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International Journal of Business & Applied Sciences (IJBAS)

About the Journal

Scope and Coverage

The *International Journal of Business & Applied Sciences (IJBAS)* is a double-blind reviewed journal of Business and Applied Sciences Academy of North America (BAASANA) that provides guidance for those involved at all levels of business and applied sciences. The journal publishes research papers, the results and analysis of which will have implications or relevance to policy makers and practitioners in relevant fields. IJBAS gives priority to empirical/analytical research papers. The field of business and applied sciences is a complex one. It is influenced by the many social, technological and economic changes evident in the world today.

*IJBAS* publishes original papers, theory-based empirical papers, review papers, case studies, conference reports, relevant reports and news, book reviews and briefs. Commentaries on papers and reports published in the Journal are encouraged. Authors will have the opportunity to respond to the commentary on their work before their manuscript is published. Special Issues devoted to important topics in business, applied sciences, and related topics, will be occasionally published.

The journal is an invaluable support to academics and researchers in the field, and to all those charged with setting policies and strategies for business and social organizations. The journal includes reviews of current literature, applied research articles, case studies and histories, as well as special and themed issues.

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- Legal Issues in Business
- Business Ethics
- Business Policies and Strategies
- Corporate Governance
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Editorial

This issue of *International Journal of Business & Applied Sciences* includes four papers focusing on a variety of topics related to business and applied sciences. The first two articles published by Yam B. Limbu & C. Jayachandran, and Glenn Vallach & Cherie Ann Sherman focus on social and legal matters, respectively. The last two articles published by Jeonghwan Choi and Mary Kate Naatus focuses on the workplace experiences and the consumer & digital media, respectively. These four outstanding contribute to the body of knowledge in the area of inquiry related to business and applied sciences.

Social and legal issues are widespread and growing in today’s world of business both nationally and internationally. The globalization of business has also led to an increase in having knowledge in social and legal matters, especially for managers of both national and global firms. In the first article, entitled, “Exploring the Linkage between Social Capital and Self-Reported Health Status of Underprivileged Individuals: Role of Traditional Health Beliefs,” Yam B. Limbu & C. Jayachandran discussed how the traditional health beliefs influence the impact of social capital on self-reported health of disadvantaged households in rural India. The article incorporated the idea that structural social capital (i.e., group membership, group support, bonding, bridging, linking) is strongly associated with self-reported health. Conversely, cognitive social capital has a weak relationship with health status. Traditional health beliefs moderate the relationship between social capital and self-reported health status. Social capital has a positive correlation with self-reported health status among disadvantaged households who possess lower levels of traditional health beliefs as compared to those who possess higher levels of traditional health beliefs.

Using a sample of participants from randomly selection of 400 rural families in Tamil Nadu, India, the results reveal that participants who were active members of two or more groups indicated better health than those who actively participated in only one group or who did not actively participate in any groups. Those who received higher levels of group support responded more positively on health status.

Based on the study presented, one may conclude that health intervention programs can nurture and promote trust and social harmony among the disadvantaged households. The role of community-based health workers as a channel for disseminating health intervention programs and messages cannot be ignored. Health intervention programs that foster trust in community health workers can be advantageous to disseminate health knowledge.

The importance of understanding the value of addressing legal matters cannot be emphasized enough. In “Mass-bestosis: Examining the American Asbestos Litigation Phenomenon,” Glenn Vallach examined all relevant factors of the American asbestos litigation phenomenon, including: the factual and legal precedents of modern asbestos litigation; the historical evolution of asbestos liability; asbestos litigation data and trending statistics; the business effects of asbestos exposure lawsuits; the relationship between asbestos liability and insurance; the causes and contributing factors of the asbestos litigation surge, and the future of asbestos liability in the United States.

Based on findings, Vallach has concluded that the proliferation of asbestos litigation in the United States is no coincidence. It is preceded by a lengthy history of mass asbestos consumption, slow legislative responses and permissive court rulings. It is also fueled by a complicated web of factors, such as a powerful, adaptive and resourceful plaintiffs’ bar; a well-funded network of trusts; a bevy of plaintiff-friendly forums and procedural mechanisms, and a seemingly limitless supply of defendants and insurance money. In the absence of drastic tort reform or a complete overhaul of the asbestos litigation system, the faucet of asbestos suits will continue to run for several decades to come.

Choi addressed the question of how learning from project successes and failures can benefit workplace learning. Choi further explains how experience plays a fundamental role in learning for employees and how learning from project successes and failures are the most common experiences of employees in the workplace. In conclusion, the author proposes that employee’s self-efficacy influences an employee’s learning from project successes and failures via reflection-in-action process, and the learning can be modified by project outcomes through reflection-on-action process. Applying different emotion regulation strategies levels self-efficacy and mediates an event and self-efficacy.
Last but not least, Mary Kate Naatus wrote about “The Yelp Effect: Impact of Online Reputation in the Digital Era.” The author explains how in today’s mobile and digital world, where consumers have access to a wealth of information, in addition to entertainment, retail options, and many other novelties right in the palm of their hands, businesses cannot ignore the importance of reaching consumers through these digital media. Also, she explains how the influence of Yelp, the online review site founded a decade ago, has been found to have statistically significant impact on business revenue in several economic analyses.

Based on the findings from a sample of 50 businesses surveyed, she found that many owners are heavily emphasizing their businesses’ online presence and promotion, keeping a close watch on online reviews of their businesses particularly Yelp, and using social media like Facebook, Twitter and Instagram to engage customers.

Concluding Remarks

We have appreciated the articles published in this issue that add to the body of knowledge in both social/legal issues and workplace/digital media experiences are widespread and growing in today’s world of business. Each article has contributed to a new understanding of information that may promote future development of research for business professionals, academicians, and other interested parties.

Finally, I would like to extend many thanks to Dr. Ruhul Amin and Dr. John Okpara for their continued support. In addition, we would like to give special thanks to each member of the Editorial Review Board for their reviews of the papers that were submitted.

Dr. Nicholas Koumbiadis
Editor-in-Chief
Exploring the Linkage between Social Capital and Self-Reported Health Status of Underprivileged Individuals: Role of Traditional Health Beliefs

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Abstract

Prior studies examining the association between social capital and self-reported health status of disadvantaged households is rare. This study examines whether traditional health beliefs influence the impact of social capital on self-reported health of disadvantaged households in rural India. Results reveal that structural social capital (i.e., group membership, group support, bonding, bridging, linking) is strongly associated with self-reported health. Conversely, cognitive social capital has a weak relationship with health status. Traditional health beliefs moderate the relationship between social capital and self-reported health status. Social capital has a positive correlation with self-reported health status among disadvantaged households who possess lower levels of traditional health beliefs as compared to those who possess higher levels of traditional health beliefs.

Keywords: self-reported health status, social capital, traditional health beliefs, disadvantaged households

Background

The literature supporting the impact of social capital (i.e., degree of connectedness, and the quality and quantity of social relation - Harpham et al. 2002) on health has remained equivocal (Ziersch 2005; Song 2013). While some researchers have argued that social capital has either no or a negligible impact on health (e.g., Muntaner et al. 2000; Lynch 2001; van der Linden et al. 2003), the others concluded just the opposite (e.g., Kawachi et al. 1999; Yip et al. 2007). Prior studies have also shown that social capital is linked to self-reported health status (e.g., Kawachi, Kennedy, and Glass 1999; Veenstra 2000; Fisher et al. 2004). However, the other researchers argue that findings are inconsistent and inconclusive as the different aspects of social capital may be differently associated to self-reported health status (e.g., Wang et al. 2008; Harpham, Grant, and Rodriguez 2004). While social capital is conceptualized as a multidimensional construct consisting of structural and cognitive components (Harpham 2008), most studies have relied on a single-item measure of social capital and a few, but varied aspects of social capital. The current study attempts to fill this gap by using a broader measure of structural social capital (i.e., group membership, support from groups, support from individuals) and cognitive social capital (i.e., trust in neighborhood, social harmony, sense of belonging, sense of fairness, trust in healthcare providers, and trust in community workers) as it still is little known whether or not structural or cognitive social capital has a differential impact on health status.

Previous studies predominantly focused on linking social capital with health status of urban and middle class population primarily in the United States and the health status of the disadvantaged households in
developing countries has received relatively little attention (Yip et al. 2007). The finding from these studies may have limited application in the context of the poor in developing and non-western countries (Bullough 1972; Burke et al. 2009a; Burke et al. 2009b; Dupas 2011). The current study explores the role social capital on health status of low-income families in a non-western context. Rural and disadvantaged families in high context cultures in Asia are believed to hold strong traditional health beliefs (e.g., home remedies, self-medicating) that pose as barriers to promote healthy behaviors. But little is known to what extent the traditional health beliefs affect disadvantaged people’s health status. Thus, the current study examines the moderating role of traditional health beliefs in examining the association between social capital and self-reported health status.

Theoretical Framework and Hypotheses

Social cognitive theory suggests that learning can take place through social interactions by observing and interacting with others (Bandura 1986). Social capital theory also indicates that social networks, or the relationships between individuals within and outside family circles and group membership, can promote the exchange of information and experiences. The individuals who are part of such networks facilitate coordination and cooperation as well as the acquisition and sharing of information for mutual benefit (Coleman 1988). Individuals living in certain neighborhoods and/or associated with formal and non-formal groups can provide support to others, reciprocate resources, and gain access to resources of other individuals (Coleman 1988; Putnam 1995). When exposed to increased levels of social interactions and networking, one’s emotions, opinions, or behaviors can be affected by other individuals, neighbors, and groups through social influence (Kelman 1958). For example, some studies highlight that disadvantaged households’ ability to learn about health is largely influenced by their neighbors (Leonard et al. 2009). Social capital can promote better access to healthcare and motivation to engage in health maintenance activities (Kawachi et al. 1999; Krishna 2002). Hence, the current study explores the relationship between various elements of social capital and health status.

Disadvantaged households such as those based in Indian rural communities generally believe in traditional health practices that are embedded in cultures. The traditional beliefs may act as constraints to take advantage of health care services and the need to engage in preventive health behavior; thus traditional health beliefs of rural low-income families especially in developing countries, can be associated to poor health. Therefore, we, examining the traditional health beliefs as a moderator, hypothesize that social capital is positively related to self-reported health status of underprivileged people who possess lower level of traditional health beliefs than those who possess higher level of traditional health beliefs.

Hypothesis 1: Social capital is positively related to self-reported health status.

Hypothesis 2: Traditional health beliefs moderate the relationship between social capital and self-reported health status such that social capital will have a stronger positive relationship with self-reported health status among disadvantaged households who possess lower levels of traditional health beliefs as compared to those who possess higher levels of traditional health beliefs.

Methodology

Data Collection, Sample, and Measurement

The participants for this study were recruited from randomly selected 400 rural families in Tamil Nadu, India. Participants were adults who lived below the poverty line; they were eligible to possess Antyodaya Anna Yojana ration cards that qualify them to receive subsidized food and other services delivered through the public distribution system. Data were collected using several professionally trained interviewers who administered the questionnaire to rural households. The questionnaire was pre-tested and was translated into Tamil language before conducting the in-home interviews. The total number of respondents included 652 husbands/wives/single parents from 340 families, mostly from nuclear families consisting of a couple of adults and their children. The average age of husbands was 44 years, and 37 years for spouses. Only 22% of the wives were currently employed full-time, compared with 87% of the husbands. While majority (66.7%) of wives attended primary school, about one-fifth of the husbands completed middle school.
Social capital was measured with the short version of the Adapted Social Capital Assessment Tool (SASCAT) scale developed by De Silva et al. (2006) and this scale was specially designed to measure cognitive and structural social capital in low-income countries. The structural social capital is comprised of six items which measure group membership, support from groups, support from individuals, bonding, bridging, and linking. The cognitive social capital comprises trust in neighborhood, social harmony, sense of belonging, trust in healthcare providers, and trust in community workers. This instrument has been validated in low-income countries including Vietnam and Peru (De Silva et al. 2006; Takahashi et al. 2011). One-item self-reported health status measure was adapted from Carpiano and Hystad (2011) which asked participants to rate their health using a five-point scale ranging from “excellent” to “poor”.

Traditional health beliefs were measured with Jenkins et al.’s (1996) health beliefs scale. The traditional health belief variable was coded into dichotomous measures where “1” represents “Low in traditional health beliefs” and “2” represents “High in traditional health beliefs”.

Results

A series of two-way analyses of variance (ANOVA) were performed to analyze the data. Basic assumptions of ANOVA were assessed before testing the hypotheses. Hypothesis 1 predicted that social capital would be positively related to self-reported health status. As shown in Table 1, results show that five dimensions of structural social capital are significantly associated with self-reported health status. Participants who were active members of two or more groups indicated better health than those who actively participated in only one group or who did not actively participate in any groups. Those who received higher levels of group support responded more positively on health status. Similarly, subjects scored high in citizenship activities (e.g., bonding, bridging, and linking) reported better health than men who scored low in citizenship activities. Only two elements of cognitive social capital (social harmony and trust in community workers) were significantly associated with self-reported health status.
Table 1: Association between Social Capital and Self-Reported Health Status

