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Socio-political, legal and infrastructural issues remain a FDI barrier in Africa for decades. Will it ever change?

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Key words  
Foreign Direct Investment (FDI), Africa, socio-political, infrastructure, senior management

Abstract  
The purpose of research is to investigate whether there have been fundamental recent changes in barriers to FDI in Africa as perceived by senior managers of South African multinational companies. The methodological approach involves a description from secondary data of the barriers to FDI in Africa that have been reported in the extant literature over the last decade, and to analyse this secondary data in relation to a recent quantitative and qualitative study of South African multinational senior managers’ perceptions of current barriers to FDI in Africa. The results indicate that little change has occurred over the decades and the same basic barriers to FDI in Africa persist. Practical implications of the study suggest that problems of African political instability and infrastructural deficits in particular, need to be resolved if the FDI situation is to improve in the future.

1. Introduction  
FDI is an important strategy for developing countries as it provides important revenue for a country. Africa has not been successful in attracting FDI flows due to its weak infrastructure, high levels of corruption and inhospitable regulatory environments. Multinational firms have responded to the lack of infrastructure and volatile policies by reducing risk and reducing overall investment in Africa. Africa needs to reverse this continuous stigma which has remained with the continent over the last three decades (Asiedu, 2002b).

Political leaders need to improve the provision of infrastructure, which will lead to increasing FDI. And they need to correct policies, which are considered to be the worst in terms of World Bank rankings. Yet infrastructure remains a problem, it remains underdeveloped as millions of dollars are channelled from Africa into western countries. Why is this? Is colonialism the cause? Colonialism created a dual economy in most countries in Africa. Colonialism created a ‘small largely westernised modern sector of sophisticated production and consumption versus the huge hinterland of somewhat disturbed rural life tribalism and ancient cultural tradition. There seems to be only a choice of emphasising this dualism by further development of the modern sector through close economic relations with the west or of trying to escape neo-colonialism by sacrificing economic growth” (Hunter, 1970). Instead psychically, Africa seems to foster relations with China who is psychically distant from Africa and not a colonial country with which they share much history or common knowledge. Although many of the African political elite seem oblivious to the fact that China and Russia, now entering into investment agreements, are just as interested in African raw materials as their erstwhile colonial masters. Is this a sustainable relationship? Or, is it merely the swopping of one type of colonial materialism with another.

In the 1960’s Africa was seen as a potential FDI destination. During the first half of the century Africa showed more growth and overall potential compared to Asia. The political uncertainties which were inherent due to the transition period from colonialism were seen to be solved as local new governments embraced democracy. This resulted in even more increased growth from 1960 to 1970 (Maddison, 1995). Forty years later, political leaders in Africa have not contributed to growth in Africa. Rather leadership in Africa deteriorated into autocratic rule leaning on dictatorship policies (Collier and Gunning, 1999). This has resulted in some African countries being poorer than they were in 1970. This is
particularly evident in Zimbabwe where poor governance and political and legal instability has brought the nation to its knees. Africa has failed to ride the economic growth wave and thereby considered unattractive in terms of courting FDI. In particular the persuasiveness of the communist and leftist ideology still lingers in countries such as South Africa where the communist party is part of the national government, although it has never won a seat in open democratic elections. This connection was brought about by factors such as China, East Germany (then part of the USSR) Cuba and Russia being comrades in the fight against apartheid, and has led to the rapid investment of countries such as China, usually to repair or build necessary infrastructures, such as roads and railways. Ironically, this has exacerbated the depth of psychic distance at functional level by the introduction of languages and culture with which Africa has very little knowledge or experience.

A review of the literature for the last four decades cites infrastructure and political and legal issues as a barrier for FDI growth and economic growth in African states Aharoni (1966) mentioned it, as a “nuisance factor”. Decades later, it remains a barrier and a nuisance. The purpose of this research is to show that infrastructure and legal and political issues still remain a barrier. Although governance and corruption have blighted African economic growth for decades, and continue to do so, the paper focuses on infrastructural factors, understood in broad terms, and socio political and legal factors. The core question the paper tries to answer is: Can African countries prosper when they disregard the basic necessities for MNEs to prosper. Even South African MNEs, which are considered to be part of “Africa”, are wary of FDI in the rest of Africa. The paper takes the following form: The next section of the paper presents an overview of past research on Africa and the barriers faced by MNEs. This is followed by a recent study that used both quantitative and qualitative data that shows why South African MNEs remain wary of Africa with regards to infrastructure and government policies in Africa. The study based on open-ended interviews with senior management presents data from a South African case study that describes the subjective perspectives and subjective rationale of senior MNE management for their Africa-oriented FDI decisions. A qualitative, cross-sectional research design is adopted to give insight into the actual decision making processes recently taken among MNE executives. Analysis of the interview contents tend to show that decades old problems of infrastructure socio-political issue and legislation in Africa persist, even in the eyes of Africa-based MNE executives. The discussion and analysis is followed by the conclusion and outlined recommendations for further research.

2. Literature review
2.1 Infrastructure

When a firm decides to locate its operational sites in foreign locations, this causes a change in its current logistics processes: they also have to become globalised. This occurs when the firm has to consider the availability and quality of infrastructure in the foreign country before making a decision to move the production to that location (Lee et al., 2005). Logistics is defined as “that part of the supply chain that plans, implements, and controls the efficient and effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers’ requirements”. In other words, it is a company’s chain of processes linking procurement to sales (Lee et al., 2005).

A study by Blyde and Molina (2015) found that MNEs look for places with adequate transport and logistics infrastructures in which to locate subsidiaries for manufacturing, and found that countries with efficient and functional logistics infrastructure positively impacts on vertical FDI. Countries with adequate logistics infrastructures allow for an efficient international distribution network to be maintained, and would include ports as nodes for international transportation, a good system of roads, and easy customs clearance and international distribution operational procedures (Blyde & Molina, 2015). Logistics technologies such as unit load systems and intermodal transportation systems, are all factors considered by firms when moving production to foreign locations (Lee et al., 2005).

Infrastructure, according to Lee et al. (2005), refers to institutional, facility and technological infrastructures. Institutional infrastructure includes the rules and regulations of the country, such as its legal system and FDI and trade policies, its taxation system and the effectiveness of its contract law. Facility infrastructure refers to the transportation system (made up of nodes, modes and links), hardware infrastructure, and operation and control as software infrastructure. Technological infrastructure refers to
the level of handling skills or automation in use, and includes human skills, logistics expertise and available information technologies. If a firm finds the infrastructure too weak to support its operations, this will be an incentive either not to invest or to move its production to a different location that does have the required infrastructure.

Dunning (1998) has argued that in the 1980s and 1990s three important changes occurred. First, knowledge emerged as the “key wealth-creating asset”. As a result, and with the exception of some natural resource and cheap labour seeking FDI, MNEs now attach much more importance to locations with excellent infrastructure and institutional facilities, rather than conventional location advantages such as low labour costs or easy access to raw materials. However, firms will differ in the importance they attach to infrastructure depending on the special requirements of their industries. Another set of related factors impacting firms in developing economies is the availability of suitable plant sites, the cost of land, availability of space for expansion, and local government policy for renting or purchasing land, which, together with related costs, such as transportation and construction, have been recognised by managers as important factors that influence FDI decisions (Luo, 1999a).

2.2 Inconsistent government policies

Changes in government policies can impact on the repatriation of earnings and at their worst, manifest as the expropriation of foreign-owned assets. MNEs cannot usually introduce certainty and stability to a host country’s “dynamic” political landscape, and this can create and escalate transaction-related risks affecting MNE operations. A stable political environment in which corruption tends to be low, and where good tax incentives, lower tax rates, and a positive investment climate are present, is an important driver for MNEs with regard to FDI. However, in Africa, the tax rates are high, frequently including ‘value added tax’, and withholding taxes. This is a challenging factor for MNEs operating in Africa, as they cannot then offer their products and services at lower rates (Kissel, 2013). Yarbrough and Yarbrough (2002) found that a MNE’s decision about which country, area or region it should invest in, strongly depends on the factors present in the host country that could affect a firm’s profit. However, Bellak and Leibrecht (2009) further expands on this statement by explaining that foreign firms are often attracted by factors such as security, favourable investment climate or democracy in post conflict countries as well as by the presence of favourable tax incentives (Agarwal,1980).

Most countries in Africa tend to adopt strict regulations, which do not necessarily conform to international law or respect human rights. Changes in government policy can also result in policies like the Indigenous Peoples Policy in Zimbabwe (introduced in 2011), and its counterpart in Zambia, which was introduced in 2012, both ostensibly intended to help integrate and uplift the indigenous populations in the twenty-first century global economy. However, given the fact that this did not occur in the remotest sense, it can be assumed that the policy was simply a smokescreen for further looting of the already shattered economy. Obviously such policies tend to become barriers to expansion for companies already operating in the region, or persuade potential investors to look elsewhere. Governments should be fiscally responsible, and MNEs spurn any type of government intervention. Changes to government regulations in African states are often referred to as “creeping expropriation”. These regulations are considered a major factor of uncertainty, partly because of the general belief held by western business interests that governments should not regulate business, and partly because it reinforces the expectation that existing regulations will be changed often (Aharoni, 1966) adding to future uncertainty. Overall, legally underwritten bureaucratic requirements are found by SA MNEs to be at best cumbersome, making operating in Africa difficult. This was a common issue raised by the representatives of the companies that were interviewed for this research.

The problem, in broad overview, is that legislation covering the same business-related issues is so vastly different, even between neighbouring countries, that it gives rise to significant problems. The range of legislation and red-tape-related problems encountered spans a vast spectrum, ranging from difficulties in obtaining permits for importing goods and key expatriate personnel, to restrictions on selling certain items (for example, one may not, as a foreigner, sell shoes in Nigeria, and must get special ministerial permission to sell even basic insurance products in some other countries). In some countries, local laws stipulate that you can only share profits in a company if you are a citizen of that country, and “indigenisation” is a neologism now enjoying increasing political and popular support. In other countries
one has to negotiate with state owned enterprises attempting to operate in a similar space, and this is all against the background of having to tiptoe through draconian tax laws, empowerment laws, and other regionally-specific, unique, and arcane indigenous laws. And behind it all is the fact that what some consider to be corruption, others see as nothing more than looking after the extended family’s interests.

Summary of Research on African investment in the past decades listed below in Table 1, as a general rule, confirms the on-going nature of the legal, infrastructural and socio-political problems in Africa which have doggedly persisted as the main reason for Africa’s lack of development over the past decades.

**Table 1. Summary of Research on African investment**

<table>
<thead>
<tr>
<th>Author and year</th>
<th>Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinikka, R &amp; Svensson, J. 1998. Investment response to structural reforms and remaining constraints: Firm survey evidence from Uganda. Mimeo Africa Region, World Bank.</td>
<td>The authors here found in their research that power is a huge barrier in countries that sustain growth, such as Uganda and that MNEs end up spending more than one third of their capital on generators. This becomes a serious factor for companies and their FDI strategy into Africa.</td>
</tr>
<tr>
<td>Lee, K.S., &amp; Anas, A. 1991. Manufacturers’ responses to infrastructure deficiencies in Nigeria: Private alternatives and policy options’. Economic Reforms in Africa. Chibber, A and Fischer, eds. World Bank, Washington DC.</td>
<td>This research found that firms in Nigeria can spend about 25% of their capital on generators to help deal with the intermittent power supply. This again becomes a deterrent for MNEs in terms of FDI into a region like Nigeria</td>
</tr>
<tr>
<td>Easterly, W &amp; Levine, R. 1997. Africa’s Growth Tragedy: ‘Policies and Ethnic Divisions’. Quarterly Journal of Economics. CXII.1203-1250</td>
<td>This research found that ethnic diversification significantly impacts on economic growth which in turn is correlated with political instability, poorly developed financial systems, and inadequate infrastructure. The author further emphasise the importance of ethnic diversity and its direct responsibility for Africa’s growth strategy which has retarded the economic growth of the continent.</td>
</tr>
<tr>
<td>Widner, J.1999. The Courts as Restraints. Investment and Risk in Africa. Collier, Paul and Catherine Pattillo, eds. London: Macmillan.</td>
<td>This research found that a functioning legal system contributes to a culture of legalism which creates a legitimacy of the regime. This adds to the socio-political stability which in turn attracts FDI. However too many regions in Africa have demonstrated the ability of political parties to overrule the courts.</td>
</tr>
<tr>
<td>Elbadawi, I., Benno, J &amp; Njiguna, N. 1997. Debt overhang and economic growth in Sub Saharan Africa. External Finance for low income contrities. Iqbal, Zubair and Ravi Kanbur, eds. IMF Institute, Washington, DC.</td>
<td>Elbadawi et al carried out research whereby they found that the debt growth relationship follows a bell shaped curve where beyond a certain threshold the impact of debt on growth becomes negative. Africa is unfortunately riddled with debt thereby resulting in lower growth because it attracts lower FDI.</td>
</tr>
<tr>
<td>Musila J. W. and Sigue S. P., 2006. Accelerating foreign direct investment flow to Africa: from policy statements to successful strategies. Managerial Finance 32(7), 577-593.</td>
<td>Musila et al found that FDI in Africa is dependent on the development of infrastructure</td>
</tr>
<tr>
<td>Mengistu B. and Adams S., 2007. Foreign Direct Investment, Governance and Economic Development in Developing Countries. Journal of Social, Political</td>
<td>Mengistu found that infrastructure plays an important role in attracting FDI in Africa.</td>
</tr>
</tbody>
</table>

Cotton and Ramachandran also found that infrastructure play a big part in attracting FDI into Africa.


Anyanwu et al found that telecommunications infrastructure is an important attraction factor for FDI in Africa.


Disdier and Thierry found that political stability allow markets to properly function which thereby attracts MNEs to carry out FDI.


Clarke and Logan found that FDI flows increase in countries that have a history of lower political risk and more developed infrastructure.


Calderon and Serven found that the availability of infrastructure and communications are important requirements for MNEs considering FDI into Africa.


Campos et al found that good infrastructure is an important requirement for MNEs to be able to operate successfully.


Anyanwu using empirical testing found that Aid contributions are made in regions where the infrastructure is more developed.


Asiedu found that established infrastructure and political stability promote inward FDI.


Lemi and Asefa found that when political uncertainty reaches a specific threshold point, MNEs then worry about the uncertainty which then impedes FDI in African economies.

### 3. Methodology

In the current study reports an empirical study, involving a questionnaire survey and personal interviews in a triangulated research design. These two sources of information were triangulated to get insight into their strength and prominence in senior MNE managements’ FDI decisions to invest in African countries. (Joosub & Coldwell, 2017)

For this mixed method study, a formal quantitative research study was used that incorporates a formal research design to test the research questions. Using quantitative research initially, allowed for the use of classic data, which is done using survey instruments that were sent out to companies that were multinational companies. Survey research provided a basis for answering questions about incidence frequency and co-occurrence of social phenomena for a given population (distinguished by vital parameters), thereby adding to the quality of the survey research (Greene, 2008). A total of 378 surveys were sent out with a response of 105 (22% response rate) companies, which responded to the survey (Joosub & Coldwell, 2017).

To provide additional information, qualitative data was also gathered. (Glaser & Strauss, 1967; Flick, 2009). The qualitative aspect of this research used in depth interviews with senior management of 29 South African companies, that provide views on barriers related to investment in Africa (managers were believed to be best positioned to provide a comprehensive picture of barriers faced by South Africa MNEs
with regards to the FDI location in Africa decisions. To make the triangulated analysis the quantitative data using the survey responses and the 29 interviews were used.

Using a combination of combining quantitative and qualitative data assists in overcoming the limitations inherent in using a single method. The qualitative and quantitative research was designed to allow two paradigms to be connected and compared under an overall conceptual frame. The mixed method is a novel form of social inquiry that analyses the different foundations of ‘seeing and hearing’ (Greene, 2008). It allows for the making of assumptions that “there are legitimate approaches to social inquiry” (Greene, 2008:20). The mixed method allowed the researchers to understand the different aspects of social phenomena by using multiple forms of inquiry, thereby enhancing the overall validity of the study. (Joosub & Coldwell, 2017).

Triangulation is a method which allows researchers to corroborate and confirm results from both qualitative and quantitative research methods by providing a third paradigm choice that assists in providing the most informative, complete, and balanced research results. Triangulation helps to validate data, which provides “persuasive evidence” (Flick, 2009). Triangulation is a process of playing quantitative data off against the qualitative data so as to confirm the validity of the fieldwork and provide a deeper understanding of the data obtained, rather than simply validating existing positions or ideas. (Denzin, 1989; Joosub & Coldwell, 2017).

4. Findings
4.1 Quantitative data

Globally, MNEs remain wary of Africa due to the constant recurrence of the issues of political and economic (in)stability and uncertainty. (Kumar, 1982) and most importantly the lack of adequate infrastructure. Another generally negative factor regarding Africa is that they are plagued by corruption and red tape, and are considered to be “slow reformers” (Prasad Kodyiat, 2009).

Most MNEs that seek new markets are interested in large and fast growing economies, which African economies are able to offer (Meyer & Estrin, 2007; Meyer, 2001).

An important objective of the research was to determine whether South African firms also consider infrastructure and political instability important when making FDI decisions. Using a survey instrument which was sent out to 378 companies with 105 companies that responded and a ten-point Likert scale (from very unimportant to very important), was used to gather data on the perceived importance of the two issues (Joosub & Coldwell, 2017).

**Political stability and governance**

Political stability is an important factor considered by respondents, because it impacts on a location, its economy, and the sustainability of the investor’s investment. Political risk is defined by Butler and Joaquin (2002) as “…the risk that a sovereign host government will unexpectedly change the ‘rules of the game’” under which businesses operate, and this affects a firm’s assessment of the viability of FDI in that country. Assessment of political risk changes as a result of political changes due to elections, revolts, recessions, or wars, as these events can typically lead to expropriation, increased taxes, reduced or cancelled FDI incentives, changes to local ownership requirements, local content requirements, and currency volatility issues. The net effect is that firms experience losses through loss of assets or of income generating operations, and most importantly, they typically lose the ability and right to repatriate funds (Bhalla, 1983).

A low level of political risk is desirable for any multinational firms (except those providing “protective services”). Thirty-two of the responding South African firms consider political stability and governance to be an important factor (scored as an 8 on the 10-point Likert scale), whereas 17 of the firms consider it to be very important. 18 of the respondents scored it as 7 on the 10-point Likert scale, and 8 considered it to be relatively unimportant. Out of total of 105 respondents, 85 consider political stability and governance to be an important factor (scored 6 or higher). Transparency within the judicial system of the intended host country is also an important consideration for firms contemplating FDI. Because of the unfamiliarity with local laws and customs, firms anticipate higher than normal encounters with the local legal system.
Infrastructure quality

A key feature of any location’s attractiveness is how well-developed the infrastructure is. Infrastructure includes telecommunications and data networks, transportation, availability of all-weather roads, railways, airports, seaports, electricity and information. All are necessary to achieve better productivity. Literature reviewed is unanimous in its view that infrastructure development is an important factor in the selection of location of FDI in developing countries (Root & Ahmad, 1979; Wheeler & Mody, 1992). An efficient transport and communications network is necessary for markets to function properly. Countries with formal and efficient infrastructures are attractive to firms because they facilitate accelerated market growth through cheaper and better transport, and effective communication networks. Thus, developing countries with poorer infrastructures, as in Africa, are generally less appealing. A study by Clark et al (2013) shows that FDI flows are greatest to countries with better physical infrastructure – infrastructural compatibility is important for successful market entry. Seventy-six (76) respondents identified this factor as an important consideration in their FDI selection processes in Africa. Luo (1999a), in his research explains that a superior infrastructure may increase FDI in a country or region. Important infrastructure variables include transportation, telecommunications, and utilities. Many countries in Africa do not have well-developed infrastructures, and this introduces difficulties for MNEs with regard to their FDI. Obtaining access to needed infrastructure from the local government is important to production and market development if the MNE is to locate in such areas.

The results of the quantitative data indicated that country governance, political risk and infrastructure are the most important considerations for South African firms when investing into Africa.

4.2 Qualitative data

Multinational firms take into account a wide range of factors in making direct investments, including not only investment costs related to institutional and regulatory barriers, but also infrastructure quality, macroeconomic stability, and so on (Venables, 2005; Arita & Tanaka, 2013). These factors are crucial for multinational activity, and a broad measure of investment barriers is useful for understanding aggregate impacts on multinational production (Kinda, 2010). Prior evidence shows that a better investment climate encourages FDI activity (Markusen, 2002). However, regulatory barriers to foreign investment in Africa remain more restrictive than their equivalents in developed economies.

Regulatory reforms and discriminatory tax practices affecting multinational firms remain contentious issues, as does political instability and macroeconomic factors such as bad road networks and congested ports: are all hurdles that firms have to negotiate in Africa. Moreover, firms face structural and bureaucratic constraints, such as huge currency exchange rate fluctuations, poor infrastructure, the lack of a skilled workforce, the lack of readily accessible finance, high business costs, high import tariffs, and sub-optimal domestic markets (Joosub & Coldwell, 2017). The challenges are compounded when combined with a lack of access to global markets, a poor regulatory framework and a lack of intellectual and physical security for their assets (The Economist, 2011). However these challenges in Africa have remained stagnant for the last couple of years.

The evaluation of FDI opportunities necessitates the investigation and consideration of a host of different factors. Some of these are peculiar to foreign investments; others are part of the analysis of any investment opportunity. Research on FDI has shown that all firms face some form of barrier when internationalising (Aharoni, 1966; OECD, 2014). The barriers encountered by a firm are generally not unique: the firm’s size, its business sector and other external factors all have their own challenges (Jaklic & Svetlicic, 2001). During the investigation phase, general indicators are used to form a working opinion of these barriers to FDI in Africa. The risk factors most commonly feared in foreign investments have been described in many reports on barriers to FDI and can be generally summarised as: political, economic, and nuisance (a lack of adequate services) (Aharoni, 1966).

In the current study interviews were carried out with 29 senior managers of listed companies who had FDI in Africa. Senior managers stated in the qualitative interviews that inconsistent government policies including: repatriation of funds, import regulations, state owned enterprises, tax legislation overall regulatory environment and infrastructural factors, were the key issues faced by their companies. This group of related factors reflects the uncertainty occasioned by political and government policies.
which are crucially important to the survival and profitability of the firm entering a foreign country (Joosub & Coldwell, 2017).

4.3 Triangulation

Triangulation is a unique form of social inquiry that analyses the fundamental differences between observing and listening (Greene, 2008). It allows researchers to make assumptions that “there are legitimate approaches to social inquiry” (Greene, 2008:20). Triangulation further helps understand the different and often difficult-to-define aspects of social phenomena by using multiple forms of inquiry in order to obtain answers (Greene, 2008:20). Triangulation resolves diversity to achieve answers, thereby enriching the knowledge base.

In order to obtain further validity for the findings of the investigation and to note those that were supported by both the quantitative and qualitative analyses, a triangulated technique was employed. The former used statistical analysis to test the interactions of the different elements of the decision making process, while the latter investigated the decision making process through interviews with CEOs and other senior managers of MNEs. These two studies were conducted sequentially. The findings from the quantitative and qualitative research were then triangulated to expose the most powerful determinants of FDI in Africa. Triangulated findings emphasised the importance of the infrastructure and political uncertainty factors in particular by South African senior executives in their FDI decision-making. Thus these findings are very much in line with the earlier studies described in the paper. The same problems regarding FDI in Africa have remained prominent over a considerable period of time. The problems of political uncertainty and infrastructural inadequacies remain largely unresolved on the African continent and act as on-going deterrents to FDI.

5. Conclusion

The objective of the study was to identify whether infrastructure and political uncertainties remain an FDI deterrent in Africa. Existing literature for the past decade has shown that infrastrusture and political uncertainty are considered to be risk factors that impact on the FDI decision into Africa. The aim of this study was to identify whether infrastructure and political uncertainty impacted on SA firms’ decisions to enter Africa. The triangulated analysis of the variables considered in the study indicates that these factors (infrastructure and political uncertainty) are important for SA firms when deciding to enter or not to enter Africa. Of paramount importance for every firm contemplating FDI is their assessment of the political environment of the country in which they plan to invest: the stability or instability of the existing political systems and of the government and its policies are the major concerns.

An important element identified in the research is that SA firms are keen to diversify so as to mitigate the risks from political uncertainty in the home market. They therefore seek environments and locations that are politically stable, predictable and less economically hostile. South Africa has embraced Africa partially in terms of FDI but remains wary of the infrastructure and political uncertainty.

FDI decisions are influenced by any form of political risk or uncertainty. Political risk is the risk that arises from the potential actions of governments and/or other influential forces that could impact negatively on the expected returns on investments. SA firms have sought to expand into new locations because the fluidity of the SA political landscape is also creating instability. There are intensifying challenges facing the political leadership in South Africa: as unemployment runs high, labour relations have increasingly turned violent and reports of graft and corruption in the political class continue to mount. The government’s slow rate of spending on infrastructure maintenance and development has become a push factor, thus inhibiting the country’s economic growth potential. The local economy has seen a slow decline due to continuous infrastructure constraints, epitomised by the lack of a sufficient and reliable power supply that is fundamental to achieving higher levels of growth. If Africa corrects the decades’ long stigma of volatile political decision making and lack of infrastructure, it will attract more FDI from South Africa. Africa has remained static and the old problems noted in earlier work of the past decades has shown that the same problems of legal, infrastructural and socio-political ones remain and that the tendency to move away from traditional and longstanding colonial contacts may have further exacerbated the problem through increasing psychic distance.
For the last five years, China has provided infrastructure in certain countries in Africa in a reciprocal arrangement in order to benefit from the abundant resources available on the continent. Chinese capital investment and FDI has been directed in Egypt. China has also provided electricity, infrastructure and transport projects in the rest of Africa, including ports, roads, railways, dams, telecom networks, airports and powerstations. The relationship between China and Africa is psychically distant. Africa seems to pursue and foster relations with distant locations both culturally, and in terms of business customs. It appears to completely shun the colonial relations which are culturally closer (Ernst & Young, 2017).

The South African government’s policies are not stable, but rather exhibit a pattern of continuous (and sometimes arbitrary and capricious) change. This environment of continuous policy change has produced a mixed bag of reactions. There has been some support (in the form of local investment) when policy changes are expected to raise profits/returns. However, even if the proposed policy is perceived to be beneficial, it nevertheless also increases uncertainty, as firms believe (and evidence is mounting to support this) that the policy changes could as easily be reversed, thus increasing the risk that the decision to invest locally was not optimally beneficial for the SA firm. Therefore South African firms look to invest across the border into Africa. Africa just needs to court South Africa with the right factors, in terms of strengthening its infrastructure and creating stable policies. This will help to enrich the continent.

Africa is a ‘poor continent’ is a sentiment raised for too long. Africa needs to reverse and embrace democracy, technology and the 21 Century. Africa’s political instability and infrastructure can be removed as a barrier, if governments on the continent realise that the only way Africa can compete on a multinational level is to reform policy and form psychically close alliances in order to reform economically.

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Impact of international trade on natural environment

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Keywords
International trade, natural environment, trade liberalization, trade policy, environmental policy

Abstract
In this paper we propose to show the economic impact of international trade on the natural environment. Also it is necessary to present the interaction between the international trade and natural environment. A central issue of this scientific approach is how the international trade affects the level and incidence of environmental outcomes. In this sense we have to emphasize that international trade induced environmental damages can be prevented if environmental policy responds to the challenge by tightening up emission standards; but if policy is not responsive, environmental degradation can occur. On the one hand, the international trade promotes growth, that it determines the scale of economy activity increases. On the other hand, more consumption and production will tend to generate more environmental damage. In the contemporary context of economic globalization we mention that trade affects the emission intensity of individual consumer goods and production activities. Last but not the least, we can add that the international trade flows of goods and services have direct environmental impacts. Thus, transportation activities and unwanted invasive species causes emissions have been a consequence of increased trade have been a consequence of increased trade.

1. Introduction
It is now widely accepted that trade liberalization brings economic benefits through greater efficiency, competition and choice. In this context we consider that trade liberalization effects on natural environment are more complex. Thus, trade liberalization tends to increase the scale of economic activity, and can lead to production moving to areas with lower environmental standards, both of which can add to environmental problems. But by removing price distortions, trade promotes efficient production techniques and resource use, improves access to environmental technologies, and leads to more innovation, all of which provide potential environmental benefits.

More than that, the balance of evidence suggests that, for some pollutants such as sulphur dioxide emissions, trade liberalization has resulted in overall environmental improvements. In other words we can emphasize that in terms of CO2 emissions, the results are more varied, with a number of studies finding that CO2 emissions increase overall. Another concern of many national environmental policies has traditionally been on the impacts of production. However, increased trade implies a growing divergence between domestic production and consumption patterns, as well as growing and more complex global supply chains. As a result, there has been a shift of focus towards the environmental impact associated with domestic consumption patterns.

2. The linkage between trade liberalization and natural environment
It is important to mention that in fact, trade liberalization and trade policy have positive and negative impacts on the environment. However, a number of conditions should be met to ensure that the net gains deriving from trade liberalization will support and reinforce the protection of the environment. One essential condition for making sure that trade and environment are mutually supportive is to ensure that the trade liberalization process is paralleled with the development and strengthening of effective and non-protectionist environmental legislation, at national, regional and international levels. Also we can say the environmental policies could, in turn, provide an incentive for technological innovations, promote economic efficiency and, consequently, improve productivity. As a result of increasing global economic inter-dependence and further trade
liberalization as well as growing pressure on the environment and the use of natural resources, there is an ever growing inter-face between trade and environment. It is widely recognised that trade and environment can be mutually supportive, but, differences remain on effective implementation. In this context we believe that trade policy has also a role to play in actively supporting sustainable trade flows and, in particular, environmentally friendly trade. In the meanwhile Trade policy and trade related instruments should be further encouraged to act as a sustainable driver by providing incentives for more sustainable trade flows. This is valid at the multilateral level but even more so at the regional and bilateral levels where the identification of positive synergies among trading partners as well as convergence and/or co-operation should be easier than is the case at the international level. Trade tools could, for instance, be instrumental in making tangible progress towards more sustainable consumption and production patterns. Economic instruments also need to be more actively developed, notably with a view to allow for the necessary internalization of external environmental costs. In addition, positive synergies between trade, environment and development should be further considered, particularly regarding the elimination of environmentally damaging subsidies and the promotion of environmentally friendly goods and services, with a special focus on those originating in Developing Countries (DCs).

The literature on the interaction between trade and the environment has focused on several related questions. Much of the emphasis has been on whether globalization tends to shift pollution-intensive industry to countries with relatively weak environmental policy (the pollution haven hypothesis). Since environmental outcomes are highly dependent on policy, a second key question has been how environmental policy responds to globalization.

The bottom line of this hypothesis is that competitive pressure will induce governments to weaken environmental policy to shield domestic firms from international competition. But there are also concerns that governments will manipulate (and sometimes tighten up), some types of environmental policy to restrict market access from imports. There are issues of linkages between trade agreements and environmental policy, such as whether some harmonization of environmental policies is needed, or whether weak environmental policy should be considered an unfair trade subsidy.

The pollution haven hypothesis is based on the concern that weak environmental policy attracts pollution-intensive industry. The concerns about competitiveness are based on the idea that stringent environmental policy reduces productivity and drives polluting firms away. Market access concerns are based on fears that environmental policy can be manipulated to favor domestic firms at the expense of foreigners. It is therefore not surprising that a large literature studies the relation between environmental policy and trade flows.

The effect of trade on environmental outcomes also fundamentally depends on the policy regime. Trade-induced environmental damages can be prevented if environmental policy responds to the challenge by tightening up emission standards; but if policy is not responsive, environmental degradation can occur.

The composition of economic activity also changes with trade. Exporting industries will expand; import-competing industries will contract. There are also firm-level effects: the recent international trade literature has emphasized that only the most productive firms tend to export and so trade tends to cause some firms to expand and others to contract or exit. Trade also affects the emission intensity of individual consumer goods and production activities. This technique effect may be caused directly by trade: imported consumption goods may have different emission intensities than locally produced goods; and imported technology, raw materials, or intermediate inputs affect producer emission intensities. In the contemporary context of production globalization we propose a schematic overview which illustrates the influence of trade liberalization on the natural environment as can be seen in the figure below.
Factors of Production

Natural Environment

Wastes

Trade

Environmental Amenities

Figure 1. A schematic view of how the trade liberalization effects on the natural environment.

Emission intensities may also change with the scale of production. And trade may induce endogenous environmental policy responses that induce changes in emission intensities of both consumption and production.

In thinking about how trade affects environmental outcomes, it is useful to distinguish between pollution generated by consumers and that generated by producers. The key difference here is in how domestic and foreign firms are affected by environmental regulations. If pollution is generated by producers, then a possible response of domestic firms to environmental regulations that are more stringent than those prevailing in other countries is to either concede the market to imports, or to move production to a country with weaker environmental policy.

In contrast, when pollution is generated by consumption, all firms wanting to sell in the domestic markets are affected by domestic environmental regulations applied to consumption goods. One cannot escape these regulations by shifting production to another country.

The distinction between consumption and production as a source of pollution will turn out to be important both in determining how trade affects the environment and in influencing the types of policy responses by governments. Some environmental problems result in a deterioration of natural capital and affect economic productivity. Examples include soil erosion, the depletion of fish stocks, either, from overfishing or from habitat degradation, and serious human health deterioration from pollution. Other environmental problems reduce the quality of life, but have only small effects on economic productivity. Examples might include water pollution which reduces recreational activities or mild forms of air pollution which causes health problems that do not have significant effects on worker productivity. With these types of environmental problems, increased environmental degradation can lead to both a long-run decline in real income and a decline in environmental quality. In its simplest form, the pollution haven hypothesis is that trade liberalization will cause pollution-intensive industry to shift to countries with relatively weak environmental policy.

3. Environmental policy -as instrument to reduce the negative effects of trade liberalization on natural environment.

Much of the concern in policy debates about trade and environment is that governments will not choose to implement efficient environmental policy and that openness to trade and investment will amplify this. There are several reasons why policy may be inefficient, but here I will focus on two. First, a large country may wish to exert its monopoly and monopsony power in international markets and influence its terms of trade. This can be done by using trade policy; however if free trade agreements preclude the use of trade policy, governments may look for substitutes—manipulating environmental policy is one possibility. Second, environmental policy is influenced by political economy considerations. Governments face pressure to help industries become more competitive, to preserve and promote employment, and to help maintain profits of influential firms. There are many instruments available to do this, but trade agreements tend to reduce the ability of governments to use trade policy and subsidies to achieve these ends. Again, manipulation of environmental policy may be an option. Both the terms of trade and political economy motives for
intervention highlight a key challenge for trade agreements. Trade agreements are incomplete contracts. They restrict explicit barriers to trade, some domestic policy instruments (such as some subsidies), and some overtly discriminatory behavior. But they leave most domestic policy instruments to the discretion of governments. Because any domestic policy that affects either domestic demand or supply has an influence on trade, it can be used as a substitute for trade policy. For example, a government that previously favored an export industry with export subsidies still faces the same incentives to favor the industry after a trade agreement has been signed. All that has changed is the available policy instrument set. Since weak environmental policy is an implicit subsidy, the government may face pressure to weaken environmental policy. This, in essence, is what lies behind the race to the bottom argument.

How well does this argument hold up? The evidence reviewed earlier that environmental policy does affect trade liberalization suggests that manipulation of environmental is indeed an option for a government that faces pressure to favor a polluting industry. The theoretical case for such intervention is, however, less clear. The results are mixed, and depend on market structure, the type of pollution, and the government’s motivation. First, it is important to distinguish between production- and consumption-generated pollution. In this case we can add that a government responding to the interests of polluting firms will weaken environmental policy in the case of production-generated pollution, but may tighten up policy if pollution is consumption-generated. Since both domestic and foreign firms are equally affected by environmental regulations targeting consumption generated pollution, political resistance by producers will be weaker than in the case of production-generated pollution where regulation affects domestic producers but not foreign producers. Second, environmental policy is only one of many instruments available for governments to protect domestic producers. Although trade agreements may increase the pressure on governments to look for alternative ways of protecting firms, governments also have to be wary of the costs of these alternatives instruments. Weaker environmental policy will increase pollution, which increases social costs. These costs have to be weighed against the political costs of other instruments, such as changes in domestic taxes or subsidies, or other regulations that affect the firm. Most of the literature avoids this issue by simply assuming that environmental policy is the only available instrument. If governments are motivated by terms of trade concerns, then the optimal trade policy targeting the polluting sector is an import tax if the polluting industry is import-competing, and an export tax if the polluting industry is a net exporter. Hence a government motivated only by terms of trade motives would have incentives to tighten up polluting policy on exporters and weaken it in the import-competing sector.

Trade liberalization may lead to weak environmental policy, there are also concerns that environmental policy may be manipulated (and in some cases set too stringently) to restrict access by foreigners to domestic markets. While it is clear that protectionist governments have incentives to impose more stringent environmental regulations on foreign firms. Than on domestic firms, trade agreements for the most part prohibit overt discrimination in two ways. First, there is a distinction between process standards and product standards. Process standards refer to restrictions on how a good is produced (such as emission intensity of production), but which do not affect its final characteristics. Product standards refer to restrictions on the characteristics of a product (such as the emissions generated during consumption).

Trade agreements generally do not allow governments to impose process standards or pollution content taxes on imports. That is, the norm is that environmental policy that targets production generated pollution will vary across countries, and noncompliance with such standards is not legitimate grounds for restricting market access.

Such a norm is consistent with efficiency arguments that imply that for pollution with country-specific effects, the optimal environmental standard should vary across countries (because of differences in incomes, local climate, geography, and pressures on the local environment).

As we can see in Figure 2 the liberalization of trade in goods and services is expected to generate utility (economic well-being) for the entire society. At the same time, given that
pollution is an undesirable by product of production activities, households’ economic well-being would be negatively impacted due to deterioration in environmental quality.

Figure 2. Correlation between trade liberalization and environmental quality.

However, because weak environmental policy is an implicit subsidy to pollution-intensive production, the regime is inconsistent with WTO rules which allow governments to impose countervailing tariffs in response to export subsidies. Nevertheless, implementation of a “green countervail” regime would almost certainly be unworkable because of the difficulty in establishing the efficient environmental policy in every relevant case. Second, while governments are free to impose product standards, and make compliance with such standards a condition of market access, trade agreements discipline the use of such standards in various ways.

The World Trade Organization (WTO) uses a national treatment rule foreign products are expected to be subject to a standard no more stringent than that applied to local products. More recently, the WTO has required that there be some scientific basis for product standards as well. Other trade agreements go farther in the European Union, for example, there is some centralization and in many cases harmonization in the regulation of product standards. The analysis of the interaction between market access and environmental policy remains an active area of research. There are two key themes in this literature. The first is that even in a national treatment regime, governments have considerable scope to manipulate standards to favor local producers (because of heterogeneity between local and foreign producers in compliance costs for different types of standards). The second issue is that nondiscrimination policies may constrain governments and make it more difficult to implement appropriate environmental regulation. This continues to be a contentious area in the policy realm, since many trade disputes (such as the shrimp-turtle case, restrictions on genetically modified organisms, and the beef hormone revolve around tensions between market access and the flexibility of governments to design their own environmental policies.

4. Conclusions

The trade liberalization effects on natural environment has deepened in recent years, moving from identifying broad effects on the economy generally, to analyzing effects in specific market sectors. In general terms, the countries governments view trade liberalization as a positive agent for the environment — by improving resource allocation, promoting economic growth and increasing general welfare — provided effective environmental policies are in place. On the other hand, trade can threaten the sustainability of renewable resources when the management regime is weak, and the depletion of such resources can have long-lasting negative effects on communities. And while weak environmental policy alone is not the major determinant of trade patterns, it is a contributing factor, and so industries that are both pollution intensive and intensive in unskilled labor will often end up in regions with relatively weak environmental policy. Another reason not to be too complacent is that a major lesson from the literature on trade and the environment is that active policy intervention matters for environmental outcomes. This is perhaps at
the root of some of the tension that arises at times between those working toward liberalized trade and those working for a more sustainable environment.

Finally, we can emphasize that in trade liberalization agenda, much of the focus is on convincing governments to dismantle policy regimes that they have created to protect industrial activity. In contrast, the environmental agenda requires the creation and enforcement of policy regimes: setting up tax, quota, and other regulatory mechanisms to internalize externalities and ensure environmentally friendly outcomes. Thus, there is no reason in principle for these two agendas to be in conflict in both cases, the goal is to ensure everyone faces the true social costs of their activities. But in practice, the agendas are different, and this creates challenges in the policy arena.

Bibliography
The migrants guide to the best places to live
In ACCRA - Ghana in the wake of globalization

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Key Words
Neighborhood Quality, First Class Areas, Best Places in Accra, Ghana

Abstract
This article outlines and discusses the best neighborhoods to live in Accra based on quantitative and qualitative analysis of a combination of factors including: Crime rate; Safety; Emergency Response; Utility Services; Spatial Planning; Building architecture; Pride in ownership; Neighborhood quality; Good basic schools; Outdoor activities; Pollution levels; Night Life, Ancillary users such as Medical facilities and Public transportation, and the availability of Shops, Banks, Pubs, Eateries and Entertainment.

Introduction
For some decades up until the nineties, the Ghanaian experience was one of exoduses to Europe, the USA, Canada, South Africa and neighbouring countries, particularly Nigeria, Liberia and the Gambia. However in recent years, Ghana has become a preferred destination for many people across the globe due to many factors including the peace and the favorable economic environment for business growth and development. Consequently, there has been a reversal of the net flow. Ghana is experiencing large net inflows of migrants and expatriates annually. Due to the recent legal immigration of skilled workers who possess Ghana Cards, there is a small population of Chinese, Malaysian, Indian, Middle Eastern and European nationals.

The city of Accra in particular is fast becoming the preferred relocation destination for many people, not only from the African continent, but the world over. The selection of Accra as the preferred destination implies an increasing demand for data and information on which to make decisions. Unfortunately data and information on the Capital city is largely absent. In the absence of data on residential areas and neighbourhoods, many immigrants find it difficult to decide on the best places to finally reside once they arrive in the capital Accra. This work therefore seeks to fill the vacuum created as a result of the lack of data on the best neighbourhoods in Accra to live in.

The work aims to provide a source of information to guide not only migrants but residents, citizens and foreigners in their relocation decision making processes. The work also aims to fill a big vacuum that has been created as a result of the absence of comprehensive and reliable data and information of first class residential neighborhoods in Accra. This study seeks to provide a detailed analysis of the different options of the best neighborhoods in the capital city of Accra to guide present and future settlers. The specific objectives of the study are to provide a one-stop-shop on the best neighborhoods in Accra based on the following parameters. crime rate; safety; emergency response; utility services; spatial planning; building architecture; pride in ownership; pollution levels and night life. The other parameters are the availability of residential ancillary users such as good basic schools, outdoor/indoor sports and leisure activities, medical facilities, public transportation, shops/malls, banks, pubs, eateries and entertainment avenues; provide the basis of selecting a residential area over another based on empirical data and information; provide a basis for computing land and property values and finally aid businesses in their quest to identify prime areas for targeted marketing of specialized commodities as these best neighborhoods harbor the wealthiest of the Ghanaian Society.

The study is important for many reasons. First, there is little published work on the best places to live in Accra let alone Ghana to help people in their relocation decision making processes. City authorities
can use the information provided in this work as a yardstick for imposing levies such as property rates. The work will also aid property brokers and agents in their work processes in the area of providing suited accommodation for their clients. The study is based on the analysis of findings in Accra the capital city located in the Greater Accra Region of Ghana. The analysis and conclusions are based on data collected in the Greater Accra Region over a one year period from April 2017 to April 2018. Literature comprised mainly of responses from city authorities, residents and public sector agents by way of interviews and questionnaires.

**The study and data capturing**

The study employs a case study approach within a quantitative and qualitative data analysis paradigm. The purposive method was applied in the sampling process based on initial information collected from the Ministry of Local Government and the Accra Metropolitan Authority. The research and its findings and conclusion hinges on robust empirical evidence with analysis of field data sets collated from 875 respondents most Accra city dwellers over the one year period. 267 additional responses were collected from city authorities including the Fire Service, the Ghana Police Service, the Ghana Ambulance Service, the Environmental Protection Agency, the Ministry of Education, Town and Country Planning Department, the lands Commission, property agents and brokers, sanitation service providers, Valuers, using the purposive and snowball sampling techniques. Some telephone correspondences were used in the data collection process but to a limited extent. The data used in the analysis was further validated during a second round of random field visits to selected residential areas. Accuracy in both data collation and compilation was not compromised. Therefore, to ensure that, the level of information and data assembled was of high quality, steps were taken to cross check, verify and confirm conflicting data and information from different sources during the field visits. These ensure limited discrepancies in the final data employed and analyzed.

**Ghana:** Ghana, a country on the West Coast of Africa, is one of the most thriving democracies on the continent. Ghana is bordered by the Ivory Coast in the west, Burkina Faso in the north, Togo in the east and the Gulf of Guinea and Atlantic Ocean in the south. Ghana means "Warrior King" in the Soninke language. Ghana covers an area of 238,500 Sq. Km, with an estimated population of 28,519,609 (Oct. 2017), drawn from over 100 ethnic groups - each with its own unique language. English, however, is the official language. The discovery of oil and gas off the Gulf of Guinea is making Ghana an important oil producer and exporter and set to change the fortunes of this once great African Country. The country's economy is dominated by agriculture, which employs about 40 percent of the working population. (Ministry of Finance, 2017). Ghana is one of the leading exporters of cocoa in the world and a significant exporter of commodities such as gold and lumber.

The latest and most enduring democratic experiment started in 1992 and it is what has gained recognition for Ghana as a leading democracy in Africa. Ghana has shown a lot of political stability and maturity over the years, earning it the highly respected, and enviable, reputation of most peaceful country in West Africa. Ghana has several tourist attractions such as the castles. Most of the major international airlines fly into and from the international airport in Accra. Domestic air travel is thriving and the country has a vibrant telecommunications sector, with five cellular phone operators and several internet service providers.

**Migration to Ghana:** Ghana continues to attract many people from all walks of life for varying reasons. Ghana is a relatively peaceful country. The country is currently the 58th most peaceful country on the Global Peace Index. It has been described as a wonderful place to live. Ghana like a few African countries is peaceful and has a vibrant and interesting culture. The people are generally warm and friendly and this contributes the traffic flow to the country. In Ghana, you can be sure to be well received nearly everywhere you go irrespective of your age, color, religion or creed. That is the hallmark of Ghanaians. A young American man we interviewed said "finding a friend in Ghana is not a problem". Apart from that, there are growing expatriate communities who have formed associations where they meet periodically to celebrate occasions. As a result, many foreigners feel at home away from home in Ghana. Other factors that are pulling immigration to Ghana include a number of factors including the following the booming
Real estate sector which is on the rise. The landscape offers very attractive options that cater for different classes of people.

Today in Ghana, there are new buildings under construction on a daily basis providing lots of jobs and earnings for investors and developer. The real estate industry also has impact on other sectors of the economy and other industries, ancillary businesses and trades. There is therefore a variety of real estate to meet every class and taste. Ghana is a preferred destination for many people from the continent and across the world because the people are generally receptive to technological changes and innovations. In addition, life is laid back in Ghana generally compared to other countries in the West.

The climate has a lot to offer with a “summer warmth season” all year round. There are a host of other reasons why many people are relocating to Ghana and one such reason is the availability of a variety of indigenous dishes. There are lots of other exciting reasons such as the availability of plush property both on sale and for rent at real competitive prices. Many foreigners we interviewed in course of this research confirmed that, they were contemplating relocating permanently.

The capital Accra is the 10th wealthiest city in Africa after Johannesburg, Cairo, Cape-Town, Lagos, Nairobi, Luanda, Durban, Pretoria and Casablanca and in fact among the top 10 preferred cities in Africa. And did you know that, Accra is home to 2,300 millionaires and 100 multi-millionaires (no billionaires)? That is according to AfrAsia Bank Wealth Report 2017 and the New World’s Worth’s 2017 Report which provide a comprehensive review of the continents wealth sector including luxury trends for the period 2006 to 2016. (AfrAsia Bank Africa, 2017)

The attractions to Accra are due to many factors including security and the peace. Urbanization, and both local & foreign investment by companies and individuals are also attracting people to the city. Depending on where you live in the capital, you will find that, life in Accra can be really stressful due factors including commuting time from one place to the other as a result of the vehicular traffic situation, etc. that is why it is important to know and to choose the best place to live.

We probed Accra from the north, south, east and west, collated and analyzed data and considered all factors affecting the quality of the neighborhoods to arrive at the best places to live in Accra. This report is based on analysis of data which was deemed essential to support the estimation of a neighborhood’s quality. Analysis is based on factors including crime rate; safety; emergency response; utility services; spatial planning; building architecture; pride in ownership; neighborhood quality; good basic schools; outdoor activities; pollution levels, night Life and the access to ancillary users such as medical facilities and public transportation; and the availability of shops, banks, pubs, eateries, movie places and entertainment.

Crime and general safety is a major concern for everyone. One obvious and major criterion to distinguish between a good and bad neighborhood is the rate of criminal activity and this was key in our research. In good neighborhoods, there is a sense of ease and calm and this tends to draw people to the place. Many people are therefore willing to pay extra to live in safe neighborhoods.

Pride in ownership is another common characteristic of good neighborhoods. When residents have pride in ownership, they tend to individually take care of their homes and keep their surroundings in perfect shape which collectively translates to betterment of the neighborhood.

The presence of good schools makes a good neighborhood especially for residents with children. Good schools in an area increase the appeal and demand for properties in the area and this has a positive effect on property values. In the same vein, proximity to outdoor events such as parks, tennis and golf courts all increases the appeal for a neighborhood. Access to medical care is important to everyone but more especially to the wealthy, elderly, pensioners and retired wealthy individuals who like to access a medical facility quickly. Other important factors such as closeness to public transportation, shops and restaurants, nearness to fire station and police station, the night life counted in our rating of the best areas. Transportation, shopping centers and restaurants are important amenities for all lifestyles. Everyone loves to live in an area where restaurant chains are not too far off, within walking distances or at worst available with a short taxi ride.

Findings of the study

Having carefully considered the factors affecting a neighborhood’s quality i.e., Crime rate; Safety; Emergency Response; Utility Services; Spatial Planning; Building architecture; Pride in ownership;
Neighborhood quality; Good basic schools; Outdoor activities; Pollution levels; Night Life, Ancillary users such as Medical facilities and Public transportation, and the availability of Shops, Banks, Pubs, Eateries and Entertainment places, Cantonments topped the list of the best places to live in Accra as at March 2018 scoring 114.7 points out of a total of 135 points.

**TABLE 1.0 - BEST PLACE TO LIVE IN ACCRA - GHANA RANKED**

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(Total Score = 135, Pass Mark = 85) Source: Author’s Survey & Analysis, 2018

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(Total Score = 135, Pass Mark = 85) Source: Author’s Survey & Analysis, 2018

1st - Cantonments: Cantonments has for many years been the best place to live in Accra. Cantonments is meticulously well planned with tarred roads and major ancillary users such as medical facilities such as the Akai House Clinic and the 37 Military Hospital and good basic schools including the famous Ghana International School. Cantonments is home to top public servants, politicians, diplomats and businessmen as such security is of utmost priority to the government and individuals alike. In addition, Cantonment is only 15 minutes’ drive from the Kotoka International airport. It is within easy reach from Osu where you can find all the major banks, eateries and shops. We found that, Cantonments is among the safest neighborhood to live in Accra with an emergency response time of 9 minutes. What is more, air pollution is low because 98% of the roads in Cantonments are tarred. Except for the occasional
property values are among the highest in Ghana. See chart for the details of the analysis. The rest are as follows:

2nd - Airport Residential Area: Airport Residential Area takes the second place in our ranking. Airport Residential Area is one of the finest places to live in Accra and remains the preferred residential area for many foreigners. It is bordered on the north by Dzowulu and the West by Roman Ridge. As the name depicts, Airport Residential Area is located near the airport. It is only 15 minutes drive from the Kotoka International Airport. Airport Residential Area is generally quiet, clean and secure with as a result of the situation of the most popular police station in Ghana – the Airport Police Station. Many prominent Ghanaians including former President J. A. Kuffour reside there. There are a host of leading hotels and serviced apartments to choose from. Shopping malls, banks, hospitals, pharmacies, restaurants and a number of consulates are all located within Airport Residential Area. There are very good basic schools such as the Association International and the Roman Ridge School within 15 minutes drive. The presence of the Nyaho Medical Center and top range pharmacies makes the place likeable for many. Just as Cantonments, Airport Residential Area is not for everyone because property prices there are high. An acre of land in Airport Residential Area currently sells for over One Million United States Dollars.

3rd - Ridge: Closely followed by Airport Residential Area in our ranking is Ridge. Ridge bears a lot of similarities with Cantonments. Divided into North, South, East and West, Ridge has a strong residential character. It is safe with low crime rate based on data collated from the Ghana Police Service. It is close to the seat of Government, the Government Ministries, the House of Parliament and the Central Business District. Ridge has a number of good basic schools such as the Ridge School and the North Ridge Lyceum. Ridge is also home to most senior public servants and a number of consulates including the British Embassy, the Canadian Embassy and the World Bank Country offices. Former President Jerry John Rawlings and many prominent people live at Ridge. Ridge is fast assuming a mixed used neighborhood with the construction of office spaces. Osu is within easy reach from Ridge.

4th - East Legon: Taking the 4th position in our ranking is East Legon. Located to the north of the city, the popular East Legon has it all. High earners are attracted to the range of stylish residential properties and residential ancillary users including Malls, Sport and fitness centres and Childrens play grounds. Good basic schools such as the popular French and a tall list of ancillary users such as banks, 3-Star hotels and private hospitals are available and within walking distances. East Legon is not far from the University of Ghana and harbours a number of University Colleges such as the Radford University College, the Knustford University College, the Islamic University College and others. Located within East Legon are fine pubs and eateries. One interesting feature about East Legon is that, it is home to some of the most popular musicians, pastors, footballers, politicians and businessmen. Residents also have high pride in ownership which contributes to the general ambience and appeal.

5th - Trasacco Valley: Trasacco Valley is the leading and the largest gated community in Ghana and the most sort after gated community for rich people in West Africa. Located between East Legon and Adjiringanor and near Otinshi, Trasacco Valley has the best luxurious properties. Trasacco valley has a layout and is well planned. It is 10 minutes from East Legon where you can find an array of stalls and a Shopping Centre. Noise and pollution levels are low and there is a high pride in ownership. It is a very safe and secure neighborhood and home to all Ghana’s international footballers, some politicians, businessmen and pastors. Residents of Trasacco Valley, were granted paid access to the motorway buy the Ghana Highways Authority. This provides a quick, improved and easy access for residents of the neighborhood to other parts of the city.

