demand uncertainty" through which firms may strategically be a later entrant or first mover, depending on the firm's reaction curve – either downward or upward sloping – which determine strategy as leader or follower (Gal-Or 1985, 1987; Ghosh and Buchanan 1988; Chaterjee and Sugita 1990). These economic theories, however, limit the understanding of product-market contingencies which Kerin, Varadarajan and Peterson 1992 argue so critical to assessing first mover advantages. It is from the optic of the consumer, and his association to product or brand, that behavioral theories address the advantages of first movers. Peterson (1982), for example, asserts that early adopters and innovators of products and brands will confront less resistance among potential customers than later entrants, "skimming off" potential customers from those less predisposed to consuming new or innovative trends. There exists, also, literature that looks at first movers and consumer resistance and lower profits, showing how market pioneers face consumer skepticism when confronting new and innovative products (Roger 1983). Moreover, Agarwal and Gort have analyzed this process over the course of time, historically, showing that trends in technologies and organization have sped up time spans for innovations within firms considerably:

> The average time span was almost 33 years at the turn of the century and has declined to 3.4 years for innovations in 1967-86. Empirical evidence suggests this change resulted largely from a lower of absolute cost advantages of first movers through easier transfer of knowledge and skills across firms and was also facilitated by the growth of markets (2001: 161).

Time span, as we are witnessing in business practices today, has become a crucial element to gaining traction in first mover advantage. Improvements in digital and mass media connection have fomented an incredible online consumer networks. In this postmodern, information-age epoch, change seems to occur within some industries at a faster, accelerated pace. For example, within a period of five years, from 2003-2008, three different firms dominated the social networking industry: Friendster, Myspace and Facebook.

They began as US based networks that quickly became International, where they competed with Orkut, Hi5, Fotolog, and a litany of others. Friendster pioneered a unique site for people to connect with their friends. Myspace emphasized originality through users being able to design their own profile, uploaded pictures in a multitude of locations on the profile, and allow users, recoding artists, and music companies to share music, either through non-transferrable MP3 files or videos. And Facebook created at first an Ivy-League and

University focused network, but updated a real-time forum to interact with friends through instant-messaging capabilities while using a controlled, monochromatic profile page to comment on pictures and member´s updated status. These innovations firmly placed Facebook in the lead. Facebook is now linked to thousands of applications and intensive data-work linked advertising technologies, that place brands literally in front of the consumer, making choices in consumer preference determined, especially as this growing access to internet technology has at the time fragmented and diversified markets. Businesses have become savvy in their ways to connect with consumers.

The process of learning in consumer preference formation has been studied as related to first mover advantage, arguing that the ways in which consumers learn about brands is a salient factor in market dominance, even when buyer switching costs are minimal and the brand can be repositioned (Carpenter and Nakamoto 1989, 1990). When consumer knowledge of the product is low, first movers get the chance to create the logics through which consumers envision the products and its subsequent values and attributes. This clears the way for marketing practices that convince the target audience of the benefits of this product, a much tougher job for later entrants. This way of becoming a "prototype" in the market, the standard through which the others are judged, allows the first mover to define whole product categories (Alpert 1987; Howard 1989). The very nature of consuming products requires decision-making processes that lend themselves to preferences, and this is a learned experience. Original brands become the ideal through which later entrants are negatively compared. The pioneering brand then carries competitive inroads by being competitively "distinct." Consumer judgment and decision-making studies confirm this argument (Tverksy 1977: Houston, Sherman and Baker 1989).

Called the "head start effect" by research that looks at response time by later entrants (Brown and Lattin 1992), this head start is shown by classic studies to create additional conditional advantages, such as consumer awareness leading to product trial and eventual repurchase, should the trial be a positive experience, minimizing information costs and consumer perceived risk (Schmalensee 1982). Hoch and Deighton (1986) have demonstrated, moreover, consumer's reluctance to switching brands to later entrants once a positive consumer experience has been branded with a first on the market. Recently, Agarwal and

Gort have recalled these arguments, adding the important emphasis of consumer perceptions to risk, and highlighting the role of uncertainty over time, a theme we will soon turn to. They note:

> In models developed by Schmalensee, uncertainty about product quality and differences in consumer experience with the competing brands leads to inequality in consumer acceptance between incumbent firms and later entrants, thereby leading to entry barriers. (2001:163)

While the associated advantages of being first clearly lend themselves to various competitive advantages, as outlined by the behavioral and economic studies on first movers, this does not mean that later entrants are necessarily duped of all agency in the market. What this implies, though, is that the later entrants, without the assumed advantages of being first, must work more heartily on strategy. Empirical evidence, using brand models and PIMS systems, has shown the various conditions through which first movers and later entrants have competed over market profits (Agarwal and Gort: 2001; Carpenter, Krishnamurthi, and Shankar: 1998; Kalyanaram, Robinson, and Urban: 1995). In some cases, studies have shown that of 50 product categories, only 4 pioneer first movers hold highest market share (Golder and Tellis 1993).

As was mentioned earlier, the pioneer, however, plays a central role in defining the category concept (ex. Kleenex), as well as buyer preferences for the category (Carpenter and Nakomoto 1989). The pioneer and later entrants in a category then compete over these preferences (Carpenter and Nakamoto 1996). These earlier studies confirming first mover advantage led to studies suggesting “that late movers should identify superior positions and outspend pioneers to beat them at their own game” (Carpenter, Krishnamurthi, and Shankar 1998: 55).

The recent Global Financial Crisis provides insights about how banks competed for clients and profits in this way. Past research on first mover advantage highlighted Merrill Lynch’s introduction of CMA, cash management accounts, and how this novel introduction allowed Merrill Lynch to become number one in the U.S. securities brokerage sector in the 1970´s. This first mover advantage lasted maybe thirty years.

Positivist reasoning might argue the introduction of online trading over the past thirteen years significantly reduced the profit margin for U.S. securities brokerage houses.

And these extremely low commission fees reduced the competitive advantage of Merrill Lynch among retail brokerage clients, at least among retail clients, since perhaps low prices became more important to consumers than the ability to offer a plethora of investment services at a much higher price commission rate. However, the mass-market appeal of online commission rates did not bring about Merrill Lynch's near demise in late 2008. The financial crisis and Merrill Lynch's significant exposure to leveraged corporate loans and sub-prime mortgages were the defining factors in the company being taken offer by Bank of America.

Merrill Lynch's significant non-interest income, albeit at a lower growth rate than the 1980´s and 1990´s, arguably would have been particularly lucrative to any financial institution. The reasoning is that a collapse in interest income for banks during the financial crisis made non-interest income so much more important to stabilize loan losses. Therefore, if Merrill Lynch just kept doing what it was great at, the company could acquire a large bank during the financial crisis. Instead, Merrill Lynch's adaption during the last decade into a much more Goldman Sachs style model of trading for its account proved unwise. Merrill Lynch did not perform an adequate job of managing risk as its cross-town rival, Goldman Sachs. Thus, Merrill Lynch lost its independence as an independent concern and crippled the value of the firm for its employees and shareholders. Goldman Sachs may very well have benefited from Merrill Lynch's loss. (Merrill Lynch will be discussed further on at the end of this section).

Since the product, and its market, has been largely dictated by the pioneer, later entrants can profit from this *a priori* knowledge. As Carpenter, Krishnamurthi, and Shankar assert in their important analysis of late movers: "By understanding these preferences, a late mover can identify a superior but overlooked product position, undercut the pioneer on prices, or out-advertise or out-distribute the pioneer, thereby beating the pioneer at its own game" (1998: 54). In other words, the work of the first mover, and their mistakes, can benefit late movers who may have perhaps witnessed the pitfalls of prior product positioning gone wrong. Later entrants, however, carry the burden of pioneering the strategies through which to outwit their competitors.

Competitive advantage, and its sustainability is an "intra-industry" issue (Porter

1985:11). I provided an example, earlier, of these competitive advantages in the case of the Apple IPhone and other smartphones. To beat their pioneering competitors, firms must innovate a product, service or idea. This research has suggested looking at empirical evidence, studies that modeled brand performance (through diffusion), affirming the importance of innovation to the success of later entrants. Carpenter, Krishnamurthi, and Shankar (1998) warn that studies have not adequately examined "the impact of innovative late entry on either the diffusion process or the responsiveness of the brands' sales to marketing expenditures. That may suggest mechanisms of advantage for innovative late movers" (1998: 55). Using a generalized Bass model (1969) for brand diffusion and impact, Carpenter et al. 1998 raise questions about sequential ordering and marketing expenditures by looking at diffusion of innovative versus non-innovative brands. They ask:

> Does innovative later entry led to faster diffusion, greater potential markets and higher repeat purchases compared with other entry strategies? Does the diffusion of an innovative late mover slow the pioneer's diffusion or reduce its marketing spending effectively in a way that noninnovative late movers do no? (1998:55)

After complex modeling and analysis, they demonstrate that innovative late movers diffuse more rapidly, garner higher market potential and repeat rates compared to both pioneers and non-innovative late movers. They argue, furthermore, that innovation allows late movers to impact a pioneer's diffusion and market. Non-innovative late movers, on the other hand, underperform as compared to their peers. Moreover, the results indicate that the non-innovative late movers also have less effective marketing spending along with lower repeat purchases, while pioneers – who maintain higher potential markets - remain unaffected by their diffusion and marketing mix effectiveness.

Being innovative, however, involves strategic spending on marketing and other kinds of risk taking that reflect market uncertainties. What kinds of things must one consider when they make the business decision to enter a new market? Research has conceived and evaluated several models that look at the behavior of agents entering a new market. They use experimental market paradigms that test for risk-taking while entering a new market, vis-à-vis self-skill assessment, as well as of the other competitor's skills as variables that shift entry. Testing for overconfidence, Camerer and Lovallo (1999), found higher entry rates when ranked on the basis of tests as opposed to random ranking. In a similar study, Moore and Cain (2007) examined the difficulty of the test in the construction of overconfidence, as higher entries into the market came from easier tests. Karaila and Hogarth (2010) have shown that if uncertainty enters the game, low profiled firms have higher entry rates than without uncertainty, and that high profile firms remain unaffected. Lippman and Rumelt (1982) have used the term "uncertain imitability" in this regard, as it is informed by the ambivalence and lack of concrete reasons for first mover success. This research shows the relevance of assessing knowledge about competitors' skills as integral to deciding whether to enter a market, and under varying conditions of uncertainty. How can firms expand or innovate in the face of uncertainty?