<table>
<thead>
<tr>
<th>Source</th>
<th>df</th>
<th>Mean Square</th>
<th>f-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structural Social Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group membership</td>
<td>2,646</td>
<td>2.940</td>
<td>5.826**</td>
</tr>
<tr>
<td>Group membership * traditional health beliefs</td>
<td>2,646</td>
<td>0.306</td>
<td>0.562</td>
</tr>
<tr>
<td>Support from groups</td>
<td>2,646</td>
<td>3.069</td>
<td>5.913***</td>
</tr>
<tr>
<td>Support from groups * traditional health beliefs</td>
<td>2,646</td>
<td>0.768</td>
<td>1.411</td>
</tr>
<tr>
<td>Support from individuals</td>
<td>2,646</td>
<td>0.015</td>
<td>0.027</td>
</tr>
<tr>
<td>Support from individuals * traditional health beliefs</td>
<td>2,646</td>
<td>0.337</td>
<td>0.604</td>
</tr>
<tr>
<td>Bonding</td>
<td>1,648</td>
<td>2.456</td>
<td>5.034*</td>
</tr>
<tr>
<td>Bonding * traditional health beliefs</td>
<td>1,648</td>
<td>0.029</td>
<td>0.052</td>
</tr>
<tr>
<td>Bridging</td>
<td>1,648</td>
<td>3.500</td>
<td>10.442***</td>
</tr>
<tr>
<td>Bridging * traditional health beliefs</td>
<td>1,648</td>
<td>2.139</td>
<td>4.062*</td>
</tr>
<tr>
<td>Linking</td>
<td>1,648</td>
<td>2.473</td>
<td>4.827*</td>
</tr>
<tr>
<td>Linking * traditional health beliefs</td>
<td>1,648</td>
<td>2.258</td>
<td>4.188*</td>
</tr>
<tr>
<td><strong>Cognitive Social Capital</strong></td>
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<td></td>
</tr>
<tr>
<td>Trust in neighborhood</td>
<td>2,646</td>
<td>1.743</td>
<td>2.147</td>
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<tr>
<td>Trust in neighborhood * traditional health beliefs</td>
<td>2,646</td>
<td>0.068</td>
<td>0.122</td>
</tr>
<tr>
<td>Social harmony</td>
<td>2,646</td>
<td>2.077</td>
<td>3.913*</td>
</tr>
<tr>
<td>Social harmony * traditional health beliefs</td>
<td>2,646</td>
<td>0.111</td>
<td>0.199</td>
</tr>
<tr>
<td>Sense of belonging</td>
<td>2,646</td>
<td>1.049</td>
<td>1.883</td>
</tr>
<tr>
<td>Sense of belonging * traditional health beliefs</td>
<td>2,646</td>
<td>0.444</td>
<td>0.798</td>
</tr>
<tr>
<td>Trust in healthcare providers</td>
<td>2,646</td>
<td>0.077</td>
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</tr>
<tr>
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<td>2,646</td>
<td>2.175</td>
<td>3.984*</td>
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</table>

Note: df = degree of freedom moderator: traditional health beliefs; dependent variable: self-reported health

*significant at p<.05
**significant at p<.01
***significant at p<.001
Hypothesis 2 posited that traditional health beliefs moderate the relationship between social capital and self-reported health status. Results reveal bridging, linking, and trust in community workers are positively related to self-reported health status when traditional health beliefs were low than high. The results indicate that higher levels of bridging social capital (e.g., networking and carrying out any organized activities such as cultural or sports events) and linking social capital (e.g., networking with formal institutions at community and government levels) are associated positively with self-reported good health among those individuals with lower levels of traditional health beliefs. Similarly, high level of trust in community workers (Anganwadi) is positively related to self-reported health when traditional health beliefs are low than high.

Discussion

Given the limited research and inconclusive finding regarding the association between social capital, traditional health beliefs, and health status, results provide evidence in support of the role of social capital on self-reported health status. Five aspects of structural social capital (i.e., group membership, group support, bonding, bridging, and linking) and two dimensions of cognitive social capital (i.e., social harmony and trust in community workers) are positively associated with health status but such relationships were moderated by traditional health beliefs. Since beliefs impact healthy behaviors, traditional health beliefs of targeted population should be taken into account when developing health programs to improve health status in low-income populations. A good understanding of the role of traditional health beliefs that are embedded in cultures and the influence of social capital are not only essential for designing appropriate health policies but also enable the grass-root level health care workers and social marketers who are engaged in implementing health intervention programs among the poor, especially in rural communities. It is important to engage trusted social networks and community leaders who are also familiar with health issues. Therefore, bottom-up and contextually relevant intervention strategies may be imperative to improve health status of disadvantaged rural communities who are embedded in non-western and traditional cultures.

The results indicate that engaging in group activities that are supported by self-help groups and non-governmental organizations seems to influence health status of disadvantaged households. Public health campaigns can deliver need-based programs by utilizing group affiliation and community support, cultivating citizenship activities, and facilitating interaction, learning and diffusion of information through social networks. Preventive health programs may benefit from organizing or sponsoring activities or events that are aimed at enabling individuals and communities to access health care resources. Health intervention programs can nurture and promote trust and social harmony among the disadvantaged households. The role of community-based health workers as a channel for disseminating health intervention programs and messages cannot be ignored. Health intervention programs that foster trust in community health workers (e.g., Anganwadi) can be advantageous to disseminate health knowledge.

Given the limited evidence, the findings of this study should be interpreted carefully and a caution should be exercised when generalizing the findings to other populations as we collected data for this study from relatively homogeneous low-income rural families from India. Future research should be conducted in cross-cultural settings using different samples.
References


Mass-bestosis: Examining the American Asbestos Litigation Phenomenon

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Abstract

The continued proliferation of asbestos exposure lawsuits is one of the most significant developments in the history of United States civil litigation. It has been estimated that U.S. defendants, and their insurers, have spent over $70 billion in defending and resolving asbestos exposure bodily injury cases to date (Carroll, Hensler, Gross, Sloss, Schonlau, Abrahamse and Ashwood, 2005). Over 100 companies have filed bankruptcy as a result of asbestos exposure liability thus far (United States Government Accountability Office 2011). In the words of the United States Supreme Court, American asbestos litigation is an “elephantine mass.” (Ortiz v. Fibreboard, 527 U.S. 815 (1999) at 821). In this paper, we examine this phenomenon in comprehensive fashion, analyzing its underpinnings and trends; its history and future; its characteristics and driving factors. We look at asbestos, the minerals, and their uses over time. We discuss asbestos-related disease, and how the United States reacted to it, both practically and legislatively. Most importantly, we study all aspects of asbestos exposure litigation in the United States, on legal, practical, scientific and financial levels. Asbestos litigation has persisted with remarkable perseverance and adaptability, surpassing almost every estimate and life span ever assigned to it. Readers of this paper will know just why this is and has been, and where it figures to go next. Readers will also get an informed look at the anatomy and workings of the asbestos exposure lawsuit, including relevant laws, settlement prototypes, insurance coverage and legal arguments. Simply put, this paper provides extremely thorough insight into almost every important facet of asbestos litigation in the United States.

By now, you must have seen the advertisements – “Do you or a loved one have mesothelioma … have you ever worked in a textile mill … your asbestos trust money is waiting for you … call this number.”

Yes, asbestos attorney advertising is everywhere. It has steadily increased on television since 2004, spiking over the last five years with plaintiffs’ firms spending an average of over $30 million per year on commercials since 2009 (Scarcella, Kelso and Cagnoli 2013). The asbestos plaintiffs’ bar devotes even more to internet advertising, spending an average of $50 million per year on keywords (Scarcella, et al. 2013). In fact, several studies suggest that “mesothelioma”, a cancer commonly associated with asbestos exposure, is one of the most expensive keywords on the web, with attorneys spending as much as $80 per click for the term (Fisher 2012).

This omnipresence is no coincidence, either. Rather, it is indicative of a pervasive reality – personal injury asbestos exposure litigation has exploded in the United States over the last several decades, and is showing little signs of abating. RAND, the nonprofit research institution that has performed the most comprehensive analysis of asbestos litigation to date, categorized the asbestos groundswell as “the longest-running mass tort litigation in U.S. history.” (Carroll, Hensler, Gross, Sloss, Schonlau, Abrahamse and Ashwood, 2005, p. xvii). The United States Supreme Court has referred to it as an “elephantine mass” … and for good reason (Ortiz v. Fibreboard, 527 U.S. 815 (1999) at 821). According to the National
Bureau of Economic Research, lawsuits for injurious exposure to asbestos involve more plaintiffs, more defendants and higher costs than any other type of personal injury litigation in American history (Francis). Defendants and their insurers have spent over $70 billion on asbestos litigation, which has involved over 730,000 plaintiffs and 8,400 defendants (Carroll, et al. 2005). In September 2011, the United States Government Accountability Office found that over 100 companies have filed for bankruptcy due to asbestos-related liability to date (United States Government Accountability Office 2011). Further, the American Academy of Actuaries has estimated that the ultimate costs arising from United States asbestos exposure could total between $200 and $265 billion (Biggs, Bhagavatula, Chang, Gillespie, Johnston, Math, Metzner, Symon, Talley and Withers 2007).

This paper will examine all relevant factors of the American asbestos litigation phenomenon, including: the factual and legal precedents of modern asbestos litigation; the historical evolution of asbestos liability; asbestos litigation data and trending statistics; the business effects of asbestos exposure lawsuits; the relationship between asbestos liability and insurance; the causes and contributing factors of the asbestos litigation surge, and the future of asbestos liability in the United States.

Asbestos – Composition and Characteristics

Asbestos is a set of six naturally occurring silicate minerals that are found in different types of soils and rocks on every continent around the world (American Cancer Society 2013). It is typically mined and processed until separable into extremely thin fibers; such fibers are then mixed with materials that bind them together so that they can be inserted into certain products (United States Environmental Protection Agency 2011). Throughout history, asbestos has been an extremely popular building and insulation material because its fibers are naturally strong, durable, heat and fire-resistant, sound absorbptive, and resistant to corrosion, chemicals and electric current (American Cancer Society 2013; Asbestos Resource Center; The Mesothelioma Center 2014; United States Environmental Protection Agency 2011).

Asbestos through History

The usefulness and flexibility of asbestos is no new discovery. In fact, asbestos use spans back over 2,000 years – it was coined “inextinguishable” by the Ancient Greeks – with documented usage throughout history by the Ancient Greeks, the Ancient Romans, the Ancient Egyptians, Charlemagne and Marco Polo (American Cancer Society 2013; Asbestos Resource Center; The Mesothelioma Center 2014; United States Environmental Protection Agency 2011). However, it was not until the late 1800s and the Industrial Revolution that asbestos use and manufacturing truly took off, with the mechanization of asbestos mining, a growing world population and an increased need for cost-effective, mass-produced building materials (American Cancer Society 2013; Asbestos Resource Center; The Mesothelioma Center 2014; United States Environmental Protection Agency 2011). The growth of asbestos manufacturing only accelerated in the early 1900s, with worldwide asbestos production tripling from 1900 to 1910 (The Mesothelioma Center 2014).

Asbestos Use in the United States

The United States, with its burgeoning population and increasing demand for inexpensive construction material, quickly became the biggest asbestos user in the world early in the 20th century (The Mesothelioma Center 2014). By 1937, the United States consumed 37% of the world’s asbestos, and by 1942, 60% (The Mesothelioma Center 2014). The United States even considered asbestos to be a “strategic mineral” during World War II, in relation to shipbuilding and other military construction operations (Biggs, et al. 2007, p. 1). American asbestos use only increased in the post-World War II era with the expansion of the U.S. transportation system, the general development of the economy and the sustained production of military hardware through the Cold War (American Cancer Society 2013; Asbestos Resource Center; Biggs, et al. 2007; The Mesothelioma Center 2014). Ultimately, asbestos use in the United States peaked in 1973 at nearly one million tons of consumption (Biggs, et al. 2007).

It was not until 1974, that American asbestos use began to decrease (White 2005). The decline was sharp, however, as the public quickly began to realize the connection between asbestos exposure and certain health problems, as detailed below. By 1990, U.S. asbestos consumption was only 6% of its 1975 level
By 2000, the United States only accounted for 1% of the world’s asbestos use (Biggs, et al. 2007). In 2002, the last American asbestos mine closed, ending over a century of domestic U.S. asbestos production (The Mesothelioma Center 2014). Unfortunately, however, the damage had already been done. It is estimated that over 100 million Americans were occupationally exposed to asbestos in the 20th century (Austern 2001). By the time the EPA attempted to impose a complete ban on asbestos in 1989, there were approximately 3,500 asbestos-containing products in the United States commercial system (Biggs, et al. 2007). Simply put, the seeds of the asbestos litigation epidemic had already been sown.

20th Century Asbestos-Containing Products and Materials in the United States

For a sampling of United States asbestos usages throughout the 20th century, see the following listing of commonly produced American asbestos-containing products and materials: insulation for steam pipes, turbines, boilers, kilns, ovens (Asbestos Resource Center); cement; millboard; electrical panel paper and wiring insulation; fire-retardant spray; roofing and flooring compounds; thermal insulation; gaskets; automotive clutches; automobile brake pads, linings and gaskets (The Mesothelioma Center 2014); adhesives; chalkboards; ceiling panels, texture and tiles; chimney lining, ducts, pipes, shingles siding and wall panels; fire blankets, curtains and doors; elevator car brake shoes and equipment panels (Minnesota Department of Health 2013), and coffee pots, toasters, popcorn poppers, crock pots, irons and hair dryers (Brayton Purcell LLP 2014).

Asbestos and Health Awareness

Though the Ancient Greeks (specifically, geographer Strabo) and Romans (specifically, Pliny the Elder) associated asbestos exposure with a “sickness of the lungs”, it was not until the early 20th century that the nexus between asbestos exposure and disease was definitively documented (Asbestos Resource Center). The first ever diagnosis of asbestosis (a common asbestos-related disease) was made in female British factory worker Nellie Kershaw in 1924 (Kazan-Allen). Though the diagnosis triggered several studies and legislative responses in Great Britain, it took much longer for the United States to follow suit (Kazan-Allen).

Beginning in the 1930s, medical organizations and journals throughout the United States began to regularly publish findings regarding the dangers of asbestos exposure (Bergman, Draper Ladenberg 2013). American asbestos manufacturers themselves even began to research the deleterious effects of asbestos, both collaboratively and internally (Bergman, Draper Ladenberg 2013). Many of these companies, including John-Mansville and Raybestos-Manhattan, were later found to have participated in cover-ups of their adverse findings (Bergman, Draper Ladenberg 2013; Environmental Working Group 2010; Mesothelioma Cancer Alliance 2012). To this day, these cover-ups form the basis of causes of action for “Conspiracy” in plaintiffs’ standard asbestos master complaints around the country.

Asbestos Regulation in the United States

It was not until the 1970s and the establishment of the Occupational Safety and Health Administration that the United States began regulating asbestos use and exposure. OSHA first regulated asbestos in 1971, when it adopted permissible exposure limits under the Walsh-Healey Public Contracts Act (Center for Asbestos Safety in the Workplace 2013; Occupational Safety & Health Administration 1992). OSHA has issued dozens of regulations tightening exposure limits and standards since (Center for Asbestos Safety in the Workplace 2013; Occupational Safety & Health Administration 1992). It comes as no surprise that American asbestos consumption began to plummet in the mid-1970s, as the above-detailed informational literature and federal legislation became more prevalent and lawsuits increased. Thereafter, in 1986, the United States Government passed the Asbestos Hazard Emergency Response Act, which mandated asbestos inspection and abatement in the school system (Salivar and Soto 2008).