6th - Roman Ridge: Roman Ridge is bordered on the East by Airport Residential Area and West by Dzowulu. Roman Ridge is among the most sort-after residential suburbs of Accra. Roman ridge is well planned with tarred roads. Pollution is there low. Residential ancillary users such as good basic schools, shopping centers, eateries and medical facilities are available and within walking distances. There are a host of outdoor activities to choose from. Crime rate is also relatively low. Services including electricity,
fresh water and garbage removal are reliable. Roman Ridge has a number of good hotels, serviced apartments, eateries and a mall, the Roman Ridge Shopping Mall. It is preferred due to easy access to many parts of the city. Roman ridge is home to public servants both retired and active.

7th - North Legon: North Legon is a relatively new residential area – of less than 20years, youngest of all the places featuring in our ranking of the best places to live in Accra. It is located less than one kilometer north of the University of Ghana and near the Wisconsin International University College. North Legon Residential Area has a layout and all roads within the neighborhood are tarred. Criminal activity is low. Utility services such as electricity, water and garbage collection are regular. Residential ancillary users such as schools, churches, hospitals, dental and pharmaceutical service providers and leisure centres are available and within walking distances. North Legon is home to some of Ghana’s wealthiest business men, retired public servants and politicians.

8th - East Airport Residential Area: Also referred to as Airport Hills, East Airport is home to middle and upper classes but the dynamics is fast changing due to improved infrastructure including a new network of roads. East airport has an interesting appeal with a cluster of gated communities. The relocation of some high-profile politicians to airport east is set to raise the silhouette. East Airport is within reach to residential ancillary users such as medical facilities, eateries, sports & leisure centers and one of the largest shopping Malls in Ghana, the Palace Mall. It is also within easy reach of Spintex Road where one can find an array of shops, banks and other retail outlets. Refer to chart for more details.

9th - West Legon Residential Area: Taking the 9th position in our ranking of the best places to live in Accra is West Legon. It is also known as West-Lands. It is near the University of Ghana and the Ghana Institute of Management and Public Administration (GIMPA). West-lands has a layout and is well planned but many roads are yet to be tarred. There are lots of serviced apartments for beginners and international students. Residential ancillary users such as crèches, medical facilities, shopping places and good basic schools and some banks are available. West Legon is home students, politicians, retired public servants, businessmen and pastors. See table for more specifics.

10th - Labone Residential Area: Labone takes the 10th position in our ranking of the best neighborhoods to live in Accra. Labone has a layout which is well planned and accessible by network of tarred roads. Labone is home to senior public servants, politicians, many expatriates, businessmen, politicians, celebrities, middle to upper class. Residential ancillary users are available and within walking distances. They include crèches, basic schools, shops, banks, pubs and eateries. It is also 10mins from Osu. For the statistics refer to table.

11th – Dzowulu Residential Area: Dzowulu ranks 11th in the best places to live in Accra. It is boarded by Airport Residential and Roman Ridge. Dzorwulu is well planned and has a blend of residential and office accommodation. Residential complementary services such as good schools, medical facilities, pharmacies, leisure/sporting avenues and shops are available. It is just about 20mins drive to the Accra Mall (off peak). In the same class of Labone and Tesano, Dzowulu has a layout with tarred roads and is a preferred base for expatriates and international businessmen. Refer to table for more niceties.

12th - Osu: Osu, one of Accra’s oldest settlements takes the 12th position in our ranking of the places to live in Accra. Although not very well planned all the streets including the popular Oxford street are tarred. The suburb has an array of shops, pubs, medical facilities, a mall, entertainment places and 24hour public transportation. All the major banks have a branch there. Osu has a collection of Thai, Chinese, Italian, English, French and Mexican cuisines. There are good crèches and basic schools nearby. Osu has the best night life by far but, noise and pollution levels are high. Osu is home to all classes. The chart illustrates further.

13th – Tesano Residential Area: Taking the 13th place in our ranking of the best places to live in Accra is Tesano. Tesano is a very old residential neighborhood of Accra and occupied by many Gold Coast politicians. Residents take pride in ownership. Ancillary users such as hotels, leisure centers, good basic schools, shops and medical facilities are available. Tesano has a layout and is accessible by a network
of tarred roads. It is also relatively low on crime rate due to proximity to the Ghana Police training Academy and the heavy police presence for most parts of the day. It is clean, quiet and is home to businessmen, politicians, retired public servants and the rich. Refer to chart for more details.

Conclusion

It emerged during the analysis of the study of house ownership that, the percentage of residents living in owned properties in the 13 study areas listed above appear to be higher than people renting. This probably explains the reason why residents take very high pride in ownership which has a direct and positive correlation with the plush neighborhood quality. Furthermore, we found that most of these properties were fenced in with sand-crete block wall which tends to reduce intruders and prevent easy access and the crime rate happening in these areas.

Overall, this study has confirmed the fact that, access to utility services did not matter to residents equally as the safety of the neighborhood. However, access and availability of utility services scored higher than the quality of the nightlife and access and availability of good basic schools.

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Restructuring of the global economy

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Keywords
Integration, Immigration, ASEAN, Foreign exchange

Abstract
The buildup of global economy started in 1980s and the economic growth and trade were zooming. The transition from manufacturing to services in the advance countries and from agriculture to manufacturing in developing countries was sufficiently rapid. The developing countries in America and Asian continent have taken huge benefit from the transition. The European economies and US economy have seen their rapid fall. The wealth accumulation was very fast in Asia. The dependence of US economy in so far as outsourcing is concerned has kept increasing because of the consumers wish. China and Korea and most preferably ASEAN had worked with serious zeal to create ambience for their people and therefore have taken up the growth rate to unshakable position. It is the reason that during global financial crises, their employment remained intact. No doubt, Japan had been passing through recession very seriously, but it is not unhappy with the conditions prevailing in Japan. When the economies have gone through tailspin in 2008, the losers were United States and European economies. Foreign exchange reserve with Korea, China and Germany is anonymous. Therefore the impact of the crises in minimum. UK economy had been going through rough weather in so far as economic growth or employment of concerned for long time as it was feeling that bond with EU is not repayable simply with integration, immigration is harmful to the people of UK, because employment situation is not so favorable in the integration. Brexit became the ultimate choice. Similarly, the so called developing economies have gone through wrap up as the capitalism in US could not with stand the demand of the people US is splitting day by day. Same old fashioned economy is taking route at the core. The Trump administration has changed the way US was never expected to function. There is a talk of protectionism and tariff all is erected. Economies of Brazil, Argentina, South Africa, India and Turkey have lost ground. The institutional landscape is changing and hence the restructuring of global economy is inevitable.
The new determinant creation theory: The case of Colombia

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Keywords
Theory, foreign direct investment, determinants, public policy, Colombia.

Abstract
During the eighties, Latin America was surrounded by economic crises, increased external debt, and poor growth of the Gross Domestic Product as well as little attraction of foreign direct investment (FDI). Later in the nineties, some countries in the region inspired by the desire to eliminate the protectionist model had to undertake reforms that sought to achieve their commercial opening to start a new economic model and thereby show the world as an attractive area for attracting investment mainly from Europe and Asia. One of the countries that made institutional changes (creation or improvement of several determinants) in the nineties as well as in the next decade was Colombia that, combined with other existing determinants, increased its FDI flows.

In this research, the new determinant creation theory proposed by Botello and Dávila (2014) was applied to demonstrate which were the determinants used by Colombia to attract FDI during the period from 2005 to 2012. The results show that the design of an industrial policy focused on attracting FDI, as well as the increase of the Gross Domestic Product, the offer of natural resources to foreign investors, the skilled workforce and the improvements in infrastructure were the determinants that increased the probability of attracting capitals from abroad.

Introduction
In recent years, FDI has grown faster than trade flows and global production for various reasons such as political and economic changes in many developing countries. Those changes are characterized by the shift to democratic political systems as well as changes toward economic and legal systems oriented in the direction of trade liberalization in which Colombia and other countries played an important role since 1951 when signed as a GATT member.

Many developing countries have made economic and structural changes in order to obtain some benefits and attract FDI, in that sense, FDI flows are likely to be attracted to developing economies that pursue an outward-oriented strategy of economic development such as Colombia (IMF, 2015). In Latin America, the relative stability of the region and the adoption of outward-oriented public policies have reassured foreign and local investors based on market reforms. Because of such liberalization and changes, the FDI increased in developing countries in the 1990’s (Erdal and Tatoglu, 2002) and particularly, Latin America has shown a sustainable growth since 2010 (ECLAC, 2013).

On the other hand, the attractiveness of a state or a city for foreign direct investment flows depends on the number and kind of determinants they possess. Deichmann et al. (2003) found that some factors determining the spatial decisions of multinational firms in a Middle East country depend on policy implications. Considering the above, the government agenda should focus on making the country more attractive for FDI, especially in times of crisis when traditional determinants are put to the test and inspire proposals for new opportunities. Popovici (2012) notes that the idea of entering a new era of determinants of FDI is not new as there are several studies that highlight the key factors for attracting FDI. This emphasizes that the classical theories of FDI probably should be changed and others should be based on the emergence of new local capacities.

This research is divided as follows. In second part, a literature review is offered. Several research papers were analyzed to describe the key factors for attracting FDI considering classical theories in order to compare them with the determinants used by Mexico (Botello and Davila, 2015). Section three includes the data and variables used to explain the new determinant creation theory; based on the model proposed by Botello (2015) where the most relevant determinants used to obtain FDI are infrastructure, skilled
labor, low labor cost, security, tax-break, natural resources, gross domestic product, legal system, geographical location and industrial policy. A probit model to test the theory in section four is presented. Finally, conclusions are discussed in section five.

Literature review

Latin America has undergone great economic changes. In 1982, the external debt crisis that affected the entire region exploded. Moreno (2008) reported that this, generated capital flight and negative growth, which made that decade was considered "lost." At the same time, the economic policy of President Deng Xiao Ping helped make Latin America look very attractive to capitals from Asia, which allowed the arrival of volumes of investment, production and trade as well as the opening of multinational companies (Moreno, 2008). These were the beginnings of the flows of foreign investment in the region that originated the economic change that contributed to the stabilization of the crisis.

After these events, positive changes began in the region; several contributions of Foreign Direct Investment (FDI) were made in the years 2005 to 2012. This contributed to a good and constant economic growth, since better investment flows were achieved like never before. FDI, in addition to being an opportunity for economic growth for each country, also means that it is one of the best and most effective ways to internationalize the region and make it a participant in globalization (Zapata and Kalmanovitz, 2007). Latin America, in general, has seen economic stability from 2005 to 2012 (which is the period studied in this article), with steady annual growth that indicates that each year the government strategies work best for attract new companies to these territories (ECLAC, 2005).

Most of the literature related to the attraction of FDI by countries is based on different theories such as localization economies and their determinants, trade and resource endowments. In that sense, the eclectic paradigm of Dunning (1988) argues that the path FDI takes is partly due to the specific advantages which one country has, because of its regional geographic location and / or location in the world. These advantages arise from using resource endowments and / or assets held abroad by some countries in the world which are attractive to a company by combining them with its own resources.

That combination suggests that if a foreign company wants to use the resources of a country, it should establish a subsidiary by initiating a flow of FDI and then establish a start-up operating facility (Hill, 2008) but, the risk is a main determinant that has to be considered. As of 2010, countries that wanted to invest in Latin America began to take an interest in the technology sector, but due to the low level of the industry, they took advantage of the opportunity to invest in low and medium-low technology (ECLAC, 2010). One of the sectors in which Latin America has been a recipient of investment from Europe is electricity, focused on the telecommunications, banking and energy subsectors (Zapata, 2007).

On the other hand, one of the main reasons why the European Union decided to invest in Latin America is the opportunity that this region offers to access new and distant markets. Within the contribution of the Colombian legal framework as an incentive to attract FDI, there is a whole process to remove the protectionist model that historically had, this process began in 1990. It wanted to propose an opening of international competition, beginning by adapting neoliberal tendencies, efficient allocation of resources and institutional changes begun in the government of former President Virgilio Barco and at the beginning of the mandate of César Gaviria, with whom they became official and put into practice. These new policies were based on principles such as economic freedom, foreign trade reforms, labor legislation, foreign exchange regime, foreign investment policies, among others (Ramirez, 2011).

During the 2000s, the prohibition of FDI was eliminated in sectors that were previously not allowed and new financial, tax, labor, and port provisions were implemented in a positive manner, as well as an international investment statute. The law that stands out most is Law 963, made in 2005, under which investors will continue to be entitled to facilities and accessibility for them, under certain specifications imposed by the government (Ramirez, 2011).

The elimination of infrastructure gaps plays a key role in sustaining strong and broad-based growth, and supporting further economic diversification. Relatively weak road infrastructure represents an important obstacle not only for overall GDP growth, including through export diversification, but also for achieving a more evenly-distributed economic performance across regions in Colombia. In 2015, we see a recent progress in setting the proper conditions to foster private sector participation in infrastructure investment, so as to ensure efficient allocation of risks and macro financial stability (IMF, 2015).
The incentives that Colombia began to give to be a recipient of FDI are exemptions from the National Tax and Customs Directorate and the Bank of the Republic, especially located in places that promote trade, such as border areas and main ports (Barajas, 2011). According to Ramos and Rodriguez (2011), the types of exemptions made by the government for Colombia to receive FDI are discounts on income, deduction, discounts on investment, and discounts on fixed assets. Something that was criticized a lot was that these benefits are given to companies that have the possibility of paying as a mark of the Law, and it is presumed that thanks to the fact that they enjoy these privileges, there has been an internal economic imbalance for the Colombian government, so you have to minimize public spending.

Colombia has presented a constant evolution year after year. During the period from 2005 to 2009, FDI flows increased (ECLAC, 2009), although the years when FDI remains more stable are in 2005 and 2006, where there was also a large amount of commercial exchange (Kalmanovitz, 2007).

Likewise, the theory of international production suggests that the decision of a company to start manufacturing operations in other countries depend on certain attractions that the country of origin of the company has compared to the resources and benefits that it will obtain in locating a manufacturing subsidiary abroad (Morgan and Katsikeas, 1997). ECLAC (2010) reports that Colombia attracts the investment of several countries such as the United States, Canada and the United Kingdom, because they seek to expand new markets for their products as well as natural resources such as hydrocarbons, mining and agriculture.

The natural resources of Colombia represent a great attraction for the countries, but above all for the United States, which is one of those that exploits them most and the "Plan Colombia" was a diplomatic-military strategy on the part of the United States for the role that play natural resources for this country (Delgado and Romano, 2011). What the US did not imagine when implementing this geographical strategy, is that not only was it going to be an attraction for them, but also for other countries that are interested in Colombia, because they improve security and update the Colombian State forces.

As an important factor not only must be taken into account what investors intend, but also what Colombia offers as competitive advantages so that these investors are interested in Colombia. According to the publications of Montoya (2011), Colombia offers a better allocation of resources, exploitation of economies of scale as well as greater efficiency which led to an increase in GDP per capita during 2009. Most of investments made in Latin America have a significant impact on the consolidation or diversification of the production profiles, particularly as foreign direct investment has a major impact on host economies, roughly measure the relationship between foreign direct investment and gross domestic product (ECLAC, 2011).

Hausmann (2008), explained that there are some key determinants related to the increase in foreign direct investment worldwide as well as the Andean countries, among these determinants are the location, the size of the country in terms of GDP and the distance between the investors and the host countries. The theory of trade and resource endowment explains that FDI is directed toward countries with low wages and abundant natural resources that provide inherent differences of opportunity and initial favorable conditions for businesses.

There is a consensus about the characteristics required for a host country to attract FDI which is that it depends on the motivations that foreign investors have in relation to their investment projects. According to Dunning (1983), the first reason is related to the market, whose main purpose is to serve local and regional markets from the FDI host country if the market grows and generate some return for the investor, the second relates to the investment made by a company in acquiring resources that are not available in the country of origin such as natural resources and low-cost inputs including labor. The latter corresponds to the level of efficiency achieved through the dispersion of value chain activities considering that the geographical proximity to the country of origin will minimize transportation costs.

All this suggests that the direction, in which FDI is aimed, is highly related to the comparative advantages (Kinoshita, 2003) of a given country. Then, one country that has, among other determinants, access to markets as well as cheap labor and abundant natural resources will attract larger inflows of FDI. Berkoz (2009) argues that countries have traditional factors and environmental variables that are attractive to foreign companies. The traditional factors are market potential, labor costs, economic growth and government policies. The environmental variables correspond to political, economic, legal and
infrastructural factors. In terms of geographical location, one of the greatest attractions for FDI flows in Latin America is that easy access to exit from two Oceans, although there are several countries that have only one outlet (ECLAC, 2009).

Kinoshita (2003) in turn, maintains that the most important determinants a country has to attract FDI are government institutions, natural resources and economies of agglomeration. Government institutions are one factor contributing to decisions by investors as to whether to invest or not in a particular country because these institutions directly affect the operating conditions of enterprises. The investment cost for companies is not only economic but they also have to fight against entrenched practices in countries such as bribery and time lost in engaging in diverse and various negotiations resulting from the arrival of the company to a new market. Therefore, for the operating conditions of a company to appear reliable to the investor, there are two institutional variables to be considered: The legal system and the quality of the bureaucracy. As for the legal system, both its impartiality as well as popular perception of it is good determinants of the reliability of legal institutions in the country.

Likewise, the variable related to the quality of the bureaucracy describes a non-political and professional bureaucracy which in turn facilitates the procedures for staff to be hired. With respect to agglomeration economies, investors seek those markets where there are benefits derived from the concentration of economic units which results in positive externalities (benefits and technological spill, use of skilled labor and concentrated in specific locations and links forward and backward with related industries) but also by investments made by other investors which can be seen as a positive sign of favorable investment conditions reducing uncertainty. As for the natural resources, Rasiah (2000) argues that developing economies with a resource-rich endowment obtains FDI.

Other studies describing the FDI determinants indicate that the infrastructure, good governance, taxes (Rasiah, 2000) and the labor market are conditions that governments must maintain (Bellak, et. al., 2010) but Lim (1983) found a negative relationship between investment incentives and FDI in 27 developing countries. Groh and Wich (2009) describe the determinants to attract FDI in a country as labor costs, quality and the provision of quality infrastructure and legal systems. On the other hand, some authors consider that the provision of infrastructure should be a precondition for companies to establish subsidiaries in foreign markets as are a major emphasis on the provision of transport infrastructure as well as information and communication technologies (Botric and Skuflic, 2006, Goodspeed, et. al., 2009). Studies by Wei et al. (1999), Mariotti and Piscitello (1995), Broadman and Sun (1997) and He (2002) conclude that there is a positive relationship between infrastructure and FDI because the better the infrastructure is in a location the higher its desirability. Rasiah (2000), states out that FDI in developing countries is concentrated in economies endowed with good infrastructure.

In a research conducted by Botello and Davila (2013), concluded that public policy used in some states of Mexico to attract FDI, is based on the attractiveness of some determinants like skilled labor, cheap labor and infrastructure. Another factor that helped to generate the increase of FDI in Colombia was the infrastructure. The total infrastructure investment in Colombia has been volatile averaging 4.6 percent of GDP in 1995–2004 and only over the last decade it steadily increased to above 7 percent of GDP in recent years (ECLAC 2015).

Various studies indicate that infrastructure quality in Colombia is relatively low and logistic costs are high both at regional and global level. In the World Bank’s 2014 Logistics Performance Index, Colombia ranks 97th among 160 countries, one of the worst performers relative to regional peers, with the poorest outcomes in infrastructure, timeliness, and tracking and tracing. The country ranks 93th among 189 economies in the World Bank’s 2015 Doing Business indicator related to ease of cross-border trade, which predominantly highlights the country’s high inland transportation costs and time in performing a foreign trade transaction. In particular, exporting/importing costs in Colombia are mainly associated with inland transport, and these costs are more than double the LAC and OECD averages. Furthermore, World Economic Forum (WEF 2014–15) ranked Colombia 126 among 144 countries in terms of road infrastructure quality, the lowest ranking in the country’s overall infrastructure quality (ranked 84) and the worst performance among regional peers. The gaps in port and airport infrastructure are less significant, although most of them are already operating at full capacity, and this will only worsen with increased trade and passenger demand (ECLAC, 2015).
The lack of roads and deficient road conditions are obstacles to rural areas’ connection to the rest of the country. Isolation hinders access to public services, precludes selling of products to larger markets, limits economic opportunities, and restrains regional integration and competitiveness. While upgrading national road network through concessions are important to connecting rural areas with markets, improving the connectivity and quality of secondary and tertiary roads is crucial for both regional development and reducing rural poverty (ECLAC, 2015). Significant changes for infrastructure development in Colombia were introduced with the adoption of Law 1508 of 2012 on Public Private Partnerships (ECLAC, 2015).

On the other hand, as opposed to what Botello and Davila (2013) concluded, Ondrich and Wasylenko (1993) and Rasiah (2000) found that there is no evidence that wages affect the location of new foreign plants, specially cheap labor but that it’s not the case for skilled labor. Flexible production forms have given rise to greater dispersal of organizational power as well as process innovation; local accumulation at peripheral sites has stimulated economic progress, albeit only in locations generating the requisite skills (Rasiah, 2000), suggesting that specialized FDI requires skilled labor. According to the research studies mentioned above, there are similarities in the description of the traditional determinants, which explain the attractiveness of a country with respect to foreign capital which suggests that the design of public policy in some countries like Colombia, in relation to attracting financial resources from abroad, is very similar. Berköz (2009) found almost the same determinants for the case of Turkey and suggests that a location analysis needs to be done in order to develop specific growth strategies to be applied by policy-makers in their plans to attract FDI to certain locations. Figueroa (2012) assumes that tax facilities, proximity to markets, and cheap labor are insufficient factors to guarantee the cycle of capital, since what stands out is the outgoing transfer of the innovation activity itself, which suggests that the attraction of new FDI flows requires the creation of new determinants or the renewal of the most used. The advance of global knowledge has become itself as an attractive determinant to catch the attention of investors. In recent years, many countries around the world are worried about the way they are going to attract capitals.

Perhaps, their research agenda would change to more focused analyses of the fundamental determinants that drive such flows of FDI. Should they create new determinants or renewal the ones that are already used to?

Objectives, Variables, Hypotheses and Data

Objectives

The objective of this research is to find out the determinants used by Colombia during 2005 through 2012 to attract foreign direct investment applying the new determinant creation theory proposed by Botello and Davila (2015)

Variables

The dependent variable used in this research is:

fdi (amount of foreign direct investment). Foreign Direct Investment (FDI) has been selected as a dependent variable relative to the amount of Colombia’s foreign direct investment inflows from 2005 to 2012.

impr (improvement of determinants). This variable was selected as a dependent variable to use it in the probit model in order to explain if the probability of improvement of the determinants used to attract foreign direct investment contributed to increase inflows from 2005 to 2012 by Colombia.

The independent variables in their different modalities that will be considered for the theoretical model are:

3.2.3 ifra (infrastructure). This variable explains if infrastructure was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia. Infrastructure is considered as paved roads (km) and airports (number).
3.2.4 qualab (qualified labor). This variable explains if skilled labor was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia. This variable was measured by the number of professionals that Colombia has.

3.2.5 wage (minimum wage). This variable explains if low cost labor was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.6 sec (security). This variable explains if security was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.7 taxex (exemption from tax payment). This variable explains if exemption from tax payment was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.8 natures (natural resources). This variable explains if natural resources were used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.9 gnp (gross national product). This variable explains if gross national product was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.10 legal (legal framework). This variable explains if a legal framework was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.11 geoloc (geographical location). This variable explains if geographical location was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

3.2.12 indpol (industrial policy). This variable explains if a foreign direct investment industrial policy was used as a determinant to attract foreign direct investment from 2005 to 2012 by Colombia.

Hypotheses
For main model is:

H1: The attraction of foreign direct investment in Colombia depend on infrastructure development, on skilled labor, on low cost labor, on security, on tax exemption, on natural resources, on gross national product, on legal framework, on geographical location and industrial policy from 2005 to 2012.

For Probit model representing the most efficient variables:

H2: The probability of improving infrastructure, skilled labor, low cost labor, security, tax exemption, natural resources, gross national product, legal framework, geographical location and industrial policy will attract more foreign direct investment flows.

Data
Reports from Colombia’s government from 2005 through 2012 were reviewed by the authors to build a database in this research. By using the methodology to test the new determinant creation theory proposed by Botello and Davila (2015) to the case of Colombia, the authors found that the design of an industrial policy focused on attracting FDI, as well as the increase of the Gross Domestic Product, the offer of natural resources to foreign investors, the skilled workforce and the improvements in infrastructure were the determinants that increased the probability of attracting capitals from abroad.

4. Methodology, Models and Results
4.1 Methodology
To test the hypotheses, we carried out several models of time series data, the results for these models indicate the nature of each of the variables used, and the relationship with the dependent variable.

Once we have variables that will be employed in a probit model originally used by Bliss (1934) as well as applied to stochastic models by Steinbrecher and Shaw (2008) it was necessary to check and simulate the dependent variable (impde), which was developed as the probability that there is an improvement in the determinants that each one of the Colombian departments used in their public policies and in their development plans, related to foreign direct investment flows. The probit model tested the hypotheses and the main objective of this research.

The probit model was used to measure the probability of Colombia’s FDI attraction based on the new determinant creation theory. The database developed for this study contains data of the determinants used by Colombia for a period of eight years. During those years, there are departments that
do not use the ten determinants commonly used to attract foreign direct investment according to the model proposed by Botello (2015) or there are departments that decide to improve the determinants they commonly use or use only the determinants that they possess.

4.2 Models
The following equations are the proposal models to prove the hypotheses postulated earlier:

Main model is:

\[
d_{t} = \beta_{0} + \beta_{1} ifra_{t} + \beta_{2} qualab_{t} + \beta_{3} wage_{t} + \beta_{4} sec_{t} + \beta_{5} taxex_{t} + \beta_{6} natures_{t} \\
+ \beta_{7} gnp_{t} + \beta_{8} legal_{t} + \beta_{9} geoloc_{t} + \beta_{10} indpol_{t} + u_{t}
\]

For the main model we have the following equation for efficiency:

\[
d_{t} = \beta_{0} + \beta_{1} ifra_{t} + \beta_{2} taxex_{t} + \beta_{3} natures_{t} + \beta_{4} gnp_{t} + \beta_{5} legal_{t} + \beta_{6} indpol_{t} + u_{t}
\]

This probit model is that represent the whole variables in this model:

\[
P(impde_{t}) = \beta_{0} + \beta_{1} ifra_{t} + \beta_{2} qualab_{t} + \beta_{3} wage_{t} + \beta_{4} sec_{t} + \beta_{5} taxex_{t} \\
+ \beta_{6} natures_{t} + \beta_{7} gnp_{t} + \beta_{8} legal_{t} + \beta_{9} geoloc_{t} + \beta_{10} indpol_{t} + u_{t}
\]

The next probit model is that represent the most efficient variables:

\[
P(impde_{t}) = \beta_{0} + \beta_{1} ifra_{t} + \beta_{2} qualab_{t} + \beta_{3} natures_{t} + \beta_{4} gnp_{t} + \beta_{5} indpol_{t} + u_{t}
\]

4.3 Results
As the models described before were handled through time series, we verified that the variables have a stationary stochastic process. The variables presented a nonstationary process so, the models are not useful to find reliable results by the method of ordinary least squares (OLS), in accordance with Engle and Granger (1987) that conducted a cointegration study. Then, we made a linear combination of two series, each of which is integrated of any kind of order, additionally checked and corrected the errors through the Granger causality (Granger, 1969 and Granger and Newbold, 1974) to verify that indeed the time series used are stationary, the following model show this test and in the Table A1 are the results for them:

\[
d_{t} = \delta_{0} + \alpha_{1} fdi_{t-2} + \alpha_{2} fdi_{t-3} + \alpha_{3} fdi_{t-4} + \gamma_{1} ifra_{t-2} + \gamma_{2} ifra_{t-3} + u_{t}
\]

In addition, was revised collinearity of the variables through a model of vector autoregressive (VAR), where it was found that indeed the variables presented a high collinearity and that has to be corrected for the stationary variables; besides that, we use the Wald test (Wald, 1940) to prove if the model has an asymptotic chi-square distribution. The model was as follows and in Table A2 we show the results for them:

\[
d_{t} = \delta_{0} + \alpha_{t} fdi_{t-4} + u_{t}
\]

Once we have corrected the errors that could be present in the time series, and we are sure that the variables shown a Stationary Stochastic Process we proceeded to find the corresponding relations with each of the proposed variables as determinants for foreign direct investment flows that have been submitted in Colombia by 2005 to 2012.

The interaction of all independent variables in the Main model is shown with respect to the dependent variable in Table A3. It was expected that all the variables were significant but, the independent variables ifra, qualab, natures, gnp and geoloc (corresponding to infrastructure, qualified labor, natural resources, gross national product and geographical location), were not.

Subsequently, the interaction of the dependent variable with each of the independent variables was done to confirm its significance, the models were shown before. The results (see Table A4) demonstrate that almost all the variables have a high significance more than 95%, except natures.

Once interactions were tested using linear regressions, a simulation using the probit model was done. The results showed that the probability of an improvement in the determinants increased flows of
foreign direct investment. The presented results correspond to the model and we only use the most efficient variables to demonstrate the theory (see Tables A5 and A6).

5. Conclusions

The theories proposed by several authors to explain how countries attract FDI are diverse. Some of them are based on the use of different determinants as part of its public policy like the new determinant creation model proposed by Botello and Davila (2015). Considering that model, during the 2005-2012 period, Colombia also used ten determinants to attract foreign direct investment, however, the main model with efficiency demonstrated that the most important determinants used by Colombia to attract FDI were infrastructure, tax exemption, natural resources, gross national product, legal framework and industrial policy.

Since the period studied is eight years, it was observed that some departments in Colombia during that period decided to create or renew their determinants in order to attract more and new flows of foreign direct investment. In that sense, the purpose of this article was to test the new determinant creation theory proposed by Botello and Davila (2015) as part of the public policy of Colombia and the probit model demonstrates that relationship.

In Table A6, we see that Colombia is currently using infrastructure, qualified labor, natural resources, gross domestic product, and industrial policy, as the most relevant determinants of the tenth to attract inflows. A report from ECLAC (2015) indicates an important increase in FDI flows. Colombia is capturing more inflows related to its gross national product.

As a last idea, if any government in the world is interested in attracting new or more foreign direct investment must create or renovate the determinants used to attract investment flows. There are probably cities or provinces who want to attract resources for certain types of industry but they must create or renew the related determinants, such that the different types of industry prevailing in a country use different determinants and some of them they shall not be used to attract new resources and should focus on the development of new determinants.

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Appendix

Table A1. Econometric results for the Vector Autorregressive (VAR) models, to prove collineality.

|        | Coef. | Std. Err. | z     | P>|z|  | [95% Conf. Interval] |
|--------|-------|-----------|-------|------|----------------------|
| fdi    |       |           |       |      |                      |
| L1     | 0.9717| 0.0711    | 13.67 | 0.000| 0.8324               | 1.1110               |
| L2     | -0.0046| 0.0711    | -0.06 | 0.949| -0.1440              | 0.1348               |
| ifra   |       |           |       |      |                      |
| L1     | 42.4443| 81.9408   | 0.52  | 0.604| -118.1567            | 203.0454            |
| L2     | 70.9483| 79.3382   | 0.89  | 0.371| -84.5517             | 226.4482            |
| qualab |       |           |       |      |                      |
| L1     | -155.9970| 123.3170 | -1.27 | 0.206| -397.6939            | 85.6999             |
| L2     | -106.9871| 124.8019 | -0.86 | 0.391| -351.5943            | 137.6200            |
| wage   |       |           |       |      |                      |
| L1     | 35.8423| 69.6527   | 0.51  | 0.607| -100.6744            | 172.3591            |
| L2     | 102.5203| 68.8440  | 1.49  | 0.136| -32.4114             | 237.4520            |
| sec    |       |           |       |      |                      |
| L1     | 48.5407| 80.2129   | 0.61  | 0.545| -108.6737            | 205.7550            |
| L2     | 71.4972| 79.6543   | 0.90  | 0.369| -84.6223             | 227.6166            |
| taxex  |       |           |       |      |                      |
| L1     | -4.5563| 84.0637   | -0.05 | 0.957| -169.318             | 160.2055            |
| L2     | -67.1570| 83.5940  | -0.80 | 0.422| -230.9983            | 96.6843             |
| natures|       |           |       |      |                      |
| L1     | 11.9234| 108.7278  | 0.11  | 0.913| -201.1792            | 225.0260            |
| L2     | 35.2119| 108.1363  | 0.33  | 0.745| -176.7312            | 247.1551            |
| gnp    |       |           |       |      |                      |
| L1     | -26.8855| 60.5283   | -0.44 | 0.657| -145.5187            | 91.7478             |
| L2     | -64.5067| 61.9706   | -1.04 | 0.298| -185.9668            | 56.9534             |
| legal  |       |           |       |      |                      |
| L1     | -0.0681| 75.9335   | 0.00  | 0.999| -148.8950            | 148.7588            |
| L2     | -86.5309| 74.7012   | -1.16 | 0.247| -232.9426            | 59.8807             |
| geoloc |       |           |       |      |                      |
| L1     | 38.6188| 76.8745   | 0.50  | 0.615| -112.0525            | 189.2900            |
| L2     | 122.1764| 74.2823   | 1.64  | 0.100| -23.4141             | 267.7669            |
| indpol |       |           |       |      |                      |
| L1     | 66.1555| 76.5733   | 0.86  | 0.388| -83.9254             | 216.2364            |
| L2     | -14.7984| 78.4126   | -0.19 | 0.850| -168.4842            | 138.8874            |
| _cons  | 51.6429| 205.5020  | 0.25  | 0.802| -351.1337            | 454.4195            |

Table A2. Econometric results for find the Granger causality Wald tests.

<table>
<thead>
<tr>
<th>Equation</th>
<th>Excluded</th>
<th>chi2</th>
<th>df</th>
<th>Prob &gt; chi2</th>
</tr>
</thead>
<tbody>
<tr>
<td>fdi</td>
<td>ifra</td>
<td>1.1730</td>
<td>2</td>
<td>0.556</td>
</tr>
<tr>
<td>fdi</td>
<td>qualab</td>
<td>2.3007</td>
<td>2</td>
<td>0.317</td>
</tr>
<tr>
<td>fdi</td>
<td>wage</td>
<td>2.4190</td>
<td>2</td>
<td>0.298</td>
</tr>
<tr>
<td>fdi</td>
<td>sec</td>
<td>1.1734</td>
<td>2</td>
<td>0.556</td>
</tr>
<tr>
<td>fdi</td>
<td>taxex</td>
<td>0.6455</td>
<td>2</td>
<td>0.724</td>
</tr>
<tr>
<td>fdi</td>
<td>natures</td>
<td>0.1095</td>
<td>2</td>
<td>0.947</td>
</tr>
<tr>
<td>fdi</td>
<td>gnp</td>
<td>1.4311</td>
<td>2</td>
<td>0.489</td>
</tr>
<tr>
<td>fdi</td>
<td>legal</td>
<td>1.3498</td>
<td>2</td>
<td>0.509</td>
</tr>
<tr>
<td>fdi</td>
<td>geoloc</td>
<td>2.7986</td>
<td>2</td>
<td>0.247</td>
</tr>
<tr>
<td>fdi</td>
<td>indpol</td>
<td>0.7571</td>
<td>2</td>
<td>0.685</td>
</tr>
<tr>
<td>fdi</td>
<td>ALL</td>
<td>13.4860</td>
<td>20</td>
<td>0.856</td>
</tr>
</tbody>
</table>
Table A3. Econometric results to prove the Main model.

| fdi  | Coef. | Std. Err. | z     | P>|z|     | [95% Conf. Interval] |
|------|-------|-----------|-------|---------|---------------------|
| ifra | -1624.74 | 623.42 | -2.61 | 0.009   | -2850.29 -399.20   |
| qualab | -667.05 | 549.77 | -1.21 | 0.226   | -1747.82 413.72   |
| wage | 162.63   | 436.42 | 0.37  | 0.710   | -695.30 1020.55   |
| sec  | 451.08   | 747.23 | 0.60  | 0.546   | -1017.85 1920.01  |
| taxex | 1855.07 | 611.96 | 3.03  | 0.003   | 652.06 3058.08   |
| nature | -744.17 | 493.74 | -1.51 | 0.133   | -1714.79 226.45  |
| gnp  | -824.31  | 390.84 | -2.11 | 0.036   | -1592.64 -55.99  |
| legal | 1357.42  | 492.74 | 2.75  | 0.006   | 388.78 2326.07   |
| geoloc | -335.81 | 450.08 | -0.75 | 0.456   | -1220.59 548.97  |
| indpol | 1334.85 | 544.29 | 2.45  | 0.015   | 264.86 2404.85   |
| _cons | 10656.87 | 569.29 | 18.72 | 0.000   | 9537.74 11776.01 |

Table A4. Econometric results for the efficiency for the Main model.

| fdi  | Coef. | Std. Err. | z     | P>|z|     | [95% Conf. Interval] |
|------|-------|-----------|-------|---------|---------------------|
| ifra | -1793.77 | 612.90 | -2.93 | 0.004   | -2998.59 -588.95   |
| taxex | 1669.08  | 598.47 | 2.79  | 0.006   | 492.62 2845.54     |
| nature | -780.00 | 482.41 | -1.62 | 0.107   | -1728.32 168.31   |
| gnp  | -725.08  | 384.22 | -1.89 | 0.060   | -1480.38 30.22    |
| legal | 1500.83  | 477.93 | 3.14  | 0.002   | 561.33 2440.33    |
| indpol | 1008.44 | 509.36 | 1.98  | 0.048   | 7.14 2099.73      |
| _cons | 10525.29 | 434.10 | 24.25 | 0.000   | 9671.94 11378.64  |

Table A5. Econometric results to prove the probit model.

| impde | Coef. | Std. Err. | z     | P>|z|     | [95% Conf. Interval] |
|-------|-------|-----------|-------|---------|---------------------|
| ifra  | 1136.890 |       |       |         |                     |
| qualab | 799.6224 |       |       |         |                     |
| wage | 964.4003  |       |       |         |                     |
| sec  | (omitted) |       |       |         |                     |
| taxex | (omitted) |       |       |         |                     |
| nature | 1144.2140 |       |       |         |                     |
| gnp  | 825.5351  |       |       |         |                     |
| legal | 969.5341  |       |       |         |                     |
| geoloc | 1264.3780 |       |       |         |                     |
| indpol | 746.6990 |       |       |         |                     |
| _cons | -4516.5250 |       |       |         |                     |

Table A6. Econometric results for the efficiency for the probit model.

| impde | Coef. | Std. Err. | z     | P>|z|     | [95% Conf. Interval] |
|-------|-------|-----------|-------|---------|---------------------|
| ifra  | 2.2847  | 0.2833   | 8.07  | 0.000   | 1.7295 2.8399      |
| qualab | 1.3868  | 0.3034   | 4.57  | 0.000   | 0.7921 1.9815      |
| nature | 1.2455  | 0.3496   | 3.56  | 0.000   | 0.5602 1.9307      |
| gnp  | 1.0956  | 0.2668   | 4.11  | 0.000   | 0.5726 1.6186      |
| indpol | 1.7159  | 0.2759   | 6.22  | 0.000   | 1.1751 2.2567      |
| _cons | -3.8730 | 0.5418   | -7.15 | 0.000   | -4.9349 -2.8112    |
Pre and post evaluation of Pakistan-Sri Lanka free trade agreement

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International Islamic University, Islamabad, Pakistan

Keywords  
Pakistan, Sri Lanka, Free Trade Agreement, General Equilibrium, GTAP

Abstract  
The purpose of this paper is to evaluate the pre and post impact of Pakistan-Sri Lanka Free Trade Agreement (FTA) on macro economic factors which was operational in June 2005. The simulations are done by using the Global Trade Analysis Project (GTAP) model to quantify the effect of FTA between Pakistan-Sri Lanka. Moreover, up till now, this methodology is not used by any other researcher. GTAP is a Computable General Equilibrium modeling structure of the multiple countries' economy. Results indicate that Pakistan has positive impact on real GDP, trade and welfare while Sri Lanka has negative impact on the same factors. Moreover, the results of this study are coherent with the international trade theories. This research work assists the trade policy makers to adopt appropriate policy for future FTA between Pakistan and Sri Lanka in order to get more gain in the interest of Pakistan.
Revisiting the Awareness – Motivation – Capability (AMC) model of competitive dynamics: An augmented-AMC framework

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Key words
Competitive Dynamics, AMC Framework, Proactive Drivers, Reactive Drivers and Augmented-AMC Framework.

Abstract

Used as a strategic management tool for analyzing the competitive dynamics of an industry, the Awareness – Motivation – Capability (AMC) framework is a widely accepted model to business professionals across the globe. In this model, Awareness stands for the perceived notion of existing competitive challenges of any industry, where Motivation and Capability respectively mean confidence and efficiency of the firm to combat those challenges. This study analyzes professionals' perspectives involving different aspects of the model.

Based on the findings, the paper attempts to develop an augmented AMC framework. In so doing, a thorough qualitative research has been conducted involving literature review, focus group discussions, and in-depth interviews with senior business professionals and scholars. The study findings suggest that Awareness, Motivation and Capability are reactive drivers and hence AMC is a reactive management model where proactive drivers are largely overlooked. In today's highly competitive global business environment, strategists always prefer to be proactive rather than reactive, since they strive to create Blue Ocean in the industry.

The study has identified three proactive drivers - Anticipation, Management Readiness and Capitalization of knowledge - that are expected to enhance the utility of the AMC model and play a significant role for strategy mapping in respect of competitive dynamics. So, the authors suggest, an Augmented-AMC Model can be created. In the proposed Augmented-AMC Model, Anticipation would mean “what’s next” or forecasting - be it in terms of changes in industry structure or happenings around customer preferences and demand. Management readiness is all about the accuracy and speed of response to both anticipated and unanticipated changes. The third driver, knowledge capitalization, would help enabling the firm gain and sustain competitive advantage. When both the drivers are put into a single framework and implement, then firm can take the lead in the industry or in its preferred value segment.
Human resource management adjustment of skill labour in gems industry in Thailand

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Keywords
Human resource management, Adjustment, Skill labour, Gems industry, and Thailand

Abstract
A study sample includes 106 entrepreneurs, the research instrument to collect data was questionnaires. The statistics used were frequency, percentage, average, and standard deviation (S.D.). The results were as follows:
Entrepreneurs’ labour shortage problem, labour quality problem, and adjustment in human resource management of skilled labour in gems Industry in Thailand were all at a moderate level.
The shortage of skilled labour was found, according to its respective severity, in the following works: jewelry engraving, jewelry body assemble, and jewelry lapidary.
Labour quality problems are presented, according to its respective severity, in the following works: jewelry body assembly and jewelry engraving.
Skilled labour shortage could be remedied if the wage is increased highly enough to induce the newly-trained skilled workers to the industry, and by increasing hours of overtime work.
Additional skill training as well as wage increase are necessary factors to help improve the quality of labour in gem industry.

1. Introduction
From time to time, gems are one of top ten of export products. In the present time, it is the third of export product accounting for 5.5% of total of export value. Today, its importance as one of the leading industry of the country is still well-recognized for the fact that a considerable number of skilled labour and involved career workers are employed in this industry. As every industry in Thailand is adjusting to suit the rapidly changing and high competitive environment, gems industry has shaped its aim towards higher quality products and cheaper cost. In the pursuit of the goals of keeping the competitive advantage with higher labor productivity and good quality product, entrepreneurs should point out the human resource management problems in order that they can prepare in advance appropriate ways to overcome the perceived problems.

2. Research Objectives
- To study entrepreneur’s opinion on the degree of severity of labour shortage and labour quality problems and management adjustment to these problems.
- To study the human resource management adjustment of skill labour.

3. The Research Hypothesis
Gems entrepreneurs have different opinion on the degree of severity of labour shortage problem, labour quality problem, and human resource management adjustment of skill labour in Gems Industry in Thailand.

4. Conceptual Framework

<table>
<thead>
<tr>
<th>Entrepreneur’s Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource management</td>
</tr>
<tr>
<td>1. Labour Shortage Problem</td>
</tr>
<tr>
<td>2. Labour quality Problems</td>
</tr>
<tr>
<td>3. Adjustment in Hiring</td>
</tr>
</tbody>
</table>
5. Research Instrument

Research instrument was a questionnaire which was divided into 2 parts. Part 1 was a set of questions about general information of organizational factors including investment capital, number of employees, and type of business. Part 2 was a set of questions about human resource management problems and adjustment in gems industry. The Cronbach’s alpha reliability coefficient of the questionnaires was 0.932.

6. Data Collection and Analysis

The questionnaires were distributed to the whole population, and 106 were returned and used as a study sample. The sample was accounted for 13.56% of the population.

The statistics used were percentage, arithmetic mean, standard deviation. The scores for entrepreneur’s opinion on the degree of severity of human resource management problems and adjustment in gems industry in Thailand are interpreted by arithmetic as following:

- Average levels 4.50 to 5.00 means the degree of severity are highest.
- Average levels 3.50 to 4.49 means the degree of severity are high.
- Average levels 2.50 to 3.49 means the degree of severity are moderate.
- Average levels 1.50 to 2.49 means the degree of severity are lower.
- Average levels 1.00 to 1.49 means the degree of severity are lowest.

7. Research Results

<table>
<thead>
<tr>
<th>Organizational Characteristics</th>
<th>Number (n = 106)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Investment Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>59</td>
<td>55.7</td>
</tr>
<tr>
<td>Medium</td>
<td>32</td>
<td>30.2</td>
</tr>
<tr>
<td>Large</td>
<td>15</td>
<td>14.2</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
<td>100.0</td>
</tr>
<tr>
<td>2. Number of employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small (≤ 200)</td>
<td>88</td>
<td>83.0</td>
</tr>
<tr>
<td>Medium (&gt; 200)</td>
<td>18</td>
<td>17.0</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
<td>100.0</td>
</tr>
<tr>
<td>3. Type of Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole proprietorship</td>
<td>27</td>
<td>25.5</td>
</tr>
<tr>
<td>Partnership</td>
<td>13</td>
<td>12.3</td>
</tr>
<tr>
<td>Corporation</td>
<td>66</td>
<td>62.3</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 1 Analysis of Organizational Characteristics

<table>
<thead>
<tr>
<th>Content of Human Resource Management Problems in Skill Labour</th>
<th>X</th>
<th>S.D.</th>
<th>Degree of Severity</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour shortage problem</td>
<td>2.915</td>
<td>.957</td>
<td>Medium</td>
<td>2</td>
</tr>
<tr>
<td>Labour quality problem</td>
<td>3.076</td>
<td>.973</td>
<td>Medium</td>
<td>1</td>
</tr>
<tr>
<td>Total average</td>
<td>2.995</td>
<td>.838</td>
<td>Medium</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 Average (X), Standard Deviation (S.D.), Degree of Severity, and Ranking of Human Resource Management Problems of Skill Labour Shortage and Quality Problems

<table>
<thead>
<tr>
<th>Content of Human Resource Management Adjustment</th>
<th>X</th>
<th>S.D.</th>
<th>Degree of Severity</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ability of Human Resource Adjustment in hiring of Skill Labour to cope with the shortage and the quality Problems.</td>
<td>3.170</td>
<td>.697</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Table 3 Average (X), Standard Deviation (S.D.), Degree of Severity of Human Resource Management Adjustment in Hiring of Skill Labour
The result of this research indicated that gems entrepreneur’s opinion on the degree of severity of human resource management problems in overall dimension was at a moderate level. It could be interpreted that these problems weren’t too difficult to solve. Data in table 1 showed that most of the sampled firms were small investment capital and small in size with the number of employees less than 200 workers, type of business mostly in the form of corporation.

The analysis, in table 4 the study shows the management adjustment of labour shortage problems composed of (1) Increase the wage structure, (2) Increase hours of overtime work, (3) Take from other competitive firm by increasing benefit, and (4) Change employment status from Overtime to full time. Obviously, increase the wage structure was the first way that entrepreneur should using for adjustment in management of labour shortage problems.

The analysis, in table 5 the study shows the management adjustment of labour quality problems composed of (1) More improve skill training, (2) Increase payment, and (3) Assessment skill level. Obviously, more improve skill training was the first way that entrepreneur should using for adjustment in management of labour quality problems.

However, the results of this study also show that (1) the shortage of skilled labour was found, according to its respective severity, in the following works: jewelry engraving, jewelry body assembly, and jewelry lapidary and (2) labour quality problems are presented, according to its respective severity, in the following works: jewelry body assembly and jewelry engraving.

9. Recommendation

The gems business is highly competitive. The need to apply advance production technology and match customer order with production capacity are very vital as respondents confirm in this research survey that those are necessary to the success of the business. Also, knowledge and skill of worker to keep pace with change in work design are needed. Those reasons impact to the way of management adjustment

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Increase the wage structure</td>
<td>55</td>
<td>43.3</td>
</tr>
<tr>
<td>2 Increase hours of overtime work</td>
<td>33</td>
<td>26.0</td>
</tr>
<tr>
<td>3 Take from other competitive firm by increasing benefit</td>
<td>11</td>
<td>8.7</td>
</tr>
<tr>
<td>4 Change employment status from Overtime to full time</td>
<td>16</td>
<td>12.6</td>
</tr>
<tr>
<td>5 Others</td>
<td>12</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>127</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

* Respondents can select more than one management adjustment

**Table 4 Number and Percentage of the Management Adjustment of Labour Shortage Problems**

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 More improve skill training</td>
<td>62</td>
<td>48.4</td>
</tr>
<tr>
<td>2 Increase payment</td>
<td>38</td>
<td>29.7</td>
</tr>
<tr>
<td>3 Assessment skill level</td>
<td>21</td>
<td>16.4</td>
</tr>
<tr>
<td>4 Others</td>
<td>7</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>128</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

* Respondents can select more than one management adjustment

**Table 5 Number and Percentage of the Management Adjustment of Labour Quality Problems**
by (1) more improve skill training and (2) assessment skill level of labour. Generally, when employees gain more skill and experience, the quality of work will be highly productivity and good quality in their product that they produced. Finally, those skill labour can get more payment in compensation. It may be a result of the fact that gems industry needs to employ workers who are highly skilled and firms have to pay more for that experienced skill.

The findings of this research that the success of gems business is highly competitive due to rapid changes in economic conditions as well as business external environment. Then, a proper response to the situation may be that gems entrepreneurs should invest more on labor-saving technology, apply modern and efficient work design, and improve the productivity of their labor forces. So the effective entrepreneurs should have the understanding and judgement necessary to prepare themselves for surviving and growth in the future.

References
An investigation of Image management and emotional intelligence factors essential for effective leadership by means of factor analysis

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Keywords
Emotional intelligence, Image Management, Leadership, Physical endurance, Values

Abstract
The massive changes taking place in the workforce, the nature of work, and the structure of most organizations, has made it important to re-evaluate the concept of leadership in present context. Characteristics that made leaders successful 15 or 20 years ago may or may not be the same characteristics needed today. The existing literature has focused on individual leader development at the expense of understanding and explaining leadership development (Van Velsor, McCauley, & Ruderman, 2010). In fact, because of the absence of research on leadership development, prior reviews of the existing literature have been forced to acknowledge the importance of leadership development but then go on to narrowly focus on individual leader development (e.g., Day, 2000; McCauley, 2008). This narrow focus on leader development is unfortunate because both leader and leadership development are necessary but insufficient for understanding and explaining how leadership capacity is developed, especially as organizations embrace more collective and shared models of leadership (Pearce & Conger, 2003). This research paper focuses on investigating the factors of image management and emotional intelligence essential for effective leadership by means of using multivariate statistical tool factor analysis.

For the purpose of primary data collection questionnaire was circulated to senior managers from banking, real estate, department stores, IT sector and airline industry. 10 managers from each sector were selected by using convenience sampling technique. The findings suggest that emotional stability, physical and mental health, financial knowledge (Scott, 2002; Hubert, 2016; Naik, 2018), clothing and grooming and application of knowledge and learning are the important components of image management and emotional intelligence for effective leadership.

Introduction
Indian economy has an increased share of services and is shifting away from manufacturing sector. Retaining talent is a challenge, as today’s employees are considerably different than they were in the past with regard to their demands for challenging, meaningful work and expectations for more responsibility and autonomy. Organizations will also rely on innovation and creativity more heavily in the future than they have before. Because of the massive changes taking place in the workforce, the nature of work, and the structure of most organizations, it is important to re-evaluate the concept of leadership in this context. Characteristics that made leaders successful 15 or 20 years ago may or may not be the same characteristics needed today. For example, an explosion has occurred in the amount of knowledge that exists today. In fact, “one of the greatest changes in our business world is the transformation of an industrial-based economy into an information-based economy” (Wilson, et al., 1994). Therefore, capitalizing on the talents and intellectual potential of employees is increasingly important for organizational success. Another major shift deals with the need to increase speed and efficiency. Not only in taking ideas to market, but also in responding quickly to changes internally and externally, organizations are being forced to move faster (Stalk and Hout, 1990). Closely related, the push for continuous improvement requires a different mindset and skill set for leaders today. Most definitely, there are some additional, different skills and behaviours needed today, because of the changes mentioned above, along with the increasing movement toward creating a team-based environment (Berry, 2007).

This research paper focuses on investigating the factors of image management and emotional intelligence essential for effective leadership by means of using multivariate statistical tool factor analysis.
For the purpose of primary data collection questionnaire was circulated to senior managers from banking, real estate, department stores, IT sector and airline industry. 10 managers from each sector were selected by using convenience sampling technique. The findings suggest that emotional stability, physical and mental health, financial knowledge, clothing and grooming and application of knowledge and learning are the important components of image management and emotional intelligence for effective leadership.

Literature review

There is in-depth research carried out in the service industry and on its multifarious aspects. The study conducted by Lakshete, 2011 revealed issues like job role stress, inefficient employee performance and other issues that need attention at organized service sector level in India. Many researchers have also worked on various domains, like the human resource management systems and practices in India (Budhwar et al. 2009), job satisfaction and burnout prevention (Kanwar et al. 2009) with respect to the service industry. Researchers like Petrides et.al, 2007 have carried out research in the area of customer expectations and customer perceptions of service quality both in India and abroad but limited researches are targeted on investigation of image management and emotional intelligence factors essential for effective leadership in service industry.