Before discussing uncertainty in the subsequent section, it is important to encapsulate first mover advantage in the context of this thesis. Pioneering companies that achieve first mover status do so because they have a receptive customer base. As a result, researchers should carefully differentiate between what is in a firm's control (its operating ability) and what is somewhat outside a firm's control (the final reception from customers). For example, some product categories resonate with international consumers. Dell, Apple and Facebook reinforce this resonation. Other product categories, such as Merill Lynch's wealth management business, have succeeded much more domestically than internationally when compared to the firm's investment banking business. This paper has highlighted what firms can do to achieve first mover status, what first mover advantage means both theoretically and empirically, and the concept of innovation with respect to becoming pioneering. The strategy literature within this thesis largely focuses on traditional competitive environments viewing the consumer as *homo-economicus* and disregarding cases that resemble outliers or that require further explanation. While such a positivist stance is crucial for making arguments between first movers and consumers, uncertainty is more complicated. Thus, this thesis will examine the gap in the literature to better understand uncertainty.

The next section will survey literature on uncertainty and risk and also discuss how cross-communication difficulties, as captured by Hofstede's "Uncertainty Avoidance" can be a site for analyzing human business practices that consider more than the enduring vision of the rational *homo-economicus*. This survey of the literature on uncertainty and risk is meant to demonstrate the ways that these concepts and their limits, can help to inform the relevant assessment of skepticism, as a useful paradigm for understanding the decision-making processes.

Part 3: From Risk and Uncertainty to Skepticism in Business Practices

5.1 Uncertainty

Uncertainty and risk has been framed in various disciplines and practices from physics and meteorology to finance and psychology. Given this range, it has become a complicated term that takes on many significations depending on the disciplinary context and use. Risk is a term found in old Greek to be *rizikon*, or root. It was later used in Latin as "cliff." In Arabic, *rizk*, perhaps its truest contemporary meaning is translated as "to seek prosperity." Sociologist Niklas Luhmann (1996) looks at the use of this term in the early modern period in Europe. In various dialects, *rischio* or *reizgo* was picked up through Middle-Eastern and North African Arab Traders who used the term in connection with legal loss and damage in activities such as Sea Trade. Hence, even that far back, risk was conceived on terms of likely loss and magnitude.

Today it many technical applications are consistent with this older use. Risk is assed as first: possibility, which is binary (either it isn't possible 0%, or it is possible 100%) and then probability, the probable magnitude and probable frequency of loss. In more practical applications like decision theory, which is a bit like game theory, the probability is either normative or prescriptive, and uncertainties are assessed in relation to choice. Even the 'paradox of choice' has been addressed, which suggests that some agents perform worse when faced with too many outcome choices (Schwartz 2004). 'Expected opportunity loss,' the chance of the loss multiplied by the amount of loss' is often used to assess risk in insurance. Rarely are these negotiations risk neutral. And as such, these models have become important, as correct prediction of loss is tantamount to the sustainability of contemporary businesses.

In the tradition of Ethics and Philosophy, Uncertainty measures the relationship of truth and knowing to existence. The diagram on the following page demonstrates just some of the ways the term is used and applied broadly.

Chart 3

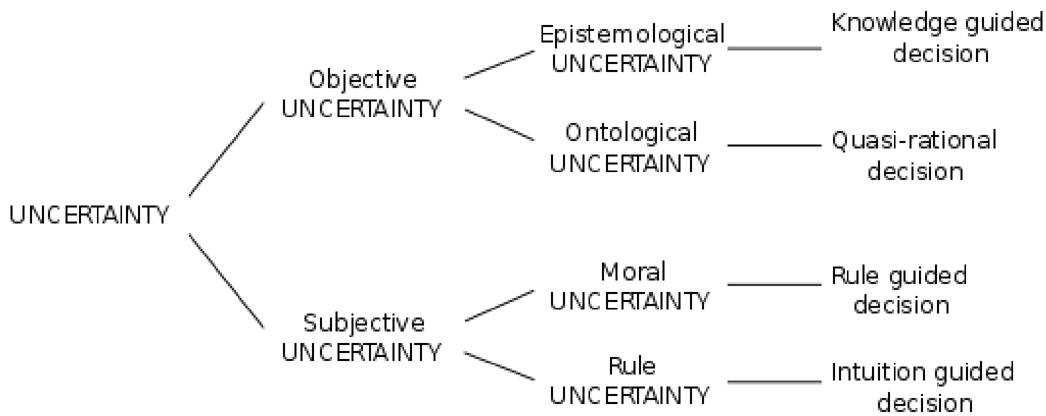


Diagram 1. Taxonomy of Uncertainty
Source: http://en.wikipedia.org/wiki/File:Uncertainty.svg

As seen even in this taxonomy above, Uncertainty branches out into different typologies of decision-making. There is the binary of the object and subject. This objective route leads one to seek knowledge through epistemological uncertainty. Episteme is about 'knowing,' while ontology is about 'being,' therefore ontological uncertainty is quasi rational in that it cannot be denied, there is sort of 'fact-ness' to ontology. On the other end of the pole is the subjective way of knowing oneself. In subjective uncertainty, contestations over Moral and Rules are outlined. I do not wish to have us venture too abstract, however, in our concern for uncertainty. But I want to emphasize the difficulty in terminology that gets applied broadly, as these can be quite esoteric concepts. Good empirical research must define its own terms, and for the purpose of this research, my emphasis on historical narratives necessitates a review of the common uses of these terms.

Many studies in business research have sought clarity on uncertainty from seminal explorations in Economics. In his 1921 classic treatise, "Risk, Uncertainty and Profit," University of Chicago Economist Frank Knight made a critical distinction between Risk and Uncertainty. He asserted that while risk was 'measurable' to some calculative degree, Uncertainty is that which is immeasurable. He declares:

> "Uncertainty must be taken in a sense radically distinct from the familiar notion of risk, from which it has never been properly separated.... The essential fact is that 'risk'

> means in some cases a quantity susceptible of measurement, while at other times it is something distinctly not of this character; and there are far-reaching and crucial differences in the bearings of the phenomena depending on which of the two is really present and operating.... It will appear that a measurable uncertainty, or 'risk' proper, as we shall use the term, is so far different from an unmeasurable one that it is not in effect an uncertainty at all."

His analysis emphasizes the lack of quantifiable probabilities attributed to Uncertainty, whereas Risk involves specific probabilities for an outcome.

Others scholars have insisted on measuring, or trying to calculate, intangibles in business practices. This is a critical and subtle distinction from Knightian Uncertainty, which asserts that uncertainty is that which is immeasurable. Some researchers have also made the focus of their studies the quantifiable search for the very intangibles that were framed as impossible to calculate. Doug Hubbard, in a 2007 publication, outlined the following framework and definitions for these terms, providing a refreshing reading of risk and uncertainty:

1. **Uncertainty**: The lack of certainty, A state of having limited knowledge where it is impossible to exactly describe existing state or future outcome, more than one possible outcome.
2. **Measurement of Uncertainty**: A set of possible states or outcomes where probabilities are assigned to each possible state or outcome – this also includes the application of a probability density function to continuous variables
3. **Risk**: A state of uncertainty where some possible outcomes have an undesired effect or significant loss.
4. **Measurement of Risk**: A set of measured uncertainties where some possible outcomes are losses, and the magnitudes of those losses – this also includes loss functions over continuous variables.

In this text, Hubbard renders 'a softer side' to measuring uncertainties that give researchers new tools and ways to synthesize data. This point of departure from Knightian uncertainty attempts to place the human back into the positivist and analytical process of measurement, showing how varying contexts require different understandings of measurement and yield various kinds of results. Hubbard urges that instead of ignoring something we know as intangible, we should try nevertheless to measure it in the most precise way. Without understanding the reliability of the data, research cannot be made useful. The more important a value, the more likely it is to be measured inaccurately. Thus, he rescues basic misunderstandings of measurements, providing critical insights for business and management today.

5.2 Consumer Uncertainty

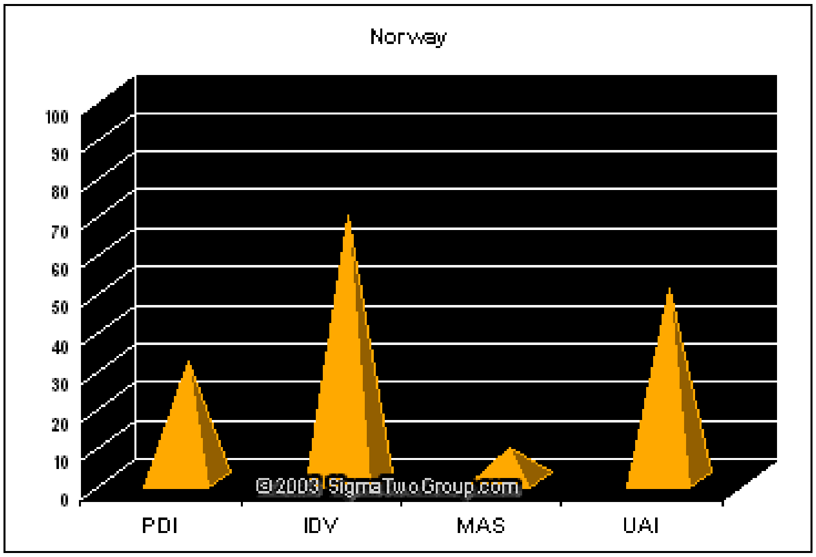
Uncertainty as a construct for describing consumer behavior can be tilted towards the conceptualization of uncertainty as “not knowing”, as Knight emphasizes, towards an unquantifiable probability. But given this lack of measurement within this “not knowing”, “immeasurable” construct for uncertainty, how can unquantifiability provide improved understanding and insight for consumer behavior for first movers and pioneers? Is not unquantifiability comparable to researchers tossing their hands up in the air as a struggle for finding an explanation? Or is this unquantifiability directed towards the consumer with regards to their consumer behavior? Since opportunity benefits for products are normally quantifiable, do unquantifiable aspects uncertainty provide value for marketers and researchers? Epistemological uncertainty, which represents the most applicable construct from ethics and philosophy, and relates well to uncertainty as constructed Hubbard.
With a knowledge-based uncertainty that is quantifiable and measurable, but still distinctly separate from risk, there is a construct for uncertainty that can be utilized to analyze consumer behavior. Using the confines of literature from first mover advantage and pioneering advantage, this quantifiable and measurable construct for uncertainty pertains to consumers’ concerns about product quality from new entrants. The research within FMA strongly supports this concept of uncertainty about product quality from market pioneers through the head-start effect and the process of learning in consumer preference formation, in which first movers have a multitude of conditional advantages. These conditional advantages for first movers exist because consumers have already engaged in product trials and repeat purchases, leading to the consumer’s repeated brand loyalty. Therefore, market pioneers are at a disadvantage because it is much more difficult for pioneers to enlist the consumer in product trials that led to repeat purchases, as the consumer is already tied down to another company. The essence of FMA is that consumer needs are already being met and pioneers are disadvantaged.