Ultimately, after conducting an extensive ten-year study, the United States Environmental Protection Agency imposed a complete ban on asbestos use in the Toxic Substances Control Act (Environmental Working Group 2004). The asbestos manufacturing industry promptly challenged the law and, incredibly, the United States Fifth Circuit Court of Appeals overturned the ban, finding that the EPA had failed to demonstrate that the imposition was the “least burdensome alternative” for eliminating the unreasonable
risk of exposure to asbestos, largely due to the lack of available harm-free substitutes (Corrosion Proof
Fittings, et al. v. The Environmental Protection Agency and William K. Reilly, Administrator, 947 F.2d
1201 (5th Cir. 1991)).

Asbestos Legislation in the United States Today

Though federal legislation regarding asbestos usage has grown increasingly restrictive over the last several
decades – exposure limits are heavily restricted and it is currently banned in corrugated paper, rollboard,
commercial paper, specialty paper, flooring felt, fireplace embers, wall patching compounds, pipe and
block insulation on facility components, and spray-applied surfacing – it is, remarkably, still legal in the
United States (United States Environmental Protection Agency 2014). According to the EPA, asbestos is
still permitted in the following products and materials: cement corrugated sheet; cement flat sheet;
clothing; pipeline wrap; roofing felt; vinyl floor tile; cement shingle; millboard; cement pipe; automatic
transmission components; clutch facings; friction materials; disk brake pads; drum brake linings; brake
blocks; gaskets; non-roofing coatings, and roof coatings (United States Environmental Protection Agency
2014).

Asbestos Litigation in the United States – Borel and Products Liability Lawsuits

Though the deleterious effects of asbestos exposure were known in the United States by the 1930s, it was
not until 1969 that the Borel vs. Fibreboard Paper Products case lay the groundwork for the modern day
asbestos litigation explosion. Prior to that, victims of occupational asbestos exposure were limited to
making workers’ compensation claims against their employers to obtain recompense for their asbestos-
related diseases (O’Malley 2008). The Borel case, however, changed everything. It involved insulation
worker Clarence Borel suing several asbestos manufacturers for their failure to warn of the dangers of
handling asbestos (Borel v. Fibreboard Paper Products Corp., 493 F.2d 1076 (5th Cir. 1974)). Mr. Borel
alleged that he had been occupationally exposed to the defendants’ asbestos over a period of 33 years,
which caused him to develop asbestosis and mesothelioma (Borel). The court ultimately ruled in favor of
Mr. Borel, awarding him almost $80,000 (Borel).

With the Borel ruling, asbestos claimants throughout the United States were handed a new and more
lucrative game plan – products liability. Workers’ compensation benefits, limited to lost wages and
medical benefits, paled in comparison to the potential for products liability verdicts. Products liability, on
the other hand, takes the form of a traditional American lawsuit, with the potential for consequential
damages, recovery for pain and suffering, and runaway verdicts. Beyond that, the numbers game clearly
favors the products liability side of things – each employee only has one employer, and thus only one
insurer, from which to seek benefits in workers’ compensation. However, that same employee could have
been exposed to the asbestos of dozens of asbestos manufacturers throughout his or her career, all of which
can be named as defendants to a products liability lawsuit, and all of which likely have products liability
insurers behind them. Simply put, there are more, and deeper, pockets available for the products liability
plaintiff than for the workers’ compensation claimant. Not surprisingly, with failure to warn becoming a
viable products liability claim in the asbestos context, claims spiked rather quickly – over 25,000 were
filed in the decade following the Borel case (White 2005). The aforementioned RAND study (see page
2) also provides a telling glimpse of the trajectory of asbestos cases filed in federal court in the decades
following the Borel case. Through the end of the 1970s, 950 asbestos cases had been filed in federal court;
from 1980 to 1984, 10,000 federal asbestos cases were filed, and from 1987 to 1989, 37,000 federal
asbestos cases were commenced (Carroll, et al. 2005; Couretas 2011).

Johns-Manville Bankruptcy and Asbestos Trust

As asbestos products liability litigation increased in the 1970s and 1980s, asbestos manufacturers and
producers began to suffer financially. This led to one of the main drivers of asbestos claim activity in the
United States over the last 40 years – the asbestos bankruptcy trust. It started in 1982, when Johns-
Manville Corporation, the largest manufacturer asbestos in U.S. history, filed for bankruptcy due to its
asbestos-related liabilities (Biggs, et al. 2007). The asbestos claims against Johns-Manville had continued
to mount, and by the early 1980s, the asbestos giant could not absorb all of the defense and indemnity
costs any more. In 1972, there were 159 cases filed against it, by 1976, 792 cases, and by 1982, 6,000
Then, Johns-Manville filed for Chapter 11 bankruptcy reorganization in order to shield the remainder of its assets from said litigation, and formed the Manville Personal Injury Settlement Trust via a court-imposed injunction, through which all of its asbestos-related liabilities were thereafter channeled (United States Government Accountability Office 2011). In essence, Johns-Manville simply distributed its limited remaining assets into the aforementioned trust, so that injured workers who were exposed to Manville products could recover a percentage share of their total claim amount (first 100%; then 10%; now 5%) in a mechanized manner, without the need to actively litigate (Povtak 2014). Given the scope of Manville’s past asbestos production, the Trust immediately took off, and has not significantly slowed down, even to this day. In the first nine months after its approval by the Southern District of New York Bankruptcy Court in 1986, over 12,600 claims, with about $500 million in pay-outs, were filed with the trust (Brierton 2004). By 1989, there were over 89,000 Manville Trust claims (Brierton 2004). Though there was a brief dip in claims in the mid-1990s, they re-emerged at the turn of the 21st century, with almost 90,000 new claims in 2001 and 2003, respectively (Brierton 2004). Since 1988, the Manville Trust has paid out over $2.7 billion to 443,000 claimants (Brierton 2004).

Other American Asbestos Trusts

To say that the Manville bankruptcy reorganization and consequential trust formation started a trend is an understatement, as a bevy of other large asbestos producers, including Owens-Corning, W.R. Grace and U.S. Gypsum, have since followed suit (Povtak 2014). As noted above, to date, over 100 companies have declared bankruptcy due to asbestos-related liability. According to the United States Government Accountability Office, since 1988, 60 asbestos trusts have been formed pursuant to Chapter 11 and §524(g) of the Federal Bankruptcy Code, with approximately $37 billion in assets and $17.5 billion in pay-outs to date (United States Government Accountability Office 2011). Simply put, asbestos trusts have been, and remain today, a smash hit with asbestos claimants throughout the United States, and why not? The money is there, without a fiercely contesting litigant guarding it, for those who qualify.

21st Century United States Asbestos Litigation Statistics

Incredibly, despite countless prognostications that asbestos litigation would have dried up by now, it is still going strong in the 21st century. As asbestos trusts have become exhausted, tighter recovery restrictions have been imposed on them (Kelley and Fibma 2012). For this reason, and others, asbestos claimants continue to resort to litigation at a rapid rate to maximize their end game. Though asbestos case filings remained stagnant for much of the 1990s, they truly spiked in the late 1990s and early 2000s – filing figures went from 20,000 per year in the early 1990s to around 101,000 per year by 2003 (Biggs, et al. 2007; Brierton 2004). By 2005, the Congressional Budget Office estimated that there were 322,000 asbestos bodily injury cases pending in the United States Court System (Congressional Budget Office 2005). Though filing numbers have somewhat plateaued over the last five years or so (Couretas 2011), the figures remain robust, with an average of 52,000 new cases filed yearly (Kelley and Fibma 2012). As if this was not enough, after taking into account the long latency periods of asbestos-related diseases and the recent proliferation of secondary, “take home” asbestos exposure suits (i.e., asbestos exposure suits commenced by the co-habitants of asbestos workers, which allege that said workers brought asbestos fibers home with them on their clothing, thereby secondarily exposing the co-habitant plaintiffs thereto), several studies are now indicating that asbestos cases are not expected to dry up until well after 2050 (Kelley and Fibma 2012).

An Evolving Liability

Perhaps the most remarkable thing about asbestos litigation, aside from its longevity, is its adaptability. The asbestos plaintiffs’ bar continues to find new ways to prolong the asbestos tidal wave – new defendants … new diseases … new medical evidence … new forums … new insurance triggers … new laws. Along these lines, we will spend the remainder of the paper examining the causes and contributing factors of the continued prevalence of asbestos litigation in the United States.

Asbestosis, Mesothelioma and Lung Cancer

One of the main ways by which asbestos litigation has evolved over the years has been the shifting focus of plaintiffs on certain asbestos-related diseases rather than others. First, let’s discuss the epidemiology
of asbestos-related diseases. According to the American Cancer Society, people are primarily exposed to asbestos by inhaling thin asbestos fibers present in the air, though these fibers can also be swallowed (American Cancer Society 2013). Asbestos fibers can easily become airborne during processing, installation, renovation, demolition or manufacturing processes (American Cancer Society 2013). When asbestos fibers are inhaled, they can pass into the lungs and the outer linings of the chest wall, or the pleura, irritate the cells, and cause cancer (American Cancer Society 2013). According to the Agency for Toxic Substances and Disease Registry, the risk of developing an asbestos-related disease is proportionate to the duration, frequency and concentration of exposure (Agency for Toxic Substances and Disease Registry 2001). As such, it comes as no surprise that those who worked in the asbestos industry – for example, shipbuilders, insulation workers and construction workers – are at the highest risk of developing asbestos-related diseases, and account for the bulk of plaintiffs in the asbestos litigation arena (American Cancer Society 2013).

The three most prevalent and commonly associated diseases relative to asbestos are asbestosis, mesothelioma and lung cancer – unsurprisingly, all are pulmonary or respiratory in nature (Salivar and Soto 2008). Asbestosis can be characterized as a scarring in the lungs that is caused by long-term inhalation of asbestos fibers (Asbestos Resource Center 2003). The most common symptoms of asbestosis are shortness of breath, chronic coughing and decreased respiratory function (American Cancer Society 2013). Like most asbestos-related diseases, asbestosis is characterized by a lengthy latency period, meaning that it takes several years from first exposure for the disease to develop and become symptomatic. Though statistics vary, the average latency period for asbestosis is 15 to 40 years (Biggs, et al. 2007). As it is a non-cancerous, slow-progressing and generally non-malignant disease, asbestosis case values are often much lower than their mesothelioma and lung cancer counterparts (Mesothelioma Research Foundation of America 2013; United States Government Accountability Office 2011).

Mesothelioma is a rare cancer that most often forms in the mesothelial cells lining the lungs, though it can also develop in the abdomen, heart or testicles (The Mesothelioma Center 2014). Symptoms include chest pain, shortness of breath, generalized weakness and weight loss (Biggs, et al. 2007). Mesothelioma has an extremely long latency period – an average of 30 to 40 years (Biggs, et al. 2007; The Mesothelioma Center 2014). However, from diagnosis forward, the statistics are dire – the majority of those diagnosed with mesothelioma die quickly, with only 39% still living a year after their diagnosis and only 4% still alive a decade afterwards (Biggs, et al. 2007; The Mesothelioma Center 2014). Further, the nexus between mesothelioma and asbestos exposure is incredibly close – some studies suggest that as many as 80% of mesothelioma cases are related to asbestos exposure (Biggs, et al. 2007; The Mesothelioma Center 2014). However, as up to 20% of mesothelioma diagnoses are unrelated to asbestos exposure, asbestos defendants are able to point to a variety of other causal factors in defending mesothelioma cases, such as genetics, erionite, carbon nanotubes, taconite, radiation, talc and vermiculite (Kelley and Fibma 2012). Nevertheless, mesothelioma cases are generally the highest value asbestos cases of them all, in light of the mortality rates, the close causal relationship with asbestos, and the notion that it causes a painful and suffocating death. For instance, in December 2007, Mealey’s Litigation Report estimated that the average mesothelioma claimant recovers between $1 million and 1.4 million (Bates and Mullin 2007).

Unlike mesothelioma, lung cancer develops inside the lung itself – it is a malignant covering of the bronchii that expands to the surrounding tissue (Biggs, et al. 2007). Also unlike mesothelioma, the causal relationship between asbestos exposure and the development of lung cancer is the source of great debate. Of late, lung cancer plaintiffs have been aggressively pushing the “synergy” argument i.e., that the combined effect of asbestos exposure and cigarette smoking creates a synergistic effect which greatly increases the risk of lung cancer. And the argument is not without support – the Agency for Toxic Substances and Disease Registry has estimated that a cigarette smoker exposed to asbestos is 50 to 84 times more likely to develop lung cancer (The Mesothelioma Center 2014). However, asbestos defendants strongly oppose synergy, and given the prevalence of non-asbestos related causes – asbestos exposure is attributable to only 4% of lung cancer diagnoses – medical causation is still difficult to prove (The Mesothelioma Center 2014). Further, lung cancer patients fare much better than mesothelioma patients in the long term – a decade after diagnosis, 10% of lung cancer patients are alive (The Mesothelioma Center 2014). For these reasons, lung cancer cases are generally valued lower than mesothelioma cases (Kelley and Fibma 2012).
Table 1: Asbestos-Related Disease Information

<table>
<thead>
<tr>
<th>Disease</th>
<th>Relation to Asbestos</th>
<th>Relation to Asbestos</th>
<th>Latency</th>
<th>Value</th>
<th>Smoking-Related?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesothelioma</td>
<td>80%</td>
<td>30-40 yrs.</td>
<td>Highest</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Lung Cancer</td>
<td>4%</td>
<td>15-35 yrs.</td>
<td>High</td>
<td>Yes (90%)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(The Mesothelioma Center 2014)

**Asbestos-Related Disease Litigation Statistics**

Claims for non-malignant asbestos-related diseases, such as asbestosis, have generally driven the increase in asbestos filings over the last few decades. RAND estimates that 65% of all asbestos liability compensation has gone to non-malignant claimants (Carroll, et al. 2005). Amazingly, RAND has also found that the majority of non-malignant asbestos claimants are "functionally unimpaired" i.e., that asbestos exposure has yet to affect their daily life (Carroll, et al. 2005). Clearly, by establishing exposure, the asbestos plaintiff’s bar has found a way to recover, largely from trusts, even when their clients have lacked manifestation. However, as non-malignant claims have increasingly clogged the courts and diluted malignant claims, court and trust scrutiny has increased (Kelley and Fibma 2012; Stern, Allen and Halim 2011). As such, non-malignant filings have decreased sharply in recent years (Kelley and Fibma 2012; Stern, et al. 2011). On the other hand, despite the fact that many have predicted their demise for years, mesothelioma filings have remained remarkably steady, and even increased, throughout the 21st century, accounting for about 20% of all asbestos cases (Brierton 2004; Kelley and Fibma 2012; Price 2011; White 2005). This is largely attributable to the fact that mesothelioma diagnoses are at an all-time high, with about 3,000 new cases diagnosed each year (more than four times the 1980 diagnosis rate), and not predicted to return to background levels until 2055 (Kelley and Fibma 2012; Mesothelioma Guide 2014). Mesothelioma is thought to be the current, and future, driver of asbestos litigation the United States.