Leadership, Image management and emotional intelligence

Leadership is a collective and mutual influence process where several participants engage in leading-following interactions in aim of accomplishing a collective goal (Bass & Bass, 2008; Yukl, 2010). According to Day (2000) there are two forms of leadership development one is individual leadership development and the other is collective and relational leadership development. Individual leadership development concentrates on an individual’s ability to participate in leading-following processes and generally presumes that developing an individual’s leadership knowledge, skills and attitude will result in more effective leadership. But leadership is also having a collective and relational domain. It involves followers and the process is one where the leader does something that induces others to act. Leadership development is more about relationships that are created and maintained within the social context that can have a strong influence on how leadership processes emerge and evolve (Day, 2004; DeRue, 2011). The relational and collective leadership development emphasizes on building the mutual commitments and interpersonal relationships that are necessary for leading-following processes to unfold effectively within a given social and professional context.

The existing literature has focused on individual leader development at the expense of understanding and explaining leadership development (Van Velsor, McCauley, & Ruderman, 2010). Prior reviews of the existing literature have been forced to acknowledge the importance of leadership development but then go on to narrowly focus on individual leader development (e.g., Day, 2000; McCall, 2004; McCauley, 2008). This narrow focus on leader development is unfortunate because both leader and leadership development are necessary but insufficient for understanding and explaining how leadership capacity is developed, especially as organizations embrace more collective and shared models of leadership (Naik et.al, 2017). So this research paper is an attempt to integrate the individual and collective leadership development model by investigating factors of image management and emotional intelligence essential for effective leadership.

Salovey and Mayer coined the term "emotional intelligence" in 1990 (Salovey and Mayer, 1990). They were cognizant of the preceding studies on non-cognitive parameters of intelligence and they described emotional intelligence as "a form of social intelligence that involves the ability to monitor one's own and others' feelings and emotions, to discriminate among them, and to use this information to guide one's thinking and action" (Salovey and Mayer, 1990). Emotional intelligence can be seen to be a prerequisite for cultural intelligence.

Emotional intelligence has 4 important dimensions (Goleman, 1998)

- Self awareness which includes awareness of the individual with regards to his/her strengths, weakness, opportunities and challenges.
- Self management which include management of the emotions of self in period of crises, excitement, depression etc
- Social awareness which includes awareness of the other individuals, teams with recognition and respect of their emotions and feelings
- Relationship management - once an individual practices self awareness, self management, social awareness, relationship management becomes easier to practice which is an essential aspect for achievement of goals and objectives of the organization leading to increase profitability

Image management comprises of the image inside out. Image is inside out, how an individual sees himself impacts how he dress and groom which impacts how he think, feel and act or behave which in turn impacts how other see him and respond and react to him. This in turn impacts how an individual meets his needs and achieves his goals which in turn impact the organizations objective achievement which in turn impacts organizations profitability (Donavan et.al, 2004). The values, attitudes, personality of an individual is reflected in his clothing, grooming, hygiene, body language which is an essential aspect to be considered by a leader.

Research Objectives
The primary objective of this research paper is to examine the literature related to leadership, image management and emotional intelligence. The next objective is to investigate the factors of image management and emotional intelligence that are essential for the effective leadership. The purpose of the same is to integrate the individual and collective leadership development parameters.

Research Methodology
The research design focuses on quantitative research study by means of using statistical analysis tool factor analysis to determine factors of image management and emotional intelligence which are essential for effective leadership in service industry (Creswell, 1994). In this study use is made of questionnaire and informal interviews, for gathering the primary data and secondary data is gathered by means of published and unpublished paper and electronic sources like journals, newspaper, articles etc. For the purpose of primary data collection questionnaire was circulated to senior managers leading a team with 360 degrees appraisal rating atleast 70% based on the individual company calculations from banking, real estate, department stores, IT sector and airline industry. 10 managers from each sector were selected by using convenience sampling technique. For the research under study the tool used for data analysis was factor analysis. The cronbach α value is within permissible limits to carry factor analysis.

H₀: There is no internal consistency and reliability among the variables selected in the study for conducting factor analysis focusing on image management and emotional intelligence factors essential for effective leadership in service industry
H₁: There is an internal consistency and reliability among the variables selected in the study for conducting factor analysis focusing on image management and emotional intelligence factors essential for effective leadership in service industry

After discussion with the senior managers and the literature review, following parameters are considered as important with respect to image management and emotional intelligence for effective leadership:
1. Self awareness
2. Financial Knowledge
3. Authoritativeness
4. Self - regulation
5. Political behavior
6. Clothing and Grooming
7. Relationship management
8. Physical and mental health
9. Social awareness
10. Educational Qualification
11. Power
12. Application of Knowledge and Learning
Data Analysis

Multivariate statistical analysis tool factor analysis is used to determine factors of first impression which can have impact on the selection procedure in the job interview process (Ingold et al., 2015).

![Table 1: Communalities](image1)

![Table 2: Total Variance Explained](image2)
Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>.773</td>
<td>.439</td>
<td>-.246</td>
<td>-.051</td>
<td>.262</td>
</tr>
<tr>
<td>Financial</td>
<td>.331</td>
<td>.382</td>
<td>.690</td>
<td>.005</td>
<td>-.331</td>
</tr>
<tr>
<td>Authoritativeness</td>
<td>.210</td>
<td>.260</td>
<td>.460</td>
<td>-.446</td>
<td>.126</td>
</tr>
<tr>
<td>Regulation</td>
<td>.773</td>
<td>.439</td>
<td>-.246</td>
<td>-.051</td>
<td>.262</td>
</tr>
<tr>
<td>PB</td>
<td>.338</td>
<td>-.007</td>
<td>-.536</td>
<td>.273</td>
<td>.030</td>
</tr>
<tr>
<td>CG</td>
<td>.251</td>
<td>.107</td>
<td>.327</td>
<td>.710</td>
<td>-.178</td>
</tr>
<tr>
<td>Relationship</td>
<td>.664</td>
<td>-.682</td>
<td>.156</td>
<td>.092</td>
<td>-.091</td>
</tr>
<tr>
<td>PM</td>
<td>-.081</td>
<td>.738</td>
<td>.097</td>
<td>.340</td>
<td>-.187</td>
</tr>
<tr>
<td>Social</td>
<td>.664</td>
<td>-.682</td>
<td>.156</td>
<td>.092</td>
<td>-.091</td>
</tr>
<tr>
<td>Qualification</td>
<td>.354</td>
<td>.035</td>
<td>.367</td>
<td>-.237</td>
<td>.292</td>
</tr>
<tr>
<td>Power</td>
<td>.373</td>
<td>.178</td>
<td>-.421</td>
<td>-.119</td>
<td>-.564</td>
</tr>
<tr>
<td>Learning</td>
<td>-.132</td>
<td>-.022</td>
<td>.133</td>
<td>.499</td>
<td>.571</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 5 components extracted.

Table 3. Component Matrix

Based on the table 3, the following graph which is called as Scree Plot is plotted to know the number of factors which is available in the analysis.

Scree Plot

Graph 1. Scree Plot

From the above graph of Scree plot 1, it can be concluded that the factors having the Eigen values more than 1 have to be considered. This study determines 5 factors.

Interpretation (From Table 3)

From the Table 3 of Component Matrix, it can be seen that the five factors can be classified as follows:
Factor 1
Awareness
Regulation
Relationship
Social
Which can be renamed as Emotional stability
Factor 2 – Physical and mental health
Factor 3 – Financial Knowledge
Factor 4 – Clothing and Grooming
Factor 5 – Application of Knowledge and learning

The results of the statistical analysis, coupled with the formal and informal discussions with the senior managers from the selected service sectors it is concluded that emotional stability, physical and mental health, financial knowledge, clothing and grooming and application of knowledge and learning are the important components of image management and emotional intelligence for effective leadership.

Findings and Discussions
The nature of Human resource management in India is known to be ‘context specific’. The Human resource management system varies from country to country and can either be universal or context specific, like in India’s case where there is a strong relationship between the social contacts and human resource management practices like stress management, work life balance, leadership etc. which presents the context-specific nature of such a practice.

Leadership development also emphasizes on developing people’s motivation to lead, their identity as leaders, as well as their mental mode about what it means to participate in a leadership process. Indeed, leadership development has become a topic of interest for researchers across a range of disciplines, and the diversity of theories and research emerging on leadership development is stimulating leading to new and exciting ideas on the topic especially in the field of relational and collective leadership, self identity of leader, effect of intrinsic motivation on leadership development, effective of social organizational context on leadership growth etc. (Ting, 2006; Wiersma, 2016)

The results of the statistical analysis, coupled with the formal and informal discussions with the senior managers from the selected service sectors it is concluded that emotional stability, physical and mental health, financial knowledge, clothing and grooming and application of knowledge and learning are the important components of image management and emotional intelligence for effective leadership.

Limitations
The current study is limited as generalization of the result is difficult as data is collected only from service sector. The confidentiality with respect to names of organizations selected and respondents from whom data is obtained is also a limitation as the organizations and respondents requested for the confidentiality.

Scope of the Research
The scope of the future research is to devise a proposed model integrating the individual and collective leadership development and test the same by means of appropriate statistical tool. The longitudinal time series studies can also be conducted to check the practical implementation of the model in service sector.

Conclusion
Image management and Emotional intelligence in the corporate space is important for the success of any organization. Unfortunately, those who put the most attempts into emergent educational and leadership skills at executive level do not end up where they want, and not only because of the manner in which they undertake these, but also because of the things they don’t do (DeRue, 2014). Even the best expansion processes will not help the organization change if they focus only on the individual and don’t consider the potency of emotional stability and image management. This research paper have investigated by means of factor analysis the following factors which are emotional stability, physical and mental health, financial knowledge, clothing and grooming and application of knowledge and learning are the
important components of image management and emotional intelligence for effective leadership. These factors can bring will enable the leaders to be in control of self first, understand the importance of physical and mental health of self and then can attract others into a compelling vision of a common future by being able to manage relationships with them in a productive manner.

References
Managing employee commitment in the not-for-profit sector: UWLSU Case Study

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Keywords
Employee Commitment, Leadership Style, Job Satisfaction, Case Study, University of West London, Qualitative.

Abstract
This research paper explores the topic of “Managing Employee Commitment in the Not-For-Profit Sector” within the context of a charity; The University of West London Students’ Union (UWLSU). The aim of this research paper is to explore how UWLSU manages employee commitment and will look at how leadership style and job satisfaction are used within UWLSU to manage employee commitment and the impact of these variables. The not-for-profit sector in the UK accounts for a significant proportion of employment yet it is highly under researched. Moreover, this research paper uses a qualitative research approach as this approach will help to study the subjective research variables in depth and provide a richer understanding and clarity of the research findings and is one of the only studies to adopt a qualitative approach to study the chosen topic and variables as studies on employee commitment typically follow a quantitative approach. Additionally, this paper has followed an interpretivist research philosophy and inductive research strategy. Moreover, the researcher has opted for a case study research design; using UWLSU as the case study. The sampling technique used in this research was purposive sampling as a small sample size of five managers was used. Due to the qualitative approach, semi-structured interviews were used in order to collect the data and analysed by using thematic analysis.

The results of the study show that UWLSU uses a democratic leadership style, which allows for collaborative work to take place and for the emotional engagement of employees which helps them to manage or increase organisational commitment. Moreover, UWLSU recognises that satisfaction drives performance and has a variety of methods to ensure employees are satisfied with their job, ranging from feedback/appraisals, placing an emphasis on making employees happy or feel good, emphasising social elements and more. The paper concludes with recommendations for UWLSU in order for UWLSU to continue to achieve high accolades and continue to grow further.

1. Introduction
The topic of this research paper is “Managing Employee Commitment in the Not-For-Profit Sector”, specifically within the context of the University of West London Students’ Union. The University of West London Students’ Union (UWLSU) is a non-profit organisation, with its primary focus being to provide services, both academic and non-academic, for the students of the University of West London (UWL) (UWLSU 2017). The aim of UWLSU’s current strategy, as per UWLSU 2018 Strategic Plan (2016, p.2) is to become “… the first modern uni with an excellent students’ union by 2018”. However, in order to achieve this, the primary aim must be broken down into multiple strategic objectives which, in this case, have been categorised by department. The strategic objective that this research is taking into consideration is the “People” objective which as per UWLSU 2018 Strategic Plan (2016, p.3) is “High performing, highly satisfied staff team able to achieve targets”.

In 2012, UWLSU’s engagement with students was less than 4% and their approval ratings were in the bottom quartile for the sector (UWLSU 2016). Through an organisational restructure, with a new management team brought in, UWLSU set out to establish a five year strategic plan with the ambition of becoming “… the first modern uni with an excellent students’ union by 2018” (UWLSU 2016). Today, UWLSU has increased its engagement with students from less than 4% to 60%, increased student satisfaction from 59% to 76% and is also the two time winner of the NUS “Highest Employee Engagement” award in 2015 and 2016 (NUS 2015 and 2016). In order to achieve these successes, UWLSU
obviously needs to have a highly committed staff team which are satisfied with their jobs and reinforced through effective and efficient leadership. It is evident in UWLSU’s achievements that a change in leadership and ensuring staff are satisfied with their jobs has had an impact on the organisation but it is unclear as to how this is managed to ensure consistency.

2. Literature Review

In relation to employee commitment, there are many factors that can be used to help manage or increase employee commitment (Saha 2016). This research paper has taken two variables in to account; leadership style and job satisfaction and will be exploring how employee commitment is managed using these two variables. As there are a variety of definitions within the literature, the author has opted for the following operational definitions:

**Employee commitment:**

The emotional qualities of individuals. Employee commitment (and engagement) typically conceived as an individual’s psychological bond to the organisation including a sense of job involvement, loyalty and a belief in the value of the organization (Mullins, J.M et al 2016).

**Job satisfaction:**

A pleasurable or positive emotional state resulting from a person’s appraisal of his or her job or job experience (Rollinson 2008).

**Leadership style:**

A process in which leader and followers interact in a way that enables the leader to influence the actions of the followers in a non-coercive way, towards the achievement of certain aims or objectives (Rollinson 2008).

**Leadership**

As defined by Rollinson (2004), leadership or leadership style is a process in which leader and followers interact, in a way that is not forceful in order to achieve organisational aims or goals. Examining the timeline of the history of research regarding leadership indicates that the current literature on leadership can be generally categorised into a number of important stages. Early research on leadership mainly focused on the individual, the “great man”, which was then later developed into focusing on the characteristics of successful leaders i.e. the personalities of successful leaders. This is categorised as trait theory. However, widespread criticism of the trait approach led to the emergence of what is known as style and behavioural leadership approaches. These approaches diverted the emphasis away from the characteristics of the leaders themselves and instead focused on the behaviour and style of the leader such as democratic or participative leadership styles, implying that these styles are more successful than trait theory styles. Similar to trait theories, style and behavioural theories were also criticised and researchers began to explore the importance of situational factors. This eventually gave way to the development of situational and contingency leadership theories, highlighting that leadership effectiveness is dependent on the evaluation and understanding of the situation and the factors surrounding the situation, showing that an effective leader will adopt the relevant leadership style according to the situation. Recent studies have returned to the idea of a single style of leadership being the best way to proceed with transactional and transformational leadership styles gaining popularity in recent years (Harris and Ogbonna 2000).

**Democratic Leadership**

As defined by Christy and Mullins (2016), the democratic style of leadership is another style where the focus of power is distributed across the whole group rather than solely resting with the leader. Various leadership functions are shared across members of the group thus bringing the manager down to a level that is more equal with the rest of the group. With democratic leadership, there is a greater focus on the people within the organisation which also allows for increased interaction within the group. The primary principles of democratic leadership are that democratic leaders tend to exhibit friendliness, helpfulness, and the encouragement of participation. Moreover, democratic leadership can be credited with increased productivity, satisfaction, involvement, and commitment. As opposed to autocratic leadership, where the assumption is that subordinates are not trustworthy, democratic leadership says
otherwise and additionally views subordinates as self-motivated, enjoy being given responsibilities and challenging work, and through the organisational climate, democratic leadership also helps to foster teamwork, high performance and satisfaction (Jones et al 2016). A critique of this style though is that it can be difficult to manage and inefficient when there is a wide range of opinions (Cutler 2014).

**Transactional Leadership**

As defined by Judge and Robbins (2015), transactional leadership places an emphasis on the clarification of goals and objectives, establishing them in order to motivate their followers. Centred on leader-follower exchanges, followers perform according to the command and direction of the leaders and subsequently, leaders positively reward the efforts made. Research on transactional leadership proposes that there are three key characteristics of this particular leadership style which are contingent rewards, active management and passive management. Tasks and the way the tasks are to be carried out are communicated to the group (active management) and are then monitored closely (passive management) and subordinates are then rewarded depending on whether or not the performance was satisfactory (contingent rewards). Moreover, on the basis of predetermined parameters, transactional leaders observe the performance of employees and if necessary, take actions to change follower’s behaviours so that they may increase their performance or perform as instructed. Through this practice, a relationship between leader and follower is established which allows for continuous learning and development, as well as a better understanding for the follower in regards to their place in the organisation. This can lead to employees feeling more committed towards organisational objectives (Mujtaba et al 2014).

**Transformational Leadership**

Christy and Mullins (2016) define transformational, or creative, leadership as a way of transforming the performance of an organisation. The attention is focused on creating a vision for the organisation and typically, transformational leaders possess the ability to appeal to the value of its followers in order to create a sense of justice, loyalty and trust throughout the organisation. Similar to the previously mentioned leadership styles, transformational leadership is based on four dimensions which are personality, communication, rational stimulation, and individualised thought. By increasing, or altering awareness of organisational issues, transformational leaders help to facilitate a new understanding of those issues, and subsequently, this encourages inspiration and anticipation in extra labour to achieve common, shared goals. Transformational leaders are able to influence the attitudes and beliefs of their followers, thus motivating followers according to interest of the leader with the objective of the continued improvement of the organisation. Subsequently, followers tend to feel more transformed and developed and through internal satisfaction and motivation, organisational commitment is achieved as employees begin to realise that the organisational environment is favourable for their development (Mujtaba et al 2014).

**Job Satisfaction**

Job satisfaction, as defined by Locke (1976, cited by Rollinson 2004), is a pleasurable or positive emotional state as a result of a person’s appraisal of their job or job experience. Originally viewed as a single, unified concept, job satisfaction is now commonly recognised as an intricate cluster of multiple attitudes towards different aspects of a job based on an individual’s expectations of work and their actual experiences (Rollinson 2004). As explained by Rollinson (2004), people have different expectations in what they expect from work thus creating a highly individualistic attitude cluster but research shows that there are five key factors to the attitude i.e. job satisfaction, which includes:

- The work itself;
- Pay;
- Promotion;
- Supervision;
- Co-workers;

**Importance of Job Satisfaction in the Education Sector**

The increasing importance and interest of job satisfaction can be attributed to the basic assumption that a satisfied employee is, by default, effective and productive. However, contemporary
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Research demonstrates that job satisfaction is highly complex thus placing an importance on further exploration of job satisfaction and its potential effects, specifically in three key areas; employee turnover, employee absenteeism, and employee productivity (Rollinson 2004). Tett and Meyer (1993, cited by Rollinson 2004) explain that within the existing literature, there is credible evidence that in organisations where the level of job satisfaction is high, labour or employee turnover is reduced. However, this cannot be considered to be a direct relationship i.e. between job satisfaction and employee turnover as there are additional factors that contribute to employee turnover. Therefore job satisfaction, as an experience of work, can thus be credited with making it less likely for an employee to leave the organisation even if there are other available opportunities (Rollinson 2004). Much like turnover, job satisfaction again has an impact on absenteeism, although Steele and Rentsch (1995, cited by Rollinson 2004) explain that the effect is significantly stronger, as when job satisfaction begins to decrease, absenteeism increases. Moreover, there is a debate within the current research as to whether or not job satisfaction leads to high employee productivity. The notion that job satisfaction does lead to high employee productivity offers an appeal to managers as there is an implication that rewards somewhat play a negligible part in increasing employee productivity. However, Podsakoff and Williams (1986, cited by Rollinson 2004) argue that rewards do have an impact on employee productivity and that job satisfaction plays a mediating role i.e. the provision of rewards leads to job satisfaction which subsequently increase employee productivity.

As the context of this research is set within the University of West London Students’ Union, a not-for-profit organisation, it is important to understand that non-profit organisations account for an increasingly significant percentage of employment and production within the economy (Benz 2005). Moreover, operating within the education sector as a non-profit organisation, it is crucial to understand the importance of job satisfaction within the education sector. Higher education institutions are not exempt from the problems that emanate from low levels of job satisfaction amongst staff. Within the educational sector, leaders have begun to increase the number of research studies in an attempt to identify the factors that affect job satisfaction thus highlighting its importance within the higher education sector (Danish et al 2010).

Employee Commitment

As an attitude, organisational or employee commitment is held as an organisational wide attitude that an employee holds (Rollinson 2004). As defined by O’Reilly (1996, cited by Christy and Mullins 2016), employee commitment can be summarised as the emotional qualities of individuals. Employee commitment, also known as organisational commitment, is typically perceived as an individual’s psychological bond to the organisation which includes having a sense of job involvement, loyalty and a belief in the value of the organisation. There are a number of fundamental influences on the extent to which an employee would be committed to an organisation. Firstly, work ethic differs between individuals, meaning that their level of commitment to the work itself and their level of involvement or concern for their work would vary. Secondly, the individual’s behaviour and level of commitment is additionally affected by the psychological contract and the degree to which, both the individual and the organisation, perceive the level to be fair. Lastly, with regards to the relationship that the employee holds with the organisation, employees may have an approach of ‘what’s in it for me?’ Subsequently, a key influence of the level of commitment is the reward systems utilised by organisation and the satisfaction of employee needs and expectations of work, ranging from economic rewards, intrinsic satisfaction or social relationships (Christy and Mullins 2016).

Three Component Model of Commitment

A popular theory relating to employee commitment within organisations is the three-component conceptualisation of organisational commitment created by Allen and Meyer. The three approaches outlined in the model are labelled as affective, continuance and normative. Between these three approaches, there is a common link that indicates the likelihood of turnover is low but the nature of this link differs (Allen and Meyer 1990).

Affective Commitment

McBain (2005) defines affective commitment as an employees’ attachment to, identification with, and involvement in, the organisation. Regarded as the most prevalent approach to organisational
commitment within the existing literature, affective commitment provides a richer sense of emotional attachment. Cooper (2001) says that affective commitment consists of the notion of having a desire to remain in the organisation because of the employees’ positive attitude towards the organisation which has developed as a result of his or her experience. This commitment is a result of the norms of the organisation and the extent to which the employee can relate to and agree with these norms in comparison to their own personal norms and belief system (Cooper 2001).

**Continuance Commitment**

Continuance commitment, also known as cognitive commitment, can be defined as the commitment that is based on the perceived costs that employees associate with leaving the organisation (McBain 2005). Cooper (2001) states that this approach is the outcome of incentives and contributions between the employee and the organisation; if this contribution is contingent upon continued employment within the organisation, commitment increases as the employee will perceive the act of leaving the organisation as costly thus resulting in continued employment.

**Normative Commitment**

The third and final component of employee commitment is normative commitment; a less common but equally viable approach, normative commitment, also referred to as obligation, is based on the employees’ feelings of loyalty and responsibility (McBain 2005). Allen and Meyer (1990) explain that employees’ that exhibit normative behaviours do so because they perceive it to be the correct and moral thing to do.

**Relationship between Leadership Style and Job Satisfaction**

Within the existing literature, there have been various studies that have examined the relationship between leadership style and job satisfaction; several researchers (J. Chen & Silverthorne, 2004; Heischmidt & Henson, 2008; Noelker, Ejaz, Menne, & Bagaka, 2009, cited by Handsome 2009) have been able to establish that leadership does indeed have an influence on several work related attitudes including job satisfaction. Moreover, Solansky (2008, cited by Handsome 2009) postulated and found that the style of leadership has an effect on the attitudes, beliefs, and behaviour of employees. The majority of the research around the relationship between leadership style and job satisfaction examine the relationship using transformational, transactional or democratic leadership styles indicating a strong relationship between these particular styles and the effects that they have on job satisfaction.

**Relationship between Leadership Style and Employee Commitment**

Undoubtedly, the existing literature on the relationship between leadership style and employee commitment consistently shows that there is a positive relationship between these two variables specifically in regards to democratic, transformational and transactional leadership styles having the greatest positive impact on employee commitment (Keskes 2014). Further studies conducted by Khan et al (2011) further reinforced the notion that leadership style has a positive relationship and is a significant influence of employee commitment; indicating that the outcome of using a democratic leadership style is that organisational commitment will be considerably higher than employees that are led under authoritative and non-interference leadership styles Chun et al (2006, cited by Asgari 2014). Moreover, previous research also indicates that leaders who encourage participation in decision making, take consideration of employees into account, and gave due consideration to employees’ learning and development all resulted in followers having higher levels of employee commitment (Keskes 2014).

**Relationship between Job Satisfaction and Employee Commitment**

Lastly, regarding the relationship between job satisfaction and employee commitment, studies conducted by Biggs and Swales (2006) as well as Fu, Deshpande, and Zhao (2011) (cited by Aina 2013) illustrate that there is a positive correlation between these two variables; employees who are satisfied with their jobs are more inclined to remain committed to the organisations. As suggested by Britt and Jex (2008, cited by Aina 2013) employees that are found to be committed to their organisations tend to possess certain personality traits such as being more goal-orientated and tend to spend little time achieving goals, thus saving organisational resources. Likewise, researchers such as Robins (2003) and McShane & VonGlinow (2000) (cited by Babalola 2016) have also reported findings that indicate a clear relationship between job satisfaction and employee commitment; therefore it can be typically assumed that if an
employee is satisfied, then the employee will be committed to the organisation (Miarkolaei and Miarkolaei 2014).

Research Gap

The not-for-profit sector forms a significant proportion of employment in the UK but it is still highly under-researched (Alatrista and Arrowsmith 2004). Additionally, there is no research on students’ union with regards to managing employee commitment and this research could provide a starting point for further extensive research. As there is currently no research that examines students’ unions in particular, this allows the research to contribute to the existing literature and again could be the starting point that prompts further research. Moreover, the majority of studies concerning employee commitment, leadership style, and job satisfaction tend to be quantitative, thus providing statistical data on the topic; there is a lack of qualitative research, and exploring these subjective topics in depth could help to provide a richer understanding and clarity.

3. Methodology

An interpretivist philosophy has been adopted in order to allow for a deeper, richer understanding of the findings and the chosen subjective research variables. As this research is concerned with exploring an existing phenomenon from a different perspective the research uses the inductive strategy. The chosen research approach is qualitative as the author wanted to gain a more detailed, descriptive understanding of the chosen topic as the majority of the literature and previous studies on employee commitment, leadership style and job satisfaction tends to come from quantitative studies. A case study design was chosen due to its ability to produce insights from intensive and in depth research, thus leading to thorough, empirical conclusions and development of theory.

4. Analysis and Findings

The sampling technique that was used was purposive sampling; as the research design is a case study, purposive sampling paired well with this. As a very small sample size of five participants was used, it was critical that specific participants were selected that were particularly informative in order to maximise the probability of answering the research questions and meeting the research objectives (Saunders et al 2016). The sample consisted of employees from UWLSU who currently hold a management position. In order to collect the data, each participant was emailed individually; inviting them to participate in the research and once they gave their consent, a date and time was agreed. All five of the interviews happened in person, face to face in the form of a one to one semi-structured interview; using a set of open questions in which there were a number of themes i.e. employee commitment, leadership style and job satisfaction.

Thematic Analysis: Decision Tree

The data analysis procedure used was thematic analysis which is typically used in qualitative research. The essence of this approach is to search for themes within the data that has been collected. Thematic analysis offers a methodical yet adaptable and usable approach to analyse qualitative data, thus allowing for acute descriptions, explanations and formation of theories (Saunders et al 2016).
Figure 1

Figure-2
5. Discussion and Conclusion

Relating back to the established research questions and objectives, it is important to summarise the research findings in order to determine whether the research questions have been answered and if the research objectives have been met. Based on the analysis of the collected data, there are several research findings. The research findings show that the leadership style of UWLSU is Democratic. Regarding its effectiveness in managing employee commitment and how it helps UWLSU to manage employee commitment, the findings show that this particular leadership style is highly useful in the not-for-profit sector especially within organisations such as Students’ Union as it allows for emotional engagement with employees and can help to manage growth. With a democratic leadership style, organisational work becomes collaborative allowing for a shared sense of purpose amongst colleagues which helps UWLSU to manage employee commitment.

Moving on to job satisfaction, some of the ways in which UWLSU ensures its employees are satisfied include placing an emphasis on making sure employees feel good and are happy, the use of feedback/appraisals, ensuring that employees have total clarity of strategy and where the employee fits in that strategy in terms of role and purpose, and the use of emotional rewards. Contrastingly, as evidenced in the literature, pay can be used as a factor in ensuring an employee is satisfied but within the context of the not-for-profit sector, UWLSU in particular, satisfaction does not come from pay. UWLSU recognises that satisfaction drives performance and therefore satisfied employees are able to achieve more. People within the not-for-profit sector tend to be socially motivated and subsequently, job satisfaction and employee commitment are intrinsically linked. Job satisfaction in particular, can be the deciding factor as to whether somebody stays with their role or leaves the organisation; this relationship is highly evident in Students’ Union. Additionally, with a satisfied employee comes a committed employee and as a result, that employee will think less about the resources that they are dedicating towards the organisation. Regarding how job satisfaction and leadership impacts employee commitment within the not-for-profit sector.
sector, the findings show that there is a clear relationship between the three variables and that leadership style and job satisfaction are useful in managing employee commitment.

**Managerial Implications**

The results of this study offer useful, practical insights that could assist the senior management team (SMT) and central management team (CMT) at UWLSU; as UWLSU has demonstrated exponential growth in last five years, understanding some of the reasons for the success behind this growth can help them to continue to be successful and to grow further. This study could help managers to understand the importance of using the right leadership style and the importance of job satisfaction and the effects that these two variables can have on employee commitment. The study found that in particular, there is a highly sensitive relationship between job satisfaction and employee commitment; that satisfaction results in commitment and knowing this, UWLSU can strategically work to ensure its employees are highly satisfied in order to increase commitment. Regarding leadership style, UWLSU can use this study to work and ensure that there is consistency in leadership as the organisation evolves and grows over time as lack of consistency in leadership can decrease employee commitment.

**6. Limitations**

There are several research limitations that should be taken into consideration when reading this study. Firstly, with regards to employee commitment and looking at how leadership style and job satisfaction are used to manage employee commitment, it is important to note that these are not the only two variables that can be used in managing employee commitment; rather there are many other variables that contribute to employee commitment which this study has not looked at. Moreover, due to time constraints, a small sample size was used for the data collection; if there had been a longer time period to conduct the research, the author would have opted for a larger sample size in order to gain a wider range of results.

**7. Further Research**

This study looked at how leadership style and job satisfaction impact employee commitment and how they can be used to manage employee commitment. However there are other factors that can be looked at in relation to employee commitment such as motivation, strategy, communication, employee brand, culture, diversity and more. Future research should consider looking at these factors within the context of the not-for-profit sector as it is highly under researched even though it forms a significant proportion of employment. Additionally, future studies should consider continuing to use a qualitative research approach like this study in order to gain a richer, deeper understanding of these complex and subjective variables.

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Human potential of communities and social entrepreneurship as a factor of sustainable innovative development in Azerbaijan

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Keywords
Social enterprises, human potential, human development index, third sector, social orientation.

Abstract

Human challenges formed with the purpose of development of millennium and the agenda within the period after 2015 set new tasks before the world community. In this situation, we have to convert the scientific results into the national strategy, political course for stability. In the epoch of globalization, the settlement of the problems of sustainable development, the priority task will be effective management of the human potential. The planning, management and mobilization of the human potential is considered as the decisive factor of providing of synergetic resolution of national, regional and global challenges. In the condition of globalization of the world economy and free capital mobility, including the human capital from country to country, from region to region under the circumstance of the acute international competition, accelerated development of new technologies, namely the human capital serves the main intensive competitive factor for development. This process is more intensive in the countries of the world, which accomplish the advance investment of the high quality human potential, organize and finance its inflow to the country, create bets conditions for the leading specialists. The integral income from the investments to the human capital is increased with time in effective state.

Introduction

The Millennium Development Goals, adopted at the suggestion of the UN World Summit, include the following important tasks to be conducted on a global scale: to significantly reduce poverty, to improve social indicators, and to eliminate gender inequality. These goals were to be met by the target date of 2015. The sectors of national governments and international organizations responsible for the implementation of these objectives have stated that significant progress has been made in these areas. Both the world average and the statistics in certain countries show that the level of poverty has decreased, there has been increased gender development, and social indicators have improved. However, the reduction of poverty in its various manifestations, improving social indicators, and further elimination of gender disparities are still relevant today. As such, the agenda for post-2015, which is currently being discussed worldwide at the suggestion of the UN, includes continuing to address these issues. The resolutions to these challenges are essential elements in achieving the goals of sustainable development which is a key priority of the 21st century (http://mcgyouthandarts.org).

The tasks for the post 2015 agenda will require different approaches. Social enterprises which are coordinated through public organizations of citizens in the community (community based organizations) and social entrepreneurship have the potential to improve economic and social indicators, as well as to eliminate gender inequality through the formation and mobilization of human potential (Human Development Report, UNDP, New York, 2014)

Social entrepreneurship, a relatively new way of implementing social and economic activities, achieves the social mission with economic efficiency and entrepreneurial innovation. At its core is the creation of so-called social enterprises - i.e. business enterprises, organized to work on social problems and to achieve social good. These enterprises use business strategies established in the private sector such as financial discipline and innovation. In the last decade, this practice has gained popularity both in
industrialized countries and in third world countries, for which this new method of combining economic and social resources is a means of reducing poverty in large parts of the population.

Social entrepreneurship in the form of companies not seeking a profit (nonprofit organization) is the most promising with community based organizations. At present there is some experience in the creation and development of non-governmental organizations (NGOs) in the field of social entrepreneurship. The Republic of Azerbaijan has created a pilot model for urban and rural citizens' associations, human development and sustainable production of profits (Human Development and Sustainable Income Generation Public Union), which has been officially registered by the Ministry of Justice, the acting tax authority. These activities are carried out within the framework of national programs to combat poverty, to eliminate gender disparities and to improve social indicators of the population.

Successful implementation of these national programs in The Republic of Azerbaijan have led to a significant reduction of poverty in the country. In particular, data from international institutions indicates that the level of poverty in the country has decreased, which was one of the goals of the Millennium Development. The activities of NGOs, especially when educated by community based organizations, become particularly effective in meeting the challenges of sustainability when they work in conjunction with government agencies, other NGOs and the private sector. Statistics for the Republic of Azerbaijan have reflected a significant decrease in the poverty rate over the last 20 years, from 49 per cent to 5.7 per cent. It should be noted that such effective poverty reduction helped to improve the social indicators of the population as a whole, which is an important indicator of sustainable development (http://www.stat.gov.az/menu).

Presented a comparative analysis of results achieved in the Republic of Azerbaijan with the countries belonging to the group G 20. The analysis shows that the results achieved in the Republic of Azerbaijan are comparable, and in some cases exceed, the performance of a number of developed countries, including the members of the G20 and G7. The achievement of these results, as well as those achieved in poverty reduction, can be attributed to the use of innovative human potential management practices of sustainable development, including the mobilization of national programs falling under government, NGOs, and private sector entities. Using the latest production and management technologies, the mobilization for the purpose of local knowledge and renewable natural resources are factors contributing to progress in this area.

However, it should be noted that social entrepreneurship, promoted by public organizations, has not yet been fully developed for a variety of reasons. The primary reason is due to the weak development of the legal framework governing these activities. There are different views on the role of NGOs in solving the problems of sustainable income. According to Bill Strickland, director of the Manchester Craftsmen’s Guild and recognized social entrepreneur, "NGOs have to admit that they do business, not just a business. There is a way to combine all the best in the non-profit charitable peace with all the world’s best profitable organizations. This hybrid is a signal of the future for both sides - both profitable and unprofitable companies.

"Changes are needed in the NGO sector, due to recent changes in the world and in the activities of NGOs. The need for NGOs to change the nature of their work may affect the following changes (areas?):

- expansion of the social needs of society - both in magnitude and diversity;
- increase in the number of NGOs and, as a consequence, increased competition between them for the resources of the state and charities;
- reduction of the traditional forms of financing, making financing less reliable;
- parish business in the public sector and increasing competition between NGOs and businesses in meeting social needs;
- Raising the standards in financial and business practices of nonprofit organizations, as well as working to raise funds from donors.

According to some authors the key point of differentiation of NGOs and social entrepreneurship is the profitability of the business. They explain it this way: NGOs do not receive income from their activities and they cannot be regarded as business organizations because they are not economically
sustainable on their own. Thus, while both entities use innovation to further their goals, earned income is what differentiates an NGO from social entrepreneurship.

It is worth noting that all scientists point to innovation as a defining feature of social entrepreneurship. Joseph Schumpeter, the founder of the theory of innovation, defines innovation as "creative destruction." According to Schumpeter, innovation is always accompanied by the destruction of the old order, which makes way for the creation of a new system. This means that the successful operation of community based organizations on sustainable income relies primarily on the formation and development of human potential.

Activities in the Republic of Azerbaijan in the field of human development is an important factor that can contribute to the successful development of non-profit organizations, including social enterprises focused on gender inequality operating at NWO. Dynamics of changes in the human development index in the country shows promise for this approach. It should be noted that successful implementation of the goals of sustainable development, along with new knowledge and modern technology, requires social enterprises with NWO to have local knowledge. The combination of the latest technology and knowledge about the field gained over time is a key factor in ensuring sustainable economic development. Another important factor for increasing the contribution of social enterprises is the ability to mobilize renewable natural resources.

Conclusion
In our opinion, the following social and entrepreneurial approaches should be practiced in Azerbaijan in order to ensure sustainable development of an innovative society:

Creative education is closely related to social entrepreneurship. Only education, and the development of business structures in this area will contribute to the growth of human potential in the country and eventually move the economy towards the principles of a "knowledge economy". The Centre for Social Engineering was created as part of this initiative and should be involved in the creation and implementation of social projects in the regions of older students. Development of microfinance and credit cooperatives. This example, along with educational projects, is an example of the benefits of social entrepreneurship, primarily due to the following reasons:

- Social entrepreneurship ensures the primacy of the social mission because it is a company designed to solve real social problems, and hence will help the sustainable development of the national economy;
- The existence of a sustainable commercial effect ensuring self-sufficiency and competitiveness of the enterprise;
- Innovation, combined with social and economic resources makes it possible to have a stable social mission, economic stability, and solutions for social problems.

Businesses that start out with a social mission and who are economically viable, may begin to de-emphasize their original mission over time. In addition, business projects are often not designed for social transformations related to the resolution of a particular social problem. Often they operate on the principle of "movement — all, the ultimate goal — nothing".

NGOs and small businesses - two natural organizational models for the start of social entrepreneurship. These two forms, more than other mechanisms of entrepreneurial activity, can be effectively used because of their limited scope and mobility of activities towards the development of human potential. Analysis of projects on social entrepreneurship among NGOs and small businesses shows disadvantages of each of the two organizational forms. NGOs often fail because of their commercial component. Traditional NGOs seek grants and donations to conduct their missions, and need to take care not to compromise their values or those they are seeking to help in favor of economic prosperity. Youth, a lack of professionalism, and inexperience in operating alongside other businesses are common problems that prevent NGOs from functioning effectively. Small businesses have the opposite flaw - they often start out with social purposes in mind, but then abandon them in favor of becoming a profitable business.

Organizations of persons with disabilities. There will be a selection process to choose the social entrepreneurs who have the most effective plans (combining social and economic objectives) to harness
the potential and abilities of persons with disabilities. Working to help those with disabilities gives organizations a clear social purpose and finding economic resources can be easier because there are many places to look. Therefore, the main problem with organizations of persons with disabilities is not a lack of economic resources or a strong mission, but figuring out how to include this group in the broader market and professional community - those not limited to people with disabilities. This requires a more serious and significant social transformation of society in Azerbaijan, which undoubtedly will occur.

And finally, it is important to note that the development of social entrepreneurship can contribute to the development of employment in Azerbaijan. At present, the number of households in the country comprise about 1,895,900 people - almost 2 million people or 20% of the population, which is an impressive figure. The potential of such a large number of people can impact the sustainable development of the economy. If people in these households, especially women of working age, were involved in social enterprises, it would be possible to significantly increase employment. For example, it would be possible to stimulate the organization of social enterprises in the fields of national cuisine, carpet weaving, manufacture dense wicker, bedding, etc. straw, reeds, and growing organic agricultural products. Given the fact that Azerbaijan has a rich tradition in these areas, it would be very effective in terms of the social policy of employment.

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http://mcgyouthandarts.org
The impact of enterprise resource planning on supply chain management practices

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Keywords  
Enterprise Resource Planning, Supply Chain Management, Logistics Services

Abstract  
The current research aims at developing a framework of a new enterprise resource planning system to cope with the required level of supply chain management practices to be provided by the companies providing logistics services in Egypt. This aim is achieved through exploring the challenges facing the resource planning system applied in the Egyptian companies providing logistics services and providing solutions to problems regarding the implementation of the enterprise resource planning system. Therefore, a semi-structured interview and questionnaires will be designed to target the top management and employees of logistics services companies to explore the challenges facing the resource planning system applied in the Egyptian companies providing logistics services and provide solutions to problems regarding the implementation of the enterprise resource planning system.

Introduction  
It has been two decades since the internal operations are being streamlined, manufacturing boost up, quality of the products are being improved, the costs of manufacturing are being reduced but now the companies are focusing on the reduction of logistics by mean of putting right supply chain strategies for the excellence of organizations. Another issue comes after the cost of modifications that are regularly made in the scope and methodologies of the supply chain management (SCM), which is the advent of the network economy. Nowadays, there is more transparency in the markets where there is more customization added to the demands of the customers. However, it has been noticed that there is always an increment in the prices for the business world. The developments in the supply chain management (SCM) can have a great impact on the businesses.

It had been found that logistics services are still suffering several problems in Egypt on both sides of cost and development. Therefore, this research comes to address such a problem and propose solutions through finding a perfect enterprise resource planning system. Thus, the current research aims to develop a framework of a new enterprise resource planning system to cope with the required level of supply chain management practices to be provided by the companies providing logistics services in Egypt in order to increase companies’ profitability.

Today's dynamic environment requires organizations to improve quality and flexibility and also reduce their costs, in such circumstances to enhance the performance of organizations, their competition is necessary. In order to achieve such purpose access to accurate and important information within and outside the organization and efficient use of them play the key role. It had been noticed that supply chain management process had been suffering in Egypt with such dynamic environment. Thus, there is an actual need for a system sustaining some criteria that are supposed to be solving the problems and challenges facing the supply chain management process. In order to achieve this purpose, the enterprise resource planning system is introduced, tested and evaluated as well as some solutions are provided to challenges faced by the system.

Literature Review  
This section describes the supply chain management process, its dimensions and different strategies as well as the ERP system and how it is implemented in the supply chain management by logistics companies.
Supply Chain Management (SCM) Process

SCM is understood to be a set of practices for managing and coordinating the transformational activities from raw material suppliers to ultimate customers (Heikkila, 2002). It proceeds and develops through the systematic and strategic coordination of business functions and tactics within and across businesses, with an overall goal of improving the long-term profitability of all involved. It thereby integrates demand and supply management within and between companies. (Das et al., 2006)

SCM is the practices of purchasing and supply management, logistics and transportation, operations management, marketing, organizational theory, and management information systems (Hsu et al., 2009). Logistics researchers tend to focus on the transportation, distribution, and warehousing perspective of SCM, while operations management researchers emphasize buyer-supplier cooperation and information sharing to minimize waste.

Supply chain is a network which consists of suppliers, manufacturers, distributors, customers and many others. There are three types of flow which needs close co-operation and co-ordination (Näslund and Hulthen, 2012). First one is the material flow, which is a physical flow which represents the movement of product from supplier to customers as well as the movement of product from customers to suppliers in case of servicing, repairing and others. Second one is the information flow, which is a flow of information which represents the transmission of orders, tracking of orders and etc. This information flow is always coordinated with the physical flow of goods. Third one is the financial flow, which represents the credit terms, payments and consignments and other ownership arrangements. This flow requires highest level of cooperation between the members of the supply chain (Subramanian et al., 2013).

There is always a need to improve supply chain strategy, because it play important role directly or indirectly in shaping company performance, Based on the different environmental nature of demand and supply (Sun et al., 2009). Lee (2002) proposed four supply chain strategies which are Efficient Supply Chain strategy, Responsive Supply Chain utilizes strategy, Risk-hedging Supply Chain Strategy and Agile Supply Chain Strategy.

Despite the importance of SCM and its benefits that gained by organizations that implement it, many organizations are not implementing it for several reasons. Lack of integration, lack of management buy-in, difficulties in the measurement and availability of information and inadequate information systems can all act as barriers. The one who responsible for this shortage is senior executive how has a real lack of understanding of what SCM is (Talib et al., 2011).

Integrated-interactive performance is the measurement used in judging the results of interaction activities between supply chain members and has always been an important issue in management study over the past decades. The perceived and realized benefits of SCM system consists of tangible and intangible benefits. The tangible benefits of SCM implementation include shorten the product development life cycle, increase on-time order delivery, reduce production costs, improve quality, reduce inventory, and better inventory management. These benefits are highly related to the interface congruence (Hsu et al., 2009).

On the other hand, the intangible benefits include improving service quality, faster response to customer needs, sharing and exchanging information, providing information accurately, timely, and consistently. These intangible benefits directly support the need of resource sharing. The measurement of integrated-interactive performance is far more complicated in comparison with that of organizations and enterprises levels (Hsu et al., 2009).

Enterprise Resource Planning (ERP)

The Enterprise Resource Planning (ERP) is a system that integrates separate, autonomous business functions and processes across a company in order to increase its efficiency. The ERP provides a platform to interconnect functional areas of an organization such as finance, accounting, production, purchasing and customer services (Sternad et al, 2011; Garg and Khurana, 2017). Willis and Willis-Brown (2002) stated that ERP is not an “end all” and “be all”. Companies should not spend excessive time trying to retrofit the business to ERP. If ERP does not meet the needs of the organization, it should be extended. ERP must be prolonged beyond traditional bounds of the first phase to obtain the true value of the system. Advantage of new technologies should be taken to “mobilize” the system. However, the ERP foundation or backbone must be solid before extensions can be successful.
One of the elements strongly influencing ERP implementations is the linking of project management with the strategy of the organization. Modern organizations require the capability to respond rapidly to changing market conditions and, consequently, must build an IS that provides the foundation for this capability (Trinh et al., 2012). CSFs are identified to assist managers to affect the outcome of an effort by proactively taking necessary actions in the areas that have a bearing on the outcome (Ram and Corkindale, 2014). Accordingly, a large number of CSF have been identified for ERP projects to help managers achieve successful implementation outcomes and reap the benefits of the investments made in these systems (Ram et al., 2013).

ERP is implemented as a project in all organizations. The key aspect of the project is that it always has a defined beginning and end point. However, like any other project there are many risks in the ERP implementation project as well. Risk implies a threat to the performance; in other words, aspects which can jeopardize the project performance. In the current context, the project is ERP implementation in retail. Factors imply the elements which can be grouped together leading to a particular kind of risk in the context of ERP implementation project. These were grouped into six categories as mentioned by Garg and Khurana (2017) which are User risk, Project management risk, Technological risk, Team risk, Organizational risk and Project performance risk.

The benefits achieved, so far, provide a cost justification and confirmation of the will to invest in a new ERP system and amongst others, include Inventory reductions, Labor cost reductions, Improved customer service and Improved visibility. Su and Yang (2010) found that results of researches on the performance of an integrated ERP system in firms fluctuates. Some believe the costly budget that is associated with the acceptance of an ERP system does not match its acclaimed practicality. On the other hand, some believe adopting the ERP system raises operational efficiency, as most firms, regardless of size, have been eager to invest in an integrated ERP system. However, this investment needs large sums of capital and human resources; they hope the adoption would improve their firm’s skill in supply chain management and overall performance. But how an integrated ERP system might be predictable to support firm performance of SCM, and this prospect is not exclusively a myth. The relationship between benefits of ERP systems implementation and impacts on firm performance of SCM was studied.

Azan and Bollecker (2011) observed that the Management controllers was studied in which the prevalence of technological contingency on the evolution of management and control skills was confirmed. Also, ERP systems have dramatically changed management controllers’ assignments as the use of ERP systems makes IT skills essential. Management controllers not only need to develop action and interaction skills, but they also need to be able to use systems competently, and even to have programming and algorithmic skills. The managerial impact is considerable. Then, the French university programs rapidly develop greater focus on ERP training, and job and skill referential need to be updated in organizations, especially promotion, valorization, evaluation, and career development systems.

Interpersonal relations in business organizations have changed completely; communication takes place through integrated tools and there is less face to face, but on the other hand relationships are pre-ordained by IS tools. The way economic, accounting, and financial knowledge is disseminated will also change as it is communicated more explicitly. At the same time, it was indicated that controllers will be in high demand in exceptional situations arising from inadequate tools. Thus, contingency factors are crucial and this gives rise to differentiation within the management controllers’ profession. The globalization and internationalization of large-sized enterprises has led to task virtualization. Such management virtualization can be explained by the fact that interaction skills are not considered particularly important in ERP management control.

Marciniak et al. (2014) observed that the Cross-Functional Awareness CFA is a critical issue in many crucial organizational processes. The concept of ERP-enabled CFA was explored and the understanding of the influence of firm size on the impact of implementation strategies on CFA was also developed. A contingency perspective was adopted which considers size as a moderator of ERP-ISC (a rapid, core function and flexibility-oriented ERP implementation strategy based on an organizational vision and Business Process Re-Engineering BPR) predictor of CFA. This perspective contrasts with previous research and is dedicated to delivering better understanding of ERP-enabled CFA. Considering
CFA concept validation and rigorously test the relationship between implementation strategy factors and CFA and the moderating role of size, in the context of ERP.

Three key contributions: first, some answers were provided to the question of how to accurately and reliably measure CFA and the main ERP-ISC factors that contribute to CFA achievement. It demonstrates through the use of the PLS-SEM approach that flexibility, organizational vision, BPR, speed of implementation, and focus on core modules have a direct positive relationship and, an indirect relationship in large firms (via data quality improvement) with the appearance of CFA; second, a test was provided showing data quality as one of the key factors which lead larger firms to derive CFA from ERP; and third, it was suggested that firm size moderates the resulting emergence of ERP-enabled CFA. It also demonstrates that the firm size effect across a wide continuum of firms should be inspected at the level of SMEs and larger firms separately, rather than at an overall level. Finally, the CFA concept was believed to has high relevant in IS research and should receive more attention in the future.

Supply Chain Management Performance

Tan and Cross (2012) focused on the role of inter-organizational coordination in forming SCM, especially in the context of manufacturing and retail firms. Tan and Cross (2012) analyzed the impact of traditional resource-based factors and inter-organizational coordination on a firm’s SCM focus to uncover which factor provides a stronger explanation for the differing focus of a firm’s SCM practices. Survey data was analyzed and succeeded to confirm the significant positive associations between the two sets of antecedents and SCM focus to suggest that inter-organizational coordination offers an alternative perspective to explain a firm’s SCM focus.

It was concluded that both resource-based capability and inter-organizational coordination play a key role in a firm’s SCM focus. In particular, resource-based capability helps to integrate a firm’s internal functions, such as supply management, purchasing, operations management, marketing, logistics, and physical distribution to create an internally integrated supply chain. Once the internal functions within the four walls of a firm are seamlessly integrated, the firm can extend outward to utilize its inter-organizational coordination competence to integrate with upstream suppliers and downstream customers. Thus, the resource-based capacity is a set of internal competencies, whereas the latter serve as unique assets to link manufacturing firms and retail organizations in a supply chain.

For several decades, supply chain management (SCM) scholars have dedicated considerable efforts to explore the intricate relationship between organizational antecedents and SCM practices. SCM emphasizes the seamless integration of value creating activities across firm boundaries to bring products and services to end users in the most cost effective and efficient manner. Obviously, integrating value-creating activities across a supply chain magnifies the complexity and intricacy inherent in business decision making. There is neither a commonly accepted theoretical framework that can explain this relationship, nor a theoretical model exists to explain the existence and boundaries of SCM. Scholars have begun to embark on the adventure to study SCM as the interface of other disciplines.

Tsakos and Zografos (2016) concluded that mutuality, reciprocity, trust and commitment are crucial for the creation of supply chain relationships characterized by higher information integration. Consequently, information integration has much stronger influence on the coordination of operational decisions related to production and demand planning than on decisions related to actual production processes, but, remarkably, the latter affects supply chain performance much more than the former.

Enterprise resource planning (ERP) is intended to incorporate all facets of a company’s business operations including production planning, material purchasing, inventory control, logistics, accounting, finance, marketing, and human resource management by creating a single depository of the database that can be shared by the entire organization and its trading partners. Hwang and Min (2015) identified a multitude of drivers that smooth or hinder the implementation of ERP in business environments. Also, they were able to establish its role in supply chain operations and assesses its impact on supply chain performances.

Hwang et al. (2015) developed a research framework based on two well-known theories in the strategy literature: a contingency theory; and a resource-based view of the firm. A series of hypotheses concerning the use of ERP for strategic sourcing was developed. It was concluded that the firm’s ERP adoption and implementation decision is mainly influenced by its internal environment. Defying the
conventional wisdom, the firm’s external environment has little influence on its decision to adopt and implement ERP. However, through the mediating role of an internal environment, an external environment still indirectly impacts the ERP adoption and ERP implementation decision. Also, it was found that ERP could improve the ERP adopter’s organizational capability and supplier capability. Shatat and Udin (2012) noticed the relationship between ERP system and SCM performance and it was found that the relationship between them is significant. So, it was concluded that there is a positive significant relationship between ERP system (i.e. integration “significant positive”, material management, production planning “significant positive”, and controlling) and SCM performance.

Generally, it was implied that the successful implementation and the effective usage of ERP system can contribute toward enhancing SCM performance in many ways such as, internal business processes integration, information flow enhancement among different departments inside the company, improvement of the company’s relationships and collaboration with outsourcing suppliers, customers, and supply chain partners, global sourcing, sharing, exchange and information movement, goods and services, product quality improvement, flexibility and customer responsiveness, and finally reduction of inventory and operation costs. Then, those companies who have achieved successful implementation of ERP system and attain effective usage of the system certainly will reap high and effective SCM performance. Malaysian manufacturing companies implemented ERP system with the integration in order to combine all applications among several departments inside the company as well as through the supply chain to provide an easy work and rapid stream of quality information within the company’s’ supply chain.