Quantifiable and measureable uncertainty for pioneers should test high when knowledge for the product (or product category) is low and high when knowledge for the product (or product category) is low. As a construct, quantifiable uncertainty with regards to product quality should remain an important amplifier for describing consumer behavior with regards to pioneering firms, brands and product categories, but it provides the greatest insight when knowledge about the product or product category is higher. As a result, this knowledge-based uncertainty construct is very interesting.

Other business and strategy scholars have moved being the limits of uncertainty as an analytical impossibility and used it to describe business models and values cross-culturally. Perhaps one of the most notable of these paradigms, Geert Hofstede's classic (1980) research proposed four basic cultural factors to be considered in communication and cross cultural competence. In his paradigm, Hosftede framed four cultural values that vary by country: *Uncertainty Avoidance*, which refers to a society's tolerance for uncertainty and ambiguity; *Power Distance*, a culture's ability to wrestle with hierarchy and inequality, especially less powerful units like the family; *Masculinity*, refers to assertiveness and the distribution of roles between the genders; *Individualism*, the degree to which individuals are integrated in groups, the opposite of collectivism.[4] See Norway's graph next. He has since updated his earlier work after interest in Chinese research on truth and time. This new category, *Long-Term Orientation*, are the values associated with longer-term like thrift and perseverance in opposition to values associated with short-term orientation, which are respect for tradition, for filling social obligation and protecting the ones that 'face.' These are based, in large part, on the teachings of Confucius.

[4] http://www.geert-hofstede.com/ Accessed November 30 2011

Chart 4



Geert Hofstede's Cultural Dimensions - Norway.
http://www.geert-hofstede.com/

We can judge from Hofstede's model above, two very striking differences in Norwegian (and Scandinavian) culture that are far from common throughout the globe: a rather low *Masculinity* (which in this context refers to a high degree of gender equality and lack of assertiveness) and a fairly reasonable sense of *Power Distance*. This might speak for many Social Democracies but the link to gender makes this graph quite accurate, even in its comprehensive generalizations. Norway's *Uncertainty Avoidance*, moreover, is moderately elevated (though not quite as high as Nordic *Individualism*). This indicates a modest amount of uncertainty, and as history has shown, the country works hard to keep things in civil order. According to Barr and Glyn (2004), Hofstede's factors "refer to those specific values and beliefs that demonstrate less variation among individuals within a nation than among individuals across nations." This emphasis on measuring horizontally, instead of vertically throughout his research, makes many generalizations possible while still creating models that can be easily applied and, at the very least, marketable. More and more, international businessmen are turning to Hofstede's models to seek answers about cultural difference. He has even made available these dimensions as technology on the ever-popular iPhone. By purchasing one simple application, clients (consumers, businessmen, and officials) can now 'navigate through cultural difference' with the tip of your fingers!

But what can these models really help us to understand about culture and skepticism?

For example, his value *Uncertainty Avoidance*, ultimately refers to man's search for truth. It tries to understand how culture is programmed to deal with unstructured situations. Cultures that have high uncertainty avoidance ratings minimize uncertainty by employing strict rules and laws, safety and security measures, working towards the belief that truth is expressed through science, rational enlightenment, or religion. Their generality can be helpful understanding a cross-cultural analysis of how countries manage civil society. They, however, conflate important group distinctions about identity and the plurality evident within nations, for a dominant view of a culture. This generalization across and not within culture, as Barr and Glynn (2004) suggest, is strategically useful for comprehensive comparative work. Skepticism in Norway might be another dimension like Hofstede's *UAI*, that by its virtue of generalization, also has room for error. Skepticism can be seen as a cultural value in Norway, that at various moments encounters models of uncertainty and risk, the affirmation that "not knowing" is more advantageous than facing "the truth about truth." The methodology of using uncertainty avoidance to predict outcomes for consumer behavior with regards to specific product categories does have a precedent within academic literature.

Delorme (2009) states:

> "Diehl et al. (2007) measured uncertainty avoidance to test the hypothesis that American consumers would be less skeptical of pharmaceutical advertising than would German consumers. Uncertainty was conceptualized as the extent to which people strive to avoid ambiguity by relying on established norms, rituals and practices and was measured using Hofstede´s Uncertainity Avoidance Index. The researcher´s predicted that the Americans would score lower on uncertainty avoidance than would the Germans and be less skeptical. The results supported this hypothesis----the American consumers were less skeptical of advertising in general and toward advertising for both Rx and OTC drugs than were the German consumers." (2009:57)

Diehl et al. utilized the United States's lower uncertainty avoidance scale rate compared to German's higher uncertainty avoidance to test for consumer skepticism towards pharmaceutical products. Delorme and Diehl seem to indicate there is a potential correlation between uncertainty avoidance per Hofstede´s cultural dimension scale and consumer skepticism within that society. But does uncertainty avoidance and skepticism have a correlation? If so, is the correlation positive or negative? And how does skepticism differ from uncertainty?

5.3 Skepticism

The current and past research on skepticism in business in Norway is quite thin, if almost nonexistent. Keyword searches in the main databases (such as EBSCO) for skepticism and business yielded limited citations. They can be summed up as three broad bodies of research: 1) marketing and strategy articles that deal with consumer skepticism of advertising such as tobacco marketing (Aarø and Braverman 2004), 2) audience reception studies, and 3) research that looks at the relationship between cultural competence with a focus on uncertainty and risk when entering a market. This latter body of literature formed the bulk of this section, showing us the relevant connection between modes of accessing risk and uncertainty, their role in first mover or entry accounts, and the ways that consumer or cultural value form a part of this process. Skepticism is particularly useful, because it is an embodied uncertainty that has the potential to halt decision-making processes. It is a novel way to think through how companies today encounter contingencies that affect the way they make decisions, speculations, as well as the kind of information they base those decisions on. These terms, as will be discussed, also get framed as cross-cultural values through skepticism that can be explored via Geert Hofstede's use of *Uncertainty Avoidance*.

The first category of research on skepticism frames consumer behavior models using the common understanding of skepticism, as seen in studies that test marketing and consumer response. They focus on combining market research with decision-making and business modeling, looking at skepticism from lens of consumer behavior. Audience Reception Studies are slightly different, looking at the ways consumers identify with the mass communication or advertising directly. This research tends to look at the relationship between the meaning intended by the producer of the media and the subsequent way the "receiver" of the media perceives meaning. These kinds of studies, using encoding and decoding (semiotic analysis to assess the transmission of meaning) focus on the ways meanings change in the communication process (Hall 1976), which has been helpful to communications and business marketing. Of course, these studies also cite how mass communication maintains a sense of naturalness to the society's way of organizing consumers. This tends to reveal how societies maintain status quo, dominant behaviors, and social habits, including the kinds of inequalities that are generated through the increasingly mass-mediated world. Media reception studies have dealt with the concept as skepticism through the idea of consumer resistance, but do not go beyond that.

Focusing on the third approach to skepticism, the literature fruitful for helping to think through the issues at stake in this thesis are empirical studies that use behavior tests, modeling and evidence to think about uncertainty and risk. They range in understanding and application of the terms uncertainty and risk. Some, as we have discussed, look at border-to- entry models, the affect of overconfidence and order-of-entry on the decision-making process involved in risk-taking (Camerer and Lovallo 1999 and Hogarth and Karalaia 2010). But these assessments fall short of thinking about skepticism overtly - which is complex. Some studies have opted – instead – for the notion of 'overconfidence,' which is modeled 'positively' in their tests, obscuring the poles of real human decision-making behavior. This positive notion of overconfidence can be thought of as a polar opposite of more negative notions of skepticism. We do not always make 'positive' decisions, so it is important to think about a concept that can be induced through reasoning, not merely deductive logics found in much of these models.

In 2003, the skepticism discourse took a significant leap forward. Morel and Pruyn introduced a revolutionary paper into literature, which intended to "introduce the concept of consumer skepticism toward new products (CSTNP) as a more comprehensive notion of consumer skepticism than skepticism toward advertising" (203:351-358). Morel and Pryun emphasized the importance of their work by commenting:

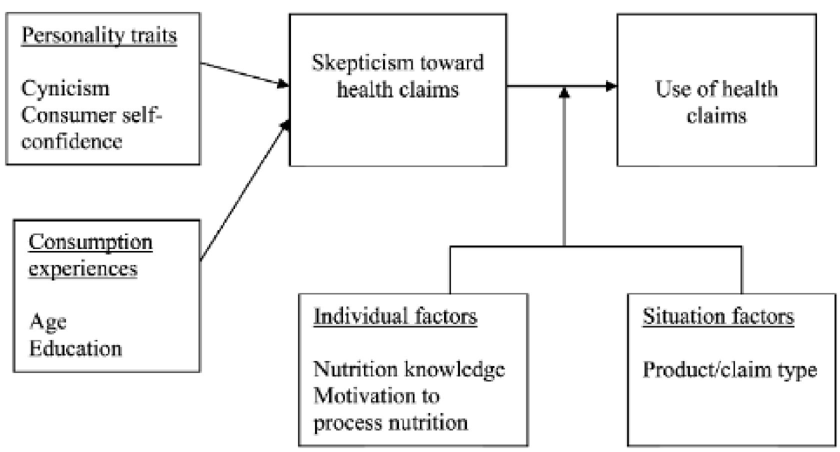
"Strikingly, practically all the studies carried out thus far are characterized by an exclusive focus on consumer skepticism toward (some form of) advertising. Investigated objects of consumer skepticism are seals of approval information in advertising (Beltramini and Stafford 1993), environmental claims in marketing communications (Mohr et al. 1998), to what degree consumers believe/disbelieve advertising claims (Koslow 2000, Koslow and Beltramini 2002), skepticism toward TV advertising (Boush, Friestad, and Rose 1994), brand familiarity and invoice price effects (Hardesty, Carlson and Bearden 2002), how the effect of advertising differs across cultures (Feick & Gierl 1996), consumer skepticism toward cause related marketing campaigns (Brønn and Vrioni 2000) and advertising in general (Mangleburg and Bristol 1998, Obermiller and Spangenberg 1998, 2000).