The most significant disease-related trend in asbestos litigation, however, relates to lung cancer. Asbestos lung cancer claims have increased sharply over the last two years, with certain active plaintiffs’ firms pushing the synergy argument hard (Kelley and Fibma 2012). For instance, Napoli Bern Ripka Skolnick, the firm with the third most asbestos filings in 2012, filed 117 asbestos lung cancer cases, out of their 130 total filings, in the first eight months of 2012 alone (Krajelis 2013). Further, Barry Julian, a partner at Gori Julian & Associates, the second largest asbestos filer in 2012, addressed the emergence of asbestos lung cancer filings at a 2013 asbestos litigation conference (Krajelis 2013). The motivation driving the trend is obvious – opportunity. Over 200,000 Americans are diagnosed with lung cancer each year, as opposed to just 3,000 with mesothelioma (American Cancer Society 2014). Simply put, if the plaintiff’s bar can make some headway on causation, the case numbers, and rewards, could be great.

In sum, non-malignant filings, subject to increased scrutiny, have decreased; mesothelioma filings have remained steady, and lung cancer filings are trending upwards in noteworthy fashion.

**Statutes of Limitations for Asbestos Exposure Lawsuits**

Given that American asbestos consumption began to plummet in the 1970’s, you may be wondering how so many claimants are permitted to file lawsuits several decades after their last alleged exposure – isn’t there a statute of limitations barring that? The short answer: “no”. Given the aforementioned long latency periods of asbestos-related diseases, states legislatures around the country, out of equitable considerations, have enacted statutes of limitations which do not begin to run until diagnosis of the subject disease, or death therefrom. A sampling of these statutes follows.
Table 2: Asbestos Exposure Statutes of Limitations, Around the Country

<table>
<thead>
<tr>
<th>State</th>
<th>Statute of Limitations</th>
<th>Wrongful Death Statute</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>1 Year from Diagnosis</td>
<td>1 Year from Death</td>
</tr>
<tr>
<td>Connecticut</td>
<td>3 Years from Diagnosis</td>
<td>3 Years from Death</td>
</tr>
<tr>
<td>Florida</td>
<td>4 Years from Diagnosis</td>
<td>2 Years from Death</td>
</tr>
<tr>
<td>Illinois</td>
<td>2 Years from Diagnosis</td>
<td>2 Years from Death</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3 Years from Diagnosis</td>
<td>3 Years from Death</td>
</tr>
<tr>
<td>New Jersey</td>
<td>2 Years from Diagnosis</td>
<td>2 Years from Death</td>
</tr>
<tr>
<td>New York</td>
<td>3 Years from Diagnosis</td>
<td>2 Years from Death</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>2 Years from Diagnosis</td>
<td>2 Years from Death</td>
</tr>
<tr>
<td>Texas</td>
<td>2 Years from Diagnosis</td>
<td>2 Years from Death</td>
</tr>
</tbody>
</table>

(Mesothelioma Cancer Alliance, 2014)

**New Defendants, New Industries**

Another signature of the asbestos litigation phenomenon has been the ability of the plaintiffs’ bar to find new defendants and industries to target. One would have thought that, with over 100 companies bankrupted, the supply of viable defendants would have dwindled by now. But, with asbestos lawsuits having been waged against 8,400 defendants across 75 (out of 83) industries, the plaintiffs’ bar has obviously been able to adapt (Brierton 2004). Defendant targets have ranged from manufacturers, to incorporators, to sellers, to distributors, to component makers … from insulation, to boilers, to shipbuilding, to engines, to aviation. Rest assured, every entity, in every industry, has been targeted.

**A Repeatable Prosecution**

There is no doubt that plaintiffs’ attorneys have been the principal drivers of asbestos litigation in the United States over the last few decades. After all, RAND has estimated that plaintiffs’ attorneys have recovered over $19 billion in asbestos litigations (Carroll, et al. 2005). This is accentuated by the fact that a number of large plaintiffs’ firms have increasingly dominated the asbestos landscape, filing hundreds of asbestos claims per year. In 2012, for instance, the top three plaintiffs’ firms combined to file almost 1,000 cases (Krajelis 2013). The proliferation of these mass-filing firms has spelled an unfortunate reality for asbestos defendants – their adversaries are experienced, connected and flush with resources. Obviously, by prosecuting hundreds of asbestos lawsuits per year, these super firms amass a load of knowledge in the field. They know where to file; where to sue; who to sue; when, where and how asbestos was used; who manufactured asbestos and who incorporated it into their products; they know the judges, clerks, and the law. Simply put, they know how to get the largest possible recoveries for their clients.

Further, and along the same lines, given that these firms have litigated the same types of suits over and over, they already have them worked up. For the most part, they can utilize form pleadings and discovery documents, simply plugging the new claimants’ names therein. They can use the same experts. They can regurgitate the same allegations … the same arguments … the same motions. Given that the plaintiff’s bar has this process automated, the time and resource expenditures for each case are drastically reduced. Such expenditures often act as natural deterrents to plaintiffs’ attorneys filing weak cases. But, the plaintiff super firms do not have to worry about wasting time and money on low value cases – they can just repeat the process – and it is cost-effective.
The Numbers Game

Similarly, another driver of asbestos litigation relates to the sheer number of defendants plaintiffs can sue in each case. As most asbestos claimants allege exposure over the course of decades, naturally, they may have been exposed to asbestos manufactured, used or sold by countless entities. As such, plaintiffs’ firms generally sue dozens and dozens of defendants in each suit – the average mesothelioma claimant recovers from 20 to 30 defendants (Bates and Mullin 2007) – whether they have a shred of evidence against them or not. Defendants are selected solely on the basis that these entities could have exposed their clients to asbestos at some point and that it will all be “sorted out” in discovery. Of course, this increases the amount of pockets from which to collect, especially when you consider that many defendants, even when there is no evidence against them, will agree to low “nuisance value” settlements simply to get out of the case and buy their peace. When you combine this with the fact that the plaintiff will probably be able to recover larger amounts from their target defendants (against which there is some exposure evidence), the amount of recovery adds up quickly. For instance, let’s take a hypothetical mesothelioma case in which the plaintiff sues 40 defendants (the average mesothelioma plaintiff sues less than 50 defendants) (Bates and Mullin 2007). Assume the plaintiff voluntarily dismisses 25 of the defendants for a complete lack of evidence (#1-25 below), collects $5,000 in nuisance value settlements from ten low liability defendants (#26-35 below), collects $100,000 from three of the higher liability target defendants (#36-38 below), and $200,000 from the top two target defendants (#39-40) … well that’s $750,000 from a case which contains little or no evidence against almost 90% of the defendants! With margins like that, it’s easy to see why these cases have become so popular.

<table>
<thead>
<tr>
<th>Defendant(s)</th>
<th>Settlement/Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-25</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>26-35</td>
<td>$5,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>36-38</td>
<td>$100,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>39-40</td>
<td>$200,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$750,000</td>
</tr>
</tbody>
</table>

Forum Shopping and Procedural Advantages

Another key feature of asbestos litigation over the last several decades has been the ability of plaintiffs’ firms, due to the broad jurisdictional reach associated with mass defendant asbestos cases, to repeatedly file suits in forums which provide procedural advantages to plaintiffs. Many of these forums contain judges who are closely connected to the plaintiffs’ bar, having received substantial campaign support therefrom. These forums have a bevy of procedural and substantive rules in place which favor asbestos plaintiffs. These include: liberal joinder rules (allowing plaintiffs’ attorneys to join hundreds of claims from all over the country into one consolidated action), plaintiff-friendly litigation schedules (for instance, permitting discovery to continue until the eve of trial, thereby creating the opportunity for plaintiffs to develop product identification evidence right on the brink of trial and exert pressure on defendants to settle thereafter), and pro-plaintiff motion practices (scheduling summary judgment hearing dates for the eve of trial, or even during trial, thereby depriving defendants of the opportunity to obtain dismissals and almost coercing them into settlement). Of course, many of these forums contain plaintiff-oriented jury pools, as well. A brief glimpse at filing statistics confirms the above – plaintiffs’ firms will travel far and wide to file in the same jurisdictions time and again. For instance, prior to 1988, Mississippi, New York, West Virginia, Ohio and Texas handled only 9% of asbestos filings (Brierton 2004). From 1998 to 2000, they oversaw 66% (Brierton 2004). The current epicenter of asbestos filings in the United States is Madison County, Illinois, which the yearly filing data listed below demonstrates:
Table 4: A Wave of Filings

<table>
<thead>
<tr>
<th>Year</th>
<th>Asbestos Filings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>325</td>
</tr>
<tr>
<td>2007</td>
<td>455</td>
</tr>
<tr>
<td>2008</td>
<td>639</td>
</tr>
<tr>
<td>2009</td>
<td>814</td>
</tr>
<tr>
<td>2010</td>
<td>840</td>
</tr>
</tbody>
</table>

(ATE Foundation, 2014)

Insurance and Allocation

The last contributor to the asbestos litigation wave that we’ll examine is insurance. RAND estimated that the insurance industry had paid more than $36 billion in connection with asbestos liability by the end of 2006 and prognosticated that it will ultimately bear between $60 billion to $70 billion (Biggs, et al. 2007). Clearly, the availability of insurance has played a huge role in this context. Despite the fact that the dangers of asbestos use become known many years previous, standard commercial general liability policies did not incorporate complete asbestos exclusions until 1986. Many peripheral industries did not insert the exclusion into their policies until the early 2000s. The availability of insurance all the way up until the 1980s, or even afterwards, has undoubtedly fueled asbestos litigation; there are just so many policies, insurers, and large policy limits to target, from the plaintiff’s point of view. Further, in light of the progressive and continuous nature of asbestos exposure and disease, many states have adopted insurance trigger rules which hold that every insurance policy in effect from the date of a claimant’s first exposure until the claimant’s date of diagnosis, death or lawsuit filing is triggered in connection with asbestos lawsuits. As such, if a mesothelioma claimant argues that he was exposed to asbestos in the course of his employment as a factory worker from 1950 to 1990, every defendant he sues may have up to 36 years of insurance available for the loss – 1950 to 1986 – or more. Simply put, there are a great many pockets from which to collect.

Conclusion

In sum, as comprehensively discussed above, the proliferation of asbestos litigation in the United States is no coincidence. It is preceded by a lengthy history of mass asbestos consumption, slow legislative responses and permissive court rulings. It is also fueled by a complicated web of factors, such as a powerful, adaptive and resourceful plaintiffs’ bar; a well-funded network of trusts; a bevy of plaintiff-friendly forums and procedural mechanisms, and a seemingly limitless supply of defendants and insurance money. In the absence of drastic tort reform or a complete overhaul of the asbestos litigation system, the faucet of asbestos suits will continue to run for several decades to come.
References


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Learning from Experiences of Project Successes and Failures in the Workplace

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Abstract

Experience plays a fundamental role in learning for employees at the workplace. Learning from the experiences of project successes and failures has received special attention in business literature. Adding to the literature about learning from failure, this study proposes a model of 'learning from project successes and failures' through integrating the reflection processes, personal standard, and psychological safety for learning from project successes and failures. The proposed model gives a more solid and complete understanding about learning at the workplace. And several theoretical and practical implications for management are discussed.

Every employee gains and accumulates experiences in the workplace (Rothwell, Sanders, & Soper, 1999). Experience plays a fundamental role in learning for employees (Merriam & Caffarella, 1999; Rothwell et al., 1999). Learning from the experiences of project successes and failures in the workplace has received special attention in business literature (Cope, 2010; Edmondson, 2011; Shepherd, 2014; Shepherd, Covin, & Kuratko, 2009).

Project failure is defined as “the termination of a project due to the realization of unacceptably low performance as operationally defined by the key resource providers (as opposed to projects terminated for other reasons)” (Shepherd & Cardon, 2009, p. 452). Project success, then, can be thought of as the completion of a project with acceptable or higher performance as defined by the key resource providers. Taking these definitions, the author focuses on learning from project successes and failures in this article because project successes and failures are the most common experiences of employees in the workplace. For example, one survey finds that 35 to 45 percent of new product development projects fail (Boulding, Morgan, & Staelin, 1997). In addition, many innovative projects such as market innovation, technological innovation, business model innovation, and strategic innovation fail even before they become operational (Campbell, Birkinshaw, Morrison, & van Basten Batenburg, 2003).

Recently Shepherd and his colleagues proposed a conceptual model of recovering from grief over project failure (Shepherd et al., 2009). The conceptual model integrated emotional and sociocultural aspects simultaneously, and it addressed this interesting topic with rigorous academic theories such as social cognitive theory and emotion regulation theories. However, the model has a room for improvement. It may need to include learning from successes and learning from failures simultaneously. This is because employees commonly achieve results that fall between complete success and complete failure. Excluding the reflection process from the model weakens the effectiveness of its explanation of how experiences turn into learning. Finally, the model needs to apply a rigorous emotion regulation theory to understand the function of emotion regulation in the process of learning from successes and failures.

The purpose of this article is 1) to complement the model with learning theories that focus on reflection and psychology theories such as emotion regulation and psychological safety by reviewing key
literature, and 2) to revise the model for better understanding of employees' learning from project successes and failures in the workplace.

**Theories and Propositions**

The importance of experience in workplace learning has been continually supported by many researchers in the field of management and adult learning. For example, Lindeman (1989) indicated that experience is “a living textbook” (p. 6) for adult learners. Knowles (1980) indicated that adults tend to define themselves by their experiences. Hergenhahn & Olson (1993) extended the definition of learning to mean “a relatively permanent change in behavior or in behavioral potentiality that results from experience and cannot be attributed to temporary body states such as those induced by illness, fatigue, or drugs (p. 2)”. Maples & Webster (1980) claimed that learning can be thought of as a process by which behavior changes as a result of experiences. Rothwell et al. (1999) indicated that employees’ learning is a result of what they have done—that is, the mistakes they have made and the successes they have had in the workplace.