It was found that there are three constructs of ERP benefits positively impact on SCM performance. The first, the operational functions of ERP benefit are very important influence factors in enhancing performance of SCM in internal and external business processes. The second, the tactical benefits are important influence factors in improving SCM performance in customer service and cost management. The third, the strategic benefit only has impact on internal business process and has no effect on external business process. The possible clarifications for these findings are: the strategic benefits of ERP include building external connections and extending the value chain to improve firms’ aptitude to make important integration decisions in internal and external business process.

However, some of Taiwanese IT firms approved the first generation of ERP products, which has been designed to integrate the various operations of an individual firm, while in modern SCM; the unit of analysis has become a network of organizations, making these ERP products have some limits in external business process. Even though the limits in external business process performance, the finding underscores the important role an ERP system plays in the functioning of supply chain organizations. Bhutta et al. (2007) attempted to provide a window into the supply chain practices of the small and medium enterprise sector in Pakistan. The Small and Medium Enterprise Center (SMEC) at the Lahore University of Management Sciences conducted a survey to gauge the health of this sector where it comprised 650 firms in ten districts in the country. Bhutta et al. (2007) presented the results and analyses of the factors related to supply chain management practices that seem to correlate with the health of the enterprise.

The analysis demonstrated that successful firms on average had more products, more customers as well as more new customers. SMEs into exports were the healthiest and revealed most dynamic characteristics, followed by those that sold to Original equipment manufacturers (OEMs). Another remarkable insight is that growing firms sold more directly to end users while firms with higher sales per employee sold the least to the end user.

Chong et al. (2011) proposed a framework which identifies the relationships between supply chain management (SCM) practices, operational performance and innovation performance of Malaysian manufacturing and service firms. It included six dimensions of SCM practices which are strategic supplier partnership, customer relationship, information sharing, IT, training and internal operations. It was suggested that they can improve firms’ innovation and organizational performance which was measured using items like lead time, inventory turnover, product rejection/return, sales level, cost reduction and meeting customers’ requirements. Additionally, the model suggested that innovation performances can enhance organizational performance where innovation practices is divided into the two categories of...
process innovation and product/service innovation. Decision makers should therefore continue to improve their firms’ innovation performance.

Pishdad and Haider (2013) stated that the ERP assimilation is the extent to which the organization has progressed from understanding the ERP system’s potential and functionalities to mastering and deploying them in their key value chain processes. A fully assimilated ERP system would bring many tangible and intangible advantages for all functional, managerial, strategic and organizational areas of the organization. However, it was reported previously that the high percentage of failure in achieving predetermined corporate goals and desired benefits in ERP projects; as they are extremely complex and difficult to implement. Institutionalization of ERP is then the result of ERP implementation in an organization and routinized usage and embedded.

Katerattanakul et al. (2014) claimed that cluster analysis was employed to identify groups of manufacturing firms having related business characteristics and adopting similar ERP implementation approaches. Outcomes of the cluster analysis propose three clusters or groups of manufacturing firms. However, none of the three ERP implementation approaches inspected before (i.e. MODIFY, SELECT, and ROLLOUT) are significant factors for grouping manufacturing firms. Then, on the other hand, the two business characteristics was included (i.e. SIZE and MTSMTO) are significant criteria for grouping manufacturing companies. It was suggested that the company size and production approaches are useful variables for grouping manufacturing firms into clusters of companies.

Beheshti et al. (2014) examined the contributing factors to the successful acquisition, implementation and adjustment to ERP systems in six manufacturing firms. Some enlightening insights into how manufacturing firms utilize ERP systems were revealed. All firms served customers both domestically and globally. Three companies had implemented ERP systems over eight years, by using different type of software. The remaining companies had been using ERP software between six and eight years, with each respondent in this time category also using separate ERP vendors. When the surveys were analyzed for finding the preferred ERP software brand name, it became obvious that no single ERP vendor has a dominant position with the manufacturing firms in Virginia.

An analysis of the results reveals that having clear goals and objectives, user training and education, interdepartmental communication as well as user involvement in evaluation, modification and implementation are considered most critical by five of the six participants when pursuing such a drastic change to daily operations. ERP systems are designed to have the ability to be linked to suppliers and business partners which reduces problems, related to the activities between the supplier and buyer as well business partners in the supply chain. It was exciting to find that only two of the respondents stated that they have their ERP software synchronized with any other organizations.

Garg and Khurana (2017) observed that Enterprise resource planning is an important tool for information integration which may subsequently form a basis for finding data patterns using business analytics and for enhanced decision making. While, ERP implementation is still a challenge for organizations. The key risk factors were identified. This was done by extensive literature survey risks were identified, these were then grouped using data collection followed by factor analysis. Subsequently, CFA was carried out and structural equation model SEM techniques were used to confirm the factors impacting risks for ERP implementation. The result was identification of the key risks. Accordingly, the following section discusses the measurement scale for ERP and SCM and how to evaluate the relationship between them.

**Research Framework**

Data collection for this study has relied on both primary and secondary data. Semi structured interview is applied for qualitative purpose to target the top management level of companies providing logistics services in Egypt. In addition, the quantitative study will be addressed through a questionnaire survey to target the specialized employees of logistics services companies in Egypt.

The questionnaire that was used for the quantitative study included nine constructs divided in the three dimensions: Enterprise Resource Planning, Organization Learning and Supply Chain Management, respectively. Each construct included between three to five items. Respondents were asked to answer the questions based on a five point likert scale with responses ranging from 1=Strongly Disagree to
The following hypotheses can be observed from the research conceptual framework:

H1: There is a significant impact of Enterprise Resource Planning (ERP) dimensions on Strategic Supplier Partnership
H2: There is a significant impact of Enterprise Resource Planning (ERP) dimensions on Customer Relationship
H3: There is a significant impact of Enterprise Resource Planning (ERP) dimensions on Information Sharing
H4: There is a significant impact of Enterprise Resource Planning (ERP) dimensions on Information Quality

Accordingly, the research framework could be presented using the following figure:

![Research Framework Diagram]

Figure 1 Research Framework

The following section discusses the results obtained by using regression and SEM analysis for the data collected through the questionnaire under study.

Results and Findings

This section presents output of the statistical package; SPSS “Statistical Program in the Social Science” – Version 22, where several tools are used to describe the relationship between the independent and the dependent variables. Descriptive analysis had been obtained to show the nature of the variables under study. Data collected through questionnaire had been tested for its validity and reliability to be able to check if the research is exposed to any errors while obtaining the results of the relationship between variables. In addition, a regression analysis and models had been fitted to show the impact of the independent variable(s) on the dependent variable.

Table 1 shows the mean and standard deviation of the research variables. It was noticed that the mean values of all the research variables are Above Average of 2.5. Also, all frequencies of research variables are relatively higher in the zone of 2&3, indicating that most of the respondents’ opinions lie in the zone of agreement.

Table 1 Descriptive Analysis of the Research Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and Control</td>
<td>448</td>
<td>2.8259</td>
<td>1.17050</td>
<td>66 119 125 103 35</td>
</tr>
<tr>
<td>Delay Management</td>
<td>448</td>
<td>2.6562</td>
<td>1.15959</td>
<td>82 130 124 84 28</td>
</tr>
<tr>
<td>Collaboration</td>
<td>448</td>
<td>2.7009</td>
<td>1.13705</td>
<td>62 159 109 87 31</td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>448</td>
<td>2.3348</td>
<td>1.19261</td>
<td>128 156 76 62 26</td>
</tr>
<tr>
<td>Strategic Supplier Partnership</td>
<td>448</td>
<td>2.7634</td>
<td>1.24145</td>
<td>79 126 112 84 47</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>448</td>
<td>2.5759</td>
<td>1.14245</td>
<td>85 139 138 53 33</td>
</tr>
<tr>
<td>Information Sharing</td>
<td>448</td>
<td>2.7165</td>
<td>1.17867</td>
<td>73 139 112 90 34</td>
</tr>
<tr>
<td>Information Quality</td>
<td>448</td>
<td>2.6674</td>
<td>1.11271</td>
<td>61 162 121 173 31</td>
</tr>
</tbody>
</table>
Convergent validity shows that items of one variable can be used to show the assigned variable in the right way. Table 2 shows that all Average Variance Extracted (AVE) are greater than 50% after deleting some statements. Also, it shows that all Factor Loadings are greater than 0.4. This means that variables under study all have adequate convergent validity after deleting some items of the questionnaire statements.

### Table 2 Convergent Validity of the Research Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and Control</td>
<td>75.678%</td>
<td>Item 1</td>
<td>0.770</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>0.739</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.746</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.773</td>
</tr>
<tr>
<td>Delay Management</td>
<td>60.652%</td>
<td>Item 2</td>
<td>0.628</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.610</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.591</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 5</td>
<td>0.597</td>
</tr>
<tr>
<td>Collaboration</td>
<td>64.311%</td>
<td>Item 1</td>
<td>0.689</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>0.606</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.660</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.617</td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>67.815%</td>
<td>Item 1</td>
<td>0.627</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>0.763</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.644</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.595</td>
</tr>
<tr>
<td>Strategic Supplier Partnership</td>
<td>62.988%</td>
<td>Item 2</td>
<td>0.644</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.626</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.655</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>61.234%</td>
<td>Item 1</td>
<td>0.608</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>0.616</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.603</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.622</td>
</tr>
<tr>
<td>Information Sharing</td>
<td>60.264%</td>
<td>Item 1</td>
<td>0.620</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>0.568</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.621</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.601</td>
</tr>
<tr>
<td>Information Quality</td>
<td>62.945%</td>
<td>Item 1</td>
<td>0.599</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>Deleted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.678</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.612</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 5</td>
<td>Deleted</td>
</tr>
</tbody>
</table>

Reliability refers to internal consistency between items supposed to measure one variable. If items are reliable, internal consistency between them is supposed to be high and vice versa. Cronbach’s Alpha is one famous measurement of reliability. Also, Reliability refers to the internal consistency between statements of one factor. It is tested using Cronbach’s Alpha, which is the most commonly used test of reliability. Alpha coefficient ranges in from 0 to 1, where the higher the score, the more reliable the generated scale is. Alpha coefficients are claimed to exceed 0.7 to refer to an adequate reliability (Nunnaly, 1978). Table 3 shows that all Cronbach’s alpha are greater than 0.7 implying the presence of adequate reliability.

### Table 3 Reliability Analysis of the Research Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and Control</td>
<td>0.893</td>
</tr>
<tr>
<td>Delay Management</td>
<td>0.783</td>
</tr>
<tr>
<td>Collaboration</td>
<td>0.815</td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>0.761</td>
</tr>
<tr>
<td>Strategic Supplier Partnership</td>
<td>0.804</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>0.789</td>
</tr>
<tr>
<td>Information Sharing</td>
<td>0.780</td>
</tr>
<tr>
<td>Information Quality</td>
<td>0.703</td>
</tr>
</tbody>
</table>
Table 4 shows the multiple regression analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Strategic Supplier Partnership. It could be observed that there is a positive significant influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on the dependent variable; Strategic Supplier Partnership with coefficients of 0.161, 0.415, 0.391 and 0.079 respectively, as well as P-values of 0.000, 0.000, 0.000 and 0.015 respectively. Also, the R square is 0.737 which means that “Monitoring and Control, Delay Management, Collaboration, and Cost Minimization “explains 73.7% of the variation in Strategic Supplier Partnership.

Table 4: Regression Model of Independent Variables on Strategic Supplier Partnership

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>p-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-0.035</td>
<td>0.087</td>
<td>-3.99</td>
<td>0.690</td>
<td>0.737</td>
</tr>
<tr>
<td>Monitoring and Control</td>
<td>1.61</td>
<td>0.037</td>
<td>4.341</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Delay Management</td>
<td>0.415</td>
<td>0.042</td>
<td>9.917</td>
<td>0.000</td>
<td>0.737</td>
</tr>
<tr>
<td>Collaboration</td>
<td>0.391</td>
<td>0.043</td>
<td>9.043</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>0.079</td>
<td>0.032</td>
<td>2.449</td>
<td>0.015</td>
<td></td>
</tr>
</tbody>
</table>

Table 5 shows the SEM analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Strategic Supplier Partnership. It could be observed that there is a positive significant influence of Monitoring and Control, Delay Management, and Collaboration on the dependent variable; Strategic Supplier Partnership with Estimates of 0.128, 0.510 and 0.353 respectively, as well as P-values of 0.012, 0.000 and 0.000 respectively, while there is an insignificant relation between Cost Minimization on Strategic Supplier Partnership with p-value of 0.169. Also, the R square is 0.839 which means that “Monitoring and Control, Delay Management, and Collaboration explains 83.9% of the variation in Strategic Supplier Partnership.

Table 5: SEM of ERP effect on Strategic Supplier Partnership

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Supplier Partnership</td>
<td>0.128</td>
<td>0.012</td>
<td>0.839</td>
</tr>
<tr>
<td>Strategic Supplier Partnership</td>
<td>0.510</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>Strategic Supplier Partnership</td>
<td>0.353</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>Strategic Supplier Partnership</td>
<td>0.079</td>
<td>0.169</td>
<td></td>
</tr>
</tbody>
</table>

The model fit indices; CMIN/df = 1.848, GFI = 0.943, CFI = 0.975, and RMSEA = 0.044 are all within their acceptable levels.

Figure 2 SEM Model of ERP Effect on Strategic Supplier Partnership

Therefore, the first sub hypothesis that there is a significant relationship between ERP and Strategic Supplier Partnership is partially supported.
Table 6 shows the multiple regression analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Customer Relationship. It could be observed that there is a positive significant influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on the dependent variable; Customer Relationship with coefficients of 0.148, 0.196, 0.424 and 0.149 respectively, as well as P-values of 0.000. Also, the R square is 0.648 which means that “Monitoring and Control, Delay Management, Collaboration, and Cost Minimization explains 64.8% of the variation in Customer Relationship.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Standardized Coefficients Beta</th>
<th>t</th>
<th>p-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.142</td>
<td>.093</td>
<td>1.534</td>
<td>.126</td>
<td></td>
</tr>
<tr>
<td>Monitoring and Control</td>
<td>.148</td>
<td>.039</td>
<td>3.760</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Delay Management</td>
<td>.196</td>
<td>.045</td>
<td>4.395</td>
<td>.000</td>
<td>0.648</td>
</tr>
<tr>
<td>Collaboration</td>
<td>.424</td>
<td>.046</td>
<td>9.223</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>.149</td>
<td>.035</td>
<td>4.310</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 shows the multiple regression analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Customer Relationship. It could be observed that there is a positive significant influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on the dependent variable; Customer Relationship with Estimates of 0.116, 0.152, 0.452, and 0.224 respectively, as well as P-values of 0.031, 0.036, 0.000, and 0.000 respectively. Also, the R square is 0.759 which means that “Collaboration, and Cost Minimization explains 75.9% of the variation in Customer Relationship.

<table>
<thead>
<tr>
<th>Model</th>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relationship</td>
<td>&lt;&lt;--</td>
<td>Monitoring and Control</td>
<td>.116</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>&lt;&lt;--</td>
<td>Delay Management</td>
<td>.152</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>&lt;&lt;--</td>
<td>Collaboration</td>
<td>.452</td>
</tr>
<tr>
<td>Customer Relationship</td>
<td>&lt;&lt;--</td>
<td>Cost Minimization</td>
<td>.224</td>
</tr>
</tbody>
</table>

The model fit indices; CMIN/df = 1.618, GFI = 0.951, CFI = 0.981, and RMSEA = 0.037 are all within their acceptable levels.

Figure 3 SEM Model of ERP Effect on Customer Relationship

Therefore, the second sub hypothesis that there is a significant relationship between ERP and Customer Relationship is fully supported.
Table 8 shows the multiple regression analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Information Sharing. It could be observed that there is a positive significant influence of Monitoring and Control, Delay Management, and Collaboration on the dependent variable; Information Sharing with coefficients of 0.234, 0.201 and 0.275 respectively, as well as P-values of 0.000, 0.000, 0.001, and 0.000, while, there is an insignificant influence of Cost Minimization on Information Sharing with p-value of 0.188 more than 0.05. Also, the R square is 0.432 which means that “Monitoring and Control, Delay Management, and Collaboration “explains 43.2% of the variation in Information Sharing.

Table 8: Regression Model of Independent Variables on Information Sharing

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>p-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.641</td>
<td>.122</td>
<td></td>
<td>.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Monitoring and Control</td>
<td>.234</td>
<td>.052</td>
<td>5.268</td>
<td>.000</td>
<td>0.432</td>
</tr>
<tr>
<td>Delay Management</td>
<td>.201</td>
<td>.058</td>
<td>4.527</td>
<td>.000</td>
<td>0.432</td>
</tr>
<tr>
<td>Collaboration</td>
<td>.275</td>
<td>.060</td>
<td>4.554</td>
<td>.000</td>
<td>0.432</td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>.060</td>
<td>.045</td>
<td>1.319</td>
<td>.188</td>
<td></td>
</tr>
</tbody>
</table>

Table 9 shows the multiple regression analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Information Sharing. It could be observed that there is a positive significant influence of Monitoring and Control, and Collaboration on the dependent variable; Information Sharing with Estimates of 0.208, and 0.372 respectively, as well as P-values of 0.003, and 0.000 respectively, while there is an insignificant relation between Delay Management, and Cost Minimization on Information Sharing with p-value of 0.166 and 0.480, Also, the R square is 0.493 which means that “Monitoring and Control, and Collaboration “explains 49.3% of the variation in Information Sharing.

Table 9: SEM for ERP Effect on Information Sharing

<table>
<thead>
<tr>
<th>Information Sharing</th>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and Control</td>
<td>.208</td>
<td>.003</td>
<td></td>
</tr>
<tr>
<td>Delay Management</td>
<td>.130</td>
<td>.166</td>
<td>.493</td>
</tr>
<tr>
<td>Collaboration</td>
<td>.372</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>.056</td>
<td>.480</td>
<td></td>
</tr>
</tbody>
</table>

The model fit indices; CMIN/df = 1.885, GFI = 0.943, CFI = 0.971, and RMSEA = 0.045 are all within their acceptable levels.
Therefore, the third sub hypothesis that there is a significant relationship between ERP and Information Sharing is partially supported.

Table 10 shows regression analysis of the influence of “Monitoring and Control” on “Information Quality.” It could be observed that there is a positive significant effect of Monitoring and Control on the dependent variable; Information Quality with coefficients of 0.570, as well as P-values of 0.000. Also, the R square is 0.359 which means that “Monitoring and Control” explains 35.9% of the variation in Information Quality.

Table 10: Regression Model of Independent Variables on Information Quality

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>p-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.648</td>
<td>.112</td>
<td>5.774</td>
<td>.000</td>
<td>0.457</td>
</tr>
<tr>
<td>Monitoring and Control</td>
<td>.265</td>
<td>.048</td>
<td>5.56</td>
<td>.000</td>
<td>0.669</td>
</tr>
<tr>
<td>Delay Management</td>
<td>.222</td>
<td>.054</td>
<td>4.121</td>
<td>.000</td>
<td>0.457</td>
</tr>
<tr>
<td>Collaboration</td>
<td>.199</td>
<td>.056</td>
<td>3.587</td>
<td>.000</td>
<td>0.457</td>
</tr>
<tr>
<td>Cost Minimization</td>
<td>.060</td>
<td>.042</td>
<td>1.441</td>
<td>.150</td>
<td></td>
</tr>
</tbody>
</table>

Table 11 shows the multiple regression analysis of the influence of Monitoring and Control, Delay Management, Collaboration, and Cost Minimization on Information Quality. It could be observed that there is a positive significant influence of Monitoring and Control, and Delay Management on the dependent variable; Information Quality with Estimates of 0.255, and 0.230 respectively, as well as P-values of 0.000, and 0.011 respectively. While there is insignificant relation between Collaboration, and Cost Minimization on Information Sharing with p-value of 0.023 and 0.330. Also, the R square is 0.669 which means that “Collaboration, and Cost Minimization” explains 66.9% of the variation in Information Quality.

Table 11: SEM for the Effect of ERP on Information Quality

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Quality</td>
<td>Monitoring and Control .255</td>
<td>***</td>
<td>0.669</td>
</tr>
<tr>
<td>Information Quality</td>
<td>Delay Management .230</td>
<td>.011</td>
<td></td>
</tr>
<tr>
<td>Information Quality</td>
<td>Collaboration .222</td>
<td>.023</td>
<td></td>
</tr>
<tr>
<td>Information Quality</td>
<td>Cost Minimization .072</td>
<td>.330</td>
<td></td>
</tr>
</tbody>
</table>

The model fit indices; CMIN/df = 1.946, GFI = 0.944, CFI = 0.970, and RMSEA = 0.046 are all within their acceptable levels.

Figure 5 SEM Model of ERP Effect on Information Quality

Therefore, the fourth sub hypothesis that there is a significant relationship between ERP and Strategic Supplier Partnership is partially supported.
Conclusion

This research provides an insight to the use of Enterprise Resource Planning in developing the Supply Chain Process. It was found that the three forms of ERP, which are Monitoring and Control, Delay Management, and Collaboration are significantly affecting the Strategic Supplier Partnership. Also, it was observed that all forms of ERP under study, which are Monitoring and Control, Delay Management, Collaboration, and Cost Minimization are affecting Customer Relationship. In addition, it was noticed that Monitoring and Control, and Collaboration are significantly affecting Information Sharing. Finally, it was found that Monitoring and Control, Delay Management, Collaboration are affecting Information Quality. This means that all aspects of ERP are significantly affecting Supply Chain Management Process in a way or another. This provides decision makers a vision of how to develop a framework using ERP that cope with the supply chain management process level required by the market.

References


Exploring the practice of Emotional intelligence on negotiations and procurement effectiveness within the Music industry in UK

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Key words
Emotional Intelligence, Negotiations, Music Industry, National Culture, Case Study, UK, University of West London

Abstract
This study aims to understand how the practice of Emotional Intelligence (EI) can affect the effectiveness in negotiations within the music industry. Additionally, it includes a comparison between the national cultures in Sweden and UK. The study applies the interpretivist philosophy. It undertakes a qualitative research approach, by selecting the target respondents through non-probabilistic purposive sampling and primary data collection, using semi-structured interviews. The selected target respondents are two participants from each country, who have professional experience within the music industry.

The result of the analysis demonstrates that EI has a significant influence on the music industry. This because it is such a tough and emotional place, where it is essential to handle different feelings that the artist experiences, such as lack of self-confidence, criticism and disappointment. The analysis confirms the relationship between EI and negotiations within the music industry. For instance, it builds trust and creates a positive foundation for the negotiation, generates win-win agreements and better understanding of the other party. However, most importantly, is to remember that it all comes down to dealing with people. Moreover, Sweden is perceived as less hierarchical and more feminine than the UK. Both countries are relatively high in individualism. Although, Sweden is more towards collectivism than UK. The countries are high in indulgence and low in uncertainty avoidance. Long-term orientation could not be determined within the countries. The recommendation is to continue to learn and spread knowledge about the importance of EI. Not to forget, the product that is negotiated about, is a human being, with emotions and feelings. Therefore, the parties involved need to take this into consideration when negotiating, in order to reach a mutual and beneficial agreement. Lastly, managers should look into different EI training programs that can be offered to the employees, to improve EI skills.

1. Introduction
A few years back, EI used to be a trending topic, but unfortunately the trend has started to fade. Therefore, it is important that the main focus should be on human engagement and sensitivity to emotional response and not only about intellectual manoeuvring (Freestone, 2016). When being aware of the control over emotions, it lets a person to bend his or her thinking in a way that will generate better decisions or more positive outcomes. By being emotionally intelligent does not mean that a person is sensitive to others in terms of being friendly or supportive. It is about the careful processing and the use of emotional information that is displayed (McGuinness and Bauld, 2006).

Previously, little research has been done on the relationship between emotion and negotiation research (Kim et al., 2015). Lately, however, more attention is emphasised on the influence emotions have on negotiations by researchers (Kim et al., 2015). As for the negotiation part, it needs more than just reading draft contracts, running numbers and creating a backup plan. It is also in need of emotional preparation (Wheeler, 2015). Negotiations involve a complex process, which requires cognitive, behavioural and emotional abilities. For a long period of time, the emotional aspects of the process have been reduced or ignored, most frequently due to the serious damage of processes that includes domestic, personal injury, transaction and international political and commercial problems (Kelly and Kaminskie, 2016). In order to be an effective negotiator in the twenty-first century, one needs have the ability to
address the emotional dynamic, not just by acknowledging and managing one's own emotional self, but also by acknowledging and addressing the emotional aspects of all the significant parties (Kelly and Kaminiskienė, 2016).

2. Literature Review

Mayer and Salovey (1997, p. 10) define EI as: “Emotional intelligence involves the ability to perceive accurately, appraise, and express emotion; the ability to access and/or generate feelings when they facilitate thought; the ability to understand emotion and emotional knowledge; and the ability to regulate emotions to promote emotional and intellectual growth”. The psychologists argue that those who have developed skills linked to EI understand and express one’s own emotions, recognise emotions in others, regulate affect and use moods and emotions to motivate adaptive behaviours (Salovey and Mayer, 1990). However, Mayer et al. (2008, p. 507), later revised the definition as: “Emotional intelligence involves the ability to carry out accurate reasoning about emotions and the ability to use emotions and emotional knowledge to enhance thought”.

Importance of Emotional Intelligence within Organisations Small Businesses

It lies in both peoples’ and organisations interest to improve the quality of decision-making and with the use of EI skills, it can help to achieve such goals. By having the skill to evaluate the possible emotional outcomes and responses to decisions, it can allow people in decision making positions to anticipate the sentiment of the people affected by decisions. This would most likely increase the outcome of decisions in a positive way. In order to get the ultimate success in the decision-making process, it is essential to have the ability of EI to handle conflicts, which commonly arises, when making worthy decisions (Hess and Bacigalupo, 2011). Furthermore, it is identified that EI have considerably use for understanding entrepreneurship-relevant outcomes and processes (Zampetakis et al., 2009).

Emotional Intelligence Theories


Mayer and Salovey’s theory about EI is based on the four abilities in the definition from 1997 (Mayer and Salovey, 1997). As shown in figure 1, these are presented as four branches in the diagram, where each branch is organised from basic psychological processes into further advanced psychologically integrated processes. This meaning that the lowest-level branch involves the slightly simpler skills of perceiving and expressing emotion. In opposite, the highest-level branch involves the conscious and reflective regulation of emotion (Mayer and Salovey, 1997). Under each branch there are four boxes, which
include representative skills for each box. To the left are the skills that appear early in development, whereas to the right are the later developing skills. The early developing skills show the difference between branches since these skills are often not enough integrated with each other. In contrast, the later developing skills are less different because the skills appear within a more integrated adult personality. Apart from where it is noted, every skill applies to emotions within oneself as well as in others. People high in EI are anticipated to progress faster through the abilities appointed and master more of the abilities (Mayer and Salovey, 1997).

Goleman has adapted his own take on Mayer and Salovey’s theory of EI, in which he experiences is more beneficial for understanding how the abilities have an impact in the work environment (Goleman, 1998). According to Goleman (1998), he adapted following five basic emotional and social competences, which include following aspects:

**Self-awareness**: being aware of what one is feeling in the moment and take advantage of that in order to guide one’s decision making; realistically asses one’s own abilities and have a substantiated sense of self-confidence.

**Self-regulation**: handle one’s emotions in a way that is facilitating instead of intervening with the task at hand; being thorough and resist immediate reward to pursue goals; fast recovery from emotional suffering.

**Motivation**: Using one’s the deepest preferences to work towards achieving one’s goals, assist people to take action and seek for improvement and maintain confidence during setbacks and frustration.

**Empathy**: Be aware of other peoples’ feelings, to understand other peoples’ perspective, and being able to understand and get along with a broad variety of people.

**Social skills**: Being able to decently handle emotions in relationships and detect social situations and networks correctly; effortless interactions; practising these skills to encourage and lead, negotiate and resolve disagreements, for collaboration and team effort.

### Importance of Negotiations within Organisations and Small Businesses

Fowler (1996, p. 3) defines negotiation as: “A process of interaction by which two or more parties who consider they need to be jointly involved in an outcome, but who initially have different objectives, seek by the use of argument and persuasion to resolve their differences in order to achieve a mutually acceptable solution”.

Within most groups and organisations, negotiations play a central part. There are different types of negotiating situations, where some are more obvious than others. For instance, the most obvious one is labour bargains with management and the less obvious ones are managers who negotiate with employees, associates and bosses; shop assistants who negotiate with customers; purchasers who negotiate with suppliers. Negotiating skills are therefore essential in today’s not-so-fully structured organisations, where people work with partners, in which people have no direct control over as well as not sharing a mutual boss (Robbins and Judge, 2015).

Furthermore, negotiation plays an important part in entrepreneurship. When establishing, running and expanding an enterprise, people always need to negotiate. In order to attain human and financial assets, entrepreneurs are bound to settle agreements with different stakeholders. The way that entrepreneurs co-operate and communicate, have an immediate effect on the outcome, meaning that negotiation skills are required for entrepreneurial achievement (Artinger et al., 2015).

### National Culture and Hofstede’s Model

Hofstede (2011, p. 3) defines culture as: “The collective programming of the mind that distinguishes the members of one group or category of people from others”. The Hofstede model is based on six dimensions of national culture. The cultural dimensions show impartial alternatives in one situation instead of the other, that acknowledge countries, and not individuals, from one another (Hofstede Insights, 2018b). Following is an explanation of each dimension:
**Power Distance:** This dimension shows to what extent it is accepted and expected, by the less powerful participants in societies, as to why the power is not equally divided. Here, the emphasis lies on how a society deals with inequalities among people.

**Individualism:** Individualism is defined as: “A preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families” (Hofstede Insights, 2018b). Its opposite, collectivism, is defined as: “Preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular ingroup to look after them in exchange for unquestioning loyalty” (Hofstede Insights, 2018b).

**Masculinity:** The masculine side of this dimension, expresses the society where accomplishment, bravery, confidence and material compensation for achievement are essential aspects. On the contrary, in femininity, societies are overall more consensus-oriented. When speaking in business terms of masculinity versus femininity, it is occasionally called ‘tough versus tender’ cultures (Hofstede Insights, 2018b).

**Uncertainty Avoidance:** This dimension deals with how tolerant societies are when experiencing uncertainty and vagueness. If the uncertainty avoidance is high, it preserves strict principles of beliefs and behaviours as well it is not as tolerant to unconventional behaviour and ideas. In opposite, when the uncertainty avoidance is low, it preserves a more easy-going approach (Hofstede Insights, 2018b).

**Long-term Orientation:** Societies have to keep up with its own past, while at the same time, manage encounters as of today and the future. A society with low scores rather keep long-established traditions and standards, while being suspicious of social change. A society that scores high, has a result-oriented approach, which supports thrift and efforts in current education, to plan for the future (Hofstede Insights, 2018b).

**Indulgence:** It represents a society that accepts more or less free satisfaction of essential and natural human drivers, associated with enjoyment and having fun. Its opposite, restraint represents a society that restrains the need of satisfaction and controls it through strict social standards (Hofstede Insights, 2018b).

![Figure 2. Hofstede Insights (2018a). Rankings compared between Sweden and UK.](image)

Based on Hofstede’s model of the six dimensions of national culture, where a comparison between Sweden and the UK is done, the rankings in both countries are relatively similar. Sweden and UK score low in power distance and uncertainty avoidance and higher in individualism and indulgence. The long-term orientation could not be distinguished within each country. However, the countries differ extremely in the masculinity dimension, where Sweden is a feminine society and the UK is masculine (Hofstede Insights, 2018a).

**Relationship between Emotional Intelligence and Negotiations**

Research done on the importance of EI in negotiation and mediation, shows that emotions play a significant part when resolving disputes. However, this matter is frequently not understood and efficiently addressed by the people involved in the dispute. Furthermore, is not controlled and handled...
enough by the experts, who assist the people involved, in order to resolve the dispute peacefully. Therefore, it is important that negotiators take emotional tenor in to consideration, both for himself or herself and the parties involved, and not just the economic, political and physical sides of the process (Kelly and Kaminskiene, 2016).

Mueller and Curhan’s (2006), reason that the other party of emotionally intelligent negotiators have better positive state of mind and therefore further satisfaction on outcomes, appreciation for the emotionally intelligent negotiator and interest in future negotiations. Further research shows that by having the ability to understand emotion is beneficial, when predicting the other party’s outcome along with other potential descriptive variables, e.g. the other party’s influential outcome. Upon that, the research proposes that positive state of mind mediates the relationship between understanding emotion and the other party’s outcome satisfaction. The research also establishes the social usefulness of EI by showing that negotiators with high ability to understand emotion, usually experience that the other party is more interested in future negotiations. This meaning that the emotionally intelligent negotiator encourages the other party with a positive mind-set during the negotiation (Mueller and Curhan, 2006).

In order to identify objective and subjective outcomes in a negotiation, a study was done on the relationships between EI of the negotiators and the other party’s perspectives. It showed that emotionally intelligent people, have more positive experience. However, these people also accomplish considerably lower objective scores than the other party. Therefore, it is suggested that EI plays an important part in reaching integrative negotiation outcomes, but at the same time, emotionally intelligent people are not able to claim value that one has helped to create (Der Foo et al., 2004). This type of discovery seems to present a paradox, meaning that an emotionally intelligent person can create value, but a different person uses up that value. A reasoning for this discovery is that a negotiator high in EI may show too much sympathy to the negotiator low in EI. Therefore, the negotiator high in EI may be more pacifying than the low EI negotiator. It is also possible that negotiators high in EI are more trusting and communicative, which creates integrative outcomes, but on the other hand, leaves the person vulnerable to be taken advantage of. A possible explanation to clarify this paradox is that potential outcomes of EI in negotiations, may vary as a short-time versus long-term action (Der Foo et al., 2004).

3. Methodology

The chosen philosophy for the study is interpretivism, which evolved as a critique of positivism, but from a subjectivist point of view (Saunders et al., 2016). The study also applies the inductive strategy and qualitative research approach since the researcher wants to understand the relationship between EI and negotiations more in-depth. Upon that, it adopts the comparative research design, with the study including a comparison between Sweden and UK. Furthermore, the data is collected through primary data, using semi-structured interviews, where the target respondents are selected through non-probabilistic purposive sampling.

4. Analysis and Findings

The researcher interviewed four people in order to carry out the analysis; two people from Sweden; two people from the UK. In the analysis, the target respondents are referred to as participants. Each participant is given a letter, starting with participant A and ending with participant D.

Phase 1: Themes

There are six themes that were identified from the data collection. Following are four tables; two focusing on Sweden; the other two on UK. The tables demonstrate each theme, which show similarities and differences of the participants perspectives.
Both of the Swedish participants have professional experience of working with EI and are interested in the concept, because the music industry involves managing and handling other peoples’ emotions as well as building relationships. EI is significant when working with group dynamic and knowing when to compromise and when not to compromise. As for the negotiation part, it is a contract-based industry and therefore important to build long-term and trustworthy relationships. The participants also argue that there is a relationship between EI and negotiations, with the motivation that it all comes down to people. Being emotionally intelligent when negotiating builds trust for both parties, creates a positive foundation for the negotiation and promotes win-win agreements. The participants were not familiar with the Hofstede model and the six dimensions of national culture. When explained, the outcome shows that Sweden is low in power distance and uncertainty avoidance, a feminine society and pro indulgence. The dimension long-term orientation could not be determined, since the participants were not able to distinguish if the orientation was long-term or short-term. At last, the participants differ in the individualism dimension, where one considered Sweden as an individualistic society, whereas the other participant said collectivism.
In the UK, the participants have no previous experience of working with EI. However, both are familiar with and interested in the concept. Within the music industry, EI is important because deals are done as a compromise and in order for agreements to be reached, there must be some understanding of both parties’ positions. As for negotiations, it is important because large amounts of money are involved and at the end, it all comes down to people. Therefore, the essentiality lies in protecting assets within the contract. Both participants argue that there is a relationship between EI and negotiations. This in terms of generating logic outcomes, when being aware and in control of emotions. Upon that, most negotiations are handled through lawyers, who are aware of the emotional aspects, and therefore it is about working out what is accepted and not just necessarily about royalty rates and payments in advance. Moreover, the participants were not familiar with the Hofstede model and the six dimensions of national culture. However, when the researcher explained each dimension, the outcome shows that the UK is high in power distance, an individualistic, masculine and indulgent society and low in uncertainty avoidance. Lastly, the dimension long-term orientation could not be determined, since the participants were not able to distinguish if the orientation was long-term or short-term.
Phase 2: Comparison Between Literature Review and Analysis

The participants perspectives on the importance of EI in the music industry, show a connection with Goleman’s five basic emotional and social competences about self-awareness, self-regulation, motivation, empathy and social skills (Goleman, 1998). This by participant B stating that: “It is important to have a suit of armour, which involves the whole aspect of EI. This in terms of being aware of how your emotions are being effected, but at the same time, to not letting it affect you personally” and “No matter if you are a mogul within the industry, trying to break into the industry or if you are already in it, one has to have such great sense of self-awareness, be able to take things to heart and not take things personally”. Participant C argue that: “Being emotionally intelligent within the music industry is a lot about understanding the people involved and know how to lead them. It is a very emotional industry and you need to know how to reach certain goals and understand the premises of the other party. People also need to be able to handle the artist’s disappointment, since people work hard for so many years before they reach success. Having the ability of being emotionally intelligent is therefore important, so you can keep the artist on track and stay motivated”.

The data has been compared with previous studies done on the relationship between EI and negotiations, which shows that the two variables also have a positive influence within the music industry. Firstly, research show that emotions play a significant part when resolving disputes. However, this matter is frequently not understood and efficiently addressed by those involved in the dispute. Therefore, negotiators need to take emotional tenor in to consideration and not just the economic, political and physical sides of the process (Kelly and Kaminskiene, 2016). In this scenario, no direct links can be drawn to the information provided in the interviews. Although, participant C states that: “The artist needs to be emotionally intelligent in order to come to an agreement and meet halfway” and “It is important that the negotiators have good communication skills, are open-minded, straight-forward and humble and do not speak too much in the terms of size and money”. This makes it easier to solve disputes and reach a mutual agreement for both parties as well as taking other aspects into consideration when negotiating. Participant C also argue that: “When negotiating, it is important to be emotionally intelligent because there is no one who wants to end up signing an agreement, which is based on unpleasant conditions”.

The second study shows that the other party of emotionally intelligent negotiators, had better positive state of mind and therefore better satisfaction on outcomes, appreciation for the emotionally intelligent negotiator and interest in future negotiations (Mueller and Curhan, 2006). This is also confirmed by the participants, with participant D stating that: “By entering the negotiation based on a positive foundation, it promotes win-win agreements, which most likely results in doing future business”. Upon that, participant C argues: “One has to be emotionally intelligent as well as having a positive fundamental attitude in order to understand the other party”.

In order to identify objective and subjective outcomes in a negotiation, a study was done on the relationships between EI of the negotiators and the other party’s perspectives. It showed that emotionally intelligent people, have more positive experience. However, these people also accomplish considerably lower objective scores than the other party. Therefore, it is suggested that EI plays an important part in reaching integrative negotiation outcomes, but at the same time, emotionally intelligent people are not able to claim value that one has helped to create (Der Foo et al., 2004). In this matter, there are similarities between the literature and the analysis. By being emotionally intelligent, it creates a positive foundation for the negotiation and facilitates the possibility of reaching more integrative outcomes. Although, implying that emotionally intelligent people are not able to claim value that one helps to create, is not in accordance with the analysis. Participant A used to work for an independent record label, who was supposed to sign a deal with a major record label. In this negotiation, it was about meeting the other party’s needs. Therefore, the major record label treated the situation differently because the negotiation was about signing an independent artist. Participant A stated: “We were effectively signing because of money, while the major record label saw the opportunity of signing an independent artist, who had more value than other artists. Therefore, we were kind of focusing on money and the major record label was focusing on meeting our values”. This show that the negotiation was based on meeting each other’s values, which resulted in a win-win situation for both parties.
Furthermore, the study also includes the national culture in Sweden and UK. Starting with Sweden, the participants experience the country as low in power distance. With many years of working in different countries all over the word, participant C argues that: “Sweden has without a doubt not as much hierarchy as other countries and we do not use titles when communicating with people and class society does not really exist”. Both participants argue that it is considerably more hierarchy in the UK than in Sweden. In the individualism dimension, participant C considers Sweden as collectivism. This based on the work environment, which is about having consensus and where everyone has a say in things. Participant D believes Sweden is intermediate, but more towards individualism. Both participants agree that Sweden is a feminine society. The participants consider Sweden as low in uncertainty avoidance. Participant D confirms this by stating: “Sweden is the most or the second most secularised country in the world, e.g. where religion is not considered as an important part”. The dimension long-term orientation is not determined, because the participants argue that Sweden is intermediate. Lastly, both participants consider the country as high in indulgence. Participant D states: “Swedish people identify themselves a lot with their work and therefore, they want to enjoy their work and have fun”. This confirms that the literature is relatively similar to the participants perception of national culture in Sweden. However, the literature and analysis differ in the individualism dimension, where participant C consider Sweden as more collectivism and participant D consider Sweden as intermediate.

Lastly, the UK participants believe that the power distance in UK is fairly high. Participant A argues that: “The music industry in UK is less equal and that it has the culture of the star, which is may be more eminent in the UK”. Participant B confirms this by saying: “There is completely no fair gap at all. It is always very weighted and in favour for the people with the power”. The participants consider UK as an individualistic society. However, participant A has a different take on this: “The independent record labels are more towards collectivism where the people look out for each other, whereas the major record labels mind-set is more individualistic”. Looking at the masculine dimension, participant A argues: “The recording industry is more masculine and the live industry more feminine”, whereas participant B believes that UK is a masculine society. Both participants argue that the uncertainty avoidance is low in the UK. The dimension long-term orientation is not determined, because the participants argue that it is intermediate. Finally, participant A considers UK’s society as more indulgent. Participant B has experienced both indulgence as well as restraint and can therefore not say it is one way or the other. For the UK, the literature and the analysis are also relatively similar to the participants perceptions of national culture. Although, these two differ in the power distance dimension, where the literature shows low ranking in the UK and the participants consider the power distance as high.

5. Discussion and Conclusion

In this study, a thorough analysis is carried out to understand how the practice of EI can affect the effectiveness in negotiations within the music industry. Based on the findings of the analysis, it is established that EI has a significant influence on the music industry. This mainly because the industry is such a tough and emotional place, where one has to be able to handle the different feelings that the artists experience, such as lack of self-confidence, criticism and disappointment. Therefore, it is important to have the ability to manage own’s own and others’ emotions and feelings. The analysis confirms that there is a relationship between EI and negotiations within the music industry. By applying EI in negotiations, it builds trust and creates a positive foundation for the negotiation, generates win-win agreements, better understanding of the other party, generates logic outcomes and gage the people involved in the negotiation. However, most importantly, is to remember that it all comes down to dealing with people. That is why it is essential to be emotionally intelligent in order to reach an agreement, that is beneficial for both parties.

Based on Hofstede’s model, a comparison of the national cultures in Sweden and UK has been done. When comparing the participants perspective of national culture in each country, the outcome of the analysis is relatively similar to the literature. The Swedish society is low in power distance and uncertainty avoidance, feminine and pro indulgence. The only difference is in the individualism dimension, where the analysis show that Sweden is more collectivism, than the literature demonstrates. The comparison between the literature and the analysis was also similar for the UK, by being low in uncertainty avoidance and seen as an individualistic, masculine and indulgent society. Here, the
difference lies in power distance, where the analysis show that UK is high in power distance, whereas the literature ranks the country as low. The dimension long-term orientation could not be determined due to that the analysis and literature confirm that both countries are right in the middle of this dimension.

6. Limitations
When carrying out the study, there are a few limitations that the researcher came across. Firstly, it was difficult to find people who were willing to participate in the interviews. The researcher contacted an excessive amount of people within the music industry in Sweden and UK. Most of the people who replied, declined to participate due to lack of time. Secondly, with EI being a relatively new and unfamiliar topic, it was challenging to find participants who have knowledge and experience of EI, which therefore affected the content of the interviews. Lastly, academic courses often having limited time set, which had an impact on the study in terms of collecting the data and finding people to interview. If the study was conducted over a longer period of time, the researcher would have had more time to find participants as well as using the longitudinal time horizon instead of cross-sectional (Saunders et al., 2016).

7. Recommendations and Further Research
The recommendations given based on this study is to continue to learn and spread knowledge about EI and being aware of that the music industry is such a tough place, where emotions play a huge part. It is important for people within the industry to remember that the product that is negotiated about is actually a real human being, with emotions and feelings. By applying EI in negotiations, it builds trust and creates a positive foundation for the negotiation, which most likely generates win-win agreements, long-term relationships and future interest of working together. Most artist are unprofitable in the beginning of the career, which makes it extremely important for record labels to create trust and long-term relationships with the artists. Furthermore, the recommendation to managers within the music industry, is to look into different EI training programs that can be offered to the employees within the organisation, in order to improve EI skills.

With no existing literature on this topic along with the findings of the analysis showing a positive outcome, there is room for future research. Based on the information provided in the interviews, it is recognised that the participants repeatedly separated major record labels and independent record labels from each other. Therefore, studying the above areas within the industry separately is recommended. This in order to gain a deeper understanding on how EI can affect the effectiveness of negotiations within the music industry. Furthermore, to raise the awareness as to why it is important to be emotionally intelligent when negotiating within the music industry, it is suggested that future research should focus on the US, because it is the country where the music industry is most dominant and competitive. Lastly, the researcher suggests adding more interviews in the analysis, by collecting a larger sample of target respondents. This because it will give the analysis a wider and well-grounded perspective.

8. References


Economic burden of occupational illness on women workers in textile industry, Pakistan

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Key Words  
Textile mills, women worker, occupational health, sickness absence, cost of illness

Abstract  
The relationship between respiratory diseases and work in textile factories has long been identified in the literature, but the economic burden of illness has not been described. This study provides estimates of occupational illness among women textile workers and associated health cost. The analysis determines that women workers bear a significantly higher disease burden than the control group. Within worker, the risk of respiratory diseases is significantly higher for those who work overtime and longer hours per week. The estimated out of pocket health expenditures stand at Pakistan Rupees 647 in the stipulated time of 15 days. Given low wages of women workers, the out-of-pocket expenses drain a substantial proportion of monthly income of the workers. The research recommends that appropriate minimum dust standard should be set and monitored for the safety of the workers.

Introduction  
The textile is a labour intensive industrial sector in many developing countries including Pakistan. It employs approximately 60 million workers globally, majority of them are women (ILO, 2009). Apart from employing millions of workers, the industry can also be highly polluting and contributes to indoor air and water pollution (Memon et al. 2008; Khan et al. 2015). The relationship between cotton dust and respiratory diseases has repeatedly been established in the literature (Wang et al, 2003; Aleamu et al. 2010; Bates et al. 2010;) but little attention has been paid on illness associated health cost borne by workers. From policy perspective, these estimates are very important in order to promulgation of minimum standards for the industry and assigning public funds for “workers’ welfare and social security” (Khan, 2017). Therefore, research must clarify, not only a relationships between development of respiratory diseases and level of dust in textile mills, but also economic aspect of dust pollution which is missing in the literature.

The objective of this research is to provide this needed input by examining the economic burden of pollution on women workers in the textile industry in Pakistan. Data of 541 female textile workers were collected for analysis from 18 spinning mills. Data of comparable 513 non-textile women were also collected for comparison. The analysis validates that women workers bear a significantly higher disease burden than the control group. There appears to be a general trend of increasing risk of respiratory diseases for women, working overtime and longer hours/week. In terms of health cost, the ill workers expend Pakistan Rupees 647 out of their pockets in the stipulated time frame. Given low wages of workers, the out-of-pocket expenses put a significant financial burden on the workers. Hence, incidence of occupational illness and associated absence from work, also strain productivity and profitability of firms. It certainly makes an economic case for promulgation of minimum cotton dust standards in textile mills.

Research Methods
We carried out a case–control study in 18 textile mills of Faisalabad and Lahore districts using structured questionnaire (which is developed on Wang, et al. 2003). The study group (cases) consists of 541 women textile workers and control group consists of 513 non-textile women, either working in different industry/office or act as housewife. Following Jaiswal (2011), the controls were selected from the same households, so that workers and controls can be matched for socioeconomic and demographic attributes. The survey was administered from April-June 2015. Every worker was explained about the nature of the research and information required before interview. They were also informed about the confidentiality of the information. Therefore, data were collected after informed consent from each worker.

Analysis
The study used both descriptive and regression analysis. The descriptive analysis is used to explore workers socio-economic condition and health cost estimates while regression analysis includes measurement of dose-response function. The dose-response function measures relationship between the respiratory illnesses in workers and pollution in textile mills. In this model, dependent variables are respiratory diseases, e.g. byssinosis, phlegm, blood phlegm, chronic cough and wheeze which are defined as the presence of respiratory illnesses (Pr = 1) or not (Pr = 0) among individual workers during reference period. The explanatory variables are personal characteristics, house characteristics and work & factory characteristics. The personal characteristics include age of the worker which is defined in years. The house characteristics include three separate dummy variables e.g. 1 for separate kitchen, use of firewood for cooking and use of kerosene oil stove for cooking. The work and factory characteristics include work overtime and work hours/week. Overtime work is a binary variable i.e. 1 for work overtime and 0 otherwise; however, working hours/week is a continuous variable. The dependent variables take the form of binary response variable; hence the binary response Probit models are used. Empirical specification of the models is given below:

\[ d_i^* = X_i \beta + e_i \]  \hspace{1cm} (1)

Where \( d_i^* \) is a latent variable, \( X_i \) is vector of independent variables, \( \beta \) is a vector of parameters, \( e_i \) is independent of \( X_i \), and \( e_i \mid x \sim \text{Normal} (0, 1) \).

Descriptive Analysis
Worker’s Demographic and Socio-Economic Characteristics
The survey shows that age of the female workers ranges between 12 to 52 years with average age of 26.23 years. While, the age of control group females ranges from 13 to 55 years, averaging approximately 30 years. The average monthly households’ expenditures are Pakistan Rupees (RS) 19,196. The data specify that more than half of the workers (56%) are illiterate. Compared to workers, the education levels of control group are reasonably good with some of the workers having higher secondary & above education as well (see figure 1).

Figure 1: Education level of respondents

Health Effects
Workers in different departments of textile factories are normally exposed to hazardous dust and chemicals which result in adverse health outcomes. The survey also enquired from workers about negative health effects due to exposure in the mills. The results shown in figure 3 revealed that most of
respiratory symptoms are higher in treatment group than control group. The gap between treatment groups and control group is highest in the incidence of cough and asthma. Figure 3 postulates that more than 21 percent workers experienced cough during the reported period of 15 days compared to just over 8 percent of control group. The result also shows that about 9.3 percent workers have reported asthma problem compared to 4.1 percent by control group. Apart from most of respiratory diseases, the incidence of cough and prevalence of asthma in treatment group is more than double than control group which is evidently because of high dust level in the mills.

![Figure 3: The incidence of respiratory symptoms (%)](image)

Prevalence of Byssinosis

Byssinosis as practice was defined by Schilling’s grading of the disease which is as follow:

- **Grade 0**: no symptoms of chest tightness or breathlessness on Monday
- **Grade 1/2**: occasional chest tightness or breathing difficulty on the first day of the working week
- **Grade 1**: chest tightness and/or breathlessness on Monday only.
- **Grade 2**: chest tightness and/or breathlessness on Monday and other weekdays
- **Grade 3**: Grade 2 symptoms accompanied by evidence of permanent impairment in capacity from reduced ventilator defect” (Khan, 2017).

The overall prevalence of byssinosis among textile workers is reported 16.8 percent. In terms of grades of byssinosis, about 12.5 percent are experiencing byssinosis symptom of Grade 1 and 3.5 of Grade 2, respectively. Moreover, about 0.8 percent have reported experience of grade ½ symptoms. The byssinosis estimates indicate that prevalence of disease is high in textile workers. The estimates however, corresponds to other studies in Pakistan (Farooque, et al. 2008; Khan, 2017).

Health Cost

The illness estimates clarify that cotton dust in textile mills causes respiratory diseases which are, ultimately, affecting productivity, performance, work absence and welfare of the workers. It is, therefore, time to turn our attention toward the burden of illness in textile mills. The cost of illness estimates provides us monetary value of economic burden of illness, while estimates of time lost in seeking medication represent social cost to workers and their families. Moreover, the estimates of work days lost exhibit productivity losses to employers in addition to illness compensation. The health cost results delineate that the mean treatment cost to worker is RS 181.94 during the 15 days period. The mean medical cost to control group is RS 256.16 which is significantly higher than treatment group.

It can be interpreted that a close look at the number of observations for treatment group and control group in table 1 shows that the reason of low cost of treatment to workers is due to the facility of free treatment at social security hospitals to large fraction of workers. The mean value of lost wages due to illness is RS 378.57 for the same period. In terms of social burden of the illness, the estimate shows that, on average, a worker lost approximately 20 minutes in traveling and 12 minutes for waiting for medical treatment. The average work absence is just above 8 hours. The absence from work due to illness put a substantial strain on productivity and cost of doing business. It certainly makes an economic case for implementation of occupational safety and health standards in textile mills.

Results of Empirical Model

The results of the regression analysis for incidence of respiratory diseases and their relationship with explanatory variables are reported in Table 2. The results show that workers who work overtime have significantly higher probability of byssinosis symptoms than workers who do not work overtime.
Similarly, positive relationship holds between working hours per week and incidence of byssinosis. These findings are in congruence with the findings of other researchers, which expressed that workers who work longer hours in the textile mills are primarily affected by byssinosis (Alemu et al. 2010). Among the house characteristics, the result of separate kitchen shows negative relationships with byssinosis and use of firewood in relation to natural gas for cooking yields positive relationships with byssinosis. These results are in-line with the expectations. In terms of other respiratory diseases, the work overtime is the only consistent and significant parameter with most of the respiratory diseases, suggesting that overtime work increases the likelihood of respiratory diseases incidence in women textile workers.