As a result, Morel and Pruyn opined:

"Research into consumer skepticism has suffered from the lack of a clear and consistent definition of consumer skepticism. Reported studies are largely incomparable and have hardly contributed to coherent and progressing theorizing, due to the use of different definitions" (2003:351-358).

This confused rhetoric within the skepticism discourse is accordance with the belief of the author of this paper. Then in 2007, Tan and Tan introduced what was perhaps the most revolutionary model for skepticism within advertising literature. Tan and Tan (2007) expanded an initial framework developed by Obermiller and Spangenberg (1998), suggesting that personality traits and consumer experiences were the two main antecedents to consumer skepticism. Unlike Obermiller and Spagengenberg´s historical paper, they choose to substitute self-esteem with consumer self-confidence, as a sub-category of an antecedent within personality traits. Tan and Tan (2007) believed Bearden *et al.* (2001)´s and Thomas and Oliver (1999)´s work on consumer self-confidence indicated that consumer self-confidence was a more relevant measure than competing measures such as a Rosenberg´s self-esteem scale, Wright´ s (1975) information processing confidence measure and Bagozzi and Heatherton´s (1994) state self-esteem scale (p. 62). Therefore, they identified four primary antecedents to skepticism: age, education, cynicism and consumer self-confidence (which can be seen in Chart 5 below).

Chart 5



Adapted framework for skepticism toward health claims (Tan & Tan 2007)

The building blocks for this model date back to Wright in 1975, illustrating how skepticism has a taken a long time to expand within business literature. Perhaps the reasoning why skepticism has been ignored within strategy literature is a direct result of being able to accurately define and identify skepticism. Such reasoning could also explain why uncertainty is largely preferred as a reason for explaining consumer inertia towards pioneering firms, products or product categories. This model by Tan and Tan provides a much needed apparatus for there to be a constructive discourse into skepticism. Perhaps the most appropriate way of engaging this upcoming discourse is to discuss the antecedents used for testing for consumer skepticism.

Age and education represent two clear quantifiable antecedents for researchers to use to construct models that test for skepticism. At the same point in time, perhaps age and specific experience with regards to the target of skepticism being measured could be more helpful. For example, if a researcher is testing for consumer skepticism with regards to financial products, a wealthy fisherman could have more experience with financial products than a medical doctor who has always kept his financial assets in the bank as cash. While education is perhaps easier method for classifying participants in a research study, the object under investigation for skepticism might receive more reliable data from research if experience is used as an antecedent for skepticism as opposed to education

Cynicism represents a very unique antecedent for skepticism, since it is distinctly different than risk, i.e. loss, and uncertainty, which can be understood in their applied context as measureable or immeasurable risk, quantifiable or unquantifiable loss, or uncertainty with regards to product quality. According to the American Heritage Dictionary, cynicism is partially defined as a 1) "An attitude of scornful or jaded negativity, especially a generate distrust of the integrity of professed motives of others" and 2) "A scornfully or jadedly negative comment or act". Such a definition has the potential to amplify consumer behavior because the root of "scornful" and "jaded" in both definitions demonstrates potential alterative motives. The alterative motive could be a result of the cynic questioning the motivations of others or the cynics themselves having alterative motives since nomenclature of "scornful, "jaded" could relate to troublesome personal life history that has had an effect on their life course and interaction with others. This antecedent of skepticism is interesting because it can include elements of personal life course, family background, and can even reference culture, allowing additional factors to amplify consumer behavior as opposed to only risk and uncertainty.

The final antecedent of skepticism according to Tan & Tan, consumer self-confidence, is intriguing because it reinforces this human, personal, and cultural element mentioned above. While consumer self-confidence is distinctly different than consumer self-esteem according to Tan and Tan, the conceptualization that people's view either of themselves or of their own confidence level can influence their tendencies towards skepticism is helpful to understanding the role of individual on consumer behavior and decision-marking.

Could low self-esteem or low self-confidence led to above average "scornful" or "jaded" acts and comments with regards to brands, firms and product categories without discernable justification? Could high self-esteem or high self-confidence led to less average "scornful" or "jaded" acts and comments? Does this dialectic relationship between cynicism and self-confidence or self-esteem influence perception with regards to market pioneers and first movers? There are many questions that arise from the amplification of consumer behavior with the use of skepticism as an analytical tool and provide further insight into consumer's decision making.

Morel and Pruyn identified six antecedents as factors leading to skepticism: cynicism, trait skepticism, consumer sentiment to marketing, age, product interest, and product familiarity. They believed hypotheses from predominate literature on the subject indicated that higher cynicism, higher trait skepticism (predisposition to skepticism) and higher age would lead to higher amounts of consumer skepticism towards new products (CSTNP). Additionally, they also felt the hypotheses also indicated that higher consumer sentiment to marketing, higher product interest and higher product familiarity would lead to lower CSTNP. As a result, higher CSTNP scores would lead to more negative product judgment and lower purchase intention.

Once again, cynicism and age are expressed as antecedents to skepticism. However, Morel and Pruyn discuss four additional antecedents when juxtaposed with Tan & Tans' article. Morel and Pruyn mention product interest and product familiarity as two of the four additional antecedents, which seems largely intuitive. The product familiarity antecedent appears closely associated with knowledge-based uncertainty, meaning uncertainty with regards to the product quality since CSTNP relates to new products. This similarity also highlights perhaps a close dialectic relationship between uncertainty and skepticism, which is in accordance with Delorme and Diehl et al. The product interest antecedent could be argued as being closely related to product familiarity, but the distinction between product familiarity and product interest could provide greater flexibility for describing consumer behavior than knowledge-based uncertainty in research studies. The final two antecedents for skepticism are trait skepticism and consumer sentiment to marketing.

Trait skepticism and consumer sentiment to marketing can be regarded as perhaps correlated. Trait skepticism indicates a pre-disposition to skepticism based on an individual's life course. Obviously multiple outcomes can increase trait skepticism, such as parent's marriage status, past relationship experiences with friends or lovers, history of drug and alcohol abuse individually or in close proximity to the consumer, current financial situation, and other personal variables that might not normally be addressed in a classic research design for consumer behavior. This inclusion of trait skepticism as an additional antecedent to skepticism amplifies skepticism for exploring consumer behavior because it is willing to accept the specific personal developments that make individuals actually human and affects these consumers' life course. Clearly, crisis events within the life course can profoundly alter human psychological conditions and lead to perhaps irrational behavior. Are not at least some physical or mental aliments generally accompanied by significant pain? Could not significant mental or physical pain, either prior or current, lead to skeptical tendencies symbolized by duplicity, lack of clear intention, misinformation and mistrust? For example, would a consumer really tell a marketer or producer of a product that they were raped as a child and have difficulty accepting messages from authority figures or males as a result of that experience.

With regards to consumer sentiment to marketing, marketing researchers are obviously aware that some consumers are more palatable to marketing in general than others. While this development should not be considered an entirely novel contribution to understanding consumer marketing, it is this ability to synthesize skepticism's other antecedents that allows for consumer sentiment to marketing to be explored further and amplified. Consumers are no longer isolated but incorporated into the consumer behavior via their extensive life course. For example, it has been stated that high cynicism and high trait skepticism leads to high CSTNP. Could high rates of cynicism and high trait skepticism also be negatively correlated to positive consumer sentiment to market? Could the background information contained in the classification categories for the antecedents provide both qualitative and quantitative enhancers?

It is important to understand that skepticism is an interdisciplinary discourse and could help amplify consumer behavior. But more importantly, CSTNP is isolated to performing only one specific function, which is analyzing consumer response to new products. Such an inclusion of skepticism and its respective antecedents could be an important complement to risk and uncertainty with respect to brands or products, because the fluidity of the skepticism discourse has obviously allowed for multiple and varying antecedents. This potential for permitting new antecedents into the skepticism discourse and thereby understanding the consumer's life course within the context of consumer behavior perhaps allows for more detailed case studies with respect to market pioneers.

While the antecedents of skepticism have been diagnosed, perhaps a clear definition for skepticism would be appropriate in being able to further understand the benefits and weakness of the skepticism discourse. Morel and Pruyn define consumer skepticism toward new products as following:

"A consumer's tendency to question any aspect of a new product offering, in any form it may appear (e.g. facts, inferences, or claims). This questioning tendency is a context-induced state and will be stronger for skeptical people (being part of their skeptical nature). CSTNP is biased towards disbelieving, but this bias may be overcome if the evidence is convincing. In other words, consumer skepticism is pre-attitudinal and it can, theoretically, be decomposed to the level of attributes of the new product (consumers may question any aspect of a product offering)." (p. 351-358).

Additionally, Obermiller and Spanenberg define ad skepticism as "the tendency toward disbelief in advertising claims" (1998:312). Both definitions provide potency. Merriam Webster's dictionary defines disbelief as "the act of disbelieving**:** mental rejection of something as untrue", suggesting a finality in the consumer decision-making process which is incapable of being overturned. In the former definition, as "tendency to question any aspect", there is room for more variation, asymmetries and grading for researchers due to the semantic differentiation between "questioning" and "mental rejecting." However, since the skepticism discourse is meant to help assist researchers, marketers and companies as a way of understanding consumer behavior and is biased towards the consumer disbelieving, perhaps describing the skepticism discourse as a "methodology to measure disbelief of claims" is most accurate.

The strength in the skepticism discourse is the flexibility antecedents, which is meant to amplify the human life course and provide more color and detail than merely risk and uncertainty. Clearly, firms with first mover advantage have more trust with both their customers and prospective customers than latter entrants. It is this conceptualization of trust and knowing which provides the long-term relationship between the established player and the consumer, thwarting new entrants from the opportunity to establish test trials since their needs are already being met. Therefore, new entrants could easily be treated with mistrust and disbelief, since their claims are highly tested by consumers.

According to Obermiller and Spagenberg (2000:312):

"There is compelling evidence and argument that consumer socialization occurs in the family (Moschis 1985). Parents influence children through modeling, explicit instructions and controlled experiences (Ward, Wackman, and Wartella 1987). The evidence therefore suggests that skepticism toward advertising is likely modeled by the parents and maybe a salient manifestation of consumer socialization in the family. Skeptical parents should produce skeptical children".