Most literature that concerns learning from successes and failures falls into two major approaches: emotional approach and sociocultural approach. First, many researchers address the emotional aspects of learning from successes and failures because they believe emotions play a critical role in the learning process. Emotion is a set of psychological, phenomenological, and facial expression changes evoked in relation to appraisals of situations (Levenson, 1999). Employees' emotional responses to successes and failures vary widely, and the influences on their learning vary as well (Seligman, 2011). For example, Gino & Pisano (2011) indicated that an individual’s overconfidence, inflated by previous successes, can hinder learning from experiences. Meanwhile, there is an opposite emotional state to the overconfidence - learned helplessness. Learned helplessness is the condition in which a human has learned to behave helplessly, even when the opportunity is restored (Maier & Seligman, 1976). If the emotions involved in experiencing successes and failures are not properly addressed, learning might not occur in the workplace (Boud & Miller, 1996).

Other researchers address learning from successes and failures with a sociocultural approach, especially in regards to the culture of learning. Building and nurturing a learning culture in the workplace is crucial in encouraging employees to learn from success and failures (Edmondson, 2011; Lafley, 2011; McGrath, 2011). For example, Edmondson (2011) argued that leaders should provide a “psychological safe environment” to make employees feel responsible for surfacing and learning from successes and failures. Psychological safety is defined as the “willingness to contribute ideas and actions to collective work, and it describes an individual’s perceptions about the consequence of interpersonal risks in the workplace” (Edmondson, 2004, p. 239). Poor relationship quality between leaders and employees institutionalize toxic social norms and created an organizational culture (Schein, 2010) that harmed employees’ psychological safety.

Shepherd and his colleagues argued that emotional and sociocultural approaches need to be integrated and considered simultaneously in order to gain a deeper understanding of learning from successes and failures in corporate entrepreneurial projects (Shepherd & Cardon, 2009; Shepherd et al., 2009) and self-employed businesses (Shepherd, 2003). In specific, Shepherd et al. (2009) proposed a conceptual model of recovering from negative emotion over project failure (see Figure 1) by implementing social cognitive theory and psychological theories about emotion regulation.
Although the presented conceptual model significantly contributes to an integrative understanding about learning from project successes and failures in the workplace, the model has several weak points that limit understanding about these processes of learning.

First, there is a missing link between experiences and learning in the model. Shepherd et al. claimed that employees who have high self-efficacy respond to grief up to a certain level by increasing learning from failure and commitment to subsequent projects, while those with low self-efficacy continually decrease their learning and commitment as their grief level increases. Self-efficacy refers to people's judgments of their capabilities to organize and execute the actions required to attain designated types of performance (Bandura, 1977). Shepherd et al. (2009) suggested that self-efficacy mediates between social supports and commitment and learning from failure. The authors described “knowing that social support will always be there builds members’ confidence that they can cope with grief over project failure” (p. 595).

However, Shepherd and his colleagues did not sufficiently address how employees weigh and integrate self-efficacy information (i.e., social support). In addition, they did not link self-efficacy with outcomes (i.e., employee commitment and learning from failure and commitment) that are believed to be the most critical determinants of self-efficacy level throughout a reciprocal process. Therefore, the proposed conceptual model did not depict the full process of learning from successes and failures. In addition, not including employees' process of reflection in the model deviated from the reciprocal nature of self-efficacy and outcomes.

In the social cognitive model, self-efficacy and outcomes are not separable. Rather, they shape and reciprocally contribute to each other within a learning system (Bandura, 1986). Separating self-efficacy from the outcomes of learning and commitment treats self-efficacy as an innate personality trait of employees, rather than a socially and reciprocally constructed one. Self-efficacy is thought to be a generative capability, not a fixed trait (Bandura, 1997). Therefore, the author argues that the process of
reflecting on successes and failures should be considered and integrated in this conceptual model. Employees’ experiences of successes and failures in the workplace will vanish without the reflection process.

Second, the model did not sufficiently represent real-world phenomena because it excluded the learning that arises from success. Shepherd et al. (2009) primarily focused on how negative emotions such as grief function in learning because they assumed project successes and failures could be clearly defined. However, determining whether a project counts as a success or a failure is frequently ambiguous or even impossible in the workplace.

For example, Nelson (2005) indicated that approximately sixty percent of information technology (IT) projects were reported as successful projects despite not meeting criteria for success in the workplace. He termed this phenomenon “failed successes.” Conversely, some projects were classified as “successful failures” when they failed in meeting criteria but succeed in producing a desired outcome or learning. Although project participants may consider a project to be a complete success or a complete failure, the results of each project are likely to be mixed. Therefore, the author argues that learning from successes and learning from failures need to be addressed simultaneously because of the complex nature of defining project successes and failures in the workplace.

Third, emotion regulation is a psychological construct that needs to be distinguished from self-efficacy. Emotion regulation is a diverse set of control processes aimed at manipulating when, where, how, and which emotion learners experience and express (Gross, 2007). Boss (2008) proposed that “emotion regulation moderates the effect of a failure to self-efficacy, such that those who practice emotion regulation suffer less negative impact on self-efficacy than those who do not engage in emotion regulation” (p. 141). As such, emotion regulation needs to be distinguished from self-efficacy.

Seven propositions and a new conceptual model of learning from project successes and failures are presented in the following sections. These are presented to complement the model with learning theories that focus on reflection and psychology theories. The sections include reflection for learning, psychological safety, self-efficacy, and emotion regulation. Each section will review key literature for better understanding of employees’ learning from project successes and failures in the workplace.

**Propositions**

**Reflection for Learning**

Reflection is a key process for turning experiences of successes and failures into learning. Reflection, in the context of learning, is defined as “a generic term for those intellectual and affective activities in which individuals engage to explore their experiences in order to lead to new understandings and appreciations” (Boud, 1985, p. 19). The importance of reflection in learning from successes and failures has been known since the early twentieth century. Reflective thought as a key learning process was first given importance and described by John Dewey in his book *How We Think*. Dewey (1933) described that

Reflection on negative experiences is a state of doubt, hesitation, perplexity, mental difficulty, in which [reflective thinking] originates, and … an act of searching, hunting, inquiring to find material that will resolve the doubt, settle and dispose of perplexity Reflection on positive experiences may stimulate a reappraisal of other tasks and planning of new experiences. (p. 12)

Reflection as a Core Process for Learning from Experiences

Learning from experience is cyclical in nature because it involves learners connecting what they have learned from current experiences to those in the past as well to possible future situations. Kolb (1984) conceptualized the cyclical nature of experiential learning and presented the experiential learning cycle model based on Lewin’s problem-solving model of action research and laboratory training, Dewey’s model of learning, and Piaget’s model of learning and cognitive development (see Figure 2). The experiential learning model is composed of four stages: concrete experience; observations and reflections; formation of abstract concepts and generalization; and testing implications of concepts in new situations.

Figure 2: The Kolb’s Experiential Learning Model
(also known as the Lewinian Experiential Learning Model)

Kolb (1984) integrated “feedback” (in Lewin’s model), “judgment” (in Dewey’s model), and “internalized reflection” (in Piaget’s model), and conceptualized them as “observation and reflection” in the experiential learning model. He indicated that the process of observation and reflection was critical to the cyclic experiential learning process because it enabled learners to view their current experiences from a variety of perspectives. Criticisms of Kolb’s experiential learning approach converge on two fronts: 1) the lack of empirical validation of the learning styles inventory (LSI), and 2) theoretical limitations (Kayes, 2002).
First, the self-referential nature of ipsative measures of the LSI instrument presents problems with using factor analysis to determine internal construct validity and inflates internal reliability, but recent research indicates that updates of the LSI instrument have addressed many of the concerns (Kayes, 2002; Kolb, 1981). From a theoretical perspective, critiques on social, psychodynamic, and institutional aspects of the experiential learning theory converge into a single problem: failure to adequately account for the relationship between social and personal learning. Despite the fact that Kolb’s experiential learning cycle model is useful for understanding an individual's learning from experiences, the problem of a lack of inclusion of sociocultural aspects in Kolb’s experiential learning theory continues (Kayes, 2002).

Boud (1985) argued that Kolb’s experiential learning cycle model paid insufficient attention to the process of reflection. He claimed that “while his [Kolb's] scheme has been useful in assisting us in planning learning activities and in helping us to check simply that learners can be effectively engaged, it does not help ... to uncover the elements of reflection itself” (Boud, 1985, p. 13), and he presented a model of reflection in the learning process (see Figure 3).

**Figure 3. A Model of Reflection in the Learning Process**

![Reflection Model](image)


As depicted in the model, the reflective process provides a strong link between experience and outcome. Specifically, the reflection process has three stages: 1) returning to and replaying the experience, 2) attending to the feelings that the experience provoked, and 3) reevaluating the experience. The experience component contains three elements: the totality of experiences of learners; the behaviors in which they aware and engage in; and the feelings they have experienced. Those reciprocal processes between experience and reflective processes result in outcomes of reflection, which may be new knowledge, new personal standards, new emotion, or another activity. It is noteworthy that the model includes the emotional factors.

While arguing that Kolb’s experiential learning model was too simplistic to explain the complex phenomenon of learning from experience, Jarvis expanded on the work of Kolb and presented a model of the learning process (Jarvis, 1987a, 1987b) (see Figure 4).
Based on the assumption that individual differences in interpretation of a situation come with learners’ actions of reflection, Jarvis (1987a) described those individual differences in responses to a situation as nine routes into three levels: non-learning, non-reflective learning, and reflective learning.

In the non-learning level, presumption route, non-consideration route, and rejection route do not result in learning. Non-reflective learning results in a small amount of learning. Reflective learning calls for a learner’s proactive involvement in the learning processes (Jarvis, 1987a). Each level of learning is summarized in Table 1. In short, learners from the same social environment learn from experiences differently with according to their reflective process.
Table 1: Summary of Jarvis’s Levels of Learning

<table>
<thead>
<tr>
<th>Learning Level</th>
<th>Routes</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1: Non-learning</td>
<td>1. Presumption (boxes 1-4)</td>
<td>When a person reacts through mechanical response or a presumption that what has previously worked will work again.</td>
</tr>
<tr>
<td></td>
<td>2. Non-consideration (boxes 1-4)</td>
<td>When a person does not responding to a potential learning situation.</td>
</tr>
<tr>
<td></td>
<td>3. Rejection (boxes 1-3 to 7 to 9)</td>
<td>When a person consciously chooses to reject the opportunity to learn.</td>
</tr>
<tr>
<td></td>
<td>4. Pre-conscious (boxes 1-3 to 6 to either 4 or 9)</td>
<td>When a person has experiences in daily living that are not really thought about.</td>
</tr>
<tr>
<td>Level 2: Non-reflective learning</td>
<td>5. Practice (boxes 1-3 to 5 to 8 to 6 either 4 or 9)</td>
<td>When a person practices a new skill until it is learned (e.g. physical skill or acquisition of a language).</td>
</tr>
<tr>
<td></td>
<td>6. Memorization (boxes 1-3 to 6 and possibly 8 to 6 and either to 4 or 9)</td>
<td>When a person acquires presented information and reproduces it at a later time.</td>
</tr>
<tr>
<td>Level 3: Reflective learning</td>
<td>7. Contemplation (boxes 1-3 to 7 to 8 to 6 to 9)</td>
<td>When a person thinks about what is being learned.</td>
</tr>
<tr>
<td></td>
<td>8. Reflective practice (boxes 1-3 (to 5) to 7 to 5 to 6 to 9)</td>
<td>When there is reflection prior to an action and during the action (e.g. problem solving).</td>
</tr>
<tr>
<td></td>
<td>9. Experiential learning (boxes 1-3 to 7 to 5 to 7 to 8 to 6 to 9)</td>
<td>When there is actual experimenting on one’s environment. It is postulated to learn pragmatic knowledge.</td>
</tr>
</tbody>
</table>


Argyris and Schön (1977; 1978) referred to reflection-in-action as the learning process required to challenge implicit and tacit knowledge or underlying assumptions. This learning is labeled as “double-loop learning,” learning that does not fit the learner’s prior experiences or schema (Argyris, 1982). Generally, reflection-in-action requires learners to change their mental schema in a fundamental way. Meanwhile, Schön (Schön, 1983, 1987) explained that “knowing-in-action” refers to the automatic responses based on existing mental schema that enables us to perform efficiently in daily action, and it is compatible with “single-loop learning” (p. 59). Argyris and Schön introduced model I and model II theories-in-use and present characteristics of each model (Argyris, 1999) (see Table 2).
Table 2: Model I and Model II in Theory-in-Use

<table>
<thead>
<tr>
<th>Theory-in-use</th>
<th>Model I</th>
<th>Model II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governing Variables</td>
<td>• Achieve the purpose as the actor defined it</td>
<td>• Valid information</td>
</tr>
<tr>
<td></td>
<td>• Win, do not lose</td>
<td>• Free and informed choice</td>
</tr>
<tr>
<td></td>
<td>• Suppress negative feelings</td>
<td>• Internal commitment</td>
</tr>
<tr>
<td></td>
<td>• Emphasize rationality</td>
<td></td>
</tr>
<tr>
<td>Strategies include:</td>
<td>• Control environment and task unilaterally</td>
<td>• Shared control</td>
</tr>
<tr>
<td></td>
<td>• Protect self and others unilaterally</td>
<td>• Participation in design and implementation of action</td>
</tr>
<tr>
<td>Operationalized by:</td>
<td>• Unillustrated attribution and evaluations (e.g. “You seem unmotivated)</td>
<td>• Attribution and evaluation illustrated with relatively directly observable data</td>
</tr>
<tr>
<td></td>
<td>• Advocating course of action which discourage inquiry (e.g. “Let’s not talk about the past, that’s over)</td>
<td>• Surfacing conflicting view</td>
</tr>
<tr>
<td></td>
<td>• Treating one’s own views as obviously correct</td>
<td>• Encouraging public testing of evaluations</td>
</tr>
<tr>
<td></td>
<td>• Making covert attributions and evaluations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Face-saving moves such as leaving potentially embarrassing facts unstated</td>
<td></td>
</tr>
<tr>
<td>Consequences should include:</td>
<td>• Defensive relationships</td>
<td>• Minimally defensive relationships</td>
</tr>
<tr>
<td></td>
<td>• Low freedom of choice</td>
<td>• High freedom of choice</td>
</tr>
<tr>
<td></td>
<td>• Reduced production of valid information</td>
<td>• Increased likelihood of “double-loop learning”</td>
</tr>
<tr>
<td></td>
<td>• Little public testing of ideas</td>
<td></td>
</tr>
</tbody>
</table>


According to the theories-in-use, people learn and change their strategies of action or the underlying assumptions which are framed or changed by situation according to the quality of reflection (Argyris, 1999).