Conclusion

The present study provides estimates of respiratory diseases and associated economic burden in women textile workers. The result indicates that overtime work and work hours per week appeared as important determinants of respiratory morbidities in women mill workers. The respiratory illnesses contributed to increased visits to doctor. The health cost analysis reveals that women workers bear substantial out of pocket health cost which is attributed check-up fee, medication and work days lost. The average cost is PKRs. 647 in specified 15 days period. Given low wages of women workers, the out-of-pocket expenses drain a substantial proportion of monthly income of the workers. The research recommends that byssinosis should be made compensable disease and minimum standard for cotton dust should be set.

References


Variable name | Treatment Group | Control Group |
--- | --- | --- |
| | Observation | Mean | Std. Dev | Observation | Mean | Std. Dev |
| Medical cost | 215 | 181.94 | 274.1 | 112 | 256.16 | 332.57 |
| Travel Cost | 214 | 38.41 | 42.46 | 109 | 13.99 | 31.79 |
| Travel time | 214 | 19.49 | 13.23 | 112 | 11.56 | 17.76 |
| Waiting time | 208 | 20.12 | 18.53 | 110 | 12.28 | 17.25 |
| Hours Absent | 124 | 8.08 | 1.64 | - | - | - |
| Wage lost | 121 | 378.57 | 100.73 | - | - | - |

Table 1: Descriptive Statistics of Health Cost

| Independent Variables | Byssinosis | phlegm | Blood phlegm | Chronic Cough | Wheeze |
| | Coefficient | Coefficient | Coefficient | Coefficient | Coefficient |
| Personal characteristics | | | | | |
| Age (years) | .0052 (.009) | .0152 (.010) | .0331** (.016) | .0081 (.009) | -.0067 (.016) |
| House characteristics | | | | | |
| Separate kitchen (1=yes, no=0) | -.4305*** (.154) | .5136** (.219) | .1366 (.361) | .7716*** (.882) | .4187 (.305) |
| Use of firewood dummy | .4061*** (.136) | -.0004 (.191) | .3502 (.248) | .2144 (.133) | -.3068 (.245) |
| Use of kerosene dummy | -.1174 (.184) | .2758 (.210) | -.6220 (.495) | .0310 (1880) | -.3484 (.289) |
| Work & Factory characteristics | | | | | |
| Work overtime (1=yes, no=0) | .6491*** (.214) | .8520*** (.215) | 1.285*** (.295) | 2.645 (.202) | -.3808 (.460) |
| Work Hours/week | .023043** (.010) | -.0012 (.011) | .0016 (.019) | .0147 (.010) | .0376 (.020) |
| Constant | -2.0968** (.729) | -2.45*** (.792) | -3.355** (.309) | -1.799*** (.714) | -3.947*** (1.365) |
| Observations | 541 | 541 | 541 | 541 | 541 |
| LR chi2(11) | 30.76*** | 29.39*** | 32.89*** | 39.98*** | 8.98 |
| Log likelihood | -.228.11 | -.171.70 | -.62.507 | -.259.89 | -.77.805 |
| Pseudo R2 | 0.063 | 0.078 | 0.208 | 0.071 | 0.054 |

Standard errors are in parenthesis
*** = significant @1%; ** = significant @5%; * = significant @10%

Table 2: The Probit Regression Analysis of Incidence of Respiratory Diseases
The role of gender on the effects of Indonesian manpower skills on their competition readiness/preparedness

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Abstract
The Asean economic community requires high economic competition among ASEAN countries. Indonesia is one of the ASEAN Countries which is assumed to have a low capacity to win the competition. Hence, Indonesian workers are sued to have a better skill level heading the tight competition. Thus, workers with better skills are needed to strengthen the competition. Both practitioners and scholars believe that the issues of gender are currently attractive for the manpower market. Accordingly, this study is aimed to explore the effects of gender on the influence of skill on the readiness of Indonesian worker toward business competition in the Asean Economic Community (AEC). This study employs 352 workers from various industries. Multiple regressions are used to analyze the data. The result shows that the skill of male workers has a stronger effect on their readiness toward AEC competition rather than their counterparts. Implication and future research are discussed.

Introduction
The issues of free flow of skilled labor have important implications for economic and productivity growth among countries of Asean Economic Community/AEC (Fumarco & Rossi, 2018; Blix, 2018; Allen, Burgess, & Mayo, 2018; Kraisuth & Panjakajornsak, 2018; Gitaharie & Soelistianingsih, 2018; Nambiar, 2018; Malik, Lenka, & Sahoo, 2018). AEC has an ambitious vision. It is an agreement of free flow of goods, services, investments and skilled labor, and freer flow of capital to enhance the transformation of this regional association of states into a single market and production based, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy (Rana, 2017; Svetlicinii, 2017). The AEC provides for market access for ASEAN professionals and skilled manpower, and promote regional mobility and mutual recognition of professional credentials, and talents and skills development. There are two types of manpower flows, i.e; unskilled and semi-skilled workers, skilled workers, professionals and skilled manpower flow on short-term contracts, and professionals and skilled manpower flow. However, the AEC covers only the second type of flows. ASEAN countries can be divided into 3 main groups with respect to the mobility of professionals and skilled manpower. The first group is, where inflows of skills far exceeded outflows of skills (that is, net brain gain). Singapore, Brunei and, to a lesser extent, Thailand are in this category. The second group, where outflows of skills far exceeded inflows of skills (that is, net brain drain). Philippines and Malaysia are in this category. The third group, in the other ASEAN countries i.e., Indonesia and Vietnam, skilled and professional manpower flows are not figure prominently. In these countries, inflows have been limited by restrictive regulations, while outflows have not been significant because of the small pool of professional and skilled manpower and their in adequate English proficiency that restricts their international mobility. Myanmar has English language proficiency but outflows are restricted by the political regime (Yue, 2011).

ASEAN will require more related tutelage and professional training for young women and men to turn into a provincial manufacturing center driven by skills, innovation, and ingenuity (Malik, Lenka, & Sahoo, 2018). However, the heterogeneity of the workforce is crucial to apply human capital management to model manpower readiness. This heterogeneity is reflected in the different knowledge, skills, abilities’ level and attitudes of the workforce (Ng, 2005). Manpower readiness level is needed to measure the estimation of the final result of competition. It is a concept in which a single scale is applied to an entire system of AEC. Scholars indicate that motivation, needs, emotions, and reflection are related to the issues of readiness (Babushkina, Shumilinb, & Chikurov, 2011). It is needed to be a pre-
competition preparation to strengthen the degree they perceive themselves to be ready in facing their competitors (LeMaire, Short, Ross-Stewart, & Short, 2007). Lack of readiness in providing skilled workers is argued to be the factors that contribute to the readiness issue in AEC. Workers are likely to avoid the competitive situations where they did not believe chances were good that they would win (Firmin, Lucius, & Johnson, 2011). The Asean economic community promotes the open opportunities to the ASEAN countries to fight each others in order to integrate their resources. The AEC as a liberal system is believed to promote the rescaling of economic governance, involving regulatory changes that may radically redistribute power and resources. Thus AEC countries try to promote various programs in term of strengthening and protecting their interests (Soesastro, 2003; Looi Kee, Nicita, & Olarreaga, 2009; Arellano-Yanguas, & Bernal-Gómez, 2017; Nair, 2018; Siadari & Arai, 2018).

Governments regulate various roles to protect their service sectors within the liberalization world. Indonesia and Malaysia are found as countries with highest restrictiveness index (Llanto, Medalla, Del Prado, Mantaring, Detro, Serafica, Ortiz, Kristina, Ortiz, Padronia, & Maddawin, 2015; Nur, Hadiwardoyo, Nahry, & Nahdalina, 2017; Su, Sun, Lei, Weng, & Cai, 2017). The Indonesian government has also identified modernization, standards and conformance, and developed their infrastructure to deal with the key challenges in the implementation of the AEC (Soesastro, 2008). That in turn, it shows that AEC countries try to update their implementation status of the standard and conformance to support their competitive industries and quality consciousness in the production of goods and services. Thus countries try to take advantage of the AEC regulations by accelerating the skills of their workforces (Llanto et al., 2015). It is indicated that Indonesian low-level qualified workers separate in various positions with lower education levels and have limited access to up-skilling or re-skilling opportunities.

Kis-Katos, Pieters, & Sparrow (2017) found that female labour force participation has been remarkably stagnant around 50 per cent over the last 25 years. The global and regional trade integration intensify, understanding its impact on gender inequalities in the labour market. Labour market impacts can be gender specific for a number of reasons i.e.: increasing the demand for female workers relative to male workers, female workers can increase on reducing the physical strength required for manual work, and male and female workers are imperfect substitutes. There are various issues of female workers in Indonesia. Indonesian women are three times more likely than men to be engaged in unpaid, women have relatively low education and wealth, and female labourforce participation is increasing in urban areas. They from poor regions and families, have low education level and social status, and lack of professional work skills seem to put a challenging work abroad as migrant workers (Suksesi, Setyowati, Wahyuningsyas, & Baladina, 2018). This phenomenon able to changes their socio-economic, cultural behavior, and forms of transnational families (Suksesietal., 2018; Winarnita, 2018). Accordingly, it is plausible to explore the different effect of gender on the readiness of Indonesian workforce to deal with global AEC challenges of competitions.

**Manpowers’ Skill on the AEC Competition**

AEC requires highly knowledge and skill mobility among countries member. It is included challenges and opportunities such as portable qualifications, increased access to the skilled labor market, adequate supply of skilled professionals, and strong demand for skilled professionals. The challenge ASEAN States face is threefold. First, the complexity of the qualifications recognition process essentially discourages professionals who move within the region from having their professional and academic credentials assessed and recognized. Second, professionals face restricted access to the ASEAN labor market due to national level barriers such as constitutional provisions reserving particular occupations for nationals, and complex and opaque requirements and procedures for employment visas. Finally, many professionals themselves have limited interest in moving within the region due to perceived cultural, language, and socio economic differences (Papademetriou, Sugiyarto, Mendoza & Salant, 2016).

According to the United Nations’ most recent estimates, 70% of the 9.5 million migrants in the ASEAN region in 2013 (or 6.5 million people) were from other ASEAN States. About 97% of the 6.5 million intra-ASEAN migrants in 2013 circulated between just three countries: Thailand, Malaysia, and Singapore. One million migrants each from Indonesia, Malaysia, and Lao People’s Democratic Republic have migrated to Malaysia, Singapore, and Thailand, respectively. The Philippines is also one of the largest sources of temporary labor migrants in the world, but the majority of its foreign workers go to the
Middle East, particularly to the Gulf States, since countries in this region have opened their borders to all workers, regardless of skill level. Thailand have nearly all migrants (97%) are from other ASEAN countries, but only 3% of these workers are considered to be highly skilled. The majority of Malaysians' skilled and professional workers come from beyond the ASEAN regions, only 10% are working in high-skilled occupations. AEC allows tourism occupations will be granted automatic recognition as they move within the region while professionals in engineering, nursing, architecture, medicine, and dentistry are eligible after completing compensatory qualifications standards and working practices between the origin and destination country. Accordingly scholars suggest that recognizing qualifications from differences countries should be concern to what a professional must know to practice his or her profession, grant automatic recognition for each occupation across each of the signatory countries, recognition of a school diploma is not the same as recognition of qualifications or the right to practice in regulated occupations, and developed labor-intensive policy (Papademetriou, Sugiyarto, Mendoza, & Salant, 2016).

**Indonesian Manpower Quality**

Manpower mobility among AEC countries is likely to increase within the dynamic changes of trade policy in each countries. The issues of temporarily workers among ASEAN countries which allows professional of a firm located in certain ASEAN country, increase the ASEAN Government attention to control the effect of AEC agreements effects. Accordingly they change the labor regulations to afford the mutual recognition of professional qualifications, allowing the employee to work without re-qualifying in every national jurisdiction based on their own interests (Jones, 2015). Scholars found various content of regulation within ASEAN countries. Thailand paid their local doctors better to deal with the competition from immigrants, whereas Malaysia, Philippines, Singapore and Thailand free their workers’ flow on architectural services (Jones, 2015; Sumano, 2013). The study of quality of Indonesian manpower is found vary. There are more than 30 million secondary education graduates and more than 10 million tertiary education graduates in Indonesia’s labor force. Different groups of workers, particularly youth, women and rural dwellers, have had disparate labor market outcomes, highlighting problems posed by labor market segmentation. Under-qualified workers still separate in various positions. There are a large proportion of those with lower education levels and have limited access to up-skilling or re-skilling opportunities. Further demand for workers with quality vocational and technical skills outstrips supply. Most of them are employed on short-term contracts and/or earning an income that is below the minimum wage. McKinsey estimated that demand for semi-skilled and skilled workers may rise to 113 million by 2030, which is likely to see skills shortages and skills mismatches worsen throughout the economy (Hunt, Layton, & Prince, 2015).

Based on Vuong, Napier, Vu, Nguyen, & Tran (2014) competition readiness is ability to observe and forecast threats/risks as well as estimate future costs and benefits of pursuing innovation. It requires various skills and knowledge to generate those processes and requirements. Whereas Blumenstein & Orbach (2016) believed that to achieve the international level recognitions, one may have sufficient supports of personality characteristics, knowledge, and skills. The skills are related to people communication, relationship, leadership, and experience in psychological preparation. The knowledge is included theory and methodology of competition areas, technical and tactical preparations, and in managing and organizing their tasks and it’s competition. Hence this study proposes that the skills of workers are significantly effect on their readiness of AEC competition.

![Figure 1. Research model](image)

**Method**

This study employs 352 workers from various industries in Indonesia. It is included 40.1% male workers, and they are 29.24 years old averages. Participant are employed from various Industries (table 1).
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Table 1 Cluster Industries of respondents

<table>
<thead>
<tr>
<th>Industries</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>28.98</td>
</tr>
<tr>
<td>Mining</td>
<td>0.85</td>
</tr>
<tr>
<td>Processing industry</td>
<td>7.10</td>
</tr>
<tr>
<td>Electricity, Gaz, and clean water</td>
<td>40.06</td>
</tr>
<tr>
<td>Construction</td>
<td>3.69</td>
</tr>
<tr>
<td>Trade, hotel &amp; restaurant</td>
<td>0.57</td>
</tr>
<tr>
<td>Transportation and communication</td>
<td>15.91</td>
</tr>
<tr>
<td>Finance, rental&amp; service</td>
<td>0.28</td>
</tr>
<tr>
<td>Others</td>
<td>2.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

The instruments used are developed based on forum group discussion from university, HRD of industries, and representative of Ministry of Manpower of the Republic of Indonesia. The samples questions are “I am master at the management and leadership skills” and “I am ready to compete within the AEC labor competition”. A 5-point rating scale was used to evaluate skill and knowledge. A higher score indicated that respondent represent high skill competencies. A 10-point rating scale was used to evaluate competition readiness. A higher score indicated that respondent have fully ready to compete toward the competition at Asean Economic community (AEC).

Measure validation

The Confirmatory factor analysis (CFA) is adopted to test for the quality and adequacy of the measurement model. In accordance with the two-step procedure suggested by Anderson and Gerbing (1988), confirmatory factor analysis (CFA) is performed to examine reliability, convergent and discriminant validity of the multi-item construct measures. Initial specification search led to deletion of some of the items in the constructs scale in order to provide acceptable fit. Selected statistics for the final overall-model assessment show acceptable fit of the measurement model.

Table 2 Loading Factor of Constructs

<table>
<thead>
<tr>
<th>Items</th>
<th>Skill</th>
<th>Readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>I understand the consequence of Asean Economic community competition</td>
<td>CR1 0.829</td>
<td></td>
</tr>
<tr>
<td>I am ready to compete toward the competition at Asean Economic community</td>
<td>CR2 0.879</td>
<td></td>
</tr>
<tr>
<td>My Skill communication</td>
<td>S1 0.548</td>
<td></td>
</tr>
<tr>
<td>My conflict managerial skill</td>
<td>S2 0.739</td>
<td></td>
</tr>
<tr>
<td>My leadership skill</td>
<td>S3 0.727</td>
<td></td>
</tr>
<tr>
<td>My change management skill</td>
<td>S4 0.738</td>
<td></td>
</tr>
<tr>
<td>My skill of reading, writing, and hearing</td>
<td>S5 0.594</td>
<td></td>
</tr>
<tr>
<td>My presentation skill</td>
<td>S6 0.714</td>
<td></td>
</tr>
<tr>
<td>My information technology skill</td>
<td>S7 0.634</td>
<td></td>
</tr>
<tr>
<td>My marketing skill</td>
<td>S8 0.569</td>
<td></td>
</tr>
<tr>
<td>My English</td>
<td>S9 0.582</td>
<td></td>
</tr>
<tr>
<td>My foreign language</td>
<td>S10</td>
<td></td>
</tr>
<tr>
<td>My interpersonal skill</td>
<td>S11 0.668</td>
<td></td>
</tr>
<tr>
<td>My emotional quotient</td>
<td>S12 0.650</td>
<td></td>
</tr>
<tr>
<td>My flexibility</td>
<td>S13 0.650</td>
<td></td>
</tr>
<tr>
<td>My career management</td>
<td>S14 0.806</td>
<td></td>
</tr>
</tbody>
</table>
Table 1 shows the analysis of loading factor. It is found that 25 from 26 items are valid to measure skill, and 2 valid items are represented the readiness questionnaire. There an item of skill is rejected. Validity tests included convergent and divergent validity. The result of the convergent validity test is accepted. It’s assessed by checking individual item loadings for each corresponding research constructing Table 3. It is found that the values of factor loadings are above the recommended value of 0.5. Further Average Variance Constructed (AVE) values are found higher than 0.5 for Competition Readiness and Knowledge. Hence based on Fornell & Larcker (1981), the convergent validity is accepted.

Table 3 Means, Standard Deviation, α Value, Loading Factor, Average Variance Extracted

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
<th>α Value</th>
<th>Loading</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>4.805</td>
<td>2.107</td>
<td>0.932</td>
<td>0.964</td>
<td>0.829</td>
</tr>
<tr>
<td>R2</td>
<td>0.932</td>
<td></td>
<td>0.964</td>
<td>0.879</td>
<td>0.730</td>
</tr>
<tr>
<td>S1</td>
<td>0.549</td>
<td></td>
<td></td>
<td>0.548</td>
<td></td>
</tr>
<tr>
<td>S2</td>
<td>0.740</td>
<td></td>
<td></td>
<td>0.739</td>
<td></td>
</tr>
<tr>
<td>S3</td>
<td>0.727</td>
<td></td>
<td></td>
<td>0.727</td>
<td></td>
</tr>
<tr>
<td>S4</td>
<td>0.735</td>
<td></td>
<td></td>
<td>0.738</td>
<td></td>
</tr>
<tr>
<td>S5</td>
<td>0.610</td>
<td></td>
<td></td>
<td>0.594</td>
<td></td>
</tr>
<tr>
<td>S6</td>
<td>0.716</td>
<td></td>
<td></td>
<td>0.714</td>
<td></td>
</tr>
<tr>
<td>S7</td>
<td>2.824</td>
<td>0.439</td>
<td>0.633</td>
<td>0.963</td>
<td>0.634</td>
</tr>
<tr>
<td>S8</td>
<td>0.564</td>
<td></td>
<td>0.963</td>
<td>0.569</td>
<td>0.508</td>
</tr>
<tr>
<td>S9</td>
<td>0.591</td>
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<td></td>
<td>0.582</td>
<td></td>
</tr>
<tr>
<td>S11</td>
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<td></td>
<td></td>
<td>0.668</td>
<td></td>
</tr>
<tr>
<td>S12</td>
<td>0.653</td>
<td></td>
<td></td>
<td>0.650</td>
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<tr>
<td>S13</td>
<td>0.633</td>
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<tr>
<td>S14</td>
<td>0.777</td>
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<td>0.806</td>
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<tr>
<td>S15</td>
<td>0.807</td>
<td></td>
<td></td>
<td>0.829</td>
<td></td>
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</tbody>
</table>
### Result and Discussion

This study tests the effect of gender on the influence of skill on competition readiness by using multiple regression analysis. Five steps of regressions are played on the overall findings (Table 5). At the beginning, control variables are regressed on competition readiness. Thus, gender is included on the model to find out the contribution on the competition readiness. Skill are regressed with the control variable to affect competition readiness. Finally, interaction of skill and gender is regressed to find out the effect on competition readiness.

#### Table 5: The Effect of Male and Female on the Effect of Indonesian Skill Manpower on their Competition Readiness

<table>
<thead>
<tr>
<th>Controlled variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province</td>
<td>.116*</td>
<td>.113*</td>
<td>.150*</td>
<td>.147**</td>
<td>.142**</td>
</tr>
<tr>
<td>Cluster</td>
<td>-.006</td>
<td>-.003</td>
<td>-.027</td>
<td>-.025</td>
<td>-.026</td>
</tr>
<tr>
<td>Age</td>
<td>.068</td>
<td>.060</td>
<td>.104</td>
<td>.096</td>
<td>.101</td>
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</tbody>
</table>

### Table 4: Correlation and Cronbach’s α

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>Cluster</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ages</td>
<td>.183*</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>.007</td>
<td>-.085</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Readiness</td>
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<td>.050</td>
<td>-.093</td>
<td>0.964</td>
<td></td>
</tr>
<tr>
<td>Skill</td>
<td>.111*</td>
<td>-.135</td>
<td>.025</td>
<td>.172*</td>
<td>0.963</td>
</tr>
</tbody>
</table>

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

Discriminant validity is indicated by correlation between variables and the values of the square root of AVE. Table 4 shows that the inter-correlation values for all paired latent variables are less than 1.0. Accordingly the values of between variables do not overlap.
Based on the table 5, this study found that workers’ skills ($R^2=0.202^{***}$) are significantly affect the readiness of AEC competition. They with a better skill have a better readiness to compete toward the competition at Asian Economic community (AEC). Workers’ skill contribute 3.8% to explain the their readiness to compete toward the competition at Asian Economic community (AEC). It shows that to compete toward AEC, Indonesian workers need to improve their skill in order to strengthen their readiness on AEC competition. The moderation result of the analysis shows that the skill of male ($R^2=15,7\%$) and female ($R^2=7\%$) workers have significant different on their readiness to AEC competition ($R^2=2,1\%$). It indicates that the effect of skill on competition readiness for male is stronger compare to female (figure 1).

Figure 1 Moderation of gender on the effect of skill on competition readiness

Scholar found that specific skills discriminate against women that in turn endorse employers to employ specific skills workers is likely to force occupational segregation by gender (Estevez-Abe, 2005). It is believed that females are different from males. They are more likely to pay more attentions to their family’s needs. Hence they have different types of skills and its’ implications. Accordingly specific or vocational skills required at work are biased against female. Others argue that female with better skill at work is seem to be unlike cause of their were self-centered that in turn female workers are perceived as less competent (Elsesser& Lever, 2011). Skill of male have a better effect on competition readiness rather than female because males are believed to have a better mental health, problem solving skill, competition skill, and adaptation at work rather than female (Garrett, 1989; Foschi, 1996; Nadler, Jazwinski, Lau, & Miller, 1980; Dey, 2015; Rathod& Kaji, 2015; Robert, 2016). Hence, males are likely to show the interaction of skill and their mental level promotes a better readiness to compete rather than their counterparts. Whereas to encounter the uncertainties in competitions, better adaptation ability of male may encourage

Limitation and Future Research

Notwithstanding these contributions, this study has its limitations. This study allows us to rule out Indonesian workers’ skill to strengthen the evidence of readiness on AEC competition. However, it is open questions as to whether the results can be applied to different broader coverage of various sub conditions of competitions such as inter and intra new comer competition should become future attractive investigations. It might be expected to relate to AEC readiness of competition differently. An Additional longitudinal study of competition readiness of competitive advantages growth is plausible. It will likely able to explain the prediction of skill requirement on the future competitions. Measurement equivalence is now more than ever a general concern in organizational studies. Participants with different levels of
occupation, and experimental versus control groups are highly recomended for further studies.

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HR metrics: implementation at technical companies

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Keywords
HR, metrics, technical companies, effectiveness, productivity

Abstract

The HR metrics use corporate data and convert it into sources of essential information, always directly related to human resources of the company. They are considered as a reliable tool that can contribute to effective decision-making and implementation of policies related to human capital. Through HR Metrics the administration of the company can be informed of the quantitative and qualitative characteristics of the employees and their contribution to the productivity and economic results of the company. The importance of HR metrics as reliable information factors for making the right decisions is growing internationally and companies explore how they can use them to improve organizational effectiveness. However, it has been observed that HR metrics are not used-implemented always effectively and only a small number of companies uses them. However, great interest in the implementation of HR metrics has been presented the last years. The majority of the HR managers have a positive view for this “new” tool and are willing to implement it, even in a pilot level initially. Furthermore, there is no reference concerning the technical companies and the use of HR metrics. In this study a comprehensive description & critical review of the available HR metrics is attempted. An empirical methodological approach with focus on a case study in the construction industry takes place regarding the type, context and effectiveness of HR metrics and a qualitative analysis of data from technical companies takes place. The HR Metrics that are the most suitable to be used at technical companies are selected and analyzed according to the framework of the Chartered Institute of Personnel and Development (CIPD).

The study results in the creation of a model of HR metrics for technical companies providing evidence that this model is a very useful tool for the managers in order to monitor and evaluate the main characteristics of their company concerning its most valuable component; the Human Resources. Recommendations are provided for HR policy and decision makers.
Effectiveness of women in managerial roles in corporate sector in India: perceptions of their manager colleagues

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Keywords
Managerial effectiveness, women managers, gender impacts, women in corporate and perceptions of managers

Abstract
In a man-chauvinistic Indian society, women have struggled hard to get into main workforce of the corporate sector. Only in the recent past, percentage of women joining corporate sector in managerial positions has increased. It is necessary to know how effectively they are functioning and how they are perceived by their male and female colleagues in terms of managerial effectiveness. This paper attempts to portray how managers in Indian corporate sector perceive women colleagues in terms of managerial effectiveness.

The paper is based on a primary research conducted with data collected from 1260 sample respondents (Managers) from 60 companies in India who responded to a structured questionnaire and in-depth-interviews with 30 senior corporate executives. The paper explores the perceptions of both male and female respondents on effectiveness of women in managerial roles, in general, and in human resource functions, in particular. There is a feeling among corporate managers that gender has impacts on managerial effectiveness. But the responses are divided to establish whether women are better than men in managerial roles or not. Though there are strong arguments for competencies, not the gender that matters for managerial effectiveness yet men are preferred by many as managerial gender. Men are considered better than women for certain key roles such as top leadership, strategic decision making, negotiation, handling risks and challenges. However, women are found to be more effective in human resource and public relations and to some extent in marketing functions, especially in managing inter-personal relationships with both internal and external customers and maintaining a better work life-balance, compared to their men counterparts.

1. Introduction
In the last two decades, there has been an increasing trend of women joining both rural and urban workforce in India (Human Development Report, 2010, Agarwal, Bina. 2010). But representation of women in total workforce both in rural and urban sectors in India is as low as 31 per cent (UN, 2000). The positive implication for more women joining corporate sector can be foreseen in the rapidly changing global economic environment and liberalized gender sensitive workplace management (Gothoskar, 2000; Jhabvala and Sinha, 2002, Batliwala, 2007).Though more women are taking up managerial roles in corporate sector, they are confronted with several contradicting social perceptions and contemporary workplace expectations. They are struggling to establish an identity and create a space for themselves in the corporate world (Naqvi, 2011). It is, therefore, necessary to know how effectively women are working in managerial positions. This research paper presents how women in managerial roles in corporate sector in India are perceived by their both male and female manager colleagues in terms of managerial effectiveness, based on a primary research conducted during 2013 - 2017.

2. Literature Review
Globally, 7 to 23 per cent of women are employed in industry compared to 12 to 34 per cent of men in employment in all regions (Desai, 2010). Gender equity in employment is maintained by a very few companies in the world (World Economic Forum’s Corporate Gender Gap report, 2010). In Fortune 500 companies, women comprise only about 10 per cent of senior management positions (Chadha, 2002). They are mostly employed at lower and middle level. Moreover, many women employed in manufacturing sector have lost their jobs due to economic recession (UNIFEM Report, 2010).However, the
services industry of the developed world employs over 80 per cent of women and 60 per cent of men. In Latin America just under 80 per cent of women are in the services industry compared to 45 per cent of men in similar industry”. As per UNDP Report 2010, 60 per cent of both men and women are employed in the service industry in North Africa and the Middle East. The employment of women in organized sectors of economy, as one of the main factors of women’s empowerment in global scenario, was crystallized in the world conferences of the 1990s, especially in the 1995 Beijing Platform for Action (UNDP, Desai, 2010). ILO Report 2009 expects that “women’s unemployment rates will be higher than men’s and the impact on women’s employment will be longer than men’s”. Women are also suffering from gender based wage differentials with a gap ranging from 3 to 51 per cent (ITUC Report, 2009).

A research study (Buvinic et al., 2008) reveals that most of the women employees in manufacturing and service sector are paid lower salary as compared to their men counterparts. The wage for women is highest in the tertiary sector and lowest in the manufacturing sector. Another study (Grown 2010) emphasized that “state policies and legislations that address wage gaps and occupational segregation are important to women’s access to better work and include gender parity in all job programs”. Though 60 to 90 per cent of women dominate in the export processing zones, they suffer from low wage, poor working environment and high rate of attrition (UNIFEM 2010). Where ever women are employed as managers, they are preferred for lower wage burden, as compared to their men counterparts. Between 1980 and 2007, the increase was highest in Latin America followed by North Africa and modest in South Asia and sub-Saharan Africa. But it declined in Europe and Central Asia (ILO Reports, 2002 and 2009). However, in the Middle East and North Africa, South Asia, Latin America, and Sub-Saharan Africa the gender gap in labor force participation remains large. Percentage of women working in agriculture sector in South Africa (women-60% and men-40%) is higher than men with no gender gap in Sub-Saharan Africa (60 % each).

India’s total workforce of 402 million people constitutes 39.1 per cent of the total population. 68.4 per cent of them are males and 31.6 per cent females (Census, 2001). 78 per cent of the workforce (313 million) is main workers and 22 per cent (89 million) marginal workers with significant sex differentials. Only 23.3 per cent of the main workers are female. 87.3 per cent of female workers are from rural areas. However, due to liberalized Indian economy and better educational attainments, women are getting better employment opportunities in corporate sector (Chadha, 2002, Naqvi, 2011). Men are preferred in the sales, marketing and production functions. Men are considered to be good leaders, bosses, decision makers whereas women, with marketable competencies, are employed mainly in Human Resource, Public Relations, Information Technology, Administration and Servicing activities (Naqvi, 2011, Khandelwal, 2002).

3. Methodology

This research study is based on an exploratory research design with a hypothetical question: ‘Are women more effective than men in managerial roles in corporate sector in India?’ The study used judgmental sampling, which is a non-probability sampling technique. Keeping the objectives and the large size of the universe of study in view, a sample of 1260 managers, working at different levels in both public and private sector companies in India, was purposefully taken. While selecting respondents from a company, due care was taken to ensure that they represent in terms of sex, age, managerial cadres, ownership and nature of business operations of the company.

The first criterion of distribution of sample respondents was sex of the respondent. As males and females constitute 68.4% and 31.6% of total working population respectively in India (Census 2001), the sex wise distribution of sample respondents was proportionately done with 879 (70%) males and 381 (30%) females. The second criterion that was kept in mind while selecting the sample respondents was the ownership of their companies, i.e. Public Sector and Private Sector. 513 respondents (41%) were randomly drawn from 15 public sector and 747 (59%) from 45 private sector companies. The third criterion of selection of sample respondents was nature of business of the companies and the sample includes 464 (37%) respondents from manufacturing, 434 (34%) from banking and 362 (29%) from others-mainly non-banking service sectors. Though the respondents were from these three broad categories, they belong to 17 sub-categories of companies in terms of nature of business operations such as Power, Steel, Aluminum, Petroleum, Oil, Gas, Refinery, Automobile & Ancillary Auto parts Industries, Roofing
Material, Tea, Banks, Insurance, Retail, Consulting, IT, Logistics, Real Estate. In Exhibit 1: Tables 1 to 5 provide more information of sample distribution in terms of sex, age, education, experience, and company category.

A structured questionnaire, with 60 questions, was handed over to a roughly estimated 5000 target managers in 65 companies for primary data collection and relevant data could be collected from 1260 respondents. After a preliminary analysis of primary data, gathered through questionnaire method, it was felt to go for further verification and validation of some key findings through an in-depth interaction with select senior executives (middle and top level) from some of the important companies covered under the study. An interview guide, with 15 key questions, was used while conducting personal in-depth interviews with 30 senior executives, purposefully selected from manufacturing, banking and non-banking service sector companies. The questionnaire and Interview guide were pre-tested before using them at a wider scale.

The qualitative data, collected through questionnaire, are analyzed with the help of SPSS. The qualitative data and views, audio-recorded during in-depth interviews, were transcribed and collated. Appropriate tests such as Pearson Chi-square test, one-way ANOVA, t-test, Levene’s test and Cohen’s test 1989 are used.

Discussions
4.1 Gender Impact on Managerial Effectiveness

Before learning about managers’ perceptions of women’s effectiveness in managerial roles in corporate sector, it is important to know their views on impact of gender on managerial effectiveness. Out of 1260 respondents 771 (61.2%) are of the view that gender has impacts on effective functioning of corporate managers in India. Of those 771 respondents 492 (63.8%) are from private sector and 279 (36.2%) from public sector. About 66 per cent of the respondents (492 out of total 747) from the private sector and 54 per cent (279 out of 513) from public sector think that gender has impacts on managerial effectiveness in corporate sectors in India. The Pearson Chi-square test, with \( \chi^2 \)-value of 18.673 with df=1 and p value=.000, implies that there is significant difference in the perceptions of the respondents from public sector and private sector companies on the issue of gender impact on managerial effectiveness. Out of those in favor of gender having impact on managerial effectiveness, 265 (34.5%) are from manufacturing, 282 (36.5%) from banking and 224 (29%) from other service sector companies. The percentage of respondents who think that gender has impacts on managerial effectiveness is highest among those from banking and lowest among those from manufacturing sectors, with little difference in percentage of those from other service sector companies (57% manufacturing, 65% banking and 62% others). The respondents from manufacturing, banking and other service organizations also differ significantly on this issue because of \( \chi^2 \)-value of 7.386 with df=2 and p value=.025.

The Chi-square tests were also conducted on the respondents’ perceptions of gender impact on managerial effectiveness as per their distributions in terms of sex, age, educational background and span of experience respectively. The results of the tests on each variable, in terms of Chi-square value are: \( \chi^2 \)-value of .491 with df=1 and p value=.484 implies that there is no significant difference in the perception of male and female respondents on gender impact on managerial effectiveness. The test \( \chi^2 \)-value=10.507, p-value=.062, df=5 also shows that respondents of different age groups do not think differently on this issue. However, respondents with different educational background differ in their perceptions \( \chi^2 \)-value=10.045, p-value=.018, df=3) on this issue. Similarly, respondents with different span of work experience differ significantly in their perceptions on gender impacts on effectiveness of corporate managers in India\( \chi^2 \)-value=30.288, p-value=.000 and df=5).

Out of 771 respondents who believe that gender has impacts on managerial effectiveness, 454 (59%), including 357 males and 97 females, think that men are more effective than women in over all functioning as managers in corporate in India. The chi-square test results implies that respondents belonging to different sex, age and experience groups think differently on over all managerial effectiveness of men and women in the corporate sector in India. But there is no significant difference in the perceptions of the respondents with different educational background on this issue. Those who supported the proposition of gender impacting managerial effectiveness were asked to choose either man or woman for being more effective in certain managerial roles. Women are considered more effective than
men for middle level leadership and customer relationship management jobs and in terms of maintaining work-life balance and rational approach to work. Whereas men are considered better than women for top and lower level leadership roles, strategic decision making, problem solving, business negotiation, grievance handling and managing risks and challenges.

4.2 Effectiveness of Women in Managerial Roles

On the question of whether women are more effective than their men counterparts in managerial roles, in general, only 429 out of 1260 respondents (34%) consider women to be better; whereas 483 (38%) observe men as more effective than women in their organizations. 348 (28%) respondents feel that effectiveness of women managers in their organizations is independent of gender. 44 per cent of male and 24 per cent of female respondents consider men to be better than women whereas 51 per cent of female and 27 per cent of male respondents consider women to be better managers than men in their organizations. 29 per cent male and 25 per cent female respondents remained indifferent to this issue. A Chi-square test ($\chi^2$-value=76.638, p-value=.000; df=2) implies that there is significant difference in the perceptions of male and female respondents towards women being better than men in managerial roles in their organizations. Similarly, the test results also indicate significant difference in the perceptions of the respondents of different age and experience groups, respectively, on this issue. But there is no significant difference in the perceptions of people with different educational background ($\chi^2$-value=9.213, p-value=.162; df=6).

Respondents’ perceptions on effectiveness of women in managerial positions was also studied on a five point Likert scale with score 1 for ‘poor’, 2 for ‘good’, 3 for ‘very good’, 4 for ‘excellent’ and score 5 for ‘outstanding’. The managerial effectiveness of women was measured on the basis of following 13 criteria and respondents were asked to use the Likert scale while rating effectiveness of women on each criterion independently.

- Productivity
- Profit-making attitude
- Quality Concerns
- Organizational Growth Consciousness
- Organizational Goal Achievement Orientation
- Stability
- Loyalty to organization
- Regularity in attending office
- Adaptability and Flexibility
- Conflict Management Attitude and Skills
- Customer Relationship Management
- Interpersonal skills
- Overall performance as an employee

The independent sample t-test was conducted to know the difference of mean of perceptive values/scores on managerial effectiveness of women (with maximum score=65, minimum score=13). The test result implies that both female and male respondents rated effectiveness of women in managerial roles at a fairly high scale with female respondents’ mean score of 40.1 with standard deviation value of 9.11 and male respondents’ mean score of 39.66 with standard deviation value of 9.45. From Levene’s test on same data with p-value of 0.47, it is known that the variability among male and female respondents is similar. There is no significant difference in thinking between men and women respondents because of t-value=1.66, df. 1258 and p-value=0.098.

One way ANOVA test conducted on respondents’ perceptions of managerial effectiveness and their age (in five age groups of < 20, 20-29, 30-39, 40-49 and 50 & above) shows that respondents below the age of 20 years think differently as compared to their counterparts in other age groups. The perceptions of the respondents of 20-29 years age group are similar to those in the age group of 40-49, but different from that of all other age groups.
The respondents in 30-39 age group are similar to 40-49 age group but different from other groups in perceptions on the issue of managerial effectiveness of women. The respondents in the age group of 40-49 differ from below 20 and 50 & above age groups. The perceptions of the respondents in the 50 and above and below 20 age groups on managerial effectiveness of women are significantly different as shown in the graph 1.

The association between respondents’ perceptions on managerial effectiveness and their age are very small because of $\eta^2 = 0.002$. ($\eta^2$ value $<=0.01$ implies that difference is small, association is moderate if $0.01 < \eta^2$ value $< 0.14$, association is high if $\eta^2$ value $>=0.14$) as per Cohen’s test 1989. The percentage of respondents below the age of 30 years (44%), who think that women are more effective than men in managerial roles is highest of all age groups and the highest percentage of respondents (44%) who think that women are more effective than men belong to the age group of 30-39 years. The percentage of respondents who do not think women to be more effective is highest (39%) among those who are post graduates. The percentage of respondents who think that women are more effective than their male counterparts in managerial roles is highest (45%) among those who have 10 to 14 years of experience, followed by those who have less than 5 years of experience. The percentage of respondents who think that men are more effective than women in managerial roles is highest (54%) among those having 20-24 years of experience.

One-way ANOVA test conducted on perceptive scores given by the respondents of different educational background(Undergraduates, Graduates, Post-Graduates and Post-post Graduates) on women’s managerial effectiveness implies that respondents with varied educational backgrounds differ significantly in their perceptions on this issue. The perceptions of post-graduate and undergraduate respondents are similar to any other groups on effectiveness of women in managerial functions. However, the perceptions of those with educational qualification above post-graduation and the graduate group differ significantly.

Another one-way ANOVA test conducted on perceptions of the respondents belonging to five experience-groups( < 5,5-9, 10-14,15-19, 20-24 and 25 & above), implies that there is significant difference in the perceptions of the respondents of different experience groups on the issue of women’s effectiveness in managerial roles, in general. The multiple comparisons indicate that respondents belonging to 25 and above experience group differ from all other experience groups in their perceptions. There is similarity in the perceptions between any other two experience groups.
Human relation skills, sincerity, soft spoken, caring personality, patience and accommodating nature of women are the main characteristics to make them better than men in managerial roles. Perseverance, pragmatic attitude and consistency in relationships are other contributing factors for women being better than men for managerial roles. A Chi-square test implies that there is significant difference in the perceptions of male and female respondents ($\chi^2$-value=108.244, p-value=.000; df=9) on the differentiating characteristics of women to be better than men in managerial roles in their organizations. The respondents belonging to different age and experience groups differ significantly in their perceptions on this issue. Most of those who attributed human relation skills to be the superior characteristic of women are below the age of 40 years and experience less than 15 years. But there is no significant difference in the observations of the respondents with different educational background on the special characteristic of women, identified above.

The respondents, who considered men to be better than women in managerial roles, attributed, in order of priority, men’s ability to work in complex environment, better controlling power, responsible behavior, dedication to duty and mobility as major contributing factors. A Chi-square test implies that there is significant difference in the perceptions of respondents of different sex, age, educational background and experiences, respectively, on the special characteristics of men to be better than women in managerial roles in their organizations.

4.3 Women and Functional Areas of Management

Out of 1260 respondents, 543(43%) consider women to be most suited for human resource functions whereas 240(19%), 143(11%) and 98(8%) respondents consider women to be most effective in public relations, accounting & financial management and marketing management jobs respectively. A Chi-square test (Exhibit 1:Table 14) implies that respondents belonging to different sex, age, education and experience groups, respectively, differ significantly in their perceptions on women’s suitability for different areas of managerial functions. Majority of respondents in all experience groups, especially those who are in younger age groups and with higher educational background, think that women are most effective in human resource management and public relation functions.

65 per cent of the respondents consider women to be best suited for middle level managerial positions, whereas 18 per cent considered them for junior level and 17 per cent for top level managerial positions. A Chi-square test, with $\chi^2$-value=37.576, p-value=.000; df=7, implies that male and female respondents perceive differently on women’s suitability for different level of managerial positions. Similarly, the Chi-square tests were conducted on women’s effectiveness in managerial positions and age, education and experience of the respondents respectively. The results of the test imply that respondents belonging to different age, education and experience groups, differ significantly in their perceptions on this issue.

Majority of the respondents with educational background of post graduation and above think that women are most effective when they operate at the middle level positions such as regional managers, general managers, or vice presidents, whereas most of the respondents who have graduate or undergraduate education consider women to be best suited for lower middle level positions such as managers, executives, divisional managers or project heads, in their companies. However, the position titles or the nature of job differ from company to company and therefore, such titles are only indicative at a particular level. Majority of the respondents with less than 15 years of experience find women to be most suitable for middle level positions whereas women are preferred for lower middle level positions by most of those with 15 or more years of experience.

4.4 Preference for Female or Male Boss

Only 24 per cent of the respondents, including 121 men, prefer to work with female boss whereas 31 per cent, including 77 females, prefer to work with male boss. However, 45 per cent of the respondents are interested to work with both male and female bosses. A Chi-square test with $\chi^2$-value=166.743, p-value=.000; df=4, implies that male and female respondents differ significantly while showing their preference for male or female boss. Similarly, Chi-square tests indicate that there is significant difference in the perceptions of the respondents belonging to different age, education and experience groups, respectively, on the issue of working with male or female boss. However, most of the respondents,
irrespective of their age, span of experience and educational background, choose to work with both male and female bosses.

The respondents below the age of 50 years, who do not think that married women are more effective in managerial roles than their unmarried counterparts, outnumber those who consider married women to be more effective. However, most of those who are in age group of 50 & above think that married women to be more effective in managerial roles. The Chi-square test implies that there is a significant difference in the perceptions of people belonging to different groups in terms of sex, age, educational background and experience, on this issue. 42 per cent of the respondents who are post-graduates, highest amongst all educational groups (Post PG-34%, 33% Grad and 12.5% Under-grad), think in favor of the proposition of married women being more effective in managerial roles than unmarried ones.

4.5 Women and Work-Life Balance

874 out of 1260 respondents (69.4%), including 67 per cent of males and 74 per cent of females, consider women to be better than men in terms of maintaining a work-life balance. The Chi-square test values imply that there is a significant difference in the perceptions of people belonging to different groups in terms of sex, age, educational background and experience, respectively, on this issue. 978 out of 1260 respondents (78%), including 80 per cent of male and 73 per cent of female respondents, suggest that both men and women should be engaged in household as well as official work as per their talents and interests. A Chi-square test indicates that the male and female respondents differ significantly on this issue because of $z$-value of 15.125, $df=4$ and $p$-value=.004.

4.6 Women in Handling Work Pressure

647 out of 1256 respondents (51.5%), consisting of 67 per cent of females and 45 per cent of males, think that women are more effective than men in handling work pressure in a composed manner. They are mostly from 20 to 40 years age group, highly educated (PG & Post-PG) but with less than 15 years of experience. 609 (48.5%) respondents, mostly graduates and undergraduates, from higher age group (40 to 60) with experience of 15 or more years, do not go with such proposition. The Chi-square test results imply that there is a significant difference in the perceptions of people belonging to different groups in terms of sex, age, educational background and experience, respectively, on this issue.

4.7 Effectiveness of Women in Human Resource Management

527 out of 1260 respondents (42%), including 54 per cent of the females and 36 per cent of the males, have found women to be more effective than men in managerial roles of Human Resource Management in their organizations, whereas 333 (26%) respondents, including 31 per cent males and 15 per cent females, consider men to be more effective for such jobs. However, 31 per cent of the respondents are indifferent to such proposition. Superior skills and ability to deal and engage with human beings are the main factors of women being effective in HR roles. A Chi-square test, with $z$-value of 47.169, $df=3$ and $p$-value=.000, implies that there is significant difference in the perception of male and female respondents on women’s effectiveness in HR managerial roles. 741 out of 1260 respondents (59%), including 79 per cent of female and 50 per cent of male respondents, think that women are better than men in HR related decision making. A Chi-square test with $z$-value of 97.510, $df=2$ and $p$-value=.000, indicates that male and female respondents think differently on the effectiveness of women in HR roles.

The respondents’ perceptions on effectiveness of women in HR functions was assessed on 5 points Likert scale of 1 to 5 (1-Poor, 2-Good, 3-Very Good, 4-Excellent and 5-Outstanding). The Women’s effectiveness was rated on the 5 points scale independently on each aspect of HR functions, such as HR planning, recruitment & selection, compensation management, training & development, performance management, Industrial Relation, employee career development, counseling, stress management and aligning HR functions strategically with other core business functions. One-way ANOVA test conducted on respondents’ perceptions of managerial effectiveness and their age (in five age groups of < 20, 20-29, 30-39, 40-49 and 50 & above) shows that there is significant difference in the perceptions of the respondents of different age groups on the issue of women’s effectiveness in human resource management functions. The multiple comparisons (Turkey HSD) test results respondents below the age of 20 years and in 20 to 30
years think alike but they differ from their counterparts in other age groups. The perceptions of the respondents of 30-39 years age group are similar to those in the age group of 40 -49, but different from that of all other age groups.

Similarly, one-way ANOVA test conducted on respondents’ perceptions of managerial effectiveness and their educational grouping(Undergraduates, Graduates, Post-Graduates and Post-post Graduates) implies that respondents with varied educational backgrounds differ significantly in their perceptions on this issue. The perceptions of only undergraduate respondents are similar to all other educated groups on effectiveness of women in HR managerial functions. However, those who are educated higher than post graduation are different in their views from post graduates and graduates. The perceptions of post graduate respondents are similar to those of graduates and undergraduates but different from post-post graduate groups on this matter.

Another one-way ANOVA test conducted on respondents’ perceptions of managerial effectiveness and their experience(in five groups of < 5, 5-9, 10-14, 15-19, 20-24 and 25 & above) implies that there is significant difference in the perceptions of the respondents of different experience groups on the issue of women’s effectiveness in human resource management functions. The multiple comparisons indicate that respondents having 15 to 19 years experience have similar perceptions as compared to their counterparts in other experience groups. The perceptions of the respondents having less than 5 years experience differ significantly from those of 10 to 14 years experience group but are similar to those of other experience groups. Similarly, respondents of 5 to 9 years experience group show similar perceptions with all experience groups except the group having 25 and more years of experience. 10-14 experience groups differ from less than 5 years group as well as the group having 25 and more years of experience and do not differ from other groups on this issue. However, those with 20 to 24 years of experience differ only from those who have more experience. The respondents having 25 and more years of experience differ from all groups except 15-19 years experience group.

The respondents’ views on impact of professional education with specialization in human resource management (e.g. MBA with HR specialization) on effectiveness of women in HR managerial roles are sought. 992 out of 1260(79%), including 80 per cent of males and 76 per cent of females, respondents are of the view that women with professional management education in human resource management are better in HR managerial functions than those women HR managers without such educational background. However, male and female respondents think differently on this issue because of $\chi^2$-value of 9.344, df=3 and p-value=.025.

**Conclusions**

Though there is a rationale behind associating competencies, not the gender of a corporate manager with his or her managerial effectiveness, majority of the respondents still believe that gender has impacts on managerial effectiveness in India. Men are considered by many to be more effective than women as corporate managers in India. People still prefer men for key managerial functions such as leadership at the top and junior levels, strategic decision making, business negotiation, sales and marketing, managing industrial relations, risks and challenges and field operations. Women are considered more effective than men in human resource functions, leadership roles at middle level, customer relationship management jobs and in terms of maintaining a work-life balance. But the respondents from public sector and private sector companies differ significantly in their perceptions on this issue. Though the respondents of different age groups do not think differently, people with different span of experience and level of education differ significantly in their perceptions.

Superior interpersonal skills, ability to deal and engage with human beings are the main factors of women being effective in HR roles. Professional education such as MBA with specialization in HR helps women to be more effective in managerial roles. Both female and male respondents rated effectiveness of women in managerial roles, on several key parameters, at a fairly high scale. However, there is significant difference in the perceptions of male and female respondents towards women being better than men in managerial roles in their organizations. Young managers are more favorable towards women’s managerial effectiveness. Those in older age groups and with varied educational backgrounds differ significantly in their perceptions on this issue. People above 50 years of age find married women to be more effective in managerial roles where as those who are in younger age group do not find any
association between managerial effectiveness and experience from married life. There is less preference for female boss, even by a good number of women respondents, compared to male boss. The male and female respondents differ significantly while showing their preference for male or female boss. However, there is no much demand for gender preference, rather than the behavioral competencies in a boss in corporate organizations.

Though women in Indian corporate sector are generally perceived by their colleagues as less effective than men there are exceptions of women being more effective in a few individual cases. Women seem to be in a hinterland to establish their identity as equally effective corporate managers as their men counterparts. Though women have established their presence in good number in service and agriculture sector, people are of the views that it will take another 30 years or so to see both men and women in equal parlance, handling all managerial roles in Indian corporate sector.

**Limitations**

Though the study is based on perceptions of 1260 managers of 60 companies from different sectors, there is no adequate representation from all types of organizations such as agriculture, agribusiness and development sectors. It did not cover the people in non-managerial roles who could have shared different views on effectiveness of women. Further, it was not possible to get response from managers working at all levels who were targeted as per sample distribution due to their busy work schedules and difficulty in establishing contact with them. Therefore, the conclusions made in this paper may not fully reflect the views of entire managerial workforce in India. Therefore, further research studies should focus on single sector or on managers belonging to Baby boomers, Gen X and Gen Y categories to have deeper understanding of perceptual differences on women in corporate. Case method may also be used for more in-depth study on women’s effectiveness in discharging their roles in corporate sector covering competency, contextual and gender aspects.

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UNIFEM Report, 2010

**Exhibit 1**

Table 1
Sector wise Distribution of Male and Female Respondents

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Respondents</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
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<tbody>
<tr>
<td>Public</td>
<td>112</td>
<td>401</td>
<td>513</td>
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<tr>
<td>Private</td>
<td>269</td>
<td>478</td>
<td>747</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>381</td>
<td>879</td>
<td>1260</td>
<td></td>
</tr>
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</table>

Table 2
Respondents from different Type of Companies from Public and Private Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Respondents</th>
<th>Mfg</th>
<th>Banking</th>
<th>Others</th>
<th>Total</th>
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<td>181</td>
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<td>513</td>
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<tr>
<td>Private</td>
<td>145</td>
<td>253</td>
<td>349</td>
<td>747</td>
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<tr>
<td>Total</td>
<td>464</td>
<td>434</td>
<td>362</td>
<td>1260</td>
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Table 3
Male and Female Respondents from Different Age groups

<table>
<thead>
<tr>
<th>No. of Respondents</th>
<th>&lt;20</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
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<tr>
<td>Male</td>
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<td>300</td>
<td>220</td>
<td>158</td>
<td>178</td>
<td>879</td>
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<tr>
<td>Total</td>
<td>32</td>
<td>505</td>
<td>343</td>
<td>187</td>
<td>193</td>
<td>1260</td>
</tr>
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</table>

Table 4
Male and Female Respondents with Different Educational Background

<table>
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<th>No. of Respondents</th>
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<th>PG</th>
<th>Grad</th>
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<th>Total</th>
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<tr>
<td>Male</td>
<td>80</td>
<td>643</td>
<td>151</td>
<td>5</td>
<td>879</td>
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<tr>
<td>Total</td>
<td>128</td>
<td>924</td>
<td>200</td>
<td>8</td>
<td>1260</td>
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</table>

Table 5
Male and Female Respondents from Different Experience Groups

<table>
<thead>
<tr>
<th>No. of Respondents</th>
<th>&lt;5</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25+</th>
<th>Total</th>
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<td>56</td>
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<td>381</td>
</tr>
<tr>
<td>Male</td>
<td>238</td>
<td>231</td>
<td>113</td>
<td>48</td>
<td>70</td>
<td>179</td>
<td>879</td>
</tr>
<tr>
<td>Total</td>
<td>411</td>
<td>341</td>
<td>169</td>
<td>61</td>
<td>83</td>
<td>195</td>
<td>1260</td>
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</table>
Transformational leadership role in creating an effective work-related context including; Leader-member exchange, Followers’ participation in decision-making process, and followers’ resistance to change for successful performance

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Keywords
Leader-member exchange (LMX), Participation (PART), Resistance, Transformational Leadership (TL)

Abstract
Purpose This research aims to evaluate the significant role of transformational leadership of lower and middle level of management on Leader-member exchange, Followers’ Participation in decision-making process, and followers’ resistance to change in a private bank in Egypt

Design this paper utilized a quantitative research method with number of statements embedded in a questionnaire about each variable. Data collection included 412 respondents of one of reputable private banks in Egypt. SPSS has been used for data analysis to run correlation and regression analysis to get results of hypotheses testing.