This research provides fodder for the argument that skepticism both unique and can influence cultural factors. If skepticism transcends generations in a household, cannot skepticism transcend generations outside the household? Delorme and Diehl et al. argue for a cultural model for skepticism, by linking uncertainty avoidance (from Hofstede) with skepticism. Feick and Gierl (1996) also found support of cultural differences about skepticism towards advertising when they compared East and West German consumers, so there are precedents for viewing skepticism culturally. While some literature focuses on skepticism being rooted in behavior, with self-confidence, cynicism and consumer sentiment as antecedents, cultural skepticism can be explored.

Skepticism, moreover, can be a useful tool through which to think about corporate and consumer behavior, as well as the inextricably linked factor in these markets like media, politics, and economies. Perhaps this is not at all surprising; that a notion whose original meaning reminds us how little we know – where the management of "knowing" is a top concern – demonstrates the need to confront such a term. Socrates' famed adage: "all I know is that I know nothing," is one of the first textual declarations of the skeptical sensibility. This philosophical insight spawned a way of thinking where followers in ancient Greece, led by Pyrro, believed that no real knowledge or truth could be certain.

Thus spawned a term to capture those whose only certainty is 'not knowing,' which as will be demonstrated later, is fundamentally distinct from uncertainty. Outside of this distinctly ancient and philosophical rendering of skepticism lies its everyday quotidian use. It generally denotes a modality of questioning based on the inability "to know" and therefore signals mistrust or disbelief. The Oxford Dictionary defines skepticism as "a skeptical attitude; doubt as to the truth of something." When the truth is about speculations and business, the ability to not know can be seen as a form of uncertainty or risk. Deciding how much to wager in business strategies is often a balancing act, as well will see in the historical accounts of skepticism in the following section.

I will now turn to history, in the next section, as a counterpoint and way of thinking through cultural business and communication patterns and values over time. These case studies, where time becomes a measure for analytical reasoning on these earlier topics, help us also to think about how firms are very much like humans that evolve, shift form, migrate and as corporations, – are also humans - forced to act within institutional and practical forces, like law and policy, and opinion and skepticism.

Part 4: Historical Moments in Business Skepticism: The Case of Norway

6.1 Business and Norway

This section will look to the histories of firms in Norway as case studies for skepticism. Recounting narratives about corporations demonstrates that, despite the various speculative models economists may generate about the behavior of firms, markets and consumers, the evidence often shows precisely how these models fail to account for real life instances in business history. These corporate, governmental, infrastructural and commodity accounts show how Norway shifted structures particular concerns, ranging from earlier nationalism and domestic market protectionism to later permutations of conscious consumption and sustainability. This humanization afforded by the skepticism discourse is meant to reveal more than uncertainty and risk, because the amplification of skepticism via antecedents allow organizational and cultural decision marking to be explored beyond traditional business terminology. The ability to amplify is the hallmark of the skepticism discourse.

Studies in business history, beyond market and strategy research, look at the historical accounts of corporations for supplementing our knowledge of how businesses sustain themselves today. Recently, Harvard Business Professors Khanna and Jones, have argued for the need to amplify history as an analytical model (2006). They parallel, for example, the historical and organizational structures of empire, and relate it to business models, such as time variance. They argue that some firm patterns have appeared, then disappeared, often reappearing again later under distinct conditions. Their analysis looks at the enduring path dependency and offers Penrosian resources as an alternative. Their concluding remarks remind us that work is to be done in the long-durée of business analysis: "suggest that re-embracing history in the mainstream is not tantamount to sacrificing methodological rigor" (37). This thesis seeks to build from this insight by looking to case studies of skepticism historically. These narratives recount how skepticism manifested itself through a combination of variables, (some ostensibly measurable) that have the potential to inform how we think about concepts like first mover, order of entry, pioneering, uncertainty and risk, skepticism and innovation.

For example, Evan Lange's, *Crossing the Borders: Studies in Norwegian Business History*, published in 1994, shows how businesses were networks that drew from many resources – a combination of technology, management and strategy - for successes and failures. Drawing from case studies in this text, I outline historical moments of skepticism that demonstrate the complexity for regarding uncertainty and risk under measured circumstances.

6.2 Borregaard: from First Mover to Failing Innovations

A/S Borregaard could be considered one of Norway's definitive first movers, at least through the 1960s. It then a witnessed subsequent downward spiral in market share, and after some 100 years of timber dominance in Norway, was bought up by 1986 Orkla Industries. What might have caused this firm, once so prominent, such a grand fall?

Beginning as the Kellner-Partington Paper Pulp Company Ltd, for almost a century the firm dominated the Norwegian timber market, therefore playing a fundamental role in the country's emerging industrial development. Founded by the British businessman Edward Partington in 1889, it soon had subsidiaries beyond England, in Sweden, Austria and

Norway. The Norwegian division, Borregaard Fabrikker of Sarpsborg, from its onset in 1892, assumed the firms most productive and integral unit. The plant produced a third of all chemical pulp in Norway, employing the nation's largest work force, with over 2000 employers by 1909 (p. 21). By the end of 1917, the company passed into Norwegian hands officially, securing a foremost place in Europe's wood processing industry.

After the Second World War, it expanded to include operations in textile and chemical sectors, processing organic and inorganic cellulose based synthetic fibers and other chemicals. During that epoch, the company competed for top role in Norway's industry with electro-chemical company Norsk Hydro, buying up Denofa-Lilleborg and Folldal Verk by the end of the 1950s. By 1962, Borregaard had become the country's first real industrial conglomerate, with over 13,000 employees, in plants strewn throughout Norway, along with sizable pulp factories, timber holdings and power stations in Sweden and Austria.

From the apogee of Borregaard's success in the 1960s, however the firm faced a tragic decline. The loss of competitive advantage began as mere stagnation, but indecision in the 1960s and 1970s ultimately led to the firm´s failure to innovate accordingly, resulting in an eventual demise. Orkla Industrier bought up the majority of Borregaard's shares in 1986.

As Lange shows in his analysis of Borregaard, the firm's success and failure can be understood through understanding three key concepts like management, strategy and technology. Throughout these years, the firm faced only four administrations, making it a good case study for understanding these processes.

Beginning with the pioneering British industrialist, Edward Partington, under an agreement with German-Austrian Dr. Karl Kellner, a known cellulose expert, the Kellner-Partington Paper Co. Ltd. began as an already technologically innovative venture. Both men held patents on sulphite processes and turned over the rights to this knowledge over to the company. Their vision was to sell these technologies and monetize these patents by expanding into factories across the European continent and North America. The process was equally strategic: produce semi-finished materials from Norwegian timber, which then got shipped off places, such as the UK, for this final processing of paper. By setting up factories outside England, which had the strongest market for Borregaard´s products, freight costs could be saved and access to high quality raw materials still secured.

The pulp factory in Sarpsborg, conferred by decisions made in Manchester, was spearhead by Oscar Pederson, one of Norway's foremost experts on sulphite pulp. Pedersen had until then worked for Norway's oldest pulp plant, Halfslund Chemiske Træmassefabrik. His brother Nils, trained under him, made for a Norwegian managerial team comprised of highly technical skill coupled with an extensive administrative background. Between Partington's technical expertise (coupled with a penchant for great entrepreneurial leadership in commercial ventures) and Oscar Pederson's skilled management and foresight for technological and productive efficiency, Borregaard's profit margins were above the industry average from the beginning due to this human merger of competencies.

Much of the profits could be attributed to economies of scale, given the heightened level of technological efficiency, strategic modes of production process, along with the mobilization of Kellner- Partington's marketing and stature, through already quality hungry markets. Not reducing quality through economies of scale, moreover, might have been the hotbed for its subsequent success. The drive for technological innovation as seen through the development of the firms bleaching process, which involved research and experimentations in production process, also contributed to this apparent success. Often forgotten from this story of Norway's premier wood processing company was that it was a product of a global economy and thus international market strategies and other important decisions were handled with devotion, decisiveness and great detail.

In 1917, a consortium of banks and timber owners placed the company under Norwegian ownership. Until his death in 1933, Hjalmar Wessel headed this new national version of Borregaard. Under his leadership, he generated global niche markets for fine paper along with pushing successful ventures in rayon (artificial silk) making Borregaard a world leader in this regard. Arne Meidall, his incumbent, hummed the successful firm along, while also expanding product spectrum to make use of all possible by-products, along with the acquisition of Denofa and Lilleborg Fabriker, who processed fat and detergent, from Unilever Trust. Under these leaders, and a favorable post-war economy, this one timber processor had transformed into an expanding industrial conglomerate by 1960s. Along with Norsk Hydro, Borregaard was a hallmark of Norwegian business.

Apparently as it became a huge conglomerate, however, this industrial giant got sleepy. There were moments in this process that proved critical to maintaining its success or that led up to its fall. But profits had begun to fall in the 1950s, and the technological savvy Borregaard had secured in the sulphite industry waned and innovations lulled. Under the helm of Rein Henriksen, who was an insider and a capable Director, Borregaard continued along. This grand corporation shifted management modalities, however, and while Henriksen was made managing director, he now also had to contend with another chairman of the board. This difficulty to locate defining leadership and power made Borregaard less active and flexible, as Henriksen was a man of calm and calculation. This likely made decisions pertaining to Borregaard amorphous and harder to define. It was at this time that the firm faced contestations over strategies on how to proceed.

In the 50s the strategy had been to diversify their market, and in the 60s they sought to focus solely on wood processing. This was Henriksen's initial intention; to bolster the firm's original focus on wood processing, maintaining a first mover status in one market first, and cementing profits that way first. The board, however, felt that wood processing had a limited life span, and that other ventures must be investigated. The solution eventually settled on, would be that wood processing would be a natural activity for Borregaard. They would remain centered on wood processing, having been decidedly skeptical to other possibilities. Borregaard focused on two projects in the 60s that defined their role to come in the 70s and 80s.

Over time, these projects proved unsuccessful. Had the newsprint project proposed by Henriksen been realized, it might have salvaged Borregaard from demise. But due to passivity from the board about technological investments in mechanical wood pulp from Norwegian spruce, the project sat idly. They also lacked the necessary investors and needed authorities to guarantee high debenture loans. Moreover, the board's interest turned to processing wood from Brazil, soon becoming Borregaard's primary focus.