Though everybody can learn through reflection, professionals – e.g., scientists, engineers, managers, teachers, physicians, and nurses – learn and develop throughout reflection processes during and after experiencing events more effectively (Schön, 1983). Like John Dewey, Schön stressed the importance of reflective thought as a critical process for learning from experiences, especially for professionals.
Schön (1983) argued that professionals acquire and reframe their knowledge by practicing reflections rather than by applying well-established scientific theories and techniques. He claims that a professional’s reflection can serve as a corrective to learning:

Through reflection, he [a professional] can surface and criticize the tacit understandings that have grown up around the repetitive experiences of a specialized practice, and can make new sense of the situations of uncertainty or uniqueness which he may allow himself to experience. (Schön, 1983, p. 61)

According to Schön, reflective practice is the capacity to reflect in- and on-action so as to engage in a process of continuous learning (Schön, 1983). Schön differentiated reflective practices in more detail. There are two types of reflective practices: reflection-in-action and reflection-on-action. Reflection-in-action occurs during a situation, while reflection-on-action occurs after the situation (Schön, 1987).

In summary, reflection is a core process in learning from experience. Employees, in particular professionals, learn from experiences through reflection processes during and after experiencing events.

**Proposition 1:** Employees with a high capacity for reflection learn better from experiences of successes and failures than those with a low capacity for reflection during an event (reflection-in-action).

**Proposition 2:** Employees with a high capacity for reflection learn better from experiences of successes and failures than those with a low capacity for reflection after an event (reflection-on-action).

**Psychological Safety**

All learning is essentially oriented to the individual. However, teams, groups, and organizations can increase their collective knowledge and develop new approaches for solving problems at the workplace (Rothwell et al., 1999). Werner and DeSimone’s (2009, p. 36) model of employee behavior depicts the relationship between employees and their social environment in the workplace (see Figure 4). In the workplace, employees’ interactions are significantly influenced by their supervisor, coworkers, and organizations (Werner & DeSimone, 2009). Supervisors, coworkers, and organizations can support or impede learning in the workplace (Rothwell et al., 1999; Werner & DeSimone, 2009). For example, the quality of relationships with managers and coworkers significantly influences new employees’ socialization process, especially in learning organizational norms and underlying assumptions (Korte, 2008, 2009). As such, employees’ learning is highly influenced by their social environments.
Boud and Walker (1990) believed that it is necessary for employees to use their interaction with their social environment to learn from experiences through reflection. They suggest two ways of reflection: noticing and intervening. Noticing is being aware of a social environment, and intervening is taking an initiative to act. Employees can learn through manager’s intervening in reflection process through mentoring or coaching practices (Boud & Walker, 1990; Ellinger, 1997).

Among the various sociocultural factors in the workplace, psychological safety seems most relevant for learning from experiences of successes and failures because it highly correlates with employees’ learning behavior (Edmondson, 1999, 2004; Edmondson & Moingeon, 1998) and relationship quality with supervisors and coworkers (Kim, 2007). According to Edmondson (1999), employees’ learning behaviors mediate between psychological safety and performance and are complemented by self-efficacy. Kim (2007) suggested that the quality of relationships with supervisors and coworkers increased psychological safety and thus increased employees' creativity and performance. Therefore, the author propose psychological safety as an alternative construct to social support because it is more direct.

Proposition 3: Employees with high perceived psychological safety learn better from experiences of successes and failures than those with low perceived psychological safety.

Self-Efficacy

Bandura viewed people as self-organizing, proactive, self-reflecting, and self-regulating beings, rather than reacting to environmental forces or driven by impulsive inner stimuli (Bandura, 1977, 1986; Pajares, 2002). Bandura (1986) emphasized the human capability for self-reflection this way:
If there is any characteristic that is distinctively human, it is the capability for reflective self-consciousness. This enables people to analyze their experiences and to think about their own thought processes. By reflecting on their varied experiences and on what they know, they can derive generic knowledge about themselves and the world around them. People not only gain understanding through reflection, they evaluate and alter their own thinking. In verifying thought through self-reflective means, they monitor their ideas, act on them or predict occurrences from them, judge the adequacy of their thought from the results, and change them accordingly. (p.21)

Bandura also confirmed that people can make sense of their experiences, explore their own cognitions and self-beliefs, engage in self-evaluation, and alter their thoughts and actions accordingly through self-reflection processes. He indicated that the role of self-efficacy in human function is that “people’s level of motivation, affective states, and actions are based more on what they believe than on what is objectively true” (Bandura, 1986, p. 2). Thus, self-efficacy is a critical determinant of outcome. According to Shepherd et al. (2009), the relationship between social environment (social support) and learning from experiences is mediated by self-efficacy. They remark that “social support only builds self-efficacy, but self-efficacy can build social support” (Shepherd et al., 2009, p. 595). Specifically, Bandura (1986) suggested four sources of self-efficacy: enactive attainment, vicarious experience, verbal persuasion, and physiological state. In particular, enactive attainment (meaning mastery or experience – in this article, the outcome of a project) is the most important factor in deciding a person’s self-efficacy. Efficacy information from various sources goes through a metacognitive reflection process (Bandura, 1986). Self-efficacy, then, influences outcomes of a project, and project outcomes influence self-efficacy.

Although the original conceptual model presents two outcomes (learning from failure and commitment to an entrepreneurial project), the author argues that the project outcome should be considered because learning outcome and project outcome are not always congruent, as demonstrated in Nelson’s (2005) investigation on IT projects. The final project outcome is generally delivered in formal performance appraisal documents (Mitchell, 2010). Then employees conduct a reflection-on-action process to interpret the outcome. In contrast, the outcome of learning from experiences is informally delivered to employees in the workplace through verbal communication or the emotion displayed by their supervisor or coworkers during a project (Brundin, Patzelt, & Shepherd, 2008).

**Proposition 4:** Employees' self-efficacy influences the outcome of learning from experience through reflection-in-action.

**Proposition 5:** Employees' self-efficacy is influenced by project outcomes through reflection-on-action.

### Emotion Regulation

Boud and his colleagues (Boud, 1985; Boud, Keogh, & Walker, 1985; Boud & Miller, 1996) particularly stressed the importance of managing emotion in learning from experiences because they believed the failure to manage emotion commonly resulted in a lack of learning from experiences.

Emotions arise when something important to us is at stake (Gross, 2002). The importance of an event is not automatically defined but comes from a comparison with a personal standard (Bandura, 1991) or (Goffman, 1974). According to Bandura (1991), people judge an event according to their personal

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1 Metacognition refers to one’s awareness of thinking and the self-regulatory behavior that accompanies this awareness (Flavell, 1979).
standards, social referential comparisons, valuation of activities, and perceived performance determinants. For individuals, personal standards for judging and guiding one’s actions play a major role in emotion arousal (Bandura, 1986). When an employee experiences an event, he or she is not free from the frame inside his/her mind. A frame consists of a schema of interpretation – that is, a collection of anecdotes and stereotypes of people that individuals rely on to understand and respond to an event (Goffman, 1974). Thus, emotions arise by comparing an event with personal standards that are already framed by previous experience.

According to Gross, emotions can be controlled and regulated through a generative process that is composed of five points: 1) selection of the situation; 2) modification of the situation; 3) deployment of attention; 4) change of cognition; and 5) modulation of experiential, behavioral, or physiological responses (Gross, 2001, 2002, 2007). The first four are antecedent-focused emotion regulation strategies, occurring before an emotion has become completely active. The fifth is response-focused, taking place after an emotion is already underway.

The selection of the situation basically refers to approaching or avoiding certain people, places, or things so as to regulate emotions. Next, modification of the situation involves altering the situation after it has been selected. Third, deployment of attention is used to select which of the many aspects of the situation a person focuses on. Once a person has focused on a particular aspect of the situation, change of cognition refers to selecting which of the many possible meanings he or she will attach to that aspect (Gross, 2002).

In contrast to anticipating emotion and acting preemptively to control it, response modulation occurs after an emotional response has taken place. There are two ways that a person can engage in response-focused emotion regulation. Response modulation refers to attempts to influence emotion response tendencies (Boss & Sims Jr, 2008; Gross, 2002). Although there are many different ways a person can go about regulating emotion, Gross (2001, 2002; 2007) focuses on two emotion regulation strategies: reappraisal and suppression. Reappraisal, which is a type of cognitive change, and thus an antecedent-focused emotion regulation strategy, is defined as “construing a potentially emotion-eliciting situation in non-emotional terms”; suppression is defined as “inhibiting ongoing emotion-expressive behavior” (Gross, 2002, p. 283).

Applying different emotion regulation strategies results in different consequences in affective, cognitive, and social domains (Gross, 2001, 2002, 2007). Reappraisal decreases behavioral expression and emotion experience without any impact on memory. By contrast, suppression decreases behavioral expression but fails to decrease emotion experience and actually impairs memory. In addition, suppression decreases the quality of social interaction (Gross, 2002). For example, people who have utilized suppression have been shown to exhibit a lack of concern or interest in conversations and a lack of responsiveness. From these facts, the reappraisal emotion regulation strategy seems better than suppression in learning from experiences of successes and failures in the workplace.

**Proposition 6:** Employees who apply the reappraisal emotion regulation strategy learn better from experiences of successes and failures than those who apply suppression strategy.

In regard to self-efficacy, physiological state seems most relevant to emotion regulation. Somatic and emotional states such as anxiety, stress, arousal, and mood provide information about self-efficacy (Bandura, 1986; Pajares, 2002). Strong emotional reactions to an event provide cues about the anticipated success or failure of the outcome (Pajares, 2002). For example, when an employee experiences negative thoughts and fears about his or her capabilities, those emotional reactions decrease his or her self-efficacy and trigger additional stress and agitation, which helps ensure the inadequate
performance he or she anticipates. As Boss proposes, emotion regulation mediates between an event and self-efficacy (Boss & Sims Jr, 2008).

**Proposition 7:** Employees who apply reappraisal emotion regulation strategy are likely to have higher self-efficacy than those who apply suppression strategy.

Figure 6 summarizes the various propositions and depicts the relationship posited in propositions 1 to 7.

**Figure 6: A conceptual model of learning from project successes and failures**

![Figure 6: A conceptual model of learning from project successes and failures](image)

**Discussion**

The author argues that Shepherd et al.’s model (2009) needs to 1) include reflection processes, 2) separate self-efficacy from emotion regulation, 3) use psychological safety instead of social support, and 4) add project outcome in order to understand employees’ learning from experiences of successes and failures in corporate entrepreneurial projects in the workplace. This article seeks links among reflection processes, self-efficacy, psychological safety, emotion regulation, and employees' learning from project successes and failures.

Let’s assume two employees, Abe and Bill, are involved in a new product development project. Abe frequently applies reappraisal emotion regulation strategy with high capacity for reflection. Abe thinks his project manager and coworkers provide psychologically safe work environments. Bill applies suppression emotion regulation strategy. Bill does not reflect on his work, and he thinks his workplace does not provide a psychologically safe work environment. They are both confident in their capabilities regarding the new project. One day, a project manager of new product development gets a significant quality claim from a customer about a newly launched product developed by Abe and Bill. The project manager requests a solution for the problem in a week, and Abe and Bill return to their cubicles. Comparing this problem to their personal standards set by previous experiences with similar problems, Abe and Bill feel that the problem is a significant one that it cannot be solved in a week.

Abe changes his thoughts to “I did well on similar problems before, and I can make it” [Proposition 7], while Bill suppresses his anxiety of the given task. Abe starts searching for old drawings and studies them to find differences with the new product, but Bill still struggles with his emotions [Proposition 6]. Abe reviews his personal journals for the project and finds out that there was a material change a few weeks ago [Proposition 1]. Abe reports his findings to the manager immediately because he believes the project manager will support his idea [Proposition 3]. Bill starts reviewing officially released drawings in the knowledge management system, since he didn't write down his reflections. Bill does not request any help from the project manager because he anticipates blame from the project manager [Propositions 1 and 3].
Although there is significant time pressure, Abe believes he is capable of finding a solution. Abe never stops researching on the problem, and finally he discovers a solution. Because of Abe’s creative idea, the new [Proposition 3] product can be delivered to customers again. Abe gets a good performance appraisal for the project, and his self-belief in learning increases [Proposition 2, 4, and 5]. In addition, Abe becomes more confident in the project manager’s fairness when he sees a performance appraisal sheet. However, Bill does not make any contribution to the project, and he gets a bad performance appraisal sheet. Bill becomes angry and loses his confidence in the project manager, attributing his poor performance to the project manager’s unsupportive reactions [Proposition 2, 3 and 5].

Implication for Theory

This article has several important theoretical implications for theory. First, the author proposes that reflection processes need to be considered in the literature of learning from successes or failures. Reflection is a core process which enables shaping a cyclic process for learning from experiences (Boud, 1985; Jarvis, 1987a; Kolb, 1984). However, the cyclic nature of this learning is hardly addressed in the literature (Boss, 2010; Boss & Sims Jr, 2008; Shepherd, 2003; Shepherd & Cardon, 2009; Shepherd et al., 2009; Shepherd & Kuratko, 2009; Sitkin, 1992). Cyclic processes are formulated in the new conceptual model by adding reflection processes and separating learning from the project outcome. Especially adding the reflection-on-action component in the proposed model constructs a solid and complete reciprocal model of learning from successes and failures at the workplace.

Second, the author proposes that the learning from project successes and failures are constructed by employees’ personal standards and application of emotion regulation strategies through the reflection process. In addition, the author suggests that project successes and failures should be considered simultaneously, even though many researchers focus on learning from failures, because corporate entrepreneurial projects might have two objectives: learning (searching for new opportunities) and financial outcome (Kuratko, 2010). In many cases, a failed project gives employees to acquire successful learning.

Implication for Practice

This article also provides several practical implications for management. First, organizations can improve employee’s learning from successes and failure through increasing employee’s self-efficacy by providing reflective and psychologically safe messages during and after a corporate entrepreneurial project. Although organizations nurture psychologically safe environment support through “self-help group” or “rituals for celebrating failures” to promote employee’s entrepreneurial behaviors (Shepherd & Kuratko, 2009, pp. 455-456), employee’s self-efficacy is mainly modified through reflection processes rather than those practices (Bandura, 1986; Schön, 1983, 1987). Therefore, management needs to encourage employees to practice reflections through daily communication, coaching and mentoring, and performance appraisals.