Findings Results showed that transformational leadership has a significant positive effect on either Leader-member exchange quality or followers’ participation in decision-making process. Whilst, Transformational leadership has been found without significant effect on followers’ resistance to change.

Practical implication this paper could inform HRD (Human resource development) practices the way to increase leader awareness of how transformational leadership behavior is able to create a desired work-related context which could assist in achieving successful organizational objectives and goals

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Introduction
Banks play a financial intermediary role between normal person or companies when they are interacting and trade off each other (Mishkin, 2007). Saunders and Andrea (1993) argue that having a solid financial sector especially banks will result in a better environment of business. So that, banking system plays a crucial step in the national economic development especially in a developing economy such as Egypt (El-Shazly, 2001; Bolbol et al., 2005). Moreover, having a competitive and efficient banking sector is a leading indicator for the performance of other sectors and produces smooth and fast-growing economy (Saunders et al., 2007; Ikram, 2007). The financial banking sector includes private and public organizations that are totally regulated by the government (Mishkin 2007). The results of El-Shazly’s (2009) study revealed that investment and foreign banks are more efficient than public banks in term of cost and profit because of political constraints and the quality of human capital (Mohieldin and Nasr, 2007). Banks continuous performance development to cope with the recent fast-change ought to be among the destinations for banking sector in Egypt (Hegazy, 2014). These changes are encountered by regulations
for banking development which is passing through Central bank of Egypt (CBE) as CBE is the bank of banks. Change pressures organizations with a series of challenges that burden leaders’ shoulders with extra effort to maintain a smooth and resilient workflow. Followers’ resistance to change may obstacles the overall attempt of bank to cope with the dynamic environment and the ever-changing regulations of CBE. Many studies uncover that employees are not stand against change itself. Rather, they fear of the negative outcomes and consequences of the change (Aldossari, 2016). The role of leader here appears for maintaining a high quality of relationship with followers, providing them the opportunity to participate in the change, and reducing the level of their resistance to that change to end up with positive organizational outcomes (Wallace & Gaylor, 2012). In general, the process of continuous change for keeping a sound economic system in Egypt along with the interest in the literature concerning the implications of transformational leadership came up with a question, whether the transformational type of leadership style in private banks in Egypt may create a healthy environment, comprised of high quality leader-member exchange relations, high level of followers’ participation, and low resistance to development process, for supporting that change.

Problem Statement
Several studies addressed the role of transformational leadership as an enabler to successful Performance, but few studies examined the role of transformational leadership in achieving healthy climate to get better output of followers. However, there is no study examined the role of transformational leadership on creating effective leader-member exchange quality (LMX), effective participation of followers (PART), and smooth followers’ resistance to change together in one in private banks in Egypt in order to determine the significance of the relationship between those variables.

Literature Review
Transformational Leadership (TL)
Leadership is a build of huge broadness and intricacy. Burns observed Leadership as “one of the most observed and least understood phenomena on earth”. Munson (1981) defined leadership as “The creative and directive force of morale”. Harry Truman (1958; Memoirs, p. 139) defines a leader as a man who has the ability to get other people to do what they don’t want to do, and like it. John Kotter (2008; Force for Change: p.3) sees leadership as a change process. The Classical management theory is considered the base for leadership theory (Longest et al., 2004). Leadership theory has been evolved passing by Trait Leadership Theory (1940s–1950s), Chaos theory (1942), Behavioral Leadership Theory (1950s–1960s), Contingency Leadership Theory (1960s–1970s), Charismatic leadership (1976), Servant Leadership (1977), and finally Full-Range Leadership Theory (1980s).

Transformational leadership (TL) is a construct among two constructs of Full-Range Leadership Theory namely; Transactional leadership and laissez-faire. Bass and Riggio (2006) refer to TL as a central pillar of the theory of full-range leadership because, transformational leadership behaviors produces high leadership efficacy. Burns (1978) put a definition in political context for TL as “A relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents”. Burns (1978) argued that Transformational leaders deepen communication level and commitment, performance, and morality for either leaders or followers. Burns separates transformational behavior from transactional and argued that leaders should exhibit only one behavior. On contrary, Bass (1985) suggests that effective leader behaves both transformationally and transactionally per the situation (Snodgrass and Shachar, 2008). Bass and Avolio (1994) wrote about Transformational leadership that: “The goal of transformational leadership is to transform people and organizations in a literal sense – to change them in heart and mind; enlarge vision; insight and understanding, clarify purposes; make behavior congruent with beliefs, principles or values; and bring about changes that are permanent, self-perpetuating and momentum – building” (p. 3).

The earlier leadership model suggested by Bass (1985) includes transformational style as a multidimensional variable with three constructs namely; (idealized influence, intellectual stimulation, and individualized consideration). Avolio and Bass (1999) & Bass and Avolio (2004) revise the leadership model again and add one more construct to transformational leadership called inspirational motivation. Inspirational Motivation is a behavior stimulates followers’ spirits through creating atmosphere of challenging to their work and envisioning an attractive future states (Bass et al., 2003) Which in its turn
transform the interest of employees toward group interests rather than self-interests (Northouse, 2007). **Intellectual stimulation** pushes followers to challenge their own thinking as well as their beliefs to be creative in solving problems (Bass, 1985) and to take some responsibility as active participants in decision-making process (Hoyt et al., 2006; Limsila and Ogunlana, 2008). **Individualized consideration** is building a cohesive relationship between leader and each follower (Bass, 1985; Smith, 2016; O’Donnell et al., 2012). Individualized consideration is concerned with individual needs, perspective, and personal development (Hoyt et al., 2006; Limsila and Ogunlana, 2008).

**Idealized influence** is shaped by charisma which is characterized by high standards of moral and ethics that creates high persuasion, communication through clear vision about the sense of organizational purpose. So that, Followers wish to mimic their leaders (Bass et al., 2003; Bass, 1985; Gill, 2006; Northouse, 2007). TL’s charisma can inspire followers toward an exceptional performance (Wang et al., 2011). TL affects many desirable outcomes such as team cohesion and team effort (Wang et al., 2011), personality’s issues and LMX (O’Donnell et al., 2012; Smith, 2016), level of followers’ organizational commitment (Tse et al., 2013, Lee, 2005), Followers’ engagement, reduces intention to leave & leverage organizational citizenship (Burch and Guaran, 2014), leader effectiveness (Snodgrass and Shachar, 2008). Followers performance (Camps and Rodriguez, 2011), service quality and team performance (Lee et al., 2011), SMEs performance (Ling et al., 2008), follower empowerment and decision-making latitude (Ozaralli, 2003), innovation (Boerner et al., 2007), mitigates resistance to organizational change (Oreg and Bearson, 2011), and enhances job satisfaction of followers (Ivey and Kline, 2007). Only one study of (Deluga, 1992) showed that the component of TL is independently correlated with LMX. More relationships about the effect of TL on dependent variables comprising our model (LMX, PART, and resistance) will be held with each variable’s literature review section.

**Leader-member exchange Quality (LMX)**

Graen & Uhl-Bien (1995) refers to LMX as an inter-relationship approach that demonstrates how supervisor and subordinate together fulfill organizational goals. An exclusive relationship is growing up between the leader and each member together toward achieving organizational goals rather than having one relationship style for everyone by the leader where the leader may have different degrees of interpersonal relationships with each one of his subordinates (Mahsud et al., 2010; Smith, 2016). High exchange relationship suggests a high level of trust, communication, and respect that results in a desired personal outcome for followers (e.g. interesting tasks, more rewards, additional responsibilities), and followers in their turn exchange their commitment to the work and be loyal to their leader. Whereas, low-quality exchange relationships allow followers to fulfill only formal requirements of the job description without exhausting themselves in extra effort because they know this extra effort won’t be charged with extra rewards (Mahsud et al., 2010). LMX theory is an approach of mutual-relationships that demonstrates how vertical dyads involves leader (supervisor) and member (follower) jointly get organizational tasks accomplished (Yukl et al., 2009; O’Donnell et al., 2012). LMX fundamentals back to Dienesch and Liden (1986). Mahsud et al. (2010) draw the attention to both of Social exchange theory (Homans, 1961) and Role theory (Graen and Scandura, 1987) which provide the base for LMX evolution over time. Social exchange theory calls for that individuals look for maximizing benefits and minimizing costs in an exchange process. Whereas, Role theory approaches LMX inter-relationship as model of how a leader and a subordinate develop together a relationship to get unstructured tasks done. In role theory, Tasks are going to be done via passing three phases (Role taking - Role making - Role routinization). LMX has been used in many previous studies; Some researchers have used LMX as independent variable to predict criterions such as turnover intention and organizational citizenship behavior (Burch & Guaran, 2014; Lee, 2005; Sherman et al., 2012), Employees reaction toward change (Van Dam et al., 2008), Management trust, communication, participation and rewards (Dienesch and Liden, 1986; Van Dam et al., 2008). Some others used LMX as a criterion for predictors such as leadership behaviors (O'Donnell et al., 2012; Smith, 2016; Yukl et al., 2009).

However, Burch & Guaran (2014) stated that the relationship between TL and LMX is mutually exclusive and LMX shouldn’t mediate or moderate any relationship includes TL as independent variable, O’Donnel et al. (2012) in their study of different set of industries, they found that TL has a direct positive effect on LMX. Their findings come up with the study of Yukl et al. (2009) and Smith (2016). Dhar (2016)
found that Ethical leadership behaviors as a part of TL are positively affecting LMX that in its turn affecting innovation. Yang et al. (2016) found that ethical leadership behaviors affect organizational citizenship behaviors with a fully mediation by LMX. Where, Leaders who act ethically, empathy, and trustful is more effective in applying delegating, consulting and developing leadership behaviors that are based on TL model (Ismael et al., 2011). Consequently, those leaders are able to build high LMX quality and OCB. In other study held in Singapore related to R&D corporations, Lee (2005) found that TL is a great predictor of all dimensions of LMX rather than transactional leadership. This means TL has a boarder effect on the LMX quality than any other types of leadership. It is not surprisingly that high-LMX quality prefers transformational leadership style since TL has a great inside-construct relies on relationships (Notgrass, 2014).

Followers Participation in Decision-Making Process (PART)

Decision-making is the process through which managers and leaders produce solutions to emerging problems. Furthermore, it is an inductive and participatory work (Stefaniak & Tracey, 2014). Nutt (2008) classified decision-making process into two types, (1) Discovery decision-making process and (2) Idea-imposition decision-making process. Participation (PART) has been considered a vital shape of management style (Kevin et al., 2012) and it has a crucial role in organizational outcomes such as productivity (Wilkinson et al., 2013). PARTIC could be defined as the employee’s voices depth, to what extent it makes a difference in the decision-making process (Kaufman, 2014). PART includes innovative ideas and suggestions about the possible ways for improving standardized workflows (LePine and Van Dyne, 1998). PART leads to an effective decision-making and creates a context of work characterized by information-sharing between management and employees (Cheng, 2014). Doucet et al. (2015) state that high level of autonomy and involvement in decision-making enhances the effectiveness of TL and help to foster organizational commitment. Some scholars tied participation to involvement (Pateman, 1970) and relate satisfaction and notions of industrial citizenship to participation (Blumberg, 1968). Furthermore, others tied PART in the form of employee involvement and engagement to human resource management that focuses on relationships between followers and first-line managers (Wilkinson and Fay, 2011). Participatory human relations theory and democratic theories constitute the cornerstones for PART (Noah, 2008).

Choy et al. (2016) allude to that Leaders utilizes PART to control followers’ feelings, and positively stimulating their followers’ morale to perform better in their job. Zhou et al. (2012) state that when individuals were intellectually stimulated and provided by the opportunity to participate, the strongest positive prediction of promotion focus on creativity appeared. Whereas, they found that with low level of intellectual stimulation and high levels of participation, promotion focus has been related with a fragile negative relationship with employees’ creativity. This means that participation is useless without TL behavior especially intellectual stimulation behavior. Pettis (2017) surveyed the relationship between TL and psychological empowerment in New York. He found that TL has the major positive influence on the variance of psychological empowerment. Liang et al. (2017) in Taiwanese hospitality industry found that TL has significant relationships with relational identification, work engagement and employee voice behavior. Furthermore, they found that relational identification and work engagement sequentially have a mediation effect between transformational leadership and employee voice behavior which means that supervisors play a crucial role in participating followers’ voice behavior through relational identification and work engagement of employees. Van Dam et al. (2008) prove the significant positive correlation between LMX and PART in their study and denote that high LMX quality ends up with the initiation from followers’ part to voluntary spend themselves in work processes to reach their management organizational desired goals and objectives.

Followers’ Resistance to Change

The origin of the resistance is to maintain the status quo and keep state of equilibrium (Fernandez, 2014; Henry, 1997). Oreg et al. (2013) have defined organizational change as any alteration in an organization that potentially enhances stakeholders’ physical or psychological experience affecting either the organizational or individual performance. In the process of change, followers will keep their own opinions regarding the change and face varieties of emotional responses toward Change. Accordingly,
they will translate their emotions through attitudes toward the organizational change. Oreg et al. (2008) suggest that individuals’ reactions to change may differ across cultures. Embracing Change or resisting change is aroused and stimulated by the personal effect and surrounding environment (Oreg, 2006). Resistance to change concept has been arisen to the light after Lewin’s (1951) theory of the change process. Scholars such as Harrington et al. (2000) described resistance as a natural outcome of the change process. Organizational change may be seen by followers as a threat and pressure that is causing stress and a potential productivity loss (Holbeche, 2006) which in its turn triggers resistance to change. Some researchers may perceive change as liberating, and opportunity for development by taking new responsibilities (Kull, 2003). Even if, resistance recorded some positive consequences, it can be costly because resistance in general, bans organizations from appropriate responding to dynamic environment (Beer and Nohria, 2000; Kull, 2003).

The initial multidimensional structure for resistance to change (Ambivalent Attitudes) was held by Piderit (2000) who suppose that follower’s potential positive intentions may motivate negative responses to change. He categorized resistance to change into three-dimension; (1) Cognitive (or thoughts), (2) Emotional (or affective), and (3) Intentional (or Behavioral), the model provides a comprehensive understanding of the reasons behind employees’ resistance to change specifically, when the change process goes against follower’s values. Oreg (2006) extend the work of Pedrit by searching factors affecting resistance - namely; employees’ personalities, and the organizational context and the effect of resistance on employees’ satisfaction, Turnover intention, and organizational commitment. He found that resistance attitude is significantly affected by personality and context. In turn, resistance is significantly affecting employees’ job-satisfaction, organizational commitment, and intention to quit the organization. Oreg and Bearson (2011) investigated the effect of leaders’ personal attributes and TL behaviors in reducing followers’ intentions to resist in public organizations. The results revealed that followers’ intentions to resist were negatively predicted by leaders’ openness to change and TL behaviors, and positively predicted by leaders’ dispositional resistance to change that constitutes personality traits. Moreover, TL behaviors moderated the relationship between followers’ dispositional resistance and their intentions to resist the change. Oreg and Bearson’s study (2011) provides evidence that TL behaviors (especially inspirational motivation) attenuated the link between attributes of followers and resistance intentions and through the direct relationship; TL reduces follower’s resistance to change.

Research Methodology
Research Design
This research followed the applied studies to improve our thinking of the phenomenon in order to add to the explanation of that phenomenon (Bickman and Rog, 2009). Moreover, our study will purse the positivism approach (Maykut and Morehouse, 1994) that is based on measurable quantifiable variables. Deductive and correlational method is considered suitable for this study (Marczyk et al., 2005), because it investigates the relationship between TL and LMX, PART, and Followers’ resistance to change in the critical time we are living in Egypt. The unit of analysis in this study is individuals (khurana, 2014), which is considered as a proper unit of analysis for data gathering characterized by Employees in one of the largest Private banks in Egypt.

Population and Sampling
The current study surveyed employees of a private bank in Egypt classified as one of the largest private foreign banks with an employee number about 6 000 Employees composed the overall of population. Sample of this research has been taken from the mentioned population. A cross-sectional survey is designed through online survey data using Survey monkey(https://www.surveymonkey.com/) as a platform for distributing our survey throughout social media (Facebook – Whatsapp – LinkedIn) and E-mail as well. Valid Questionnaires was 412 amongst 496 as total of collected participation in our survey. Valid percentage was 83%, after rejecting incomplete questionnaires.

Research Framework and Hypotheses
Our research model comprises of independent variable: Transformational Leadership (TL); and the dependant variables: Leader – Member Exchange (LMX), Follower’s participation in decision-making
process (PART), and Followers’ resistance to change. Research model is illustrated hereunder in figure 3-1.

![Research Model](image)

**Research Hypotheses**

**H 1:** There is a significant relationship between transformational Leadership (TL) and Leader – Member exchange quality (LMX).

**H 2:** There is a significant relationship between transformational Leadership (TL) and Followers’ participation in decision-making process (PART).

**H 3:** There is a significant relationship between transformational Leadership (TL) and Followers’ resistance to change.

**Results and Findings**

**Descriptive Analysis**

Questionnaires were on-lined distributed among participants. 412 valid responses were collected. The descriptive statistics of demographic shows important characteristics of the data by making short summaries about the sample and measures of the data. It mainly consists of three types; measures of central tendency, measures of variability and, frequencies. The sample under study contained 69.9% Males and 30.1% Females. Table 4-1 shows Frequency tables for the research variables, where most of the responses vary between disagree and agree, while some of the data lie in the strongly disagree and few of them lie in the strongly agree zone. In addition, the mean falls around average. This means that the respondents are not that happy with the degrees they have in their organizations for the research variables; TL, LMX, PART, and Resistance to change. This refers to that there is a problem with the degree of satisfaction of employees regarding the mentioned variables, which lead the researcher to investigate the problem through the current research.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL</td>
<td>412</td>
<td>2.99</td>
<td>1.012</td>
<td>38</td>
<td>80</td>
<td>159</td>
<td>117</td>
<td>18</td>
</tr>
<tr>
<td>LMX</td>
<td>412</td>
<td>3.22</td>
<td>0.957</td>
<td>18</td>
<td>74</td>
<td>140</td>
<td>156</td>
<td>24</td>
</tr>
<tr>
<td>PART</td>
<td>412</td>
<td>3.54</td>
<td>0.917</td>
<td>15</td>
<td>50</td>
<td>69</td>
<td>251</td>
<td>27</td>
</tr>
<tr>
<td>RESIST</td>
<td>412</td>
<td>2.59</td>
<td>0.641</td>
<td>0</td>
<td>202</td>
<td>175</td>
<td>35</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 4-1: Descriptive Analysis for the Research Variables

**Data Testing**

Table 4-2 shows that all average variance extracted (AVE) values are greater than 0.50, and all factor loadings (FL) are greater than 0.4, showing an adequate level of validity. Also, all cronbach’s alpha values are greater than 0.70, showing an adequate level of reliability.

<table>
<thead>
<tr>
<th>Variables</th>
<th>KMO</th>
<th>AVE</th>
<th>Cronbach’s Alpha</th>
<th>Item Loading range</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL (20Q)</td>
<td>0.956</td>
<td>66.840%</td>
<td>0.972</td>
<td>0.433 - 0.807</td>
</tr>
<tr>
<td>LMX (7Q)</td>
<td>0.865</td>
<td>65.142%</td>
<td>0.879</td>
<td>0.521 - 0.795</td>
</tr>
<tr>
<td>PART (4Q)</td>
<td>0.791</td>
<td>74.626%</td>
<td>0.885</td>
<td>0.631 - 0.852</td>
</tr>
<tr>
<td>Resistance</td>
<td>0.931</td>
<td>61.305%</td>
<td>0.782</td>
<td>0.425 - 0.811</td>
</tr>
</tbody>
</table>

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Formal test of normality has been implemented for selecting type of tests that fit for the data under study. Table 4-3 shows the formal test of normality assumption for the research variables (Kolmogorov-Smirnov test), the test revealed that variables are not normally distributed as the corresponding P-values are less than 0.05, which means that the null hypothesis is rejected in favor of the alternative hypothesis of having non-normally distributed data. Therefore, the informal test of computing the skewness and kurtosis values for the research variables has been used as the number of observations for the data under study exceeds 150 observations. Table 4-4 shows the informal test of normality, where it could be shown that the skewness and kurtosis values are beyond the accepted level of ±1, which means that the data under study are not normally distributed.

### Hypotheses Testing

**Testing the first Hypothesis: Relationship between Transformational Leadership (TL) and Leader-Member Exchange Relationship (LMX)**

Table 4-5 shows Spearman correlation matrix for the relationship between TL and LMX, where there is a significant strong positive relationship between TL and LMX, as the corresponding P-value is less than 0.05 and correlation coefficient is greater than zero (r = 0.836). Table 4-6 shows the regression model for the effect of TL on LMX. There is a significant positive impact of TL on LMX as the corresponding P-value is less than 0.05 and the regression coefficient is 0.790. In addition, R2 is 0.698, which means that TL explains 69.8% of the variation in LMX. Therefore, the H1 is supported, as there is a significant positive relationship between TL and LMX.

### Testing the second Hypothesis: Relationship between Transformational Leadership (TL) and Participation (PART)

Table 4-7 shows Spearman correlation matrix for the relationship between TL and PART, where there is a significant positive relationship between TL and PART, as the corresponding P-value is less than 0.05 (P-value = 0.000) and correlation coefficient is greater than zero (r = 0.596). Table 4-8 shows the regression model for the effect of TL on PART. There is a significant positive impact of TL on PART, as the corresponding P-value is less than 0.05 (P-value = 0.000) and the regression coefficient is greater than zero (Coefficient = 0.541). In addition, R2 is 0.356, which means that TL explains 35.6% of the variation in PART. Therefore, the H2 is supported, as there is a significant relationship between TL and PART.
Testing the third Hypothesis: Relationship between Transformational Leadership (TL) and Followers’ resistance to change

Table 4-9 shows the relationship between TL and Resistance to Change using the correlation matrix. It could be observed that there is an insignificant relationship between TL and Resistance, as the corresponding p-value is greater than 0.05 (P-value = 0.298). Table 4-10 shows the effect of TL on Resistance using the regression analysis. It could be observed that there is an insignificant effect of TL on Resistance, as the corresponding p-value is greater than 0.05 (P-value = 0.533). Therefore, the H3 isn’t supported and there is no significant relationship between TL and Resistance.

Discussion and conclusion

The statistical analysis of the recent study reveals that transformational leadership is positively explaining the most of the change in Leader-member exchange quality (LMX) which means accepting hypothesis 1 calling for that there is a significant relationship between transformational Leadership (TL) and Leader–Member exchange quality (LMX) (Smith, 2016; O’Donnel et al., 2012). This is contrary to what has been said by (Burch and Guaran, 2014) about that TL and LMX are mutually exclusive. The acceptance of H1 refers to that leader who is able to apply transformational behaviors with his followers, can create a climate of high effective interpersonal relationship with his follower and accordingly he will be able to set higher goals and be provided with more feedback compared with Low-quality LMX (Bezuijen, 2005).

Hypothesis 2 has been accepted also, and the analysis showed a positive correlation between Transformational Leadership (TL) and Followers’ participation (PART). These results aligned with the finding of Liang et al. (2017) in Taiwanese hospitality. Leveraging Participation of followers especially in change process is very crucial for attain goals and objectives on the organization. The third hypothesis that calls for a significant relationship between transformational Leadership (TL) and Followers’ resistance to change has been rejected in our analysis. This refers to that resistance to change by employees doesn’t be affected by transformational behaviors. This is contradicting with the study of Oreg and Bearson (2011) which proved the significant effect of TL on resistance to change directly and indirectly. The reason behind that contradiction may be the different cultures in which the two studies were conducted. The findings of our research indicate that strengthen work context should be started with tainting and developing the transformational skills for first-line and middle level management leaders to
produce more resilient and effective environment with their followers. This environment should be characterized by high interpersonal relationship with followers, unleashing the opportunities for followers to participate in the dynamic environment to end up with desirable outcomes proved in earlier study such Job satisfaction, organizational commitment, low intention of valued employees to leave, and high organizational performance then reaching ultimate organizational goals and objectives will be attained further.

Research Limitations and direction for future research

This study produced several limitations. First, using a cross-sectional design to observe at specific point of time does not interpret the time sequence of the relationships among variables. Contrary to longitudinal researches which suggest additional insights into probable causations. Second limitation, the sample size surveyed on-line is limiting to some extent our confidence of its representativeness to the population because of Limited sampling and respondent availability for those whom who are less likely to have internet access. It is also harder to draw probability samples based on e-mail addresses or website visitations. Third, the selection of sample may cut the generalization ability of the results to the overall industry because implementing the study in only one organization calls for inability to generalize these findings to other organizations or other sectors. However, the fact that the base of our hypotheses are extracted from previous theoretical formulations of variety of organizational contexts, gives some support for our findings; it will be beneficial for further researches to take into consideration a larger and diversified sample on the model of TL on LMX, PART, and resistance to change. Fourth, the large number of questions may be led to unconsiderable answer from participants’ part that resulted in heterogeneity. Future research should take in its account selecting more homogeneous subjects and involving mediating and moderating variables to the model such as demographics. Furthermore, future researches can utilize several other variables that may have significant effects on the relationship of the proposed model. Finally, applying this model to industries and cultures other than what has been use in, will strengthen the power of the model and may detect direct or indirect relationship between TL and Followers’ resistance to change.

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Intellectual approaches to improve business processes

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Abstract

Due to globalization and new technologies the business landscape is changing rapidly, and the market is often thought and unstable, but providing many opportunities to position. Today the engineering, reengineering, benchmarking aimed at designing business processes in order to improve the activity of the organisation, is one of the most modern tools.

In the article, discusses the problems with the introduction of innovations, faced by modern leaders, tells the story of the most modern methods of analysis and improvement of business processes. Also examines the main developments managed processes, as well as on the classification of business processes. Offers an innovative approach that will help better to understand business processes and rules to them.

1. Introduction

Azerbaijan managed to create social and economic infrastructure due to good management of oil revenues, high savings and relatively small external debt, poverty reduction, a high share of the private sector in GDP and improvement of the business environment. The strategic road map is designed to ensure macroeconomic stability, improve the structure of the economy, increase employment, ensure balanced regional development, improve the business environment and strengthen the participation of the private sector. Azerbaijan has achieved a number of goals in the achievement of the Millennium Development Goals and has joined the United Nations goals for sustainable development for 2016-2030. Azerbaijan will create a more effective national implementation mechanism for the development of a more sustainable, comprehensive and diversified economy and ensuring a balanced development of the social sphere.

The strategic road map for the national economic outlook has four main strategic objectives.

The current global environment and the volatility of oil prices enhance financial stability, rational use of natural resources and the adoption of a serious macroeconomic framework. In connection with the measures taken in the direction of economic development, the government is trying to more effectively optimize fiscal and monetary policies. Future measures to strengthen financial stability and monetary policy of Azerbaijan are described in the first task of the Strategic Roadmap on the main sectors of the national economy and economy.

In this regard, in addition to the measures taken to provide the basis for fiscal policy and adequate savings from natural resources, the issue of proper management of natural resources in Azerbaijan is also being considered. Proposed major institutions: the "golden rule" approach to the rational use of oil revenues and the fiscal structure necessary to manage public debt. In this context, further strengthening of the Medium-Term Expenditure Framework, adapting to strong budget management and effective budgeting, should be a continuation of the measures taken to ensure the efficiency of public spending and reduce oil revenues. The first task, along with a serious fiscal framework, is also linked to the monetary structure.

Effective implementation of the serious structure and objectives of monetary policy is an important part of the macroeconomic environment. In this regard, to further strengthen the economic potential, coordination of monetary policy with fiscal policy and adjustments required in monetary factors to reflect changes in the economy are needed.

Along with the interconnection of the monumental and fiscal structure for further strengthening of the economic potential, other strategic goals are related to privatization and reforms in state institutions. This document contains provisions on improving the efficiency of the public sector in the
economy as a result of the adoption of the state approach and the implementation of the program of reform of state-owned enterprises. The strategic road map aims to support existing initiatives to boost the private sector in the country, increase the efficiency of state enterprises and stimulate foreign direct investment by improving the business environment, and the steps that need to be taken in this area are described for the second purpose.

As part of efforts to achieve competitive, comprehensive and sustainable economic goals, the third goal is to accelerate the development of human capital. Initiatives that must be implemented for this purpose are justified, and measures are planned in accordance with the following areas: the contribution of education to human capital, the increase of labor productivity, to help enterprises work more efficiently.

The fourth goal is to further improve the business environment. Trends in the economy as a result of fiscal and monetary policies can ensure more efficient use of available resources in a favorable business environment. A more detailed approach to improving the business environment for supporting the economy is given in the strategic "road map" for the sectors of the national economy. (Azərbaycan Respublikasının milli iqtisadiyyat perspektivi üzrə Strateji Yol Xəritəsi / 2017)

**Business Process Management Organisation Features**

Business Process Management Organisation implies their continuous improvement and optimization, so the essential tools of process management are the approaches and methods to improve business processes:

- The gradual (step by step) approach to improve the processes within the existing organisational structure of management, requiring a minor investment or do not require them at all.
- The cardinal approach, leading to significant changes in the process and fundamental changes in the organisational structure of the management.

Both approaches are based on the general foundations of process theory and methodology for the management of processes (the description of the borders of processes, a description of the process itself, the establishment of control points in the processes, measurement of the process, analysis of the received information and proposals to improve). They are one, and that aim at identifying duplication of functions, bottlenecks, cost centers, the quality of individual operations, the missing information, automation and quality management.

Despite a number of common features, these approaches have significant differences:

- The first are more oriented toward the improvement of the fragmented processes within the functionally specialized management structures with the purpose of their unification and standardization within the framework of the ISO. In the end does not address the urgent problem of managing - Care of functional specialization, on the contrary, the ISO standards strengthen the basis for functional and hierarchical models of management organisations, deepening the problem of weak agility, flexibility and high bureaucracy in management. This is the overall trend of this approach from the structure to the process." In practice, therefore, improving processes within the framework of this approach boils down to the transfer of the functions of the structural subdivisions in created by the process units, that is, to a simple renaming them, not change the content and purpose.

- The second fundamental approach to improve the processes requires, above all, the study of the processes as the totality of operations with the value for the consumer. His logic is the study of the process as the object of management with the subsequent transition to a process-oriented management model, that is, from the process of the structure". In this approach is fully implemented process management, you can avoid the functional specialization in the management or significantly reduce its role through the integration of business processes.

Achieving the goal of improving business processes within the framework of the described approaches using a number of methods. The researchers highlight five main methods of achieving the goals of improving business processes of organisations:

1. Method for quick analysis of Decision;
2. Benchmarking Process;
2. Method for quick analysis of decision

Focuses on the specific process in the course of a one- or two-day meeting of the Group of improvement of the process to identify ways to improve this process within the next 90 days. The decision of a group of can be approved or rejected by the leadership of the Organisation.

The basis of this methodology is based on intuitive methods of decision-making: the collective expert assessment and collective generation of ideas ("brainstorming" and the method of destructive 2,585,500 evaluation). The typical improvements in the application of the FAST are reducing cost and cycle time of the process. The level of errors in case of correct decisions is reduced by 5-15% at the 3-month period.

The advantages of this method is fast reaching a decision, the minimum costs for the implementation of the methodology, orientation to the customer, which largely determines the problem or process as an object of improving and endorses the actions and decisions of the group of fast. The major shortcomings can be attributed the relative locality of the investigated process; studies are conducted without taking into account the interrelationship and interdependence with other business processes of the Organisation; measures to improve the business-process can be effective for a short time.

The FAST method has a wide range of applications in different organisations, even in those who do not aspire to radical changes in the wide nature.

Benchmarking Process is based on the comparative analysis of business processes organisation with reference processes of organisations performing the same or similar processes, but it is better functioning. The benchmarking process is the identification of the causes of the better functioning of business processes of "reference" organisations and the prevention of unwanted discrepancies with them in the organisations conducting research. (Gundlach, Erich, 2001).

The main advantages of this method can be considered negligible time, relatively small expenses and efforts related to the improvement of business processes. Benchmarking allows to achieve cost savings and cycle process, while the level of errors is reduced by 20-50%.

To significant deficiencies could include transferring problems or errors that occur in the process of building and functioning of business processes of "reference" organisations, hidden external form. As a result of remains a high degree of probability of erroneous decisions when developing measures to improve business processes.

3. The Process Of Network Resource Provision

Network Resource Provision process concentrates the attention and efforts on improving the existing process. Network Resource Provision usually apply to the processes that work successfully and at the moment, but require correction in connection with the changed the requirements and needs of the customer or consumer. In the process avoids a simulation model of its current status. Network Resource Provision has quite a wide range of applications. The attractiveness of the redesign process is due to the fact that this method allows to reduce costs, reduce cycle process.

Disadvantages of the method are associated with the fact that it more focused on improving business processes or processes that provide those or other control functions. Thus, it strengthens the position of the traditional functional hierarchical structures, without altering their content.

4. The process engineering

As a method of improving the organisation is perceived today is ambiguous. The very notion of "engineering" borrowed from engineering activities (from the English engineering - design, to invent, to invent). Researchers consider the engineering processes as general concept, including the re-engineering of business processes and improve business.

In particular, it highlights the notion of "organisational engineering" and characterizes it as the design of business processes, united in a single information field. A number of researchers highlight the
notion of business engineering and define it as the design of business processes and control systems for the company “from scratch”.

Engineering as a method to improve the functioning organisation, in our view, it is difficult to imagine based only upon the fact that if the Organisation functioned, it is the activities, it means that whether we like it or not, there are processes and activities. How they are integrated and optimal - it is a question of another order. It can be solved through various approaches to design. Therefore, it would be true engineering process (processes) is a method of designing business processes of the newly established organisations or business processes, new types of business in existing organisations, taking into account the best practices and the principle of optimality in the management of the processes.

Depending on what model of governance will focus engineering process is functionally specialized or process management - will depend on how radical it. Nevertheless, based on the orientation of the engineering, aimed at the processes of activities (business processes), it can be attributed to one of the methods of process management.

On the other hand, if the engineering process within the organisation creates the processes of new activities, given the interrelatedness and interaction of all the processes of the Organisation, may ultimately lead to changes in the existing business system, it is desirable to the positive. If the changes to stimulate the effectiveness of the organisation, they may be aimed at improvement. From this point of view, the engineering process can be indirectly attributed to the methods of improving processes.

5. Re-Engineering of Business Processes (BPR)

For the first time the concept of "re-engineering of business processes," appeared in 1990 in the USA. Since that time, the BPR is the active interest of specialists in the field of management and information technology. Research in the field of BPR characterize the re-engineering of business processes as "revolutionary", "significant" and "radical", "radical", "fundamental" Network resource provision business processes of organisations. Semantic orientation of key words "revolutionary" and "substantial" contains the total, reflecting the significant changes to a qualitatively new level of institutional development. A radical Network resource provision means contacting directly to the roots of phenomena: not cosmetic changes and not shuffle the already existing systems, and a decisive rejection of all outdated.

The last keyword "fundamental" the content of the linked with thorough and in-depth knowledge of something. Taking a decision on the application of engineering, the head must be put on the agenda of the fundamental questions relating to the company and the nature of its activities: "Why do we do that? And why are we doing this exactly?"

Very often, such rules to the test are outdated, unreasonable and unacceptable.

Taking into account the semantic content of the keywords, you can try to clarify the concept of "re-engineering of business processes" and formulate it as a "fundamental thinking and radical Network Resource Provision of business processes to a qualitatively new level of development of the Organisation."

Re-engineering of business process - the most radical of the above methods to improve business processes, with the exception of the engineering, because in the truest sense is not a method of improvement, and to a greater extent by the method of process management. BPR offers a fresh look at the essence and content of the process and completely ignores the existing process and structure of the Organisation.

The object of the reengineering of business processes, defining the activities of the Organisation.

The realization of business reengineering involves several stages:

- Development of image (vision) of the future organisation, that is, building a picture of how to develop business in order to achieve the strategic objectives;
- An analysis of the existing business involves the study of the organisation and preparation of schemes of its functioning in the present moment.
- The development of a new business - new and/or modified processes and supports their information system, selection of prototypes and testing new processes;
- The introduction of a new business.

In this connection, it should be noted that the listed steps are not consistently, and at the same time, some of them repeated.
6. Conclusion and results

In the process of analysis of the literature and publications on the issue of improving the activities of the organisations, identified common characteristics of various methods. These features reflect a number of requirements that take into account the team, improving the processes.

- Evolving processes must meet the modern requirements to the quality, service, flexibility and low cost, as well as to be comprehensible. In spite of the integration works, in a business process is the requirement of simplicity for a particular job.
- Several works are combined into one. The various earlier work (job) are integrated. The functionality of multiple specialists, served in different units that are combined in the work being done by the one man who have access to expert system with a database.
- The client process must fulfill the target process. This requirement, which should take into account when improving processes, implies that the client process must be more involved in the process than previously. This is achieved by integrating customer requirements to the result and the speed of the process.
- The role of the Supplier (Suppliers) process should be such that they are part of the target process or organisation. The changing role of the supplier process is achieved as a result of partnerships with stakeholders or to attract external suppliers for individual parts of the process.
- Created various versions of the processes. Each version of the process focuses on the one corresponding to a situation (case). For example, the draft IBM process has three versions: simple cases (data is processed by the computer, without the participation of the specialists); medium-complexity of the cases are handled by specialists using the expert system and database); Complex cases are handled by a specialist, bringing experts). The creation of various versions or variants of processes is the most important stage of improvement; it is achieved the modeling process. As soon as the simulation model shows that the process is laid down the submission, a theoretical model is realized physically for confirmation of the concept.
- The desire to reduce the number of inputs in processes aimed at simplifying the process and is one of the ways to improve monitoring and control of the process. To improve the process, you just need to clean those outputs, you need to compare with other inputs, thereby decreasing the number of audits and checks, which do not add to the necessary customer products.
- The Orientation to increase the autonomy of the processes through increased decentralization with the simultaneous deepening of the centralization of information exchange. Expanding the decentralization in improving business processes, enhance decision-making authority responsible for the process that leads to an increase in the autonomy and reduce bureaucracy in management. Such an approach allows not only the horizontal, but also vertical compression of the processes. The vertical compression occurs as a result of the fact that at the process, where the traditional works of the Executive Director should contact the senior managerial levels, decision makers, here executive director makes it on their own.
- The centralized database, which provides quick access to program managers or participants in the processes, as well as enhances the use of information technology in order to ensure the adoption of effective managerial decision making.
- The focus on the reduction of time parameters of the process. Reduction of the duration of the process - the important criterion of optimization of business processes, aimed, first and foremost, to increase the productivity and efficiency of the process.
- Removing unnecessary or long threads. Improving eliminates unnecessary. The maximum orientation to the care of the sequence of operations process with the inclusion of the parallel to the operations allows you to accelerate the process of activity.
- Eliminating gaps in business processes. This kind of orientation allows us to eliminate the "opens" and "blind" in business processes, which quite often happens in companies when the spontaneous activity.
- The involvement of the business process as soon as fewer resources. In each task, part of the business process, should be reduced as much as possible resources, for example by combining tasks in such a way as to the employee served the greatest number of them. The key task here is the...
release of workers and the alignment of the different functions, resulting in the entire units outside of the process.

Analysis of the differences and the definition of the general provisions of the methods to improve business processes reveals the possibilities of their application, allows, depending on the tasks to give preference to specific methods of improving and changing business processes or their combinations.

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Azərbaycan Respublikasının milli iqtisadiyyat perspektivini əşqar Strateji Yol Xəritəsi / 2017


http://www.president.az


Examining the effect of TOE model on cloud computing adoption in Egypt

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Keywords
Cloud Computing Adoption, Technology Acceptance Model, Perceived Ease of Use, Perceived Usefulness, Technology Organization Environment Model.

Abstract
Cloud computing is becoming increasingly important, with its varying models and types, as it is assumed to be cost saving and a source of minimizing efforts. It has also enabled organizations and governmental authorities to overcome traditional obstacles in providing the technology needed to ensure interoperability, standardization, and availability of information between those trade stakeholders. There are several cloud computing benefits that could be defined, like providing customs solutions, expanding opportunities, global trade, and economic growth on the strategic, management, and operational level. Despite the fact of having several forms of cloud computing with wide range of benefits, there are several barriers for cloud computing which represent challenges for its adoption. Such challenges are like internet service outage, loss of governance as applications and services will be managed on third party environments leaving organizations with limited control over the functionality and execution of the hardware and software. Accordingly, this research considered the TOE model to examine the cloud computing adoption in Egypt, as one of the developing countries facing the problems of telecommunication infrastructure, as well as the security of information over the cloud services in favor of the maturity and performance issues facing the country nowadays. A questionnaire is directed to employees of IT departments in the Egyptian companies to be able to explain the cloud computing adoption in Egypt. The analysis had been conducted using structural equation modeling to respond to the research hypotheses and results show an overall significant effect on cloud computing adoption.

The research contribution was found to be clear in the significance of Maturity and Performance Issues, which let IT departments adopt to cloud services due to the obstacles faced by other options of having IT services. Also, internet service providers and telecommunication infrastructure were found to be significantly affecting cloud computing adoption.

1. Introduction
Cloud computing is the software and hardware pooled in a hosted infrastructure provided by a vendor that can be accessed remotely over the Internet (Tarn, 2012). A cloud computing user does not necessarily own network resources such as software, hardware, systems, or services but can obtain IT services from remote data centers on a subscription basis (Garg, et al., 2013a).

Cloud computing also has four deployment types that include private clouds, hybrid clouds, community clouds, and public clouds. Those models facilitate the on-demand availability of the technology. Cloud computing adoption is expected to increase over the next decade (Rupani 2016), as it is a newly devised solution to deliver Information Technology (IT) services. Instead of being provided on the user’s premises, the servers and storage could be located in a data center operated by a company that acts as a supplier for the servers and it is responsible of managing such servers.

As a result, organizations can focus on their business and outsource the technology to a Cloud service provider (Cohen, 2012). However, the concern about security is the biggest fear for many organizations among other factors to take the decision to adopt cloud computing. Cloud computing is most likely to continue, having an impact on the environment in which organizations operate. It has numerous potential business benefits. Thereby, it is a computing technology, which organizations should
seriously consider. Williams (2010) tackled all the types of benefits, which are technological, financial and operational benefits. They include relative advantage such as costs reduction by minimizing processing time associated with IT services, using “Pay as you Go” approach for the server/service usage when it happens. In addition to this, cost is reduced for hardware investment, maintenance costs, flexibility and collaboration for digital environments because this will be accessible to any mobile devices at any location over the world, as well as improving reliability, processing throughput, flexibility and collaboration for digital environments (Gutierrez et al., 2015).

This research is concerned with Egypt’s telecommunication infrastructure, as it is not as reliable as it should be. This is due to old telecom exchange buildings and obsolete cabling structures. Thereby, the internet service provider companies are not able to sustain the high availability and consistent required speed which is the core factor in cloud computing technology. Lastly, it is depending on the providers since it is often extremely difficult, if not impossible to move to another provider, once you have already started a commercial relationship with one. If a cloud computing user wished to switch to another provider then the transfer of significant data volumes from the old to new provider could be a painful and costly process (Loayza and Odawara, 2010).

2. Literature Review

Behrend et al. (2011) examined the factors that impact technology adoption in a higher education setting, where it was found that background characteristics such as the student’s ability to travel to campus affected the usefulness perceptions, while ease of use was influenced by first-hand experiences with the platform, and instructor support. Overall, students’ use of cloud computing was determined by ease-of-use perceptions, and the students’ access to alternative tools.

Gutierrez et al. (2015) studied the factors influencing managers’ decision to adopt cloud computing in the UK and results showed that competitive pressure, complexity, technology readiness and trading partner pressure are the key factors out of the technology, organization, environment (TOE) model are the factors affecting technology adoption. On the other hand, Alshamalia et al. (2013) studied the cloud computing adoption process by SMEs in the North-East of England. The research questions aimed to assess which factors and to what extent each of these factors impact the cloud adoption decision making by SMEs, but evidence was not revealed that competitive pressure was a significant determinant of cloud computing adoption. The author through conducting the hypothesis testing will relate to their findings regarding competitive pressure significance in the TAM-TOE integrated model.

Ratten (2014) conducted a research with the purpose to examine factors determining consumer’s adoption intentions with regards to cloud computing in the USA and China. The acceptance for the independent variables perceived usefulness and perceived ease of use was revealed, which confirmed with previous studies regarding the technology acceptance model. Bruner and Kumar (2005). Prior research by Venkatesh et al. (2000) demonstrated that perceived ease of use determines an individual’s perception about use of technological innovations, which conforms with the results of this study.

Moreover, the influence of consumer innovativeness was confirmed in the USA but was rejected in China, which is an interesting finding since previous research by Gao et al. (2012) revealed that all consumers are open to new technology innovations. The result of the privacy concern contrasted with previous research by Chen and Chang (2013) which revealed that privacy affects an individual’s decision to adopt a technological innovation. This may highlight that as cloud computing is still in its early stage people do not have privacy concerns as they take adequate safety measures.

Ibrahim (2014) carried out a quantitative research to identify and analyze the problem of low adoption rate of cloud computing in small and medium size enterprises. The analysis proved that both performance and security influence IT managers and professionals’ intention to use cloud computing through both perceived usefulness and perceived ease of use. However, the external variables compatibility and adaptability were found to have a combined influence only on perceived usefulness. In addition, Perceived usefulness and perceived ease of use both exhibited a significant correlation with the dependent variable intention to use cloud computing.

Doherty et al. (2015) conducted an exploratory research to identify the drivers and barriers to cloud computing adoption by SMEs in Ireland. The sample was developed through the use of a stratified random sampling technique. Their research findings revealed that cost is a very important factor in
driving cloud computing adoption decision. This is reflected in reducing the costs the firm incur as they no longer purchase, maintain, resource and secure their own IT infrastructure. However, these costs are shifted to the service provider under the cloud model.

In addition to cost, organizations favor the cloud as it offers some benefits such as increased flexibility, productivity, increased resource utilization and portability for the organization – making them more adaptive in a turbulent business context. In respect of barriers, SMEs indicated that their biggest concern is the Internet/connection as they may not be able to access their crucial data and services in case the connection is interrupted. Firms are also fearful that their service provider may for some reason have an outage.

Their findings suggested that Irish SMEs could gain the needed confidence to adopt the cloud services – if the government ensured adequate investment and continued to adopt a strong interventionist mechanism ensuring the functioning of a high-speed, reliable, broadband infrastructure. Additionally, the government has a role to play in order to provide businesses with the necessary confidence in the security and compliance of their business and operations critical data through increased standardization and improved technology integration practices regarding the cloud.

Low and Chen (2011) conducted their research in Taiwan and their findings showed that relative advantage, top management support, firm size, competitive pressure, and trading partner pressure characteristics have a significant effect on the adoption of cloud computing. Some pitfalls interrupt the benefits and usefulness of cloud computing. One factor is the contemplation of failure downtime, which differs among providers, and can happen during server maintenance or as unforeseen outages occur. Another concern is the complexity and compatibility of cloud computing implementation.

Gangwar et al. (2015) integrated in their study the TAM model and TOE framework for cloud computing adoption at organizational level. They developed their conceptual framework using technological and organizational variables of TOE framework as external variables of TAM model while environmental variables were proposed to have direct impact on cloud computing adoption. Analysis revealed that relative advantage, compatibility, complexity, organizational readiness, top management commitment, and training and education are important variables for affecting cloud computing adoption using perceived ease of use (PEOU) and perceived usefulness (PU) as mediating variables. In addition, competitive pressure and trading partner support were found directly affecting cloud computing adoption intentions. The model explained 62 percent of cloud computing adoption.

Tashkandi and Al-Jabri (2015) conducted a cross-sectional exploratory empirical research based on technology–organization–environment (TOE) framework, targeting higher education institutions in Saudi Arabia. findings revealed that the variable relative advantage had a significant and positive effect on cloud computing adoption. While, compatibility, top management support, peer pressure and vendor lock-in did not have a significant effect on cloud computing. As for complexity and data concern, they had a significant and negative effect on cloud computing. This confirmed that complexity and data concern are obstacles to cloud computing adoption. The reason behind the complexity could be the scarcity of technical skills needed for successful implementation of cloud computing. The research investigated government regulations and revealed that Saudi law neither provides sufficient protection for nor facilitates the use of cloud computing.

Senyo et al. (2016) provided insights into Cloud computing adoption (CCA) across different industries in a developing country environment. Their study is arguably the first kind of empirical research into CCA in a developing country context. They investigated CCA determinants through the lens of the technology, organization and environment (TOE) framework. The data analysis revealed support for six variables only which are Relative advantage, Security concern, Top management support, Technology readiness, Competitive pressure and Trading partner pressure.

Yuvaraj (2016) investigated the determining factors for the adoption of cloud computing in through conducting a case study on Indian academic libraries. he independent variables perceived ease of use, usefulness and abundant availability of the enabling technology are strong drivers of the adoption of cloud computing technology in the libraries. Moreover, attitude is significantly correlated with the behavioral intention to adopt cloud computing services. The study confirmed a high level of correlation between the cloud computing-perceived attributes and the Librarian’s intention to use cloud computing.
technology. In addition, the independent variable security risk is reported to be the most significant issue that has been affecting the behavioral intentions.

Alharbi et al. (2016) examined and identified the factors that influence the adoption of Cloud Computing in Saudi healthcare organizations. They integrated the TOE framework with the Information System Strategic Triangle (IS Triangle) and the HOT-fit (Human–Organization–Technology) model to provide a complete evaluation of the determinants of Cloud Computing adoption in healthcare organizations. Study results showed that the business context was the most significant context among the five contexts. Both factors (i.e. soft financial analysis and hard financial analysis) in this context have high values which represent the importance of business concerns on the adoption decision. This is followed by Technology then by Organizational. The least important were the Environmental and Human contexts. Moreover, there are five most critical factors affecting the decision of Cloud Computing adoption which are: soft financial analysis, relative advantage, hard financial analysis, attitude toward change and business ecosystem partners’ pressure.

Ishola (2017) conducted a nonexperimental, correlational quantitative research to find out, measure, and manage cloud computing adoption barriers. The researcher tested an Enhanced Technology Acceptance Model through the external independent variables; quality of Internet connection (QIC), security/privacy (SP), and perceived awareness (PA). The researcher managed to compare these variables to the core TAM constructs of perceived usefulness (PU) and perceived ease of use (PEU) through four stages of analysis. The research showed the quality of Internet connection and security/privacy were possible additional variables to TAM as factors influencing perceived usefulness and perceived ease of use, nevertheless, the independent variable quality of Internet connection significantly influenced perceived usefulness but not the perceived ease of use of cloud computing.

Asadi et al. (2017) studied the factors affecting cloud computing adoption in the Malaysian banking sector from the customers’ perspective who are online banking users. Therefore, the study sampling was purposeful. The results supported that trust, cost, security and privacy could be successfully integrated within the TAM-TDM.

The security and privacy constructs showed strong positive effect on perceived ease of use, perceived usefulness, and trust. Further, their study shed light on the importance of perceived usefulness, perceived ease of use, cost, attitudes toward cloud and trust as they significantly influence users’ behavioral intention to adopt cloud computing services. Moreover, the study recommended that there is a necessity for clients to feel trust to the cloud providers in the same way they would trust banks to protect their money. Meanwhile, cloud providers must focus on gaining the trust of users by proving reliable and trustworthy services.

The above discussion shows that there is a debate in literature in the factors affecting cloud adoption. Also, few research examined these factors in the developing countries, especially Egypt. Thus, this research aims at examining the effect of TOE model on cloud computing adoption to identify the factors affecting the decision making of cloud computing adoption in Egypt. Accordingly, the next section comprises the research methodology and method. It justifies the survey as the chosen research strategy. The theoretical framework and conceptual model are discussed. Furthermore, the developed questionnaire and its items adoption process is identified in the empirical collection of data for this study.

3. Research Framework
This research framework is identified using Figure 1 below, where the relationship are examined through the hypotheses shown. A questionnaire was adopted to test the assigned relations using a probability sampling of IT employees in different companies in Egypt who are using IT in their systems. Thus, a simple random sampling was considered in which all elements have an equal chance of being chosen as the subjects, which is an advantage findings generalizability (Sekaran, 2016).

The questionnaire was sent to around 700 employees. The received responses were 550; thus, the response rate was 78.57%. Out of 550, total 432 responses were found suitable for analysis, after deleting questionnaires with missing values.

The following hypotheses were developed from theoretical framework, as follows:
H1: There is a significant relationship between Technology and Cloud Computing Adoption.
H2: There is a significant relationship between Organization and Cloud Computing Adoption.
H3: There is a significant relationship between Environment and Cloud Computing Adoption.

Figure 1: Proposed Research Framework

<table>
<thead>
<tr>
<th>Technology</th>
<th></th>
<th>Organization</th>
<th>Cloud computing Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>H 1.1 Relative advantage</td>
<td></td>
<td>H 2.1 Top management support</td>
<td>H2</td>
</tr>
<tr>
<td>H 1.3 Complexity</td>
<td></td>
<td>H 2.3 Technology Readiness</td>
<td></td>
</tr>
<tr>
<td>H 1.5 Compatibility</td>
<td></td>
<td>H 2.5 Maturity &amp; performance issues</td>
<td></td>
</tr>
<tr>
<td>H 1.7 Security &amp; Trust</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Results and Findings

This section shows the results and findings for the data under study. As a preliminary step, reliability and validity were computed for the sample data. Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error. It is measured with Cronbach’s coefficient alpha. Cronbach’s coefficient alpha is “the ratio of the sum of the covariances among the components of the linear combination (items), which estimates true variance, to the sum of all elements in the variance-covariance matrix of measures, which equals the observed variance” (Nunnally & Bernstein, 1994, p. 212). The minimum acceptable level of Cronbach’s alpha coefficient was suggested as 0.70 (Hair et al., 1998).

The content validity of a questionnaire relates to the extent to which measurement scales provide sufficient coverage of the investigative questions (Cooper & Schindler, 2006). Klenke (1992) defined construct validity as “the degree to which the test measures a theoretical construct”. Table 1 shows that all AVEs and factor loadings are beyond the cutoff values, which means that the validity is on the acceptable level. Also, the reliability scale of Cornbrash’s alpha exceeds the cutoff value of 0.7, which means that the data is ready to perform the required analysis.