The possibility of high profits from cheaper raw materials, a shift from spruce (which in Norway was becoming increasingly expensive) to fast-growing Brazilian trees convinced the boards of a quick fix to their wood processing potential. In November of 1965, after Borregaard officials made several business trips to Africa and South America, they settled on a project in southern Brazil. With the help of the Brazilian Development Bank they overcame initial resistance and skepticism, for there were many worries about the risks involved in this kind of overseas investment, especially political risk, as the cold war moment was also a time of political tension. To keep the pulp plant in Sarpsborg alive, a bleaching process was added and partial production occurred in Brazil, a cooking and pre-hydrolysis process, before getting shipped off to Norway.

This project enjoyed the financial advantage of cheaper wood and "the world's long pulp factory" (Lange 1994: 40). This proved to be a pioneering task, indeed, and the management was proudly moving forward into uncharted waters and new territories. In Guaiaba, Rio Grande do Sul, a pulp factory, name the Industria de Cellulose Borregaard opened in 1972. The Brazilian Development Bank, despite being under a country's military regime, was made the largest shareholder but without full voting rights. Guaranteeing the majority of shares in Norwegian hands, DnC, A/S Borgestad and Christiania Bank supported the majority of stock. Overall, the project was commercially and technologically successful, and efficiency marked by the lower costs of transport and production despite the distance.

Cultural and political problems from oversea expansion eventually loomed, like contestations over contract and profit shares (including expectations from Brazilian politicians over "commissions"). The Brazilians were forced to absorb initial negative loss, and felt profits to be unfairly accumulating. The specific debate boiled down to the price of unbleached pulp. Borregaard managed to get out of Brazil without a net loss, but not without a substantial setback in time and energy.

The lack of flexibility exemplified by Borregaard's inability to both diversify and focus on simultaneous projects, led to their demise. The firm's management failed on several occasions to agree on visions, inhibiting the firm from 'jumping on possible bandwagons' or diving into projects. They became 'sleepy, giant' and skeptical. The newsprint project might have proved fruitful, but had evaporated in the vigor to manage the plant in Brazil. Borregaard encountered the 1970's significantly weakened and skeptical of new areas, like Oil. Although they ventured into vinyl acetate, replacing sulphite ethanol as a raw material, they essentially dropped the ball on the growing petro-chemical industry, and failed to collaborate efficiently with Hydro on a grand-scale petro-plant that involved an ethylene cracker. What little they did do for Hydro and Norske Esso in connection with the oil refinery in Slagen, was from a sense of national duty and cooperation in the North Seas Gas (Lange 1994: 45). Apparently, amidst the distraction in Brazil, the board was generally skeptical about the oil business, and prospecting, fearing the uncertainty and risks associated with the new industry. Especially after the risks endured in Brazil.

In these critical moments, we witnessed Borregaard outshined by national wood processing competitors, like Follum and Nordenfjeldske, whose newsprint operations proved strategic in terms of access to the forest industry. Furthermore, Hydro's positioning and bold investments in the Oil industry propelled this firm and Norway into a new level, leaving Borregaard to flounder, eventually bought up by Orkla in 1986.

6.3 Electrifying Exports: Norwegian Hydropower

By 2030, Norway hopes to be carbon neutral. The country plans to reach this goal through a combination of tax exemption for eco-friendly vehicles, increased taxes on fuels like petrol and diesel and rising use of renewable energy, like Hydropower. 99% of Norway's Hydropower is a renewable and sustainable energy. This kind of sustainability, along with technological innovations has made Norway's access to hydropower an increasingly domestic commodity with potential for expanding markets across national borders. In the 1990s, with the approval of the Energy Bill, the Nordic market liberalized. With the accompanying integration of the market and the establishment of the Nord Pool, it became a part of the wholesale electricity market.[5]

The electricity market in Norway has come a long way. Before this liberalization in the last twenty years, the market began locally and regionally in Norway, and only the state-owned power producer, Statkraft, monopolized foreign sales. In the early 1900s, when Denmark expressed interest in Norway's hydropower, government official met the idea of exporting hydropower and electricity in general with profound skepticism. What can explain this enduring skepticism over the export of hydropower?

[5] http://www.nordicenergysolutions.org/performance-policy/nordic-cooperation/the-development-on-the-nordic-electricity-market accessed November 30 2011

Historically, foreign interest in Norway's hydropower began with the rise and scarcity of coal and fossil fuels used throughout Europe. These factors were further complicated by the shifting conditions and economic concerns during and after the WW1. According to Lars Thue, early attempts to export power failed "due to a lack of correspondence between demand and supply: Foreign demand for Norwegian power was prompted by the same factors that created Norway's opposition or unwillingness to export" (Thue 1994:52). Given foreign countries interest during tougher times, Norway maintained a skeptical position about exporting. By 1917, electricity was prohibited for sale outside of Norway without the countries approval.

In 1919, when the Danes approached Norway for power due to scarcity of coal and rising prices of fuel, a commission was set up in Norway to evaluate the possibilities of electrical export. Officials from Denmark, Norway and Sweden constituted this commission. Before work could even be completed, the recession in 1920 made prices fall, and "hard times made it difficult to finance a power transmission project" (Thue 1994). Ironically, it was precisely due to this very recession that Norway began to consider the possibilities of profiting from this resource. Both Norway and Denmark's interests were, given the timing, out of sync.

The post-1905 economic boom in Norway allowed the Liberal Party to lobby for electrification as a benefit to social welfare and an important national resource. Many viewed exporting this kind of resource as a threat to Norway's domestic power supply, and worried about the lack of labor and time to build new power plants. Fearing they might set up contracts that would oust themselves from valued waterfalls and hydropower in years to come, they opted during this historical period for regulation and "national self-sufficiency" (Thue 1994: 52). Like many other countries during the First World War, Norway desperately needed power, and it was agreed that its power must come before its export.

The recession in 1920, however, gave way to new needs. With the Conservatives in power, the market became more liberal and restrictions decreased, and they sought to return to the possibility of export to Denmark. As Thue explains: "it became more difficult to sell the output generated by many power plants, a fact which tended to undermine the arguments against exporting power. But, as we have seen, Norway's change of heart came too late. The

Danes were no longer interested in Norwegian Power" (1994: 53). Despite conversations about power export by the League of Nations in 1920, in addition to the establishment of "The Nordic Association" in 1919 - which Norway used to try to sway the Danes - the idea of power export meandered.

At the World Power Conference in hosted in Berlin on 1930, Norway was pitched as the "powerhouse of Central Europe." Norwegian hydropower professionals presented a plan for transmitting wattage to Germany. Another consortium, dominated by the state-controlled German power company, Elektrowerke Aktiengesellschaft, formed to address these issues. Export plans subsided when Germany faced economic shifts in 1930, but the German Reich and the occupation of Norway changed the very tenor of these concerns. The Reichkommissar in Norway, Joseph Terboven, hoped to dominate energy policy, and appointed himself chairman of an organization founded under the occupation in 1940. The Arbeitsgenmeinschaft für den Elektrizitätsausbau Norwegens' ambitious goal, to be the supreme energy producing enterprise, fell short. The utility companies and electrical engineering industries failed to be swayed by short term transmission sources, and although Germany invested quite a bit on building power-intensive industries near Norway's power sources, due to logistical failures, along with allied bombing and other difficulties of war, few of these goals and facilities transpired.

After the Second World War, the Danes expressed interest in Norwegian hydropower. The Labor Party spearheaded into modernization projects through economic policies that allowed private consortiums to become state directorates. Lars Evensen, the Ministry of Industry, hoping to promote industrialization, formed The Norwegian Water Resources and Energy Administration (NVE). Their goal was to build up power intensive industry geared at manufacturing exports.

In 1947, the new Labor Party placed Fredrik Vogt in charge, handpicked by the Minister of Industry for his academic expertise and leadership skills. Prior to exile from the Nazi Regime, Vogt had been a reputable hydropower engineer and served as Dean of the Norwegian Institute of Technology, in addition to chairing the Mechanics Department since 1931. He was skeptical regarding the consortium's discussions about power export to Denmark. During the war Norway had experienced electric scarcity, and he felt it more prudent to support power through commodities like carbides, aluminum, minerals, alloys and steel. The Danes reacted to this resistance by emphasizing their disappointment in the years their consortium had invested under false hope. Norwegian skepticism was perceived as obstinacy by Denmark. Vogt then embarked on negotiations with Denmark in the name of good neighborly relations, hoping they could discover themselves the difficulties of hydropower export (Thue 1994: 58).

It was at that time, historically, that contestations over European and International trade policies entered the limelight. Within this context, the "Nordic countries were the site of virtually non-stop communication on economic cooperation" (Thue 1994:58). With the influence of the American's Marshall Plan, which promoted liberalization, Europeans were increasingly mobilizing as an economic unity. The Norwegians faced pressures to compromise, especially as dollars became more and more necessary, and gaining Marshall dollars would help financial circumstances. Vogt played hardball with Danish engineers about prices of power, effectively engaging in a kind of skepticism that was also a kind of 'risk' to negotiation. These moments of skepticism remind us how uncertainty avoidance may, in its own way, be seen as risky to the impending need to continue along in a "business- as-usual" manner for business to actually continue. As this "punic war" over power export was being waged, the Prime Minister Hans Hedtoff's Social Democratic government was overthrown. Due to these clashing of circumstances all previous negotiations, that had taken place in 1948-49, became futile. As Thue states "had anyone but Vogt been leading Norway's negotiations with Denmark, a contract may have been signed afterall" (1994: 60).

It was then that Norway's Minister of Trade, Erik Brofoss, began to work around Vogt to negotiate power transmission to Sweden and Denmark, also hoping to solicit World Bank Loans for this purpose, along with allied financing. He was a fairly new and popular actor in Norwegian politics that gained prestige through dual degrees in Law and Economics, and a leading role in reforming the Labor Party's economic policy. In 1953, given the pressures to decrease Norway's deficit and solicits aid and investment, Brofoss courted Sweden with a development project in Sør-Trøndelag County to supply power to the city of Stockholm and Trondheim from Norwegian waterfalls.[6]

[6] Sogner, *Norges Holdning*, p. 101 (requoted in Lange 1994: 71)

The Electrical Utilities Board in Trondheim had applied for a license to regulate the Nea watercourse, and this came upon the charge of Vogt. He and the NVE council voted against the proposition, and the state in turn continued to maneuver against his accord. Norway's Minister of Trade was really eager to put something on the table that would increase Nordic cooperation. Hence, what emerged was really a debate between two players in politics with different ideologies. Whereas Vogt was interested in securing industry that required power within the Norwegian domestic space, Brofoss was arguing for the need for Nordic "cooperation" to enhance domestic revenues and access to international loans and reputation.