Second, organizations can increase employees’ learning from project successes and failures in the workplace through providing training and development opportunities for employees to have the skills of re-appraisal emotion regulation strategy. Although a number of large organizations supply employee assistance programs (EAP), employee wellness programs (EWPs) or health promotion programs (HPPs) to address employees’ emotional problems (Werner & DeSimone, 2009), training or development programs for improving employee’s emotion regulation capabilities seems rare in many small-medium size organizations. On the other hand, management has accepted and used the emotional intelligence concept to improve employee’s emotion management capabilities (Brooks & Nafukho, 2006; Carmeli, 2003; Clarke, 2006; Landen, 2002; Weisinger, 1997). But, the emotion intelligence (E.I.) has a limitation in training employees to have a skill of emotion regulation because it focuses on providing
emotion knowledge rather than regulating the emotion (Gross, 2007). Knowing one’s emotion does not mean to have a capability of regulating one’s emotion because knowing what to do is not enough to take actions (Pfeffer & Sutton, 2000). In this sense, management needs to develop emotion regulation training programs and apply them for the purpose of increasing the learning capability of employees from project successes and failures.

**Future Research**

The author proposes the psychological safety as a sociocultural factor for learning from project successes and failures in the workplace. However, emotion display is another significant sociocultural factor that may have a significant influence on learning from successes and failures in the workplace (Brundin et al., 2008; Landen, 2002). According to Brundin, et al (2008), manager’s emotion display significantly influence an employee’s entrepreneurial willingness and behaviors. The author anticipates that emotion display of manager or coworkers would influence the capacity of reflection and self-efficacy. Including the emotion display as a sociocultural component in the proposed model of this study will be an immediate future study.

Employee’s learning orientations may be another important factor in learning from project successes and failures (Calantone, Cavusgil, & Zhao, 2002; Gong, Huang, & Farh, 2009; Wang, 2008). Specifically, a study may determine that there is a strong correlation between employee learning orientation which is mediated by employee’s self-efficacy and innovation performance (Gong et al., 2009). Integrating individual differences in learning orientation and emotion regulation may generate new knowledge and understanding about employee’s learning from project successes and failures.

Further research continues investigating relevancies and effects of emotion display and learning orientation in the process of learning from experiences of project successes and failures in the workplace.

**Conclusion**

In today’s competitive environment, virtually all organizations – major corporations, startups, strategic alliances among global partners – search for opportunities to exploit new products, new services, and new processes within the organization through conducting and supporting corporate entrepreneurial projects. These experimental projects can be successful or turned into failure. Learning from the experiences of project successes and failures has received special attention. Most literature addresses this issue from the perspectives of emotional or sociocultural aspect.

Shepherd (2009) integrated emotional and sociocultural factors in learning from corporate entrepreneurial project successes and failures, and proposed a conceptual model. However, Shepherd’s model does not sufficiently address the reflection in the full process of learning from success and failures.

Reflection processes are identified as critical components in cyclic experiential learning processes (Boud, 1985; Dewey, 1933; Jarvis, 1987a; Kolb, 1984). Especially, reflection-in and-on-action practices are important to encourage employee’s learning from experiences (Argyris & Schön, 1974; Schön, 1983). Employees with a high capacity for reflection can learn better and perform better in the workplace through challenging personal standards, implicit and tacit knowledge, and underlying assumptions (Argyris, 2002; Argyris & Schön, 1974; Bandura, 1986).

This study proposes that employee’s self-efficacy influences an employee’s learning from project successes and failures via reflection-in-action process, and the learning can be modified by project outcomes through reflection-on-action process. Applying different emotion regulation strategies levels
self-efficacy and mediates an event (e.g. project success or failure) and self-efficacy (Boss & Sims Jr, 2008).

This study proposes the psychological safety as a sociocultural factor in the process of learning from project successes and failure because the psychological safety represents a more direct relationship quality than social supports (Edmondson, 1999; Kim, 2007). Employees with high-perceived psychological safety in the workplace may learn better from project successes and failures.

The author proposes a new conceptual model of learning from project successes and failures. The proposed model will be beneficial for researchers and practitioners of management field of study because it depicts solid and complete relationships among emotional and sociocultural components in the process of learning from project successes and failures.
References


The Yelp Effect:
Impact of Online Reputation in the Digital Era

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Abstract

In today’s mobile and digital world, where consumers have access to a wealth of information, in addition to entertainment, retail options, and many other novelties right in the palm of their hands, businesses cannot ignore the importance of reaching consumers through these digital media. In particular, the influence of Yelp, the online review site founded a decade ago, has been found to have statistically significant impact on business revenue in several economic analyses. This article reviews the literature on Yelp’s impact on small businesses and contains preliminary findings from the beginning of an exploratory survey study of small business owners and entrepreneurs in the urban communities of Jersey City and Hoboken, a growing urban area right outside New York City. In the sample of 50 businesses surveyed thus far, many owners are heavily emphasizing their businesses’ online presence and promotion, keeping a close watch on online reviews of their businesses particularly Yelp, and using social media like Facebook, Twitter and Instagram to engage customers. A small group of owners in the sample report they place little importance on online reviews and broader digital media. Variables such as neighborhood, owner’s age and personality, socio-economics and longevity of the business, influence the level of online usage by owners.

Keywords: Digital media, online reviews, Yelp, urban entrepreneurship, social media, small business

Introduction

Entrepreneurs and small business owners today face a myriad of challenges from scarce capital to high rents and taxes to competition from big box corporations with cheaper products. Picture a local mom and pop hardware store competing with Lowe’s, Home Depot and Walmart, all within a 2-mile radius. A local pizza shop may have thirty or more direct competitors within the same radius, including corporate giants like Domino’s, Pizza Hut and Papa John’s, who are vying for customers. In order to survive and thrive, these small businesses need to take advantage of whatever small geographic advantage they have in terms of proximity to neighborhoods, customers and public transportation routes. They should also do everything possible to build customer loyalty and word of mouth recommendations, to retain customers and bring in new revenue streams. More and more small businesses are looking to the digital arena for ways to promote their businesses and brands and reach and engage with consumers. From maintaining a robust webpage, to interacting with consumers on social media like Facebook and Twitter to creating content for blogs and YouTube, to being constantly aware of one’s online reputation, managing these digital spaces can be very challenging, especially for very small businesses (Brooks, Heffner and Henderson 2014). One phenomenon that is growing in influence and proliferating as a result of the growth of digital and mobile consumption is online review sites, such as Yelp. One need only look up the name of a restaurant or bar on any search engine, and right away that business’s rating on
Yelp may show up at the top of the Google or Yahoo search, affecting perceptions of all potential customers who seek information online or on their smartphones and tablets.

The purpose of this paper is to review the limited research on the influence of online reviews, particularly Yelp, on small businesses in different sectors, and to analyze preliminary findings from a survey of local businesses in the Jersey City and Hoboken urban area. The survey examines owner perceptions of the internet and online and mobile strategies in general, and more specifically the importance of Yelp and online ratings to their customers and their business and how businesses are interacting with customers and the review sites. The paper includes anecdotal observations and recommendations by some of the business owners in the sample in terms of lessons learned in using social media and responding to online reviews.

Several notable studies have been conducted recently on the impact of Yelp on businesses. Two of these studies affirm and quantify the impact Yelp has in driving customers to make purchases and reservations at restaurants in the Seattle and San Francisco urban areas (Magruder 2012; Luca 2011), which will be discussed in detail in the Literature Review. The study described in this paper includes fifty very small businesses, most with fewer than 10 employees, across industries on the east coast in the cities of Jersey City and Hoboken, which reside across the Hudson River from New York City. This paper will explore previous findings and extend the geographic areas already examined and also incorporate related variables and owners’ perceptions of Yelp and online reviews, to assess the current situation in a growing urban area that is rapidly being recognized as a “foodie” destination (Pace 2013) and that hopes to be one of the top mid-sized cities in America (Kusisto 2014).

The Rise of Yelp and the Move to Digital Word of Mouth

Word of mouth marketing and referrals are nothing new, and there are many studies on the nature of consumer decision-making and the influence of word of mouth (Ellison and Fudenburg 1995; Dellarocas 2003), where consumers look to friends and family for advice on purchase decisions. Today, as Lois Geller of Forbes (Geller 2013, p. 3) put it, review sites like Yelp and Angie’s List are “word of mouth on steroids.” The combination of the internet and the power of mobile apps like Yelp, in the hands of millions of smartphone users in addition to GPS targeting, allows for higher efficiency and immediate relevancy of the ratings to users. For example if a user clicks on the Yelp app in a certain neighborhood and searches for Chinese food, within seconds, Yelp will display the closest restaurants that have been “vetted” by Yelp users, which can have a direct influence on choice of restaurant. Many business owners display Yelp-branded stickers on their storefronts, indicating their popularity on the site and also in a sense validating the legitimacy of Yelp ratings to an extent. Owners can also pay for advertising on Yelp’s website and mobile app, and add information to their own business pages for users to access.

Yelp was created in 2004 out of a business incubator with the original idea of friends being able to get recommendations from others on businesses via email, but later evolved to be a social-sharing site with the growth in popularity of social media (Hendricks 2013). Yelp quickly dominated and overtook other players that were already competing in this market like Citysearch and Yahoo Local, which some researchers attribute to Yelp’s ability to attract reviewers by creating a community and rewarding top Yelpers with “elite” status Wang (2010). In less than a decade, the site has grown to a multinational company, expanding into Latin America, Europe and Asia, with an average monthly usage of 132 million unique visitors in Q1 2014 (“Yelp earnings” Trefis 2014) and over 57 million local reviews, making Yelp the leading local guide for real word-of-mouth on everything from boutiques and mechanics to restaurants and dentists. Approximately 61 million unique visitors visited Yelp via their mobile device on a monthly average basis during Q1 2014 (Yelp Press Page 2014). The types of businesses reviewed on Yelp include retail stores and consumer product stores, restaurants, fitness, auto, entertainment, travel and health providers, and the following graphic illustrates the breakdown.
One driver of Yelp’s growth was a group of super users it created called The Yelp Elite, which is a small group of frequent users who have their reviews designated as elite, conveying reliability, and also benefit members with exclusive party and event invites (Wang 2010). For businesses who do not yet have a presence on Yelp, they can set up a profile and add photos and menus, and also provide directions to interested customers, which can attract new customers and reviewers (Hendricks 2013).

Not everyone, however, is elated at Yelp’s rapid growth and influence, and there are many lawsuits, complaints and broad discontent with the company, the filtering system for user reviews and accusations of fraudulent posts. There are nearly 1,500 formal complaints against Yelp that have been closed with the Better Business Bureau and over 2000 complaints pending with the Federal Trade Commission (Loten 2014). Initial survey findings provide anecdotal evidence that some local business owners believe their competitors have posted fraudulent negative reviews against them. Others believe many legitimate good reviews are hidden in Yelp’s filtering system, and not calculated into overall Yelp ratings nor readily visible to users. This paper seeks to collect primary data from local business owners in an urban area to analyze owners’ perceptions of Yelp and later use empirical data to assess the impact of Yelp reviews on customer decision-making.

**Literature Review**

In this broad body of literature, a principal research question that is often addressed is whether online reviews like Yelp reviews or Amazon.com reviews, are replacing other variables or decision drivers or if they are complementing other information searches in the consumer purchase process. In fact, they quickly becoming one of the principal sources of word of mouth marketing, and customers increasingly trust online reviews from sites like Yelp, even though they may not know anyone who is posting the content of the reviews (Greenberg 2010). Other studies look at the accuracy of reviews and the mathematical formulas calculating the reported review scores on Yelp, TripAdvisor and other sites (Dai...
et al. 2012), finding that a significant percentage of reviews are not legitimate. This is why sites like Yelp and Google have incorporated filtering systems to try to weed out suspected reviews using proprietary algorithms to identify them.

In a 2006 study, (Chevalier and Mayzlin) researchers examined the relationship between a book’s customer reviews and its sales rank on Amazon and Barnes and Noble online sites and determined that an improvement in a book’s reviews leads to an increase in relative sales at that site. They also found that for most samples in the study, the impact of one-star reviews or negative reviews is greater than the impact of five-star reviews, and that the content within the reviews tend to have more of an influence on customer purchase decision than simply the numerical score of the rating. This is a significant finding for small businesses because some bad reviews bringing down average rating may really hurt sales, even if the views expressed are not those of the majority. In other a few disgruntled customers who take to the web to express their dissatisfaction, is something owners should be concerned about.

A study focusing on the movie industry and professional reviewers like Siskel and Ebert (Reinstein and Snyder 2005), found that consumer purchase of experience goods, meaning goods for which the quality is uncertain prior to consumption, are influenced by expert reviews. They controlled for co-linearity between high demand and positive reviews, and found that for certain categories of movies, positive expert reviews had a more statistically significant impact. The era when professional film critics and food critics held all the power in rating the latest movie or restaurant has changed in the past few years, and common individuals now have the power to have their voices heard in the world of social sharing and online reviews.

Specifically looking at Yelp, there have been two significant recent studies from Harvard and UC Berkeley that have found that Yelp ratings have a statistically significant impact on reservations and sales on restaurants in the Seattle and San Francisco, where the studies were done. The Harvard Business Review study (Luca 2011) found that a restaurant’s average rating on Yelp has a large impact on revenue - a one-star increase correlates to a 5-9 percent increase in revenue for independent restaurants in Seattle. The Berkeley study that looks at data from San Francisco, CA (Anderson and Magruder 2012) found that an extra half-star rating on Yelp causes restaurants to sell out 19 percentage points (49%) more frequently, with more significant impacts when alternate sources of information are less available. Interestingly both studies were able to establish causality by comparing similar businesses with very close Yelp scores in terms of exact number, but due to Yelp’s estimating rules, a restaurant with 4.49 vs 4.51 stars would be displayed as having a half star difference, thus influencing perceptions of quality or desirability. These two cities in the studies, San Francisco and Seattle, have some commonalities in terms of young, urban population, high technology usage, much higher than average median income and high average education level, which may impact results, skewing towards higher than average usage of mobile apps and Yelp.

Another study by Byers et. al. (2012) looked specifically at the interaction between Yelp ratings and Groupon deals used by a business. Groupon deals and other online deals like Amazon Deals, Living Social and Yipit are becoming more commonly used by different types of firms, particularly service-oriented businesses, from restaurants to orthodontists to dance studios. The researchers found that businesses may suffer a decrease in their online reputation on Yelp after doing a Groupon deal due to the fact that Groupon users are statistically more likely to rate a business lower than a non-Groupon user, and that often the extra flood of customers taking advantages of a given deal can cause the product or service quality to go down, also influencing negative Yelp reviews. In addition to these challenges, the financial hit a business may experience due to the cost of heavily discounting for a Groupon deal in addition to large fee paid to Groupon deters some businesses from pursuing these digital deals to bring in customers.