Table 1 Reliability and Validity Tests

<table>
<thead>
<tr>
<th>Variable NO</th>
<th>Variable</th>
<th>Item NO</th>
<th>Factor loading</th>
<th>AVE</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relative Advantage</td>
<td>1</td>
<td>Rephrased</td>
<td>64.781</td>
<td>0.752</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>0.648</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>0.648</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Complexity</td>
<td>1</td>
<td>0.529</td>
<td>52.933</td>
<td>0.737</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>0.529</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Compatibility</td>
<td>1</td>
<td>0.765</td>
<td>76.512</td>
<td>0.792</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>0.765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Security and Trust</td>
<td>1</td>
<td>Rephrased</td>
<td>65.583</td>
<td>0.875</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>0.656</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>0.656</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>Rephrased</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 2 shows the frequency tables for the research variables, where it could be observed that responses vary between strongly disagree and strongly agree, which means that not all responses are in the zone of agreement. In other words, the sample under study are not satisfied with the different specifications in cloud computing, which might a reason beyond the shortage in cloud computing adoption.

Table 3 shows the SEM model for the effect of Technology Dimensions on Cloud Computing. It was observed that there is a significant effect of Relative Advantage, Complexity, Compatibility, and Security and Trust, with estimates of 0.308, 0.364, 0.413, and 0.268 respectively and P-values of 0.000. Also, the R Square is 0.412, which means that Technology Dimensions explain 41.2% of the variation in Cloud Computing Adoption.
Table 3

<table>
<thead>
<tr>
<th>SEM Model for the Effect of Technology Dimensions on Cloud Computing Adoption</th>
<th>Estimate</th>
<th>P</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCA ←→ RA</td>
<td>.308</td>
<td>***</td>
<td>0.412</td>
</tr>
<tr>
<td>CCA ←→ Complexity</td>
<td>.364</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>CCA ←→ Compatibility</td>
<td>.413</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>CCA ←→ ST</td>
<td>.268</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The model fit indices are described as minimum discrepancy (CMIN), goodness of fit index (GFI), comparative fit index (CFI), incremental fit index (IFI), Tucker-Lewis index (TLI), and root mean square of approximation (RMSEA). It was found that CMIN/df = 1.579, GFI = 0.970, CFI = 0.984, AGFI = 0.950 and RMSEA = 0.037 are all within their acceptable levels (see Table 3.8, P. 77). Figure 4-1 shows the SEM model for the effect of Technology Dimensions, as the independent variables, on Cloud Computing Adoption, as the dependent variable.

Table 4

<table>
<thead>
<tr>
<th>SEM Model for the Effect of Organization Dimensions on Cloud Computing Adoption</th>
<th>Estimate</th>
<th>P</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCA ←→ TMS</td>
<td>.187</td>
<td>.006</td>
<td>0.609</td>
</tr>
<tr>
<td>CCA ←→ TR</td>
<td>.473</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>CCA ←→ MPI</td>
<td>.370</td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

The model fit indices; CMIN/df = 2.412, GFI = 0.969, CFI = 0.983, AGFI= 0.942, and RMSEA = 0.057 are all within their acceptable levels (see Table 3.8, P. 77). Figure 2 shows the SEM model for the effect of Organization Dimensions, as the independent variables, on Cloud Computing Adoption, as the dependent variable.

Figure 1: SEM Model for the Effect of Technology Dimensions on Cloud Computing Adoption

Therefore, the first hypothesis that there is a significant relationship between Technology and Cloud Computing Adoption is partially supported.

Table 4 shows the SEM model for the effect of Organization Dimensions on Cloud Computing. It was observed that there is a significant influence of Top Management Support, Technology Readiness, and Maturity and Performance on Cloud Computing, with estimates of 0.187, 0.473, and 0.370 respectively, as well as P-values of 0.006, 0.000, 0.000 respectively. Also, the R Square is 0.609, which means that Top Management Support, Technology Readiness, and Maturity and Performance explain 60.9% of the variation in Cloud Computing.
Therefore, the second hypothesis that there is a significant relationship between Organization and Cloud Computing Adoption is partially supported.

Table 5 shows the SEM for the effect of Environment Dimensions on Cloud Computing. It was observed that there is a significant influence of Telecommunication Infrastructure, ISP, Trading partner Support, and Trading Partner Pressure on Cloud Computing, with estimates of 0.304, 0.142, 0.350 and 0.445 respectively and P-values of 0.000, 0.044, 0.000, and 0.000 respectively. Also, the R Square is 0.409, which means that Environment Dimensions explain 40.9% of the variation in Cloud Computing. While, there is insignificant effect of Competitive Pressure on Cloud Computing, with, p-value of 0.254.

Table 4.1  SEM Model for the Effect of Environment Dimensions on Cloud Computing Adoption

<table>
<thead>
<tr>
<th>CCA</th>
<th>CP</th>
<th>Estimate</th>
<th>P</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCA</td>
<td>TI</td>
<td>.304</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>CCA</td>
<td>ISP</td>
<td>.142</td>
<td>0.044</td>
<td></td>
</tr>
<tr>
<td>CCA</td>
<td>TPS</td>
<td>.350</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>CCA</td>
<td>TPP</td>
<td>.445</td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

The model fit indices; CMIN/df = 3.607, GFI = 0.930, CFI = 0.931, AGFI= 0.894, and RMSEA = 0.078 are all within their acceptable levels (see Table 3.8, P. 77).

Figure 3 shows the SEM model for the effect of Environment Dimensions, as the independent variables, on Cloud Computing Adoption, as the dependent variable.
Therefore, the third hypothesis that there is a significant relationship between Environment and Cloud Computing Adoption is partially supported.

5. Discussion and Conclusion

The current research identifies the research objectives as; identifying which TOE variables have influence on IT decision’s maker decision to adopt Cloud computing in Egypt and developing a framework that cope with cloud computing adoption to solve the current problem faced by companies relying on IT services. TOE model identifies some variables that may have influence on IT decision’s maker decision to adopt cloud computing in Egypt.

The researcher was testing the effect of TOE on Cloud Computing, where it was found that the technology variables; relative advantage, compatibility, complexity, and Security were directly affecting cloud computing adoption. The result of the significant effect of relative advantage is consistent with Lal and Bharadwaj (2016), who claimed that some of the small and medium enterprises with less costly IT infrastructure, as they have shown to be more courageous and adventurous in adopting cloud-based services. Another important issue included in relative advantage and is a contribution to this research is the Manpower, which has both; a direct and indirect effect on cloud computing adoption. This will change the approach of company management as the organization chart developed for IT departments will definitely change accordingly. This proves an evidence of the research contribution regarding the relative advantage of IT manpower downsize if cloud computing adoption takes place. It is worth noting that results of complexity are consistent with Gutierrez et al. (2015) due to their claim that there is a positive utilization of the TOE towards the cloud computing adoption.

This research describes complexity in terms of efficiency of data transfer, interface design, and system functionality. Cloud computing is found easy to learn and taking lesser time in performing tasks of employees. It identified that complexity of cloud computing has negative effect on organizational beliefs that lesser the complexity in using cloud computing, more is the enhancement in their job performance and the ease of using it.

Also, security and trust variable was shown to be important dimension for cloud computing adoption. Unfortunately, this dimension is not well controlled by the Egyptian law in a form that guarantee secured information on cloud. The copywrites are not perfectly considered in the Egyptian context so as to be able to adopt in a safe way to cloud services. Thus, this is a second role of the government that has to be perfectly done by introducing and activating rules that prevent copywrites and secure information with the needed system so as to encourage users of IT services to adopt to cloud computing.
Similarly, the organization variables; Top Management Support, Technology Readiness, and Maturity and Performance were found to be directly affecting cloud computing adoption. It could be claimed that top management has an effective role in convincing their employees with their persuasions and motivating their work behavior. It demonstrates commitment and continuous support for developing conducive implementation environment (such as by providing necessary resources such as time, space, equipment and people) for cloud computing adoption. The results of technology readiness are consistent with Gutierrez et al. (2015).

As Technology Readiness shows a significant effect on cloud computing adoption, it could be claimed that training to employees is thus important to enable them to understand functional and technical perspectives of cloud computing, and to gain first-hand information and experience. It makes them well-educated, experienced, responsible and knowledgeable to effectively use cloud computing. Thus, it becomes easy for them to use and understand its relevance in their job performance. Thus, managers develop strong and effective training modules so that cloud computing can be effectively implemented in their organizations. This improves necessary technical know-how of the employees and develop a dedicated manpower for cloud computing.

In the same way, the environment variables; Telecommunication Infrastructure, Internet Service Provider, Trading Partner Support and Trading Partner Pressure were found to be directly affecting cloud computing adoption. Therefore, Competitive Pressure was the only variable showing insignificant effect on cloud computing adoption. As a contribution to the current research, telecommunication infrastructure was proved to have a significant effect on cloud computing adoption. This means that this factor is considered as a barrier to the cloud computing adoption as users are suffering bad services provided with obsolete telecommunication infrastructure. Thus, the Egyptian government has to improve its services through telecommunication so as to make it easy for users of IT services to adopt to cloud services and save high cost of hardware and software.

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Low, Chinyao, Yahsueh Chen, and Mingchang Wu. "Understanding the determinants of cloud computing adoption." Industrial management & data systems 111, no. 7 (2011): 1006-1023.


Travel motivation: analysis of domestic tourists’ attitudes in Bangladesh

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Key words
Tourists, Motivation, Attitude, Push Factors, Pull Factors

Abstract
The study of tourists’ travel attitude is becoming important to better understand a tourist’s destination decision. To analyze tourist’s attitude, different researchers have identified different motivating factors under push and pull framework. Push is the internal factor(s) that drives a person to travel and pull is the tangible characteristic of a destination that influences a tourist to visit a particular place. The primary objective of this research was to search the domestic tourists’ motivation in Bangladesh. Bangladesh is a land of scenic beauty, blessed with long cultural and historical heritage, attracts domestic as well as international tourists. For this research, data has been collected through a structured questionnaire from 151 visitors attended fair organized by Bangladesh tourism board. First part of the questionnaire consists of questions related with demography, travel season/time preferences and travel frequency of the tourists. The second part is consists of 13 push factors and 24 pull factors identified by different researchers. To measure attitude, a 5-point Likert Scale has been used. Factor analysis also has been used to find out most important factors from these two types (push and pull) of motives.

In this study the researchers have identified, four key push motives (relaxation, escape, social interaction, and status & prestige) and six key pull motives (learning opportunity, affordability, accessibility, public services, activity, and amenities) from 13 push and 24 pull motives by factor analysis, which underlie the domestic tourists’ attitude towards destination decision. This research may be used as a platform for future in-depth research to benefit tourism industry of Bangladesh, as well as other field of study such as sociology, anthropology, archaeology, urban & regional planning, and business.
Insider information: An exploratory study of the ethicality of the high frequency trading industry

Daphne Sobolev
School of Management, University College London

Keywords
High frequency trading, insider information, electronic platform, ethics

Abstract
High frequency trading – the use of electronic platforms to enter orders to exchanges thousands of times a day – has raised numerous ethical questions. Thus, it has attracted the attention of regulators, the media, and the public. However, the ethical perceptions of HFT actors (traders, programmers and managers) have not been investigated. This study explores the way ethics affects the work and well-being of HFT actors (traders, programmers and managers) through the analysis of a series of thirty interviews. It reveals that regulations have a profound effect on HFT actors’ practices. However, HFT actors hold a wide range of perceptions about the regulator and the law. Specifically, central regulations are considered to be unethical. Furthermore, there is a high variance in their judgment of the social contribution of HFT. The perception that HFT has a positive social contribution is associated with moral satisfaction, whereas the perception that it has a negative social contribution is related to emotional detachment, sense of meaninglessness, and turnover intent. Thus, the results emphasise the subjective, personal nature of the ethical judgments of HFT actors. Management applications are discussed.
How important are mice to the tourism economy?

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Keywords
Buyer’s Day, Design Indaba (DI), Events tourism, Meetings Incentives Conventions and Events (MICE), tourism

Abstract
Events are happenings that embody certain objectives. Business events, event-tourism, special interest tourism (SIT) sport events and festivals comprise the three general types of events that attract most attention. Design Indaba (DI) is one of the world’s leading design and business events; launched in 1995 as a conference but incorporating an Expo from 2004. The DI Expo triggered a need for a ‘buyer and exhibitor’ interaction and led to the launch of the DI Buyer’s Day, a programme aimed at bringing buyers and exhibitors together on a day set aside especially for buyers to view the products and services offered at the Expo before the general public attended the DI. The study sought to identify the economic contribution of the DI Buyer’s Day programme to the event, to buyers, exhibitors, and to Cape Town as a tourist destination. All registered buyers were interviewed post-event via electronic mail, while exhibitors were surveyed at the Cape Town International Convention Centre during the Expo of 2014.

The study adopted a mixed-method approach, combining qualitative and quantitative research using a stratified sample of the participants. The findings showed that both buyers and exhibitors regarded the programme as a significant platform to build their brands and access future business opportunities. However, emerging creatives and entrepreneurs felt that they needed additional pre-event assistance/training to be able to maximise the opportunity to make connections with buyers who view their products and/or services.

Introduction
Tourism is an activity performed by an individual or a group of individuals, involving movement from one place to another, often from one country to another for the purpose of performing a specific task (Central Department of Tourism & Summer Resorts (CDTSR), 2011:1). It also entails visiting a place or several places for the purpose of entertainment, but which leads to an awareness of other civilisations and cultures, thereby increasing the individual’s knowledge of countries, cultures and history (CDTSR, 2011:1). Tourism has a direct impact on the national revenue of all touristic countries: it creates work opportunities and investment that support a country’s economic performance and culture, as well as advertising and communicating its civilisation and traditions.

It is thus an important industry that depends on culture and science (CDTSR, 2011:2). The tourism industry comprises many sectors: private sector support services, transportation sector, public sector support services, accommodation and catering sector, recreation and leisure sector, travel, wholesale and retail sector and events (and attraction) sectors, that all have the potential to bring about continuous growth, sustainable benefits, and economical elevation in their respective sectors (Tassiopoulos, 2010:2-3). Events have been classified as an important motivator of tourism and figure prominently in the development and marketing plans of most destinations (Getz, 2008:403). Saayman and Saayman (2004:629) add that events were previously organised in order to celebrate a specific occurrence, but have now become staged to meet specific objectives, with an emphasis on attracting visitors and gaining income from their participation in the event or in relation to it. Some form of fulfilment needs to be offered by these events, something spectacular or “special” (Getz, 2008:405).

One of the reasons that business events attract so much attention is that they are planned with an integrated approach to develop and market a company or brand (Getz, 2008:405). Swart (2012:53) observes that “business to business conventions and exhibitions are a key meeting place for agreement to be
reached on a wide range of different types of potential contracts, thus allowing business tourism to play a big role in receiving more visitors to South Africa”. One such business convention in Cape Town, South Africa is the DI. The Design Indaba (DI), which has been in existence since 1995, has represented the pinnacle of success and has been recognised as the definitive contributor to the image and economic stature of the professional event industry, tourism development and Cape Town as a host destination (Design Indaba, 2013c:2). DI provides a platform that enables tourism to be prioritised in multifaceted ways, including a conference, development initiatives, students’ simulcast and various other activities/events (Design Indaba, 2013b:4).

DI was born in 1995 with the vision of “creativity inheriting the earth” (Design Indaba, 2013c:1). The focus of this concept was not only on design as a core value, but by using it to express issues within everyday society, on telling Africa’s story, showcasing the continent’s offerings and promoting the skilled individuals, creators and qualified workers who are needed to deliver the DI’s great vision (Design Indaba, 2013c:1). The DI conference sought to bring international thought-leadership into SA, and since 1995 it has grown to become one of the world’s leading design and business events. In 2004, the DI expanded by encouraging local creativity to go global through the use of the DI Expo as a commercial platform for goods and services within the design sector, consequently drawing a huge following and interest in business and Special Interest Tourism (SIT) events in the Cape Town region (Swart, 2012:22). Furthermore, DI ensured that the emerging designers were selected from various educational institutions, schools, non-governmental organisations and informal organisations as well as general industry, enabling them to receive and share exposure and support for the development of their brands (Design Indaba, 2013b:1).

In 2012, the DI Expo incorporated a buyer’s programme which dedicated one day solely to buyers. This day was strategically placed the day before the Expo opened to the general public. It afforded buyers and exhibitors a time to interact and network in order to form a business relationship with each other. Buyers came from all over the world, enabling a positive exchange between potential clients, suppliers, products/services and even business associates who already work with each other (Design Indaba, 2013a:1). This platform has helped influential international buyers and South Africa’s most talented designers to come together at one event (DI Expo) and use the power of creativity, business and communication to ensure that the economy is boosted by their interaction and business connections (Design Indaba, 2013b:2).

Literature review

The purpose of this literature review is to provide an understanding of tourism, event tourism, event types, business events, business tourism and the economic aspects of events. These topics were covered in a way relevant to the DI, using previous research that includes studies of similar events.

Tourism

According to the United Nations World Tourism Organisation (UNWTO) (2005:1), tourism can be defined as “the social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes”. Ritchie, Carr and Cooper (2003:2) argue that definitions of tourism vary according to whether it is perceived from the supply side (industry) or the demand side (consumer). Thus, Sharpley and Telfer (2002:2) expand the definition of tourism by describing it as an activity or process that acts as a catalyst for development. It has become a dominant economic sector that increasingly contributes to the local and national economy and the gross domestic product (GDP) within a country.

According to the UNWTO (2018) international tourist arrivals-growth exceeded 7% in 2017 to total 1 322 million, well above the 4% growth experienced between 2010 and 2016; Europe is up by 8%, Africa also recorded an 8% growth, Asia and the Pacific Rim up 6%, the Middle East 5%, and the Americas 3%. This increases an upswing in the global economy, and a robust demand from especially Brazil and the Russian Federation; this third-export sector is essential for job-creation and improved prosperity in communities worldwide. Table 1 reveals the growth in international tourism between 2010 and 2017.
Table 1: International tourism arrival numbers worldwide

<table>
<thead>
<tr>
<th>Year</th>
<th>Arrival numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>955 860 594.3</td>
</tr>
<tr>
<td>2011</td>
<td>996 752 403.9</td>
</tr>
<tr>
<td>2012</td>
<td>1.054 billion</td>
</tr>
<tr>
<td>2013</td>
<td>1.105 billion</td>
</tr>
<tr>
<td>2014</td>
<td>1.157 billion</td>
</tr>
<tr>
<td>2015</td>
<td>1.204 billion</td>
</tr>
<tr>
<td>2016</td>
<td>1.245 billion</td>
</tr>
<tr>
<td>2017</td>
<td>1.322 billion</td>
</tr>
</tbody>
</table>


Business tourism is one of the most dynamic and fast-developing spheres in the world economy due to the fact that its success brings about the exchange of technologies, contacts, information, exhibitions, congresses, business trips and aligned tourism activities (United Nations, 2013:1). Business tourism is concerned with people travelling for purposes related to their work, encompassing all aspects of the business traveller/tourist’s experience (Swarbrooke & Horner, 2001:4-5).

The International Congress and Convention Association (ICCA) (2014:2) describe business tourism as “the provision of facilities and services to the millions of delegates who annually attend meetings, congresses, exhibitions, business events, incentive travel and corporate hospitality”. In the world of tourism, business events and brand experiences have become a powerful tool to ensure that companies keep up to date with the industry standards. The ability to secure events and host successful events is measured against the future direction of MICE events, event impacts, marketing and tourism benefits that can be gained by various destinations in the world (The Media Online, 2017:1). As reported by Umthunzi (2017:1) in their article The Top 5 Conference and Business Meeting Trends of 2017, event organisers need to find appropriate ways to ensure that attendees are equally interested in attending events as they are in activities that take place at the event. In 2016 international association meetings totaled 12 212, up from 6 000 in 2006 (ICCA 2016 Report, 2017). See Table 2.

Events are seen as a fast-growing form of leisure-, business- and tourism-related activities (Getz, 1997:1). They can be defined as strategies for economic development, nation building and destination marketing where marketing and image promotion for both the event and the destination take place (Allen, O’Toole, Harris & McDonnell, 2011:5). Raj, Walters and Rashid (2009:11) add that events are “happenings with objectives” which have been planned to fulfil the event’s purpose, cater to the attendees (people), and promote the destination (place).

Table 2: Top 10 country and city association meetings in 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of meetings</th>
<th>Attendees</th>
<th>City</th>
<th>Numbers</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>934</td>
<td>401 332</td>
<td>Paris</td>
<td>196</td>
<td>75 710</td>
</tr>
<tr>
<td>Germany</td>
<td>689</td>
<td>280 108</td>
<td>Vienna</td>
<td>186</td>
<td>119 887</td>
</tr>
<tr>
<td>UK</td>
<td>582</td>
<td>228 642</td>
<td>Barcelona</td>
<td>181</td>
<td>99 468</td>
</tr>
<tr>
<td>France</td>
<td>545</td>
<td>176 660</td>
<td>Berlin</td>
<td>176</td>
<td>61 008</td>
</tr>
<tr>
<td>Spain</td>
<td>533</td>
<td>217 724</td>
<td>London</td>
<td>153</td>
<td>91 756</td>
</tr>
<tr>
<td>Italy</td>
<td>468</td>
<td>219 041</td>
<td>Singapore</td>
<td>151</td>
<td>61 294</td>
</tr>
<tr>
<td>China</td>
<td>410</td>
<td>167 114</td>
<td>Amsterdam</td>
<td>144</td>
<td>77 344</td>
</tr>
<tr>
<td>Japan</td>
<td>410</td>
<td>205 537</td>
<td>Madrid</td>
<td>144</td>
<td>37 948</td>
</tr>
<tr>
<td>Netherlands</td>
<td>368</td>
<td>156 039</td>
<td>Lisbon</td>
<td>138</td>
<td>38 753</td>
</tr>
<tr>
<td>Canada</td>
<td>287</td>
<td>139 579</td>
<td>Seoul</td>
<td>137</td>
<td>104 780</td>
</tr>
<tr>
<td>South Africa (34th)</td>
<td>125</td>
<td>70 738</td>
<td>Cape Town</td>
<td>62</td>
<td>33 425</td>
</tr>
</tbody>
</table>

increasing commercial activities, due to the fact that attendees of business events have a “high spending pattern”, thus making a large impact on the economy of a host city or country.

Figure 1: The international tourism industry  
Source: Tassiopolous (2010:5)

Event tourism and Special Interest Tourism (SIT): Tourism is one of the world’s fastest growing industries (WTO, 2018), and South Africa (SA) has become a highly popular leisure (and business) travel destination, due to its “scenic beauty, magnificent outdoors, sunny climate, cultural diversity and reputation for delivering value for money” (South Africa Info, 2014:1). SA also caters for particular varieties of niche tourism, such as business tourism, cultural tourism, eco-tourism, paleo-tourism, adventure tourism and sport tourism (South Africa Info, 2014:2).

Tourism creates a platform where an individual’s living standards have the potential to be increased, extra (leisure) income can be easily managed, and, thanks to the availability of convenient and cheap transport, access to virtually any destination is possible (UNWTO, 2018). Tourism is divided into various sectors (as illustrated in Figure 1) that all have the potential to bring about continuous growth, sustainable benefits, and economic elevation in their respective sectors (Tassiopolous, 2010:3).

The fast-growing professional field of event management has allowed the tourism industry to benefit from the success and attractiveness of events by launching a market for planned events (Getz, 2008:405). Events are important motivators of tourism and development, and feature in the marketing plans of most destinations (Getz, 1997:8). Varying greatly in nature and size, they contribute significantly to increasing tourism flows and economic development (Turco, Swart, Bob & Moodley, 2003:10). In 2011 the additional funds flowing into the economy of Cape Town amounted to ZAR428.84 billion. Some of the most important event in that year are shown in Table 3.

Table 3: Events in Cape Town

<table>
<thead>
<tr>
<th>Event</th>
<th>Financial input</th>
<th>Cost to Cape Town</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town Jazz Festival</td>
<td>R553.3m</td>
<td>R2.75m</td>
</tr>
<tr>
<td>Cape Town Cycle Tour</td>
<td>R450.0m</td>
<td>R865 000</td>
</tr>
<tr>
<td>ABSA Cape Epic MB</td>
<td>R300.0m</td>
<td>R1.35m</td>
</tr>
<tr>
<td>Mining Indaba</td>
<td>R500.0m</td>
<td>R500 000</td>
</tr>
<tr>
<td>Design Indaba</td>
<td>R326.0m</td>
<td>R2.2m</td>
</tr>
<tr>
<td>Total</td>
<td>R2.13b</td>
<td>R7.2m</td>
</tr>
</tbody>
</table>

Source: Bavuma (2018)

The above Table (a selection of Cape Town’s important events) reveals a considerable income to the ‘Mother City’ with a disproportionately low financial output.

Yet it is can be argued that the perceived benefits as well as the costs of events are associated with the level of government funding that is received for the planning and hosting of events (Dwyer, Mellor, Mistrilis & Mules, 2000:8). Although there are various models available to assess the impacts of events, each event is unique and has diverse advantages, disadvantages and limitations that need to be taken into consideration (City of Cape Town, 2011:4; Maralack, Swart & Bob, 2017:185). In this context, DI can be
classified as a multifaceted event sponsored by government, various companies and individuals who endorse arts and culture, design, education, community upliftment, the development of local and emerging talent, fashion, film and the spirit of entrepreneurship.

**Research methodology**

The study followed a quantitative analysis, in order to assemble realistic and reliable facts that are stable and particular, and an in-depth analysis of documentation to establish the size of the MICE industry worldwide, and in South Africa. The study also included some qualitative procedures, to allow a degree of flexibility in the exploration of ever-changing events or experiences, recognising the dynamic, changeable nature of reality and the subjectivity of content through the information received from key informants interviewed (Welman, Kruger & Mitchell, 2005:7).

Data collection techniques consist of questionnaires sent by electronic mail (e-mail) to all the buyers after the event, as well as face-to-face interaction with participants and organisers at the DI Expo.

Primary data research: The buyers’ questionnaire was sent to all registered buyers after the event via email, using a database provided by Interactive Africa (IA, the DI organising organisation), in order to gain feedback on the DI Buyers’ Day Programme. The exhibitors were surveyed in face-to-face interactions after the Buyer’s Day (Thursday 27th February, 2014), and during the public days of the DI Expo. The questions were structured and formatted in a concise manner to enable an accurate feedback process that was also quick and efficient.

The survey population and sampling: The population for the study consisted of all the buyers at the DI Buyers’ Day Programme specifically registered for the structured programme in 2014, as well as the exhibitors showcasing their work at the DI Expo. In collecting data from the population, stratified random sampling was employed. This sampling technique is classified as a “method that involves the division of a population into smaller groups known as strata” (Investopedia, 2013:1). The targeted sample was estimated at 486 exhibitors showcasing their work at the DI Expo, as well as 506 buyers, the number enrolled in the 2013 DI Buyers’ Day Programme attending the DI Expo (Swart, 2013:6).

In 2013, the total number of buyers amounted to 506, (391 local buyers and 115 international buyers) which, according to Isaac and Michael (1981:192-193), equates to a targeted sample size of 191 local buyers and 80 international buyers to be surveyed. For the exhibitors’ survey the targeted sample size was 214 successfully completed surveys. The exhibitors consisted only of local businesses/individuals based in Cape Town and surrounding areas within the Western Cape, so random sampling was utilised. Key Informants were interviewed at their convenience.

Data analysis: In this study data was analysed with the help of a Statistical Package for Social Sciences (SPSS) which enabled the emerging statistics to be tabulated and graphically represented in pie charts and graphs.

**Significance of the research**

The significance of the study lies in its investigation of the economic contribution that the DI Buyers’ Day Programme has on the DI Expo, on local businesses (exhibitors) that showcase their products and services, and on Cape Town as a tourist destination. This is important given Cape Town’s status as World Design Capital (WDC) in 2014. Furthermore, the amount spent by each buyer, and on which products or services, can be determined by the scope of the questions included in the survey. This makes it easier to spot trends in and patterns of expenditure, as well as the perceived product/service interests of the buyers. An additional benefit is the opportunity to understand the experiences of participants (buyers and exhibitors) at the event, in order to gather vital material for planning further developments in the future (to be relayed in the form of recommendations).

**Design Indaba**

The Design Indaba has contributed to MIT (mixed interest tourism) by ensuring that it offers an array of recreational and leisure activities for its main audience (delegates attending the three-day conference, buyers and exhibitors participating in the expo). These activities include a week-long Film Festival, featuring a series of design films showcased at various theatres in Cape Town, live performances at the conference during lunch breaks and in the evenings, and the Design Indabar for social encounters and evening beverages after the conference and the DI Expo (Design Indaba, 2016b:1).
The DI Expo can be branded a hallmark event as it serves the following purposes pertaining to hallmark event criteria (Link Springer, 2016:1; ICCA, 2017:1-5):

- An event held regularly (the DI Expo is held annually late February/beginning March)
- Has an international status (buyers from across the globe are invited to participate in the event).
- Allows the host city to gain “an opportunity to secure high prominence in the tourism market place” (the DI as a whole is one of the biggest events in Cape Town that is seen to bring many tourists into the City during the event period).

DI has set itself apart from other events by creating interlinked relationships among the various events that it hosts. For example, the DI hosts a three-day conference which begins on a Wednesday; on Thursday delegates receive a preview of Expo, and this coincides with the host day of the DI Buyers’ Programme. This uniquely and strategically allows buyers, delegates, exhibitors, organisers and service providers an opportunity to be under one roof, thus connecting in terms of each of their business goals.

The DI has numerous planned events, which the delegates, exhibitors, buyers as well as students are allowed to attend, based on their registration category and which they have planned to attend (guests have to book and prepay their ticket prior to the event, before it gets sold out). The unplanned events, which as spontaneous activities are usually surprise elements that the DI has for their guests; for example, during the DI conference, there different bands and artists are showcased in the Design Indabar session at the end of the day. Other unplanned or spontaneous events may occur, such as guests participating in a cooking tutorial during a presentation on the expo floor.

The DI can be considered a major event due to its magnitude, the sponsors that contribute to the event’s success, and the companies and governmental departments that become involved in certain event projects and some of the planning of the event. All of the aforementioned become role players in creating wide coverage for the event, thus attracting media and marketing groups from across the globe. Interest sparked by all the event “hype” builds up a strong desire amongst many industry individuals, companies, exhibitors and buyers to attend and participate at the DI, leading to economic benefits.

Buyer’s Programmes make great business tools in the sense that they allow the buyer to pre-schedule their time at an event in order to accommodate their preferred presentations, exhibition booths, trade presentations and workshops, group appointments, and personal appointments with selected exhibitors or potential clients (Export Government, 2014:2). Such programmes thus hold huge prospects for networking, sales and marketing (Indaba South Africa, 2015:1).

The DI Buyers’ Day Programme was created for the above-mentioned purposes as a medium of exchange for international and local markets. The Buyer’s Day is exclusive to buyers who register in order to utilise the private interaction with exhibitors before the general public is exposed to the new talent, products and services. At the same time, the organisers of the event form relationships with the buyers (and exhibitors).

As a professional in any field, especially design, arts and culture, tourism and events management, the purpose of attending events is to grow your network, get smarter, curate and create content, transfer the knowledge to your company or team, and optimise the market value of the event concerned (Top Rank Blog, 2014:1).

The primary motivator for buyers to attend the International Buyers’ Programme is to meet suppliers and potential business allies who offer high end, innovative goods and services, share ideas and also collaborate with other buyers or exhibitors who are emerging creatives in their specific industry (International Trade Administration, n.d:1).

DI has been able to increase the demand for the Buyers’ Programme from only having two international buyers in 2004 to over 600 buyers (both local and international) in 2015 (Design Indaba, 2015:1).

Economic contribution versus economic impacts of business events

An economic impact is the sum of the effects an activity or event has on the economy of a given area, obtained by measuring the economic attributes associated with the activity or event (Tribe, 2005:255). According to Event Impacts (2015:1), “the ‘economic impact’ of a major event refers to the total amount of additional expenditure generated within a defined area, as a direct consequence of staging the event” (see
Table 3). With regard to the DI Buyers’ Day Programme, the economic impact can be assessed by considering the additional activities that the buyers engaged in during their attendance at the event and during their visit to Cape Town. For example, travel costs, accommodation costs, entertainment and leisure costs, tourism attractions, tours, shopping and spending on food and beverages at restaurants – all these are elements that can be considered factors of economic impact on a local area (Event Impacts, 2015:1).

Furthermore, economic impact studies usually seek to establish the net change in a host city’s economy. This is done by comparing the cash inflows (money coming in) and outflows (money going out) in order to establish the net outcome (profit or loss: see Table 3) (Event Impacts, 2015:1). Examples of studies that have been conducted in South Africa include: “The economic impact of the annual Volksblad Arts Festival” (Strydom, Saayman & Saayman, 2006), and “The economic impact of special events: A case study of the Mother City Queer Project (MCQP)” (Hattingh, 2009).

Key results:
This section presents only the most important of the 76 study findings;

Types of products available at the DI: of the more than 14 groups of products on display the following enjoyed the most attention: interior design and furniture (wall coverings, lamps, free-standing furniture, patio furniture) 26.5%; accessories and jewellery (earrings, headbands, anklets, bracelets, neckpieces) 21.5%; artwork and design graphic design, sculptures, functional art, wire-animal designs) 19.9%; clothing and fabrics (16%); ceramics and textiles (14.4%), and handmade garments and products (12.2%).

The majority of exhibitors (58%) had been in business for five or less years and could still be considered as being in the ‘start-up’ stage, underscoring a fact that the DI attracts emerging creatives who will utilise a design platform for networking/marketing purposes. Only 16% of the exhibitors had been operational for more that 16 years. More that 74% of all exhibitors were owner-managers with a staff complement of fewer that five (5) persons.

The exhibitors could be classified into eight (8) major groupings, including design (54%), and ‘other’ (including Footwear, Banking, Liquor, ITC, and Fashion) 23%.

The ID is held each year at the Cape Town International Conference Centre, a modern and world-class exhibition space. Exhibitors, including 45% international participants (Sweden, the UK, the USA, the Netherlands and Australia having the highest representation) rated the event theme, décor and layout as good to excellent (85.5%); the organisation and registration (70.7%); the venue (88.4%), and the opportunity to interact at 79%.

Most exhibitors (70%) reported a positive business impact of the DI, noting brand exposure, new business opportunities, networking structures, increased orders, sales and profits, business advise (influence of banking exhibitors), and exposure to other exhibitors as the salient facts. Nevertheless, there were problems experienced by some exhibitors, including the ‘build-up’ to the event, electrical connection difficulties, parking (for exhibitors and visitors), inefficient information (and requests/complaints ignored by the organisers), insecure glass shell product cases, and problems with the venue layout, services and management issues. Despite these issues only 9.9% of exhibitors said they would definitely not return to future exhibitions.

The three (3) most important forms of DI awareness-advertising were attendance at previous exhibitions (43%), browsing websites (29%), and word-of-mouth (21%). This does not suggest that multimedia advertising did not succeed in promoting the DI exhibition, and all forms of marketing/advertising should continue, but that the ‘personal’ experience should not be underestimated. The main reasons why prospective buyers attended the ‘Buyer’s Day’ at the DI exhibition was to purchase new and/or innovative products (24%), and to be introduced to new brands, products and services (24%). Networking with sellers/clients/fellow buyers (18%) and creating business opportunities (13%) were other reasons given for attending the special DI day.

The 214 participants spent a total of R384 469, 00 at the DI exhibition, of which an amount of R135 428 was for travel to/from the event. The R249 041.00 expenditure at the DI went on purchases on the ‘Buyer’s Day’ (R112 900), general shopping (R57 410), food (R26 025), local transport (R17 740), local accommodation (R17 734), DI tickets (R11 984), and tourism related activities (R5 248). The survey
questioned whether the expenditure at the DI was worth the effort, if it is calculated that each of the 214 participants spent on average only R1 163.74. This observation must be considered in light of the following Likert statements made by participants, among others:
I am confident of the success of the Buyer’s Day programme: 50%
The Buyer’s Day programme was well organised: 50%
The Buyer’s Day programme was aimed at all society: 64.3%
I went to the Buyer’s Day to buy innovative products: 57.2%
The Buyer’s Day had an economic impact on Cape Town’s economy: 43%
Local businesses increased their sales and profits: 42.6%
The DI Buyer’s Day did contribute to increased employment: 42.9%
The Buyer’s Day attracted tourists to Cape Town: 57.1%
The DI Buyer’s Day attracted future business to Cape Town: 50%
The Buyer’s Day and Expo incorporated various design elements to represent Cape Town as the 2014 World Design Capital
The Buyer’s Day increased positive media coverage for Cape Town: 79%

One of the negative findings regarding the Buyer’s Day programme was that 58.3% of participants felt that the 2014 exhibition was only similar to the 2013 event, while an alarming 25% of participants felt the 2014 Buyer’s Day was ‘worse that the previous year’ for, amongst others, the following reasons:
The queues at registration were very long allowing reduced time to view exhibits.
The advertised (and included in the Buyer’s Day fee) breakfast was not available.
Some exhibitors were not fully set-up so buyers did not see all the products/services available at the exhibition.
Parking led to serious problems.

Conclusions and recommendations
The study met the specific objectives, especially to gauge the importance of the DI Buyer’s Day programme, the importance of Cape Town as an events destination, and to determine the spend at the Buyer’s Day, and has led to the following recommendations:

- A single day designated for buyers is insufficient as needs to be extended to two or even three days to allow for more interaction between the exhibitors and potential buyers, especially considering the problems encountered with the ‘setting-up’ of the exhibition. This should lead to more buyers attending the event, increased ticket sales and sale of products at the DI, and increased tourism to Cape Town.
- Extending the length of the event should lead to an increased international exposure, sustainability of the DI event, and a more aggressive marketing campaign.
- Social events play a significant role in human society and are created for the purpose of public display, united celebrations and civic rituals (Oklobdzija, 2015:84). The DI event organisers should consider more entertainment and engagement opportunities for delegates (for example, pre- and post event tours and a welcome cocktail evening).
- A colour-coded registration method could be introduced to identify the different buyer-industry/organisations and match these by means of registration badge-identification with relevant exhibitors.
- The DI is one of the biggest trade exhibitions in South Africa attracting the largest number of buyers, and therefore creating opportunities for business expansion and even exporting. Therefore government support is needed through possible funding for SMMEs (small, medium and micro enterprises) expansion and exporting.
- Create partnerships between international buyers and local tourism entities in order to generate additional revenue for Cape Town, and job-creation in the general tourism industry.

References


ICCA see International Congress and Convention Association


Enhancing health and transforming lives through optimism attitude model (OAM): Panacea in 21st century

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Abstract
Mental health and emotional stability are very important factors in a person’s everyday life. One may be possessing world class qualifications and experience but everything will come to naught if the mental health of the individual is in question. Certainly, emotional mental health can be improved for one’s success and prosperity. One needs to understand the current status of one’s mental health in the context of developing resilience and fortitude in dealing with the dynamic environment. An individual’s emotional mental health has a direct bearing on his personal and professional productivity. For personal and professional success of individuals and equally imperative for the success of organizations, one needs to develop the dimension of seventh sense – The inimitable sense of optimism. The good news is that social psychological researches have demonstrated that emotional resilience is an important attribute which can be learned or improved upon irrespective of the level we were born with. And developing Optimism along with Emotional Resilience is a sure predictor for success.

This paper presents some case studies in which individuals have been able to overcome obstacles and bounced back with renewed vigour and rejuvenation in their personal and professional life through effective interventions with OAM (optimistic attitude model). The good news is that OAM may be effectively used by individuals and organizations alike for sure success, prosperity and happiness albeit not necessarily in the same order.

Introduction
“The secret to getting ahead is getting started”

Mark Twain

Optimism, an important aspect of mental health index is the power, the central force within an individual which propels him towards higher accomplishments. The word optimism is derived from the Latin word, optimus which means “best”. Optimism has been defined by Martin Seligman (1991) as being proactive in reacting to the problems with positive attitude and confidence and effectively working towards the same. Thus, optimism is the innate belief system of an individual and it suggests that an optimist would always looks for the best and is positive that good things will certainly happen. Optimism is also a major dimension of emotional intelligence which if developed and inculcated consciously, may lead to enhanced Quality of life and mental health of an individual. Optimism is an indicator of a positive thinking process and about consequences when in the midst of dealing with stress and adversities.

There is no single secret of success but the fact remains that the magic in work and life happens not from being a spectator but being a participant. Optimism is the very elixir of life. To be optimistic is to say yes to life; to opt life despite all provocations to the contrary. In fact, Optimism is actually a belief system with three major components. Firstly, it is the belief in our own powers to make our life and our future better; secondly, it’s a strong belief that negative events happening in our life are not going to be permanent howsoever poignant they may seem at the moment and thirdly is a very strong conviction that positive events in our life are more permanent and personal. Optimism is means to an end and an end in itself too. Optimism is the power, the central force within an individual which propels him towards higher accomplishments.

Organisations can capitalise on their human potential if they know the level of their employee’s satisfaction and to know what drives them for self achievement. If the employees are satisfied, it will
certainly have a positive impact the company they are working in. But to measure and assess objectively their present level of interest in the work they are doing is a formidable task.

That is how, the term PEROMA™ was coined which comprises of various dimensions which build up Optimism levels in an individual, namely:
Positive Emotions: Affect,
Engagement: Involvement,
Relationship Network

Optimism
Meaningfulness: Purpose and Accomplishment/Achievement.

Here, in the word PEROMA, the letter O stands out in the middle as it is this very energy of the sun from within which helps an individual in self propelling and self-driving through self-motivation which leads to success and thriving to achieve excellence Banerjee, P.

Optimism Index
For measuring Optimism, Optimism Index, Oi 1.1", the one of its kind in India, a robust psychometric tool. The Oi identifies an individual’s core strengths in the areas of Positive Emotions, Engagement, Relationship Networks, Meaningfulness and Achievement. This index rates the ‘Optimism’ level of the organization, group or an individual. This test is not only a measure of present performance but is also a predictive measure of success.

Based on the analysis of the optimism index scores individuals are classified into ten categories viz. Collaborators, Entrepreneurs, Energetics, Synergists, Networkers, Analysts, Innovators, Gogetters, Experts and Leaders. This classification highlights the attributes and strengths of individuals and creates distinction. This helps them in making career choices and to engage in suitable professional roles. Knowledge of results (KR) on this test benefits not only the individual but also the organization in decision making related to talent management.

Optimism index (Oi 1.1) the one of its kind in India, is an effective tool for quantifying the levels of optimism in an individual as one of the indices of competency mapping and developing Emotional Resilience leading to enhanced Mental Health. Oi 1.1 is a screening, therapeutic and developmental tool which helps promote mental health of the individual so that one develops resilience and fortitude in dealing with dynamic situations.

Smart organizations pave their way to success with strategic excellence and developing in their employees an abundance of optimism. Optimism Index (Oi 1.1) and Optimism Attitude Model (OAM), one of its kind in India, help the Organizations and Individuals to rewrite success and make historical innovations for the benefit of mankind and world peace.

To measure these various dimensions in a standardized manner with sturdy psychometric properties of Reliability and Validity, this developmental tool was developed. This test is a culture fair, culture free test and had tremendous broad applications. Hence it can be used globally with equal results anywhere in the world to tap the untapped potential of the employee while also helping him unleash this hidden reservoir.

The good news is that this test is not only a measure of present performance but is also a predictive measure of future success too. This test measures accurately the results of interventional efforts made by the organization on an individual and correctly validates the maxim that optimism can/ is a learnt behavior which can be inculcated anytime, anywhere. Knowledge of results (KR) on this test benefits not only the individual but also the organizations as well which helps in decision makings of various kinds. Thus this test has multifarious implications and can be successfully used in various interventional works which spell success and invite happiness in people’s lives.

The idea behind developing this developmental tool is to develop an index on ‘Optimism’. This index will rate the ‘Optimism’ factor of the organization, group or an individual which will facilitate to know how focused and well directed the approach is to bring well being and happiness to life. The model will indicate how ‘Optimism’ can enhance the other variables of PEROMA.
‘Optimism’ signifies the driving force to move towards the achievement of other elements. It will act as a tool, as a construct and theory to comprehend and advance the factors affecting well being of the individual. The concept will be used in several connotations in the areas of Management and Psychology. It will have its implications at the industry at large and towards the development of well being, hope and resilience at an individual level.

**Optimism Attitude Model (OAM)**

On the basis of Oi scores, a new interventional approach has been developed, Banerjee P. 2016. Optimism Attitude Model presents simple steps to bring in the intervention required to enhance the levels of optimism leading to self-growth. The concept is shown diagrammatically as below.

![Optimism Attitude Model Diagram](image)

Optimism Attitude Model (Banerjee, P. 2017) presents simple steps to bring in the intervention required to enhance the levels of Emotional Resilience, sense of Well Being and Mental health. Optimism Attitude Model (OAM) is a scientific intervention for training one’s mind to achieve optimum level of cognitive functioning, performance and the ability to handle stressful and uncertain environment with enhanced resilience.

Using this five step model the individual is able to self manage, monitor and acquire a positive attitude and mindset leading to improved self worth and efficacy. In a very simple, concise and effective manner, this model helps one focus on the issues which need cognitive attention and development through cognitive priming, cognitive reinforcement among other steps ultimately leading to self efficacy. Thus, it’s a cyclical process of one’s transformation leading to success, growth and prosperity of the individual along with targeting organizational goals.

Oi is the tool to measure the current levels of optimism within an individual. Based on the composite score and the scores on the different dimensions, interventions are suggested. These interventions help an individual reinforce their existing strengths and work on their negative aspects or weaknesses. OAM help the individual to comprehend his issues and focus on the areas he needs to re-work on, in order to optimise his potential.

Banerjee P. (2016) has dwelt upon this issue for a decade and she feels that yes, people can acquire this attitude of success which is through a very scientific process and which is certainly not delusional. Yes, she feels that positive predisposition can be inculcated and it does not depend on a particular situation or an event. It is something which a person deliberates upon deliberately and with a conscious effort. She has developed this model of Optimism which has scientific leanings. It evinces clearly that Optimism is the core ingredient inside every success. No matter whatever the degree and frequency of failures faced by an individual, his resilience and positivity will remain intact if he has one particular attitude/quality/trait within him and that is a big chunk of Optimism.

If and when Optimism as an Attitude is developed and inculcated, success is assured – sooner or later, no matter whatever the circumstances. Many theorists have also spoken about this directly or indirectly in their models on success. Banerjee, P. (2016) has dwelt upon and developed this model for
Optimism in her famous PEROMA perspective. The word contains O in the middle which reflects optimism. The other dimensions are: Positive Emotions, Engagement, Relationships, Meaningfulness and Achievement.

All these dimensions are independent, yet interrelated with each other. And to the extent that these dimensions can be developed in an individual, his success is assured. At the same time, how can one ensure that these dimensions are properly developed in an individual? What is “normal” and what is meant by under normal dimension? Can the dimensions be worked upon and improved? And in what areas will this prove successful? Is it going to help in personal life? Will it benefit the professional life of an individual? These and many similar questions are significant and will be answered in the following pages in detail. Suffice it to say here that all the questions have just one answer in common and that is – Yes, and a big positive affirmation. All these dimensions are measurable and quantifiable with proper norms in order. Banerjee (2016) has developed Optimism index (Oi) which measures the Optimism scores of an individual. The test gives the global score of the individual on Optimism along with the scores on above mentioned five dimensions of PEROMA.

This model has multiple utilities and its not meant for people with some mental issues or disorder. In fact, its meant for normal people struggling with their lives in trying to enrich it, both personally and professionally. Banerjee (2016) talks about Optimism and in effect success is very much in one’s hands. Its about how positive/ optimistic we are about our life’s situations in facing new challenges. This model of OAM insulates against failure, against despondency and shows us the ways in which success can be attained. This model is suitable for all age groups and in all walks of life for all professions. The following sections will enumerate this in detail in terms of a patient with history of alcohol abuse. It is challenging to deal with alcoholics as they do not view their addiction as of same level as other substance abusers and harder black marketed drugs. One of the more common pitfalls which occur during an alcoholism intervention is that the presence of a professional to guide through the process is not considered essential either by the individual or the family members. Since alcohol is legal, it is very difficult to convince the individual that he needs a professional support at any level. Hence the drop out rate during therapy is also very common.

**Diagnosis of Alcohol Abuse and Dependence**

Sturdy and researched diagnostic systems like DSM V or ICD 10 is important for identification, treatment and management of AUDs. It is imperative that correct diagnoses be made which facilitate communication among clinicians, researchers and family members (Robins and Barrett 1989; McGue 1999). The diagnosis is made after a detailed case history analysis which focus on pathological psychosocial behavior patterns resulting from alcohol which has a very negative impact on the families along with the individual. Alcohol dependence is diagnosed emphatically when three out of seven criteria are met which reflect impaired behavior pattern and control related to alcohol within a period of one year. Case history should reveal significant impairment arising from acute alcohol dependence along with severe feelings of subjective distress.

There is also developmental difference between adolescent drinking and adults. It is seen that although adolescents tend to drink lesser than adults but their intake is more almost at every occasion. (Deas et al 2000).

**Oam therapy for happy living**

“Everytime you are happy, you win” (Banerjee, P., 2018)

One just pops in medicines to relieve oneself of the inner pain but in vain. Substance abuse among youth is on the increase these days due to this harsh reality of life. To deal with these traumas and turbulences which the present day life presents, OAM (optimism attitude model) as a therapy to enhance quality of life and subjective well being was evolved after working on this for almost a decade (Padmakali, 2017).

One of the main ingredients of positive psychology is optimism. And with OAM therapy, this potion is filled in the person completely and absolutely, using simple steps as given in the model. Winston Churchill made this very famous statement on optimism,"a pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."
Optimism is a trait which should be consciously inculcated by each individual as it benefits the immune system immensely and makes us more hopeful, happy, cheerful, contented, serene and tranquil. Researches have also indicated that optimism raises the individual higher on positive mental health and decreases the vulnerability for negative mental health like anxiety and depression.

The author also believes that we can create happier life for people on this planet. We can create better world, where happiness and peace prevails. Similarly author is also quite passionate about the conjugal relation between optimism and passion which leads to innovation. And more such innovative individuals are required by the organizations, institutions and together such optimistic individuals need to grow in numbers to ensure the prosperity of the nation as a

Banerjee, P. (2016) opines that it should be the moral and ethical duty of teachers and parents to ensure that the spirit of optimism is imbibed very early at school levels. This will transform the child into a motivated, confident and competent adult, ready to take on the world and its multifarious uncertainties and challenges. The individual will develop optimism as part of his unconscious personality which will lead to more success and happiness improving his overall sense of well being. Such an individual will remain unstoppable and will be able to pursue his life’s desires and goals with resilience and positive spirit, undeterred and undaunted. Padmakali d 2017) suggests that its quite easy to develop this attitude of positive optimism. Its just a way of perceiving at life’s uncertainties and telling the heart nonchalantly

“Be still, sad heart and cease repining
Behind the clouds is sun still shining.”

Optimism Index – A predictive tool for success has been developed by Banerjee, P (2016) which gives quantitative measures in terms of a global optimism index along with scores on dimensions of Positive Emotions, Engagement, Relationship network, Meaningfulness and Achievement. Optimism index (Oi 1.1) the one of its kind in India, is an effective tool for quantifying the levels of optimism in an individual as one of the indices of competency mapping and developing Emotional Resilience leading to enhanced Mental Health. Oi 1.1 is a screening, therapeutic and developmental tool which helps promote mental health of the individual so that one develops resilience and fortitude in dealing with dynamic situations.

On the basis of scores, one is put on OAM therapy (Optimism Attitude Model) for developing the dimension one needs to fortify in order to be more successful. That is the benefit of the test Oi – Optimism Index and the Optimism Attitude Model.

The following steps delineate the OAM – Optimism Attitude Model process.

Awareness Development
Scenario Building (Internal Visualisation)
Reconstruction (Motivational videos and Illustrations)
Reinforcement (Mindfulness meditation)
Attitude Formation (Optimism Development)
Self Worth – The Ultimate Peaking of Attitude

Smart organizations pave their way to success with strategic excellence and developing in their employees an abundance of optimism. Optimism Index (Oi 1.1) and Optimism Attitude Model (OAM), one of its kind in India, help the Organizations and Individuals to rewrite success and make historical innovations for the benefit of mankind and world peace.

Some Success Stories with OAM Therapy
Case 1
Saurabh’s Alcoholism

The following is a case study of a 30 year old severe alcoholic whose life was strewn with multiple conflicts compounded by a dysfunctional family. OAM therapy was successfully used in individual as well as Family therapy over a six month period. The details of the case are enumerated below.
Saurabh’s
Saurabh was a 30 year old, male with a history of alcohol abuse since his teen years. He was working as manager in a multi national company and was “stressed out” – in his own words. He said that he had been taking alcohol since the age of 11 years. Alcohol intake would bring him relief from his dreary life. He was brought to the hospital with the chief complaint of dizziness, nausea and insomnia since a week. He had stopped going to office and would fight often with his wife of 5 years. He had two young children, three married sisters and his aged parents with whom he lived. He seemed to be in delirium when he was brought in the OPD and was muttering unclear expletives. He was quite unkempt and had a disheveled appearance when he was brought in.

He was put on detoxification for a few days while the detailed case history was taken from his sister who had brought him forcibly to the hospital. Pathological family issues were revealed. The four siblings (which included the patients too) had been a mute helpless witness to domestic violence since childhood. After hitting the mother till she bled, their father would often beat up the children in rage and still hit Saurabh with a stick in front of his wife and children. Adding to Saurabh’s woes was his father’s number of illicit affairs with the hapless females of the house whose children also he had fathered. Now he was trying to coerce Saurabh’s wife too into having physical relations with him. As the father control led the financial reins of the house, invariably the female relatives had to give in to his un called for, unethical demands as the rest of the family watched in silent horror but could not talk about family woes to anyone.

All these issues compounded Saurabh’s drinking episodes which kept on increasing with age. He had begun drinking quite early during his childhood days as he would sometimes sneak and steal his father’s drinks while he was away. He had changed jobs often, could not complete his studies and remained a vagabond even after his marriage five years ago. He was dependent financially on his father who was in the habit of taking his complete salary whenever he would join a new job. As a result he had to look up to his father for every small need of his including the fees and food for his children. Although he was popular in his office, was intelligent and hard working yet behind the humorous exterior was a heart who bled emotionally and wept internally.

With these multiple issues, it was increasingly difficult to put him on any particular therapy as his compliance was almost nil. He would sit in the therapy room with a sullen face and in a rebellious mood. Most of his responses were,

"What can you do?"
"Even God cannot help me"
"My life has all come to a naught and what is the point in living."