Vogt then made a public statement about his role as an arbiter of policies that may, by nature of its role as council, work against the interest of state. In an annual National Economics Association conference in 1954, Vogt expressed a firm criticism against the proposal that had been presented in Stockholm. He did, however, indicate that if power absolutely must be exported, Norway's "natural market" would be Jutland area of Denmark and northern Germany (Thue 1994: 63). In this speech, he acknowledged that cheap Norwegian hydropower was one of the domestic industries' few advantages in an international marketplace. Giving away this industrial advantage would 'border on suicide.' Vogt, ever the quintessential skeptic, continued to emphasize that Norway should export power in "the frozen form" (Thue 1994: 62).

It was than that Vogt received a letter from Brofoss highlighting his intentions in the matter. He explained the need to consider energy exports "the fundamental structural problem in Norway." The need to formulate and accumulate capital in Norway was coinciding with trends in foreign policy that entailed regional alliances and consolidations in the name of defense. As Thue puts it best: "Brofoss's problem was that the country had too little capital, while Vogt was worried about Norwegian industry having too little power" (1994: 64).

These both logical and competing reasons for managing Hydropower export differently were a testament to the various kinds of uncertainties different markets encountered depending on economic and political climate. There could not have been an algorithmic formula to a figure this debate out. The government went on with the Nea Water projects arranging 15 years of power export. Only time would tell that Vogt would eventually see that more detailed negotiations and logistical contracts led to more protection of Norwegian interests. In 1963, after four successful negotiations with Sweden, Vogt even commented on how the Swedes had been so 'overwhelmingly favorable to Norway.' This cooperation, much to his chagrin, worked out quite well, and based the idea of surplus power. It balanced out 'good power' years with 'bad power' years handing only a percentage of what Norway did not need.

Lars Evansen, the Minister of Industry in charge of Fredrick Vogt during his tenure even remarked once in hindsight: "I may not have been enough of a tactician…we shouldhave called it energy cooperation, not energy export. (Thue 1994: 66). The move to 'cooperation' instead of simply 'power export' proved to be a successful shift in rhetoric and strategy. The export of "firm power" became the new language for power export. Over the course of the next 30 years, Norway successfully 'cooperated' with Sweden and later Denmark on hydropower. But not without a healthy dose of Norwegian skepticism for years from Vogt.

In the 1990s, the state's energy monopoly, Statkraft, signed an agreement with Denm0ark's ELSAM. The emergence of surplus capacity made these exports easier because prices could be kept low and not sold as firm power on long-term contracts - that made for better profit. Because of this there emerged a new discussion about exporting power. Power-intensive industry feared losing the advantage inherent to local cheap power. Energy producers, however, argued that this would be profitable and "create new jobs, be environmentally safe, and would earn significant revenues" (Thue 1994: 67).

Indeed, environmental concerns and policy has become, in this era, a new site for debates over whether to export firm power or not. To replace pollution by giving other countries sustainable energy, instead of their use of exhausting thermal energy, is one reason to favor export. Creating power intensive, but also green eco-industry, has become another reason to want to keep it in Norwegian hands. The need for favorable returns, however, prompted the Energy Act passed in 1991 that opened up a competitive market for electricity producers on the national level.

The prospects for Norwegian hydropower have proved positive today despite the past concerns and skepticism that exporting firm power, even if proven to be surplus capacity, might ‘contaminate’ domestic prices. Since initial costs have finally been invested, transmission centers and pipelines included, the future costs continue minimal and advantageous, in contrast to the initial enduring skepticism about the uncertainties and risk of self-sufficiency long held by the NVE and Vogt. Moreover, sustainable energies like hydropower have become even more valued in a market that moves toward ‘conscious’ consumption.

Part 5: Analysis, Synthesis and Conclusion

7.1 Analysis

This section will briefly analyze both the Borregaard and Hydro-Power cases. Defining skepticism as a “methodology to measure disbelief of claims”, skeptical claims and the antecedents of skepticism will be identified and addressed. Skepticism allows us to understand both “what” is being disbelieved and “why” the disbelief exists. Empirical questions can be raised from the summary. But first things first, let me begin with an analysis of the Borregaard and Norwegian hydropower case and follow up with a synthesis.

In the first case study, the board of directors at Borregaard indicate “a disbelief of claims” that expanding outside the firm’s core focus of wood processing is beneficial to the company. The claim is obvious, because Borregaard’s board of directors experienced unsuccessful innovation and diversification in the 1950’s and decided to resume a "back to the basics” business approach. The antecedents for skepticism expressed by Morel & Pruyn (cynicism, trait skepticism, age, product interest (wood processing) and product familiarity (wood processing) could be measured on an individual and aggregate level for the board, testing for the degree of skepticism among the board of directors. Some antecedents will test higher than others (If the board of directors were capable of being interviewed). However, the background behind the antecedents is what differentiates skepticism from other discourses like uncertainty; the individual’s life course influences the levels of the specific antecedents measured and thereby the outcome of decision making processes.

Could Borregaard´s management believed any indication that its core business faced bleak prospect have negatively impacted its credit agreements with Norway´s leading banks? Could Borregard´s executive management believed if they were wrong about the prospects in the energy industry or other industries and expanded into these industries that such a route could create significant reputational risk for themselves and family? (With an emphasis on the family´s reputation in this country of less than four million people at the time.) Or could radically diversifying make the board of directors at Borregaard appear unstable given the firm's longevity in the industry and its decades of past success in the aggregate? As an anecdote, the commodification of wood processing over the last fifty years would have made the able managers seem inadequate given the intense competitive pressure in the industry, but a such concern merely explains the outcome as opposed to explaining the decision making process involved in the specific case.

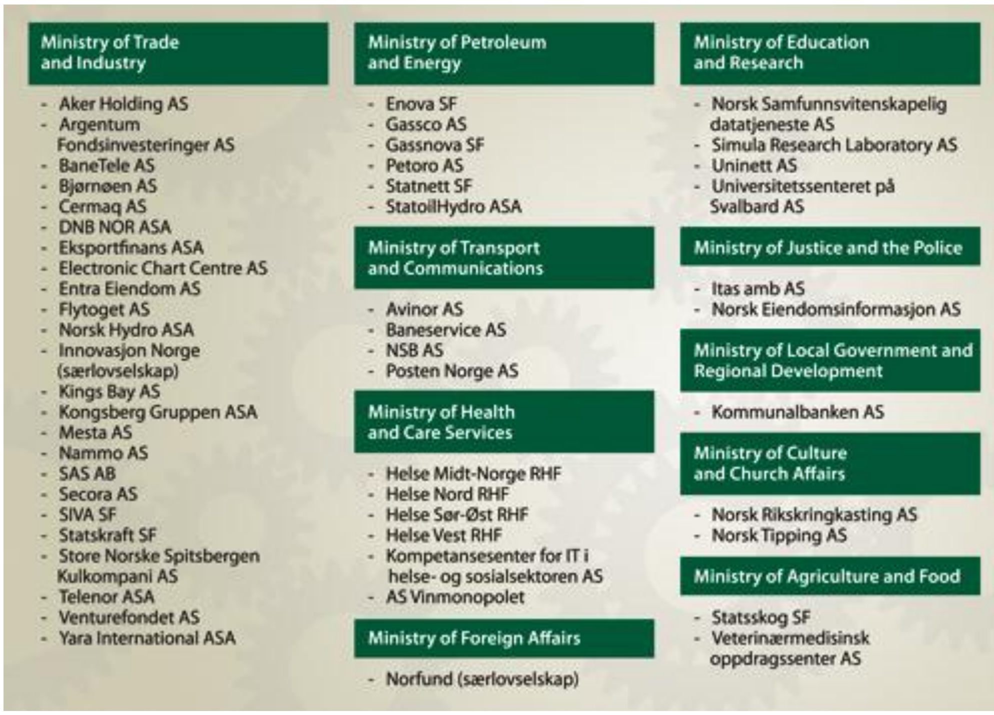
The concerns of poor experience (with prior diversification efforts), financial risk (to Borregard's financial earnings or relationship to the banks), personal reputational risk (the reputation risk the directors' families), and business reputational risk (the director's own business reputation) are all plausible explanations for being cynical and thwarting the diversification efforts. More importantly, financial risk, personal reputational risk and business reputation risk all represent different types of risk that deal with some specific loss, so the link between risk and uncertainty is unmistakable. But the skepticism discourse amplifies understanding to improve clarity. The difference between classifying these concerns solely as risk and loss aversion as opposed to skepticism needs to be explored. Risk is supposed to be quantifiable. For example, insurance companies assess probability and assign premiums based on their probability ratios. Such risk is clear and definable, articulated explicitly. Uncertainty is dynamic and can be quantifiable or unquantifiable. Skepticism is amplifiable.

In the second case study on exporting hydroelectric power, the Norwegian government officials express disbelief in the positive exportation of Norway's hydro-electric power. The Norwegian parties involved in the case should be measured for cynicism, trait skepticism, age, product interest (hydroelectric power exports) and product familiarity (hydroelectric power), with different antecedents having different readings. The explanation for the antecedents and the skepticism is multi-faceted. One explanation could be nationalism, which relates to ontological uncertainty; Norway could view its self-sufficiency in power generation as vital to its national interest. Additional amplified explanations for skepticism could be Norway's past scarcity of electricity during the War (risk) and the country not wanting to be legally committed to selling electricity in case scarcity were to develop again (risk). Once again, the link between risk, uncertainty and skepticism is clearly present but skepticism provides a more abundant methodology for explaining the decision making process.

A second level of explanation can be expanded upon. During the time period of this case study, most laborers worked in manufacturing or farming, as the service sector was only beginning to blossom as a new industry class. Therefore, Norway could have perceived itself as a significant manufacturing power before the discovery of oil in the North Sea. As a result of the country's manufacturing capabilities, could the country have believed it needed some type of competitive advantage over Denmark, Germany and other nations, with cheap power perhaps serving as a main competitive advantage (measureable/quantifiable uncertainty)? Such a statement is important, because it includes Norwegian culture and Norwegian history into the discourse by clearly acknowledging the influence that culture and history has on the antecedents for skepticism. Perhaps Norway wished to maintain autonomy after experiencing almost five hundred years of rule under Sweden, Denmark or Germany. As a result, skepticism towards outsiders increased justifiably.