For this article, the focus will be on Yelp ratings, and how local business owners in Jersey City and Hoboken areas perceive Yelp reviews and ratings to affect their businesses. The survey results also reveal if owners are aware of their own Yelp ratings and those of competitors’ and strategies they may have to actively manage online reputation. This will add a new geographic urban area to either confirm or diverge from the Seattle and San Francisco studies and some insight into small business owner perceptions of these digital word of mouth ratings. Jersey City provides an interesting case study, as it is officially the second largest city in New Jersey, according to census data, and growing rapidly in terms
of development, population and brand perception. Hoboken, with a population of over 50,000 according
to the last census, is also unique. It is the city known as the “Mile Square,” with around 4,900 small
businesses (City of Hoboken website 2007), rumored to have the most bars per capita in the United
States, and in 2013 named as “the most exciting small city in America, in a survey conducted by the
Movoto blog Zeitlinger (2013).

Research Design and Methodology

Based on existing studies and observations of people heavily using Yelp when trying new restaurants,
salons and other types of businesses, the broad hypothesis of this study is that online review sites and
particularly Yelp, do have an impact on small businesses in a variety of categories, such as restaurants,
bars and hair salons, but that the effect tends to vary depending on the product/service category and the
socio-economic status and age of target customers and the neighborhood. It is also possible that in
gentrifying urban neighborhoods and particularly for newer businesses, the lack of presence on digital
media and poor ratings on review sites, may more adversely affect small firms than in more traditional
areas with a more well-established, loyal customer base. The first phase of this study, which is
described in this paper, does not include revenue and sales data from owners or incorporate publicly
available financial data, focusing mainly on primary data gleaned from personal surveys of business
owners. In a later phase of this study when the sample size is large enough, regression models will build
in publicly available secondary data, such as financial information on businesses, and average and
median income, ethnic breakdown and education level in neighborhoods, in order to flesh out potential
relationships and correlations. The second phase will also examine available data on online reputation,
ratings, and social network presence, taken directly from the web.

The primary survey instrument for this study has 31 questions, and is administered in person at local
businesses and is also being distributed via email, Facebook and Twitter as a Survey Monkey link. The
survey includes several open-ended questions, and the researchers prefer face-to-face interviews because
they tend to elicit more robust responses to the open-ended questions. Chain stores and franchises will
be excluded from this study, since previous studies (Luca 2011) have found that the relationship
between Yelp scores and consumer behavior is less significant, and since many of these chains, such as
McDonalds, Domino’s, and Dunkin Donuts spend so much on advertising and branding, it would be
very difficult to isolate the impact of Yelp ratings on a stand-alone franchise to establish causality or
even a correlation.

Another unique contribution of this research project is that a team of student researchers will be
involved in the survey process and that small businesses will be asked if they would like to work with
business students from the university to help them develop, improve or maintain digital media strategies,
so this study contains an element of community action research, that the research team hopes will have a
positive socio-economic impact on the community (MacLeod 2014), even if only on a very small scale.
Student researchers are funded by a Title V grant for the summer to learn the research process and
contribute to the study.

Findings, Results and Analysis

To date, the team of researchers has collected 50 surveys from a variety businesses, including
restaurants, a shoe repair shop, florists, a dance studio, coffee shops, hair and nail salons, book stores,
real estate firms, and clothing and toy stores. The majority of the businesses surveyed (75 percent)
report that the web is an important part of their overall business strategy. An additional 75 percent of
respondents indicated they agree or strongly agree that online reviews influence customer decision-
making. However, the majority of these same businesses report they do not try to influence satisfied or
loyal customers to post their opinions on Yelp or other sites, though 30 percent responded that they do
encourage customers to post reviews on Yelp. Yelp strongly encourages businesses not to try to solicit
Yelp reviews, stating that it might damage the credibility of the reviews and hurt its business (Yelp
webpage). Some owners themselves said it would make them feel uncomfortable asking satisfied or
loyal customers to post a positive review on Yelp.
While several businesses say they pay some attention to their competitors’ ratings on Yelp (22%), most businesses said they do not bother to look at their competitors' reviews, even though they believe Yelp influences consumer buying. This is likely due to time constraints, since managing social media and online reviews can be very time-consuming and many small business owners are already very busy running the daily operations of their businesses. In addition, and again likely due to lack of time, more than 30% of businesses reported only checking their Yelp reviews rarely or never, though some of these same businesses said they agree that they have an effect on customers’ purchase decisions.

Figure 2: Survey Responses on Encouraging Customer Reviews, N=50

I encourage my customers to post positive Yelp reviews.

Figure 3: Survey Responses on Reading Competitors’ Yelp Reviews, N=50

I read Yelp reviews of my competitors.
Some anecdotal observations that will be further explored in this ongoing project include that in more affluent neighborhoods, more businesses have “People love us on Yelp” stickers in their windows, while these types of advertisements are less visible in more working-class neighborhoods. A brief review of several company websites revealed that while they have links to their Facebook, Twitter, Tumblr or other pages, they do not have a Yelp image on their websites. While not the main focus of this paper, many businesses that serve food, regardless of neighborhood are increasing the use of online delivery services like Delivery.com, Seamless, and GrubHub, allowing them to reach new customers and drive revenues through delivery orders. In one case, a business that has closed down since the time of our initial contact was heavily dependent on these delivery companies for the majority of its revenues. The restaurant was selling higher-end, healthy, higher priced food in a working class, immigrant neighborhood. While the walk-in business did not meet expectations, ultimately forcing the business to close, they were able to stay open for over a year through revenues driven by delivery services to other neighborhoods. Other restaurant owners reflected on both the pros and cons of these delivery services and also Open Table, a mobile app for dinner reservations. All of these services have their own reviews embedded into the apps/websites, so viewers can see the average rating overall plus individual comments by reviewers. These ratings sometimes vary significantly with the business’s Yelp rating, and these differences will be explored more in a future paper.

A few businesses in this study’s sample only became aware of the existence of Yelp after being contacted by Yelp to congratulate them on their good ratings on the site and asking the owners to put up the “People love us on Yelp” sticker in their windows, accompanied by the claim that this would be good for business. The author was surprised to see how some more traditional restaurants/diners have such a large and positive following on Yelp, while admittedly saying they do not spend any time on digital media at all. In the case of one diner, the author attributes his positive following to the business’s simplicity and focus on its long-held competitive advantage, offering high quality, low-cost food with no frills. The same owner does not read any reviews of his or competitors’ businesses, and in fact said he rarely uses a computer at all and does not have a smart device.

Figure 4: Survey Responses on Awareness of Business’s Own Yelp Reviews, N=50

![Pie chart](meta-chart.com)

Only a few respondents took the time to describe interactions with Yelp reviewers who had posted negative reviews that they believed were unfair, and these few owners were unhappy with their interactions with the Yelp reviewers. A statement on Yelp’s website geared towards small businesses gives direct advice to business owners on interacting with Yelp members and reviewers. The following
statement, which appears under the heading of “Responding to Reviewers,” demonstrates how the company Yelp wants to try to keep businesses from actively rewarding customers or Yelpers for reviews (Yelp webpage).

“When contacting a positive reviewer, your purpose should be simply to deliver a human thank you and let them know you care. That’s it. No gift certificates. No mailing lists. No event invites. No reactions to the minor complaint in their review. No requests for them to tell more friends about your business.

This may seem counter-intuitive, but just try to put yourself in the reviewer’s shoes and think about whether you would really want anything other than a simple thank you. While a gift or invitation sounds like a nice idea, it can also be misinterpreted as a bribe or payment for the review.”

This warning along with the statement on Yelp’s page about not soliciting reviews at all presents a problem in light of the findings by Luca (2011) and Magruder and Anderson (2012) that Yelp ratings directly influence sales and restaurant reservations. If this is the case, then owners might feel compelled to do what they feel is within reason to accumulate reviews, especially from loyal and satisfied customers. Several business owners expressed that they wished they had a higher number of Yelp reviews, though in most cases they were not actively soliciting them.

Another sentiment expressed by several of the owners, but that Yelp the company states is completely false, is that Yelp manipulates which reviews are filtered for businesses based on whether or not they are paying for Yelp advertising. In other words, there is the feeling out there that businesses need to pay up, if they want higher a higher average rating. The way the filtering system works is that Yelp “recommends” reviews from more frequent Yelp contributors, which helps minimize fraudulent reviews from affecting a business’s Yelp rating. Reviews that are not “recommended” can be accessed through a link on the bottom of a business’s page, but they do not affect the business’s overall rating or number of reviews. In direct response to the question if paid advertising affects Yelp ratings, the following text is posted on the Yelp website (Yelp for Business owners’ webpage):

“Our recommendation software treats advertisers and non-advertisers exactly the same. You’ll find plenty of Yelp advertisers with negative reviews, and plenty of non-advertisers with five-star ratings across the board. Furthermore, there is zero relationship between the timing of when a review gets recommended and when a business decides to — or declines to — advertise: reviews can be recommended or not recommended days, weeks, or even months after they were first posted, and your friendly Yelp sales representative doesn’t have any influence over when that might happen.

In short, there is no relationship between reviews and anything having to do with Yelp Ads or the Yelp Ads sales process. Period.”

While Yelp is clear on this, there are still many owners in this study’s survey pool and beyond, which can be seen in angry blog posts and articles all over the web, who believe Yelp’s filtering system is biased and unfair. Sites such as www.yelp-sucks.com, and numerous blogs air frustration with Yelp and some go so far as to equate semi-anonymous Yelp reviews with extortion Orsini (2013). However, Yelp has measures in place to try to address complaints and provide solutions to potential problems, including the creation of the Yelp Small Business Advisory Council (YSBAC) in 2010 to provide resources and seek input from small businesses around the country (Yelp Blog 2012).

Only one business in our survey sample thus far, an Asian restaurant, stated they are currently paying for Yelp advertising, and they weren’t sure about whether or not it was having an impact on business, though the owner did say she was satisfied with her business’s Yelp reviews. A few others, especially those businesses selling consumer products, said they prefer to spend digital advertising dollars on Google Ads, since they felt Google search has a much stronger impact on e-commerce and product decision-making for the types of products they sell than Yelp does. More than once, business owners stated that they thought Yelp was just for restaurants, though as mentioned earlier, 23% of Yelp reviews are for shopping products, while 20% are for restaurants so this is not an accurate perception (Yelp
website). In addition, salons, mechanics, dentists, hotels and many other categories of businesses are now found on Yelp, though many owners were not aware of this.

Though there has not been enough data collected to make any broad generalizations, it seems that there is a difference in level of digital media usage and importance attributed to Yelp reviews between service providers, like hair and nail salons, and more product-oriented businesses, particularly restaurants, with the latter paying the most attention to online reviews and reporting they believe Yelp ratings impact customer decision-making. There are major differences depending on how long the business has been opened, with newer businesses responding far more positively and in agreement that they value the web, social networks and review sites, verses older businesses generally being more neutral or less involved, though there are several exceptions to this. In some cases of the more established businesses that viewed digital media favorably, the person spearheading the social media and online reputation management efforts was a younger manager or employee and not the owner. Other variables that will be analyzed with a larger sample pool in the later phase of this study include age, gender and ethnicity of owner, and secondary data pulled from social media sites, including Yelp, Google and Facebook reviews.

**Conclusion and Recommendations**

Whether or not businesses are actively using digital media or engaging with customers online, most owners interviewed to date acknowledge that it does influence the environment and that consumers are looking at sites such as Yelp before making decisions. A small group of owners, usually whose businesses have been around for a long period of time, have reported that they do not like the movement towards digital media and prefer to do business in a more traditional manner, relying on face to face word of mouth and building loyalty over time. Many from this group expressed frustration that dissatisfied customers air their grievances online in a very public forum like Yelp, rather than directly communicating a problem while in the business, which could lead to an immediate response and possible solution. Many of the newer business owners tended to be more open to digital media and embracing novel and inexpensive ways of building brand awareness and recognition in the hopes of bringing in new customers and establishing a positive reputation. One outlier in this group, an owner in the 24-34 age group with a business that has only been open for three years, expressed that he disagrees that the internet is important for his business, however, his restaurant has a webpage, and he was aware of and satisfied with his business’s Yelp ratings, which somewhat contradicts his answer about the internet. In addition, there are a number of business owners who have been running their business for decades, but are still embracing new digital media as a tool for marketing and brand awareness. The age group that expressed they are embracing the internet and digital technology the most were between 35 and 44 years old.
In addition to managing online reputation and image on Yelp, interesting stories are emerging through the personal interviews and local news stories highlighting innovative use of digital media and mobile initiatives by local businesses. For example, three local bars with no kitchen or food service in Hoboken have created an app that will allow patrons to order food from outside restaurant partners, with the bartenders on duty managing the process (Eisenberg (2014)). The open-ended questions during the face
to face interviews are leading to the most robust responses, whereas there are typically very brief comments or no comments at all for the open-ended questions answered by owners online via the email invitation, so while the initial intent was to get as many surveys as possible answered online, we are shifting focus to face to face interviews to capture more data via the open-ended questions and personal interaction with owners.

**Figure 7: Breakdown of Survey Collection Mechanism, N=50**

This continuing project will include interviewing more businesses and performing some quantitative analysis of a larger sample of survey results in addition to some secondary data gathered from Yelp and other ratings websites and social media sites. The researcher will compare Yelp ratings to Google ratings, and reviews on Delivery sites like Seamless and Delivery.com as well. Future research should add a measure of financial success, such as revenues, sales, or reservations in the case of a restaurant or another way to quantify impacts and possibly even establish causality, in the way the Seattle and San Francisco studies did (Magruder and Anderson 2012) (Luca 2011). It would also be relevant to get some insight from the Elite Yelp reviewers, who often post dozens of reviews a month for businesses and who attend Yelp events and interact with other Yelpers. Examining what motivates users to put the time and effort into posting for Yelp, essentially adding value to the company and its influence at no cost to Yelp, would contribute value to the discussion. Finally, once the larger sample of businesses is established, they will be aggregated according to industry, such as restaurant, retail store, hardware, salon, etc., so that researchers can examine any major differences in attitude or impacts across industries.

Since the rise of digital media and the necessity to maintain online reputation is a fairly new phenomenon for many entrepreneurs and small business owners, who may not the time or the expertise to navigate this new environment and stay on top of all the social networks, review sites and other sources that may be affecting their businesses, there is an opportunity for college students and programs to get involved. A few of the business owners asked if there were forums or workshops to learn more about Yelp and managing online reputation or whether business and communication students might be interested in interning with local businesses to provide help along the way. There are many opportunities for mutually beneficial relationships to be established between these stakeholders, giving students relevant experience, helping the local business owners and building stronger links between schools and communities.
References


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