In Chart 6 below, it is discernable that the Norwegian government has significant ownership in many of Norway's most predominate companies. Statoil, Telenor, Norsk Hydro, Yara and DnB NOR represent Norway's five largest companies and all possess significant government ownership. While ownership stakes in public companies by governments globally is somewhat common, particularly within Europe and Asia, this ownership strongly suggests a desire to protect industry and create national champions through government involvement. If a firm is controlled so tightly domestically, then all the large decisions, with regard to business development, employees, and profits remain within the nation as opposed to outside its control via foreign ownership. Additionally, this ownership stake allows for a protective relationship to flow between the entity and national government, in which mutual support can be offered in either direction. For example, Telenor had a significant business dispute with its Russian joint venture partner during the last several years. Therefore, Norwegian ownership in Telenor allowed the resolution from the dispute to be handled diplomatically as opposed to a laissez-faire.

Chart 6



Source: http://www.regjeringen.no/en/dep/ud/Documents/Propositions-and-reports/Reports-to-the-Storting/2008-2009/report-no-10-2008-2009-to-the-storting/2.html?id=565917

Both case studies in their entirety can be summed with two alternative explanations respectively: concern of the opinion of others in the former case and nationalism in the latter case study. Are these explanations culturally derived? Clearly, Norwegian enterprises will respond differently to situations than say, Chinese enterprises. But do homogenous countries have nationalistic responses to specific settings or outcomes? Obviously, responses are subject to the specific matter discussed. With respect to protectionism, for example, both China and Norway protect domestic industry from foreign competition, but each nation does so with a different methodology or culturally unique method. China prefers joint-ventures between domestic enterprises and non-domestic companies so that its emerging economy can gain knowledge transfer. Norway, which is already an advanced, industrialized nation, prefers foreign capital indirectly via the stock exchange in its larger companies, some of which are listed on the previous page, and in which Norwegian management runs the operations.

Therefore, there are culturally constructed solutions depending on the objective and need (i.e. China needs skills and Norway desires foreign capital so it can have a developed, international capital market system).

Since this paper explored first mover advantage and pioneering advantage, a more relevant question might ask, how do Norwegian consumers respond to the new product development of international companies, either companies which are first movers or market pioneers? Because this paper is partially interested in the effect of skepticism on innovation, this question is relevant because it elucidates the effect that skepticism might have on the consumer decision making process. Since protectionism and nationalism are a possible explanation of skepticism in the hydropower study, is it plausible that consumer ethnocentrism, which is a form of consumer protectionism on the cultural level, affects the consumer decision making process towards the new product development of non-domestic firms selling into the Norwegian market?

Collins English Dictionary (2009) defines ethnocentrism as a "belief in the intrinsic superiority of the nation, culture, or group to which one belongs, often accompanied by feelings of dislike for other groups," i.e. the inhabitants of an ethnocentric society believe that their respective culture and their nation is superior to other countries. And Cleveland et al. (2009) define ethnocentrism as a concept in which people view their own national group as the center of the universe, meaning foreign brands can represent threats on an economic and cultural level. As a result, according to Cleveland, ethnocentric consumers will make sacrifices choosing local brands even if the local brand is more expensive. The term "consumer ethnocentrism" is derived from ethnocentrism, introduced by Sumner (Shimp and Sharma 1987). Originally, this concept sought to distinguish between in-groups and out-groups (Shimp and Sharma 1987).

In "Attitude toward the Purchase of Foreign Products", Nijssen et al. (1999) study the impact of consumer ethnocentrism in the Netherlands. Their main hypothesis is that:

> Consumer ethnocentrism will negatively influence:
> a) product judgment of non-domestic products, and
> b) consumer propensity to buy foreign products. (Nijssen et al. 1999:)

The purpose of briefly introducing ethnocentrism is to highlight a key point. Could risk and uncertainty as methodologies have unearthed ethnocentrism as a probable cause of consumer or institutional inertia or of the effect that ethnocentrism has in decision-making? Application of the skepticism discourse allows for the search for more unusual reasons within decision-making when compared to the traditional discourses of risk and uncertainty. This is a benefit of the skepticism discourse.

7.2 Synthesis

To begin with some questions, what is the impact of the human life course on the antecedents used in the skepticism discourse? Does the human life course impact culture? What is the influence of culture on business on consumer spending and corporate decision making? Does skepticism influence innovation? Does skepticism give domestic companies greater opportunity than foreign firms? Let us examine these empirical questions in reverse order.

1) Does skepticism give domestic companies greater opportunity than foreign firms?

A dialectic relationship exists between first mover advantage, pioneering advantage, uncertainty & risk, and skepticism. Let us examine an explanation derived from the antecedents in the hydropower case study. I can argue that ethnocentrism is a cultural construct that affects consumer behavior and that ethnocentrism is a by-product of skepticism. And if skepticism is influenced culturally as opposed to behaviorally, domestic innovation in culturally insular countries will suffer due to decreased competition from foreign firms. This high level of uncertainty over international goods and services (via ethnocentrism/skepticism) leads consumers to domestic brands. As a result, domestic first movers have greater opportunity to gain critical mass and maintain their head-start effect longer, since they are less impacted by the competitive practices of foreign firms. This protectionism via ethnocentrism/skepticism allows for greater market penetration and corporate profits for companies in their home market because have much less international competition. As a result, entry barriers created by domestic first movers can become even more intensified for new entrants since the aggregate market share and profitability of these first movers is much higher

2) Does skepticism influence innovation?

It is important to understand that the skepticism discourse has led to ethnocentrism as an explanation for skepticism, since the skepticism discourse uses history, culture and other methodologies as ways of examining human responses to situations. There is a wide held belief that business and culture foster innovation, as indicated by the comparative advantage of countries within specific industries. But cannot one argue that skepticism as amplified through the skepticism discourse, can curtail innovation? Is not skepticism a way of delaying a decision, thwarting a decision, or perhaps saying "no" either implicitly or explicitly? In both cases, Borregaard and Exporting Hydropower, we witnessed the effect that the life course may have on strategic decision-making. So I might ask, does the negative life experiences in people's lives with regards to risk-taking discourage risk-taking or lower the amount of risk-taking? If so, could less risk-taking today lead to less innovation in the future? The relationship between risk and innovation should be viewed as more of a cause and effect relationship, because risk is a result of moving in a specific direction and innovation is the success that can be achieved from moving in that new direction. Risk and innovation would appear to have some element of correlation; the more meticulous calibration of risk by the risk-taker, the greater the potential innovation at the end of the road. With regards to Norway specifically, skepticism in Norway could arguably lead to either less risk-taking throughout the entire country or more a difficult journey for the innovators in the country who are discouraged from taking risk from peers, family, and so forth and so on.

3) What is the influence of culture on business on consumer spending and corporate decision making?

While more general theories serve as a background for researchers to examine consumer and organizational activities, this thesis has looked at Norway specifically. The work of Hofstede demonstrates that culture has a profound impact on the way cultures make meaning, expresses themselves and the effect that cultural traits have on business practices.

Within Norway, the historical case studies have illustrated the Norway is confronted with many unique decisions. For example, the small size of the country's population propels many companies to find commercial opportunities abroad when compared to larger countries that possess more abundant populations to stimulate demand for goods and services. Additionally, this smaller population makes Norwegian business more analogous to the "American" small-town, wherever everyone knows everyone and decisions are more carefully deliberated given the lack of private space. Such undertones can be felt in the case studies, where Brazil (Borregaard) is given much more preference than the domestic market or where a delayed decision over decades (Hydro Power) is much more culturally beneficial than a quick decision that is not collectively discerned or could be wrong.

4) Does the human life course impact culture?

Perhaps examining Norway specifically would be most helpful. Clearly, standard practices in Norway such as an egalitarian secondary education, near mandatory military service and high minimum wage reinforce the conceptualization of culture influencing the individual life course. But do individual experiences also impact culture? For example, let's say that Norwegians propensity for international travel impacted Borregarrd's decision to expand into Brazil. But could a specific executive at Borregaard have had a significant event in his life course in Brazil that led the firm to Brazil? Or could this executive have had another event in his life course that led Borregaard to pursue business development in Brazil, such as difficulties in a marriage? Since such personal information is largely off-limits to the uncertainty discourse, it is the skepticism discourse that extends the uncertainty discourse to search for reasons for consumer and institutional strategic decisions based on the human life course. As a result, one could conclude that personal events might have impacted the business development of Borregaard, thereby influencing the culture and core make-up of the company by transferring human and financial capital to Brazil. Therefore, the human life course can easily impact culture due to the role of high level individuals in important decision-making processes and the effect that these individuals have on culture at large, whether the culture is on a national level or even the more small microcosm have an institutional level.

5) What is the impact of the human life course on the antecedents used in the skepticism discourse?

Morel and Pruyn's six antecedents for skepticism (cynicism, trait skepticism, consumer sentiment to marketing, age, product interest, and product familiarity) are all influenced by the human life course to one degree or another. Cynicism and trait skepticism could be socially constructed in the household by the parents at a young age in their offspring and have strong cultural underpinnings depending on the size of communities. Consumer sentiment to marketing could be influenced greatly by peers, either in school or the workplace, and have a lasting impact indefinitely. Product interest and product familiarity are based on life experience on a holistic level and could be based on risk-taking at a more micro-level, while age equates to a baseline of where people are in the human life course. It is the dialectic relationship between the skepticism antecedents and the human life course that amplifies uncertainty and risk as constructs for understanding decision-making. This paper began by discussing the bounded rationality of decision-making and the effects on uncertainty. What the skepticism discourse attempts to amplify is that decisions should not be judged as rational or irrational according to classical thought on behavior economics but should be understood in the context of the life course. The human life course and the effect that the human life course has decisions not only influence consumer response to goods, services, brands, and product categories but also possess implications on innovation in societies and corporate business development.

7.3 Conclusion

This analysis has argued the skepticism discourse is a useful methodology for understanding why consumers and institutions make decisions, since the application of the skepticism discourse allows researchers to uncover more unusual reasons regarding decision-making as opposed to only utilizing the paradigms of uncertainty and risk. Additionally, the skepticism discourse allows for various dialectic relationships to be discussed, such as those between risk and innovation and personal decisions influencing the culture of organizations when used in junction with uncertainty and risk as methodologies.

8.0 References

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