His sisters had already taken him to various therapists but he remained sullen and uncooperative there and gradually would drop out. They said that with great hope they had come to our clinic and were willing to make him stay for some time till detox and therapy were being done.

That is how he was put on OAM therapy (banerjee, P., 2016). OAM (Optimism Attitude Model) is therapeutic techniques which bring in its wake a heightening sense of optimism in the individual leading to his self efficacy.

Using the simple steps of OAM, Saurabh was guided towards developing self Efficacy leading to believing in oneself and moving on in life taking on the various uncertainties with self belief, optimism and resilience.

Awareness
In this stage Saurabh was made aware about his problems using confrontational therapeutic mode, He had erstwhile been using denial and escape mechanisms of drinking to drown his negative inner turmoil in alcohol.

Visualization (Scenario building)
Here, Saurabh was made to visualize a conflict free life where he lived with his wife and children in harmony……his wife had begun to love and respect him……his office people were happy with him……he
was able to earn well and have a decent living ....All this led to him being more in control and off the financial manipulations of his father…he has been able to but the luxuries of life he had always yearned for but could not have....... etc
This scenario building inevitably would bring a smile to his face.

**Reconstruction (Cognitive Priming)**

After such powerful and positive visualizations, Saurabh could connect with the idea of leading a healthy, happy and successful Alcohol free life with dignity and inner strength. He was shown motivational videos and he could relate with many victims who came out of this self inflicted abuse and were now symptom free. This leads to developing the self confidence of the person and encourages him to become more responsible towards his commitment towards this change in his behavior patterns and lifestyle. Saurabh could visualize this change in him.

**Reinforcement**

During periodic sessions with him over six months, gradually the emphasis to be alcohol free to be able to enjoy a more satisfying life was reinforced every time. The importance of a healthy life style and alternative methods to distress and divert his mind during a very strong urge were delineated, discussed and even practiced with him. Early in therapy he was provided with strategies for targeting his alcohol abuse. With the help of the therapist, he could identify the time which triggered his drinking behavior. He could now see that many of his actions were more of automatic responses than his conscious decisions. Also he could initiate the change in himself. With periodic sessions, he was beginning to question his reasons for taking alcohol as an excuse to drown his sorrows. The same was repeatedly reinforced with him during the sessions.

**Mindful Meditation**

Periodic sessions of focused mindful meditation helped him re-establish trust between his wife and himself. The therapist achieved this by working with Saurabh to identify the mindful patterns he was comfortable with in order to achieve a tranquil state. He was now more quiet and at peace with himself over the past events over which he had no control. He was made to realize that even in the present one does not have control over how others behave but certainly there are ways in dealing with situations without aggravating the issues.

**Attitude Formation**

His strengths were that he was intelligent and insightful about the therapeutic program he was put in. With periodic sessions he was able to realize that they could have conversations in the family sans hurling accusations at each other speaking at the top of their voices in taunting manner. He learned to listen more without getting into confrontational aggression and argument. This new found attitude was making him more confident, calm and he was able to find way out of heated arguments with his father and wife.

**Self Efficacy**

Six months after the termination of sessions, Saurabh was sober, joined his office, involved in hospital’s families group therapy sessions and had become a motivational speaker for individuals with similar Alcohol abuse. He was more confident in his abilities as an individual, experienced less stress and was doing well at office too. The relationship with his family members had transformed into a positive one and he no longer felt overwhelmed by his family’s dysfunctional issues.

**Case Theme** in Saurabh’s case was in fact confusion about expressed emotions in the family and the chaos resulting from it. The family kept their grievances to themselves and did not express their real emotions even to each other. It was as if some of the topics were just taboo especially when they were related to his father’s behaviours. The resulted in inhibiting him emotionally from talking it over with his father and family members and keeping things boiling within himself.

Another related theme that emerged during the therapy was his immense desire to maintain a façade with himself and the world by looking normal and happy to the world around him. This was exact opposite and inconsistent of his real feelings and emotions. He was able to have an insight about these
patterns during therapy and the correct mode of behavior he needed to adopt if he were to be able to move forward accepting himself with his strengths and weaknesses.

**Stage 1**

Initial therapy sessions were mainly involved to reassure him about the therapeutic alliance which was going to be supportive of him, his needs, emotions and to develop insight into the time where his life had gone off track, how he visualizes himself to be and what he would like from his family members. Saurabh was receptive to these suggestions and a sturdy therapeutic alliance spread over several months.

Along with individual sessions with Saurabh, his parents were also seen by the therapist who discussed about their own lives, parenting styles and their perception of what went wrong and where. There were conflicts too as a couple which the therapist allowed them to let them share their own hurts and disappointments out in the open honestly. Other members of the family were also subsequently brought in which included his sisters and wives too.

Later on with the progress in therapy, the therapist during a family therapy addressed the conflicting issues which possessed his mind frequently. This paved the way for confrontations and positive arguments over past issues which he could not let go of.

**Stage 2**

The emphasis in this stage was in Saurabh taking charge of his life in a more responsible manner by being internally motivated and taking concrete steps in rebuilding his own life personally and at work too. During one such family session, he confided that he was able to start trusting more and was confident that he will be able to be off drinks completely. The therapist gave emotional space to the family, during the sessions to have conversations about being happy and contented and ways to help each other accomplish their goals. The father was encouraged by the therapist to be more friendly rather than critical of Saurabh and be more friend involved in his life on a daily basis. Father and son should develop “guy” bond and trust is most fundamental in repairing relationships. Saurabh was suggested to stay focused on his goals and stay motivated at all times.

**Stage 3**

During the final family therapy session, the family was asked to talk about the positive changes they had witnessed over the course of various therapeutic sessions and how comfortable they were in this newly formed bonding and understanding with each other.

Saurabh admitted to having more comfortable relation with his father. He had accepted his father with his past weakness, came to terms with that. His wife also was becoming more overtly supportive of him and the quality of relationship he shared with her also improved considerably. He voiced that it was actually very difficult to forgive and gloss over the past mistakes of his family members, yet he was honestly trying to do that and was succeeding too. He felt happy and contented seeing his children in the evening after a day’s long work and was spending more quality time with them. Saurabh’s journey during the course of the therapy over six months was encouraging, challenging and successful.

The course of the therapy in each succession eventually helped Saurabh to talk directly to his father about the pent up emotions he had within him since the childhood. The family too were suggested ways to explore this and the therapist helped Saurabh’s mother too to learn how her passivity in the physical abuse by her husband inflicted on her and her children had impacted him, traumatized him.

During these discussions, the family were suggested to focus on spending quality time with each other punctuated with fun, frolic and laughter together as a family and to let go of the past without it interfering in the present.

**Primary Components of Treatment:**

- Improving communication amongst each other without shouting, screaming or yelling; the ability to listen with understanding and compassion.
- Develop Saurabh’s emotional regulation and distress tolerance for seemingly unpalatable situations without confrontational arguments.
- Help Saurabh to focus on short term goals during therapy sessions with the aim of developing a positive life.
Enhancing his belief in himself and provide hope for future. 
To bury the past with amicability and positivity.

The Take-Away:

Saurabh’s case effectively demonstrates the effectiveness of OAM therapy on AUD (Alcoholism Use Disorder). The individual along with his family can create synergy for bringing about this long term positive change impacting him, family and community alike.

In the present case, there was a significant change within Saurabh, in his outlook as a person and in his ability to deal with problematic situations in a more calm, optimistic and responsible way. Thus, indubitably, OAM as a therapeutic interventional model works well even on individuals with Alcohol abuse. This has been demonstrated effectively in the present work and is highly recommended for future work even in clinical population.

Table 1 Changes in levels of optimism index at each month with OAM therapy

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
<th>4th Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Emotions</td>
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<td>38</td>
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<td>Engagement</td>
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<td>Relationship Network</td>
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<tr>
<td>Meaningfulness</td>
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<td>39</td>
</tr>
<tr>
<td>Achievement</td>
<td>25</td>
<td>29</td>
<td>37</td>
<td>43</td>
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<tr>
<td>Global</td>
<td>122</td>
<td>151</td>
<td>174</td>
<td>202</td>
</tr>
</tbody>
</table>

Case 2

Komal’s Marital Dysharmony

Komal was apparently asymptomatic about thirteen years back till she was married in 2000, to Mr. X, everything was fine between the husband and wife for some time, but slowly as time passed the couple started having fights, arguments which happen between couples, but these became a problem when the fights became very serious, the husband stopped believing the wife regarding her complaints for the mother-in-law’s ill treatment towards her, who in his absence, she would taunt the patient, would make her work etc.

Since the beginning of the marriage the husband had high expectations from her, which had put a lot of pressure on her, according to his expectations, the wife should be working independently, he had tried to indulge in her various activities, such as driving, working as a beautician, applying for various other jobs. Komal was not expected to do all this, by her parents and when after marriage she was asked to do all that she had never done it became tough for her to cope with all this which led her to take steps to end her life and made her think that the husband did not love her. Komal also started fearing her mother in-law’s visits as whenever she would visit, the husband would be a completely different person, he would not pay attention to her, would not care if she had her meals and she would have to do a lot of house work that time and nobody would help her in that She tried to commit suicide two years back by jumping infront of the car and also tried consuming phenyl but was saved. She had made many other attempts to end her life but does not remember them clearly.

The couple came to the clinic when all these fights, and suicidal ideations became very problematic and they could not handle it any more. From past six months Komal had lost interest in all pleasurable activities, she did not like to interact with any one, she did not talk to any of her friends, her appetite had decreased, she had disturbed sleep (early awakening), and she feels lethargic and does not like playing with her children as well.

Her BDI score showed severe depression and Oi score also shows her low in all dimensions of optimism.
OAM therapy was used on her for a duration of 4 months with follow up every week. She was regular in the sessions and subsequent scores showed marked improvement in her behavior patterns and coping skills. She was more at peace with herself now and took interest in her daily activities with her family members.

Table 2 Changes in levels of optimism index at each month with OAM therapy

<table>
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<tr>
<td>Global</td>
<td>136</td>
<td>169</td>
<td>188</td>
<td>218</td>
</tr>
</tbody>
</table>

Case 3 Rohit’s Emotional dysregulation

Rohit was brought by mother with the chief complaints of excessive and inappropriate emotional reaction in response to a negative life event. The informant reported excessive and regular consumption of alcohol, cigarettes and other psychoactive substances since the past 2-3 years. Premorbid personality was characterized by impulsivity, chronic feelings of emptiness, instability of mood and self image, difficulty sustaining relationships, fear of abandonment and episodes of deliberate self harm. Personal history reveals separation of parents 10 years ago. He seemed to be fearful of losing loved ones and she would tend to breakdown in stressful situations. He had a low frustration tolerance and got easily upset and emotional. He had traumatic memories of her childhood and regretted certain impulsive and irresponsible behaviors of the past.

In therapy, Rohit wished to achieve his personal and professional ambitions. His outlook towards the future seemed to be bleak and pessimistic when he was brought to the clinic.

Psych diagnostics revealed him high on GAD – Generalised Anxiety Disorder. His Oi scores were also low on all dimensions.
OAM therapy for 5 months was done with a follow up every week. There was marked improvement in his behavior pattern and coping skills as a result of OAM therapy. His family life improved considerably and she was able to focus on his professional goals with a better focus and concentration.

Table 3 Changes in levels of optimism index at each month with OAM therapy

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<td>38</td>
<td>42</td>
</tr>
<tr>
<td>Engagement</td>
<td>32</td>
<td>36</td>
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<td>46</td>
</tr>
<tr>
<td>Relationship Network</td>
<td>27</td>
<td>31</td>
<td>33</td>
<td>39</td>
</tr>
<tr>
<td>Meaningfulness</td>
<td>28</td>
<td>29</td>
<td>32</td>
<td>38</td>
</tr>
<tr>
<td>Achievement</td>
<td>28</td>
<td>35</td>
<td>38</td>
<td>41</td>
</tr>
<tr>
<td>Global</td>
<td>140</td>
<td>162</td>
<td>179</td>
<td>206</td>
</tr>
</tbody>
</table>

Case 4
Ishan’s Depersonalisation

Ishan an 18 year old Male was referred for for a psychological evaluation to determine his current cognitive and emotional status. He had a long history of poor academic performance due to dysfunctional family history. His parents were divorced and his alcoholic mother having remarried, had a 6 year old daughter and lives in Dwarka, Delhi. There had been a long history of domestic violence (emotional abuse) from both sides which persists even now. He stays with his teetotaler, easy going father, who did not remarry for the sake of Ishan and was never in a relationship.

Ishan was introduced to his ex-girlfriend when he was 14, by his mother. They had been in a live in relationship for some time in Ishan’s house where his father and grandparents had given their tacit approval for the same. His present issues are the he gets violent, aggressive, abusive and threatens his family (breaks laptops, mobiles – anything which comes in sight) whenever he feels that his needs are being thwarted. He has severe depersonalization issues, suffers from nightmares, mood swings from one extreme to another, threatens self harm, drinks frequently and of late does not feel satisfied with sexual encounters since the last 8-9 months. He suffers from acute body aches, headaches, feels lethargic and procrastinates promptly. During driving, he gets obsessed with the thought that he must have hit somebody even though he has never done it so far.

He does rash driving and spends a lot on things he does not require (ranging from 1k to 70 k) at times, whenever he gets mad or angry. He visits his mother often and the family feud, distrust and unhappiness persists.

Sources of information

Background information was obtained from his parents, paternal grandmother and girlfriend which appears to be reliable and valid. Current status of his emotional health was obtained from
observation during testing and from standardized psychological tests. The validity of his performance on these tests was deemed to be accurate due to his cooperation and compliance in sharing information about his life even while doing the tests. He desires to be off his symptoms which seem to have overpowered this seemingly docile (during sessions) six foot boy.

**Assessment Procedures**
- Rorschach test
- Personality Trait Inventory
- Short BPD test
- Optimism Index

**Mental Status Examination**
Results of mental status examination revealed an attention seeking teenager who showed evidence of excessive distractibility but tracked conversation well. He was casually dressed and groomed. Orientation was intact for person, time and place. Eye contact was appropriate. There was no abnormality of gait, posture or deportment. Vocabulary and grammar skills were suggestive of intellectual functioning within the average range.

His attitude was open and cooperative. His mood was euthymic. Affect was appropriate to verbal content and showed broad range. Memory functions were grossly intact with respect to immediate and remote recall of events and factual information. His thought process was intact, goal oriented, and well organized. Thought content revealed no evidence of delusions or paranoia. His level of personal insight appeared to be good, as evidenced by ability to state his current disillusionment with his own self regarding his drinking, body aches, and depersonalization issues. He says that he is obsessed with the thought that he must have hit somebody while driving and sometimes goes as far back as 20 km to find out if indeed he had done it. Social judgment appeared good, as evidenced by appropriate interactions with the other hospital staff during MSE.

**Results of evaluation:**
Using information from multiple sources, the following domains of functioning were analyzed in terms of the effect on Prashant’s behavior and personality.

**Rorschach test**
His interpersonal relations appeared to be poor (H and Hd low). He tends to suspect the intentions of others and even gets hostile to them (Perception of aggressive animals, devil – Raakshas, ghost, horrible looking creatures etc.). His thinking is not systematized. It is impulsive rather, but after some time, he tends to regain the control and also tends to perceive the popular responses which he should have perceive ahead of non-popular responses. His adaptive capacity seems impoverished.

Responses also indicate that his behavior is entirely governed by his emotions and he is quick in releasing emotions outside. Disturbance in interpersonal relationship is indicated as there are lesser H responses. R is low, slow in responding, card turning and shading shock on plate VI stopped him to give any response on it. The content category is narrow. He showed discomfort on the plates requiring imagination and adaptation and therefore there has been more card turning. His basic intelligence seems to be average. He has dry reality orientation without affective component (F + % high without mature colour responses). His adjustment has gone down to a low degree (High A %). He is concerned about his inner body and strength (High Presence of Anatomical Responses).

The protocol is consistent with the diagnosis of Depressive illness and Somatoform Disorder.

2. **Personality Trait Inventory**
Ishan’s personality pattern was a focus of this evaluation due to a concern with long history of emotional and behavioral difficulties. This information was gathered from Personality Trait Inventory. His scores indicate that he is high on Emotional Instability and Depression. His responses also indicated that he appears to be somewhat naïve and immature with a strong need for attention and affection. He may often react to stress or avoids responsibility by not paying attention to work or by procrastination, He has good insight into this tendency. Many symptoms of anxiety, tension, worries and sleep difficulties
were reported. He may be too dependent for his age and relate to others in an immature but aggressive, violent fashion.

Feelings of insecurity, inadequacy, hypersensitivity and anxiety were noted. There was also a need for support combined with a low self-concept. He has immature, dependent and aggressive tendencies and often feels depressed. He feels constricted and threatened from his environment. He seeks escape from his present surroundings but feels caged and controlled by others which render him helpless and despondent of future. He has a strong tendency to rebel, flout social norms by not conforming to the prevalent ones.

3. Short test of BPD (STB)
Prashant reported positive to the following concerns during the test.
Often been distrustful of the other people.
Reckless driving and excessive spending
Frequent feelings of dejection
Having bad mood swings
Tried to do self harm in fits of anger
Close relationships troubled by lot of arguments
Impulsive anger
Problems with drinking and verbal outburst
Frequently feeling as if things around seemed unreal
Strong need for control.
Acute body aches

4. Optimism Index
His score on Optimism Index came to be 180, indicative of low energy levels, depression, sense of hopelessness and learned helplessness. Overall, the results are suggestive of the diagnosis of Borderline Personality Disorder, Somatoform disorder along with Depression.

For Interventions, he was put on OAM therapy for 6 months and there was marked improvement in his symptoms. Ishan continues to be regular in therapy and is doing well on academic front too. He had developed good insight about his issues and OAM therapy helped him to build an approach that focuses on developing distress tolerance and emotional regulation. This helped him to cultivate a more adaptive coping/defensive pattern.

Table 4  Changes in levels of optimism index at each month with OAM therapy

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
<th>4th Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Emotions</td>
<td>32</td>
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<td>39</td>
<td>41</td>
</tr>
<tr>
<td>Engagement</td>
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<td>41</td>
<td>45</td>
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<td>Relationship Network</td>
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<td>Meaningfulness</td>
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<tr>
<td>Achievement</td>
<td>31</td>
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<td>46</td>
</tr>
<tr>
<td>Global</td>
<td>150</td>
<td>172</td>
<td>195</td>
<td>217</td>
</tr>
</tbody>
</table>

Way forward: transforming lives
(On becoming an Oamian)

Of late, the burgeoning importance of including positive psychology in work place is being increasingly recognized. Many researchers globally are working on understanding the impact of optimism and motivation in work place. In fact, Optimism has been recognized as one of the most wide spread of behavioral biases. Studies on Optimism have shown that individuals who believe that good things will happen in their future actually benefit from this positive thinking. Such individuals are more at peace with themselves, lose temper less frequently, remain calm even in the most provoking situations and are able to deliver under most trying circumstances.
The paradox is that despite many researches backing up their claims with statistical significance yet very few organizations actually employ employee involvement or engagement. This happens because the command and control style of work management still is quite predominant. This is surprising but true although many researches actually claim the opposite i.e. self-responsibility comes in with collaborative team effort, yet organizations fail to work on this particular perspective. There are also not many psychometric tests available which are able to measure and maximize employee involvement and engagement.

PEROMA Oi – A Tool for Predicting Success does exactly this.
It is a very simple, yet effective tool to measure the present levels of Optimism in an individual. It gives a profile picture of the individual very succinctly and it also measures the impact of incremental increase in the levels of Optimism inculcated after training.

The present competitive world give a breather to only the survival of the happiest. OAM handholds the individuals to understand how optimism affects our chances of success and happiness. The preceding sections tell us about measuring optimism with the hope of maximising it too with conscious efforts using OAM therapy. This Seventh Sense will help one and all to inculcate the spirit of optimism, achieve greater heights, and pursue our dreams to reach our goals. It is the magnetic super power. Enhances the capacity of an individual for superior outcome. The driving force of O (Optimism) which enhances the attainment of the individual. Optimism is like the sun which gives rise to magnetic power to achieve superior outcome. The Optimism which when combined with engagement along with compelling purpose gives rise to the seventh sense in the individual.

The author is passionate about spreading Peace through Optimism. She strongly feels that the world can be made into a happier place by development of self towards scientific temperament for learning to imbibe optimism from the very beginning of one’s life which begins at school level. Hence, she exhorts teachers and other stakeholders at school level to keep “Optimism in Your Hands” as a fun game as an integral part of their curriculum at all levels ie Primary, Middle and Secondary. Just as Moral Science is taught in schools, similarly optimism as a subject should be taught in schools. This will positively impact the young minds in their early years to develop the attitude of innovation, creativity, gratitude, hope and resilience. Thus, Incredible India will be able to create a community of people who are incorrigibly optimistic, happy, and hopeful and are able to withstand changes thereby maximizing their chances of enhancing their quality of life. (QOL) as they become incorrigibly happy Oamians.

An OAMIAN is an individual who believes and practices OAM (Optimism Attitude Model) in his daily life. In fact being optimistic and positive at most of the times helps him to be meaningfully engaged, resilient in his approach while on his way for greater accomplishments in his life. He has uploaded and installed firmly the principles of OAM in his life.

OAM therapy is more about enabling people to find their own paths than prompting people to walk those laid out by the therapist. OAM therapy has been honed with a decade of experience in the field. This is a hands on approach and focuses on equipping the individual with more effective strengths and fulfillment to address his issues and come up with positive solutions. This therapy is not meant for life long participation but emphasis is on armorng the individual with a repertoire of attitudinal skills he may use whenever faced with a challenging situation/task.

In the present day scenario when the world is facing tumultuous situations in socio-politico-economic landscape, there is an urgent need to harness the latent power that is within every individual towards constructive goals. The world has virtually got converted into a global village where we all live together and are mutually interdependent in some form or the other. At this critical juncture of human history, the need of the hour is to equip the youth in this global village take the lead role in making it a better place to live. The world population is currently dominated by the youth power. Majority of the global populace is constituted by the youth. They have tremendous potential within themselves. It is important for policy makers at the global stage to facilitate maximum avenues for the young generation to unleash their divine potential through a spirit of optimism and mindfulness. And this can be done right from childhood in the family, in educational institutions, and eventually in the work place. The world has already witnessed the positive force that is within youth in the world of technology, innovation and creativity.
Their success stories are truly mesmerizing in that context. Now it is time when they need to take frontal leadership role in all facets of world developmental process. It is high time that they come up to the expectation of all and discover their innate potential with the magnetic force of optimism that in turn would facilitate the unbounding of the superpower that is within them in the form of “Seventh Sense”. Once that is happening their natural dynamism will automatically provide them with unrelenting mental capacity to drive through and reach newer heights of success, glory and self-actualization. If the young generation all across the world is able to be the agent of change then that will be truly transformational for the global community at large.

That will be truly inspirational for human beings on the face of the earth. But in the midst of all these immense possibilities, the bottom-line is that all of us should relentlessly make a sincere effort to move forward with positive emotions and mindfulness. We should never forget that the spirit of optimism is the lifeline of our inherent energy, just like the sun in the solar system, and drives us all the way to higher levels of achievement. Once such construct allows us to realize our full potential that is within ourselves, we are able to rediscover our own selves and harness the all-encompassing superpower within ourselves manifested by “Seventh Sense” that is bound to make our lives versatile and enable us to reach higher levels of success, glory, and self-actualization.

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Social investing, ethical mind-sets, and nudges: A neuro-economic investigation

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Habiba Elkholy
University of Bath, UK

Keywords
Social investing; financial versus social returns; intrinsic versus extrinsic motivation; behavioural economics; social preference theory; neuroeconomics; nudge.

Abstract
Investing into the financial markets has become increasingly complex in recent years, with a multitude of investment products and motives. With the rapid growth in social investing and social entrepreneurship, scholars recognise that investors and entrepreneurs often consider a wide range of social factors, in addition to financial return, when making their financial decisions. Pilaj (2017) has called for increased focus on testing these mixed financial and ethical motives of investors, and whether nudges can be effective in nudging investors towards social investments.

Behavioural economists argue that it is important to understand the complex economic and behavioural/psychological factors affecting social investors’ decision-making. In this paper, we draw upon lessons from behavioural economics (and in particular, social preference theory) in order to develop neuro-economic tests of investors’ social and financial mind-sets. We focus on two main research questions: a) How heterogeneous are (social-) investors, in terms of the unconscious weightings that they place upon financial and social returns? Can investors’ mind-sets be placed upon a continuum from focussing on social returns, through mixed motivations/weightings, through to focussing on financial returns? b) Can investors be nudged along this continuum?

We address these two research questions by means of two neuro-experiments. We employ eye-tracking techniques to examine investors’ attention to, and fixation on, social and financial aspects of financial market investment. In addition, we employ nudges in the form of images relating to positive and negative social behaviour. Our experiments demonstrate that a) investors can indeed be placed on the financial-social motivation continuum (and that there is heterogeneity in social-investors’ motives along this scale), and b) investors can be nudged along the scale. Our experiments thus provide policy implications regarding nudges towards social investment. Practically, we suggest the development of a phone application that integrates real-time stock-tracking with nudges in order to inspire socially responsible investing; banks would play a key role in encouraging its download. Nudges can help to overcome the conflict between social and financial returns.
Does level of CPA firm assurance affect investing decisions?

Arnold Schneider
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Georgia Institute of Technology, Atlanta, USA

Key words
Auditing, Investing

Abstract
This study examines whether the level of assurance associated with financial statements affects individual investing decisions. A between-subjects behavioral experiment is used with a control condition and three treatment conditions involving different levels of auditor assurance. Findings indicate that as the level of assurance progresses from none to compilation to review to audit, investors’ perceptions of risk associated with the investment decrease. However, the type of audit firm association did not seem to influence the amounts that individuals were willing to invest.
Auditing VAT compliance in Poland. Goals, tools and effects

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Department of Public Finance
Poznań University of Economics and Business, Poland

Keywords
Tax compliance, tax evasion, VAT audit

Abstract
Diversified schemes of tax non-compliance have their origin in different behaviours and circumstances. They have been continuously explored by the scientist since the 1960s. Classical theories focus on the role played by deterrence as a means to prevent non-compliance. Among deterrence factors tax audit probability is commonly considered to be an important variable explaining the perceived scale of compliance. In the more modern approach tax compliance is analysed while taking into account multiple non-economic factors such as age, gender, religion, attitudes, perceived justice and social norms. This approach is justified especially when tax collection is not negatively affected to a wide extent by the activities of organised crime groups. In the case of VAT the predominant part of revenue loss related to non-compliance is caused by these activities. That is why the efficiency of tax audits is considered a crucial factor to counteract VAT evasion. This article attempts to evaluate the efficiency of VAT audits, reviewing inter alia the audit selection methods. It also addresses the specific factors of VAT non-compliance and demonstrates the scale of this phenomenon in Poland.

Introduction
Tax compliance is a complex phenomenon. The taxpayer decision: to pay or not to pay their tax liability is affected by a wide array of factors. It may be influenced by economic, social and psychological determinants. These determinants and their interactions differ strongly depending on the type of tax, e.g. personal income tax, value-added tax, sales tax. In the case of VAT non-compliance takes very often the form of organized tax crime. This is true especially in the European Union member states where VAT fraud is committed by groups of companies, each entrepreneur being assigned a specific function in the fraudulent scheme. According to the estimations of the European Commission the tax loss due to cross-border VAT fraud in the EU member states reaches nearly 50 billion Euro per year. Preventing this fraud is therefore a top priority for European governments. In the economic literature tax audit is frequently mentioned as an appropriate instrument of fraud counteraction. The efficiency of tax audits is determined by multiple internal and external factors, such as audit coverage or taxpayer selection methods. The basic aim of this article is to answer the question as to whether tax audits in Poland are an effective method of non-compliance detection. It is composed of three parts, the first devoted to factors of VAT non-compliance, second – tax audit selection methods and the last results of tax VAT audits conducted in Poland in recent years.

Factors influencing VAT compliance
VAT is perceived as one of the taxes markedly vulnerable to non-compliance. An approximate estimate of the extent of general VAT non-compliance is usually presented in the form of the VAT gap. Its scale in the European Union member states is periodically measured and described in one of the publications prepared for the Directorate General Taxation and Customs Union. According to these publications the VAT gap as a percentage of theoretical tax liability was relatively stable in the last ten years. It oscillated around 13,0%. The VAT gap varies significantly across countries (TAXUD, 2017, p. 17). In 2015 it exceeded 37% in Romania, reached nearly 30% in Slovakia, was higher than 25% in Greece, Lithuania or Italy and attained almost 25% in Poland. In the same year it did not surpass 5% in Sweden or Croatia. Due to the comparably high VAT gap in Poland the efficiency indicators of this tax are among the lowest in the European Union (Hybka, 2018, p. 287). Both the VAT gap and c-efficiency indicators for Poland are presented in Table 1.
Table 1. VAT collection, VAT efficiency ratio and VAT gap in Poland in the years 2012–2015

Tax compliance decisions are usually shaped by a wide range of factors. Extensive literature sources exist addressing these factors. Researchers frequently verify such variables as tax moral, tax fairness and deterrence measures. Apart from these variables some authors analyze more specific determinants that may be classified by using different criteria. In the publication of Marandu, Mbekomize, Ifezue tax compliance determinants are grouped into four categories: attitude, subjective norms, perceived behavioural control and others. This particular classification is based on the Theory of Planned Behaviour. This theory postulates that intentions and behaviours are a function of three determinants: one personal in nature, one reflecting social influence and the last one dealing with issues of control. It was formulated taking into account three assumptions, namely that humans usually behave in a sensible manner, that they take into account available information and that they implicitly or explicitly consider the implications of their actions (Ajzen, 2005, p. 117).

Examples of some factors in the categories mentioned are presented in Table 2. Some of these factors have strong positive or negative effect on tax compliance. In the case of others the results of the conducted analyses are inconclusive. Tax moral and tax fairness, according to multiple studies, affect tax compliance positively. Deterrence measures (e.g. tax audit probability or legal sanctions) however are found to be more controversial. It must be noted that such determinants as a probability of tax audit and legal sanctions are among the most commonly studied determinants of tax compliance. Their analysis started with the development of the deterrence model (Allingham, Sandmo 1972, s. 323). In that model tax compliance may be improved by increasing penalties and detection rates. As it is however emphasized by Murphy the results conducted to verify some aspects of reactance theory demonstrate that legal coercion may lead to opposite behaviour patterns than those expected by the legislator (as for instance further non-compliance, creative compliance or overt opposition) (2008, p. 115). That is why the introduction of severe tax sanctions may, under certain conditions, result in decreased compliance.

<table>
<thead>
<tr>
<th>Category</th>
<th>Factors of tax compliance</th>
<th>Number of findings which displayed:</th>
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<th>Negative association</th>
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<td>Tax knowledge/Tax education</td>
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<td>Perceived tax burden</td>
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<tr>
<td></td>
<td>Expected costs of non-compliance</td>
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<td>–</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individualism</td>
<td>–</td>
<td>1</td>
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</tr>
<tr>
<td></td>
<td>Assertiveness</td>
<td>1</td>
<td>–</td>
<td></td>
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<tr>
<td></td>
<td>Affective priming</td>
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<td>Cognitive priming</td>
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<td>Subjective norms</td>
<td>Normative expectations</td>
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<td></td>
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<tr>
<td></td>
<td>Referral group</td>
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<td></td>
<td>High moral norms</td>
<td>1</td>
<td>–</td>
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<td></td>
<td>Known number of tax evaders</td>
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<td>Perceived behavioural control</td>
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<td>–</td>
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<td></td>
<td>Gender</td>
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</table>

Table 2. Selected factors of tax compliance
Although tax compliance in general terms is a popular research topic factors of VAT compliance are addressed in the economic literature rather rarely. Most papers are in fact devoted to income tax compliance. That is why, as it is suggested by Webley, Adams and Elffers, in analyzing causes of VAT non-compliance one can draw conclusions based on general theories, empirical economic and psychological /behavioural economic literature (2006, p. 176). One of the models considered by these authors in this analysis is the WBAD model concentrating on the motives of the taxpayers. Based on this model taxpayers may be divided into those who are willing to, are able to and dare to be non-compliant. Individuals may fall into particular categories as a result of their personality or attitudes (e. g. being community-minded) or because they feel deterred by reputational or financial risk (Webley, Ashby, 2010, p. 249). They may also be encouraged by existing tax regulations, other businesses in the same economy sector committing tax offences on a large scale without being audited or sanctioned, or corrupt government.

In the paper by Webley, Adams and Elffers the authors research the most important factors shaping the VAT compliance decisions taking into account the following determinants: deterrence, equity, personality, satisfaction with tax authorities and mental accounting (2006, p. 177). The analysis of mental accounting as important factor of tax compliance builds on the fundamental ideas of behavioural economics. According to Thaler mental accounting is defined as a set of cognitive operations that are used by individuals and their groups to organize, evaluate and keep track of financial activities (2000, p. 241). As is suggested by Webley, Adams and Elffers if the business owners perceive VAT paid by the customers as part of their business turnover they may be more reluctant to hand it over to the tax authorities (2006, p. 182).

It must be underlined that VAT non-compliance usually takes diversified forms and some non-compliant behaviour patterns may be driven by different motives than the others. The review of VAT evasion schemes makes it possible to divide those using different criteria, the simplest however may be associated with the scale of business activities and type of transactions conducted. According to this criterion non-compliance patterns related to domestic transactions differ from those related to international transactions. In the European Union the latter type of non-compliance poses a constant and serious problem due to the application of the so called destination principle. Pursuant to this principle the supply of goods in the country of the supplier is exempt from tax. At the same the right to the refund of the input tax is maintained in the country of the buyer where the supply of goods is taxed in accordance with the applicable tax rate. Existence of this principle creates a temptation for abuse. Carousel fraud is currently considered as one of the most serious threats to VAT financial resources. It is based on the exploitation of the VAT refund mechanism and takes the form of organised crime usually with involvement of many businesses. In the case of such fraud such non-compliance variables as the perception of tax fairness play a less important role and their counteraction depends mainly on an efficient tax audit system.

**Tax audit selection methods**

Proper design of audit selection methods is a prerequisite for audit efficiency. Selection of taxpayers for the purpose of tax audits can be carried out using a number of methods. They especially include: manual screening, random selection and risk-based selection. In practice these methods are applied interchangeably or complement each other. The easiest of them is screening. It involves selecting taxpayer documentation to be verified by an employee of the tax authority based on his professional experience and information held by this authority. It is a traditional method that dates from the time when there was little or no IT support. It enables full use of local knowledge and creates relatively less resistance from the auditors’ side. However tax authorities all over the world are departing from this method as it has numerous disadvantages. They are described in particular in the publication of the OECD from 2004 and include (Audit case selection, 2004, pp. 11-12): a strong reliance on a limited data set with no systematic cross reference to other data sources, auditors can miss aspects of tax non-compliance with which they are not familiar, high opportunity costs. In Poland the screening method was widely applied before the country’s accession to the European Union. Currently it is generally used as an
auxiliary method. This method was also implemented in certain decentralized tax systems, for example in the United Kingdom (Khwaja, Awasthi, Loeprick, 2011, p. 19).

Another, also less and less frequently applied, method is the random selection, which involves choosing a sample from the taxpayer population. This means that the probability of being drawn for audit is the same for every taxpayer (simple random selection). This method is applied for a variety of purposes, especially in order to develop a new or validate a case selection system currently in use, to identify emerging evasion schemes, to evaluate the scale of tax non-compliance (tax gap) in the population or in the specific sector of the economy and to assess the effect of tax enforcement policies. According to the OECD study most tax authorities use the so-called stratified sampling which divides the population of taxpayers into subgroups according to specified attributes, such as for example the sector of the economy, turnover, income (Use of Random Audit, 2004, p. 19). The probability of selection may be different in each stratum. It is commonly applied while selecting taxpayers for VAT audits. Apart from that method tax authorities may also use systematic and group sampling. In the first taxpayers are selected for tax audit at fixed intervals (e.g. in each group of 100 taxpayers every 57th is selected). Group sampling is a convenient sampling technique when the taxpayer population consists of diversified groups exhibiting different patterns of compliance behaviour.

The programme of random selection of taxpayers was first implemented in the USA as early as the 1960’s (Taxpayer Compliance Measurement Program). It was used by the IRS until 1988. Some OECD member countries continue to apply taxpayers' random selection schemes for tax audit purposes. One of them is the United Kingdom. This programme is used in particular to select small and medium-sized enterprises. However the method of the random selection of taxpayers has some drawbacks. In general high costs of employee training and quality control as well as significant costs directly related to the implementation of random audit programmes are indicated by multiple authors as major weaknesses of this method. Its basic advantage is the direct relationship between the size of the sample and the probability of a tax audit from the perspective of taxpayers.
One of the tools for selecting taxpayers for tax audit is the IDEA program (Interactive Data Exploration and Analysis). It was acquired by tax authorities in Germany, Canada, Great Britain, New Zealand and Poland (Weimann, Eichmann, 2003, p. 45). This program uses Benford’s law that takes into account the probability distribution of specific digits in significant positions in natural numbers. Benford’s distribution of the digits in the first position is presented in Figure 1. Its use is not justified in every case. Tax or accounting data do not always have the Benford distribution (Durtschi, Hillison, Pacini, 2004, p. 23). Deviations from this distribution occur, for example, when a company conducts a series of identical transactions with the same commodity, the price of the commodity is fixed and the company issues invoices in order to document them. Another example is when Benford’s law may not be applied for tax audit purposes and involves certain data related to business activities in a specific area, e.g. data on the amounts of refund on refunded medicines gathered by businesses offering pharmaceutical products. In addition the analysis of the distribution of digits in numbers using Benford’s law brings reliable results only in the case of data sets characterized by the unchanging scale and base of mathematical operations. The data included in them should also meet certain additional conditions. Numbers that do not follow Benford’s law have the following characteristics (Cho, Gaines, 2007, 219):

– are assigned (e.g. invoice numbers, VAT identification numbers),
– are influenced by human thought (e.g. prices set by psychological thresholds – $1.99),
– are part of a large set of firm-specific numbers,
– are part of accounts with a built-in maximum or minimum.

In OECD member states and the European Union taxpayers are selected for audit also on the basis of identified external risk areas. In order to increase tax compliance these countries have implemented external risk management strategies. These strategies allow the employee of a tax office to identify taxpayers who are most likely to make mistakes or evade taxes. In this method cases for tax audit are selected on the basis of the available data and with the use of specific data analysis techniques.

<table>
<thead>
<tr>
<th>Risk area</th>
<th>Australia</th>
<th>Austria</th>
<th>Canada</th>
<th>Ireland</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to register</td>
<td>H/M*</td>
<td>H</td>
<td>H</td>
<td>-</td>
<td>H/M</td>
</tr>
<tr>
<td>Failure to file returns on time</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Failure to correctly report:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avoidance schemes</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Evasion schemes</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Practices to inflate refunds</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Specific industry issues</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Cross border transactions</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Reporting non-compliance</td>
<td>H/M</td>
<td>M</td>
<td>H</td>
<td>H/M</td>
<td>H/M</td>
</tr>
<tr>
<td>Failure to pay tax on time</td>
<td>H/M</td>
<td>M</td>
<td>H</td>
<td>H/M</td>
<td>H/M</td>
</tr>
</tbody>
</table>

Table 3. Specific VAT risk areas in selected OECD countries
Source: Developments in VAT, 2009, p. 18.

* H – high risk, M – medium risk

Similarities concerning identified risk areas in different countries may be observed, especially in the case of VAT. Table 3 categorizes VAT risk areas identified in some of these countries. In Poland an external risk management strategy was implemented in 2005. Description of risk areas (VAT risk areas included) is part of compliance plans published by Polish Ministry of Finance. Those identified for VAT audit purposes are presented in Table 4.

<table>
<thead>
<tr>
<th>Risk areas</th>
<th>Risk subareas</th>
</tr>
</thead>
<tbody>
<tr>
<td>High VAT refunds or repeatedly declared excess of input tax</td>
<td>Carousel fraud</td>
</tr>
<tr>
<td></td>
<td>Construction services</td>
</tr>
<tr>
<td></td>
<td>Immaterial services</td>
</tr>
<tr>
<td></td>
<td>Fuel sector</td>
</tr>
<tr>
<td></td>
<td>Scrap recycling sector</td>
</tr>
<tr>
<td></td>
<td>Mobile phone trade or trade with other small-sized commodities of high value</td>
</tr>
<tr>
<td></td>
<td>„Readymade“ companies</td>
</tr>
<tr>
<td></td>
<td>Virtual offices</td>
</tr>
<tr>
<td>Missing registration; missing declaration; missing trader;</td>
<td>Missing registration</td>
</tr>
<tr>
<td></td>
<td>Missing trader and missing declarations</td>
</tr>
</tbody>
</table>
Another common method used to select taxpayers for audit is risk scoring. This method requires the collection of large sets of data. This data is collected and processed using many techniques. One of them is data matching. It allows the comparison of data contained in the taxpayer's tax declaration with data about the taxpayer and his activities coming from external sources, including customs administration, banks and other financial institutions or insurance companies. Risk scoring can be carried out using parametric and non-parametric methods.

![Data mining techniques applied for audit selection purposes](image)

**Figure 2. Data mining techniques applied for audit selection purposes**

Parametric methods include regression analysis and discriminant analysis. In this case the selection of taxpayers is carried out on the basis of models defining the relationship between the tax non-compliance scale as a dependent variable and the relevant independent variables, such as: scale of business activity, number of employees, age of the enterprise, business sector. Recently, however, tax authorities adopt non-parametric methods more and more frequently. One of these methods is data mining used to search for regular data patterns and systematic interdependencies between them. Data mining is applied, for example, in Canada, the United Kingdom and the USA. It is the Australian Taxation Office that excels in the field of implementing new methods of data mining in order to select taxpayers for tax audit. Three data mining techniques applied to select taxpayers for tax audits are illustrated in Figure 2.

Decision trees allow the identification of homogenous groups of taxpayers based on previously defined criteria. Their identification involves application of appropriate algorithms allowing data separation. For example, in the case of the CART method this identification is carried out on the basis of the Gini index. Neural networks also enable the identification of taxpayers based on predefined criteria but this method does not require a hierarchy of variables. Nodes in a neural network can be simultaneously determined by more than one variable. Data clustering also allows for the simultaneous inclusion of several potential variables in order to segment the taxpayers.

4. Efficiency of VAT audits in Poland – measures and main findings

Due to its collection efficiency value added tax is of particular interest to tax audit authorities both in Poland and in other EU Member States. According to data published by the Polish Ministry of Finance in the years 2005-2016 tax authorities initiated almost 1.4 million audits. Verification of the accuracy and completeness of value added tax declaration accounted for almost 75% of all field audits carried out by tax authorities.
The efficiency of audit selection and efficiency of the audits themselves significantly increased. Indicators for both grew almost every year (except for 2006 when there was a slight decrease in the audit efficiency index in comparison to the previous year and in 2012, when the audit selection index decreased slightly when compared to the previous year). This phenomenon occurred despite the decrease in the percentage of taxpayers and tax periods subject to audits. The increase in these indicators was inter alia the result of two factors:

- the application of new selection methods, supported by an increased use of information technologies and especially the introduction of a selection system based on identified risk areas,
- the systematic growth of the value added tax fraud cases grew significantly.

In 2005-2016 on average 45.0% of audits were carried out on the basis of identified risk areas. At the same time it should be emphasized that non-compliance in declaring and paying VAT was also observed as a result of tax audits initiated on the basis of risk areas related to taxes other than value added.
tax. The data for 2013 illustrates, for example, that as much as 91.5% of the total number of VAT non-compliance cases as a result of all tax audits conducted were discovered during audits carried out in the VAT-related risk areas. In the case of audits initiated in the VAT-related risk areas relatively high amounts of additional tax per audit were assessed. The most common VAT non-compliance behaviour in Poland covers inter alia: fictitious intra-Community transactions, disguising domestic sales as international transactions (export, intra-Community supply), underreporting sales in order to avoid registration for VAT purposes, missing trader fraud, falsifying refund claims, forging invoices, purposely misclassifying commodities in order to increase the proportion of sales subject to lower tax rates.

In Poland taxpayers may be subject to two types of audits: comprehensive and targeted. The first involve in-depth investigation into taxpayer’s liabilities related to all applicable taxes. Targeted audits, on the other hand, concentrate on limited issues, such as selected tax liability or a selected tax period. One of the key VAT-related risk areas in Poland are VAT refunds. Declaring a high amount of refund involves the need to verify its validity. In 2005-2016, nearly 675,000 accounting periods were audited in this risk area and about 8.9 thousand targeted audits were conducted. Since 2005 both the number of auditing accounting periods by comprehensive audits and number of targeted audits conducted has been systematically decreasing. There was however a clear increase in the selection efficiency indicators in the case of both types of audits - comprehensive and targeted (Table 6).

5. Discussions and conclusions

Tax audit plays a key role as an instrument of government fiscal policy. It enables the counteraction of tax crime and increases general tax compliance. It can affect the collection efficiency of public revenue and guarantee the resources necessary for the supply of public services. It is especially important for ensuring compliance with value added tax obligations. There are two reasons for that: the key role VAT plays as a source of public revenue and the serious scale of the VAT fraud which leads to significant losses of this revenue. In the last decade the VAT gap in Poland due to evasion and avoidance increased from 1% to 2.5% of GDP. VAT fraud is mainly a consequence of the EU's destination principle applicable in the case of intra-Community transactions.

Poland’s accession to the European Union has contributed not only to the harmonization of VAT law, but also to the implementation of instruments aimed at more effectively combatting tax evasion. This applies in particular to the methods of selecting taxpayers for tax audits. Identifying external risk areas for the purpose of these audits allows a focus of examination activities on particular groups of taxpayers and the particular obligations that are most often associated with fraud cases. In order to increase the efficiency of tax audits tax authorities identified the following sub-areas of tax risk: registration for the purposes of this tax, intra-community transactions or VAT refunds. In the years 2005-2016 there was a significant improvement in the results of tax audits in this particular area. Not only the efficiency indicators of the VAT audits but also the scope of the application of risk areas as an instrument of selecting entities for these audits increased significantly. VAT non-compliance is a very rarely approached topic in the economic literature. Further research is needed not only to define specific non-compliance factors in different countries but also to design more efficient tax audit methods to detect and counteract VAT evasion (sales tax evasion) on the global scale.

References


The impact of company fundamentals on common stock prices: evidence from MENA region

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Keywords
MENA region, Company fundamentals, Market price of shares, Panel data, FGLS

Abstract

**Purpose of the research:** The purpose of this paper is to examine the impact of firm-specific factors on the market price of shares (MPS) in the Middle East and North Africa (MENA) region. The paper also controls for the effect of global financial crisis on MPS.

**Design/methodology:** The paper uses a dataset provided by OSIRIS, covering a sample of 277 firms (1919 firm-year observations) listed in seven MENA countries for the period 2000-2015. The empirical model applied in the study consists of nine variables and the Feasible Generalized Least Squares (FGLS) is employed to estimate the parameters.

**Results/findings:** The results suggest that firm-specific fundamentals play a vital role in determining the MPS in the MENA region. More specifically, factors such as return on equity, book value per share, dividend per share, earnings per share and price earnings ratio positively influence MPS, while dividend yield and gearing have negative impact on MPS. Finally, the control variable firm size posits a positive and statistically significant relationship with MPS, while the global financial crisis seems to be as an insignificant determinant of MPS.

**Practical implications and Conclusions:** This paper provides several practical implications. Firstly, the study sheds light on the potential explanatory variables to be considered by investors while structuring their investment portfolio and evaluating stock prices. Secondly, listed companies should focus on improving the figures emerged as significant variables that affect the MPS. Thirdly, on a macroeconomic level, this study will help investors in making rational decisions and allocate resources efficiently and effectively leading to higher economic growth and standard of living.

Introduction

The current geopolitical tensions coinciding with the long standing 2007 global financial crisis has had excruciating repercussions on the economic and financial conditions of the global community especially on stocks, oil and share prices in the first quarter of 2008. Apparently, the emerging markets were not immune from such shocks. It is here that the issue of stock market integration surfaces because a highly integrated stock markets pre-supposes similar prices as well as parity in risk premiums. According to Verrecchia (2001), it is the financial reporting systems that provide firms’ vital information to the capital market and when investors generally trade stocks on the basis of aforesaid information, the stock prices converge to their fundamental values. Additionally, such information is considered value relevant if they reflect on stock price movements. However, current realms of uncertainty mandates investors to comprehend some indisputable analytical tools which will aid them in making sound, rational and judicious investment decisions over and above deciphering their relationship with the market price of shares (MPS). That said, a few relevant models embraced by the investing community serve as possible explanations for MPS fluctuations. The most fundamental approach employed is inarguably the Gordon (1962) growth model where investors base stock prices on the discounted present value of future expected dividend payments. Also, Ross’s (1976) Arbitrage Pricing Theory offers two dimensions namely macroeconomic forces and internal forces for investors to base their decisions related to assessing the
MPS. While the former relates to changes in governmental regulations, business cycle volatilities, changes in investor’s attitude, fluctuating market conditions, natural calamities and contingencies like strikes, lockouts etc., the latter focuses on internal forces in a company such as financial statements, as determinants of MPS.

Needless to say, investor purchasing behaviour is apparently preceded by several supporting theories. To begin with, the efficient market hypothesis propounded by Fama (1991) explicitly assigns a strong connection between accounting information and MPS, as such information seamlessly diffuses into the market (Chambers, 1974) and reflects in the form of demand fluctuations thereby affecting the MPS. However, Debondt (1991) advocates the concept of ‘mean reversion’ where in stock prices mean reverting in the long run suggests a low stock price being followed by a relatively higher return, thus encouraging groups such pension funds to invest in equity markets after an apparent stock market slump (see also Vlaar, 2005). This acts as a forerunner to the overreaction hypothesis proposed by De Bondt and Thaler (1985, 1987) that investors tend to overreact to extreme price variations due to the ingrained nature of overweighing current information over prior ones. Alternatively, Spierdijk and Bikker (2012) in their research purports the concept of ‘home bias’ as postulated by behavioural science experts as a precedent to investors precluding to invest in international markets due to lack of sufficient information associated with foreign markets (see also Barberis and Thaler, 2003). Another seeming rationale for investor purchasing behaviour is the existence of ‘investor herds’, thereby causing stock price volatility (Christie and Huang, 1995, p 31). Bikhchandani and Sharma (2001) adds on that investor exhibit this herd culture as they consciously imitate the actions of others.

Narrowing down the scope to the Middle East and North Africa (MENA) region, consisting of the GCC and 13 other nations, the region is renowned for its progressive economic and political transformations as well as privileged geographic location with access to international markets. However, a stark contrast between MENA stocks and international stock markets is evident due to the former being susceptible to turbulences such as local and international equity market spillovers, regulatory inefficiencies, information asymmetry and illiquidity. On the contrary a number of structural tailwinds such as the countries’ ambitious and reformative policy changes in economic and regulatory policies whilst hosting a diversified list of business sectors apart from deregulating the finance and tourism sector have transformed the investment landscape by harnessing incremental global portfolio investor flows specifically to the GCC market.

The GCC in particular is an alliance of six countries including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE), established on May 25th 1981 whose enduring advantages are rooted in cultural commonalities, strategic positioning, independent Sharia based judiciary system, incessant socio economic reforms and a minimal corporate tax regime. Recent reports by Forbes Middle East reports the top five stock markets in the Arab world where Saudi Stock Exchange (Tadawul) dominates the list with a market capitalization worth $450.6 billion while UAE stock markets, Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) take the second and third places respectively, with a total market capitalization of $232.7 billion. Although the MSCI Emerging Market index includes only UAE and Qatar equity markets, Saudi Arabia, whose stocks account for more than 50% of the GCC market capitalization is hopeful to make its way into the index by 2018-2019 due to the countries decision to open equity markets to foreign investors, well aware that the index is a pertinent dictator of where equity market money flows. On the other hand, The Amman Stock exchange, a public shareholding company has been playing a phenomenal role in harnessing capital for the growth of the economy thereby posting a market capitalization of $24.71 billion as of March 2018, thus constituting to more than 65% of the GDP. That said, MENA stock markets are still in its formative stages and is yet to be integrated with international stock markets. This explains why MENA stocks especially the GCC stocks remains non vulnerable to the volatility spillover or “contagion” effects (see Paskelian, Nguyen & Jones, 2013), implying that to a certain extent, GCC stocks are shielded from undulations in stock prices, exchange rates and capital flows resulting from diffusion of shocks from international markets.

The motivation for this study mainly arises from the soaring local and international appetite for GCC stocks in comparison to their emerging peers. Khatoun (2017) attests the former statement by enlisting few reasons for a surge in demand for GCC stocks. He reasserts that major fiscal reforms such as
the VAT application across GCC, capital market liberalisations such as Saudi Arabia opening doors for foreign participation in equities, consistency in earnings growth, attractive and guaranteed dividend yields apart from the two global transmission mechanisms namely the ongoing US dollar strength and rising crude oil prices are dovetailing investors interests to MENA’s favour. More notably, the relentless efforts by the GCC in reducing their dependence on hydrocarbons by engaging in monumental projects such as the EXPO 2020 (UAE), VISION 2030 (KSA) BAHRAIN VISION 2030 (Bahrain) NEW KUWAIT (2035) OMAN VISION 2040 (Oman) reflects the fervent efforts adopted to raise the region standards to a global investment hub. Therefore, the main aim of the current study is to equip potential investors interested in GCC stocks with knowledge on internal financial matrices which will empower them to outguess market anomalies whilst assuring them reasonable rates of return on investment.

This paper is of paramount significance and contributes to finance literature in several ways. First, this paper is the first academic cross-country study, to the best of our knowledge, to examine the impact of firm-specific factors on MPS. In light of these facts, the present study attempts to investigate the impact of eight internal variables on the MPS of firms listed in MENA capital markets, namely; Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, Oman, and Jordan over the period 2000 to 2015. Ullusever and Demirer (2017) point out that GCC exchanges are predominated by short term retail investors who have smattering financial knowledge and accede to the actions of fellow traders resulting in ‘herd behaviour’. Therefore, the determinants identified will provide knowledge to the potential investors about the key factors affecting share prices and accordingly assist them in optimizing their investment decisions and portfolio diversification structure. Secondly, the study opens a vista for potential comparative empirical research as the paper encompasses a large data set of nonfinancial companies listed in the GCC and Amman stock exchange. Thirdly, the incorporation of a comprehensive set of eight firm specific fundamentals as factors affecting MPS sets managerial implications, as the evidence derived from the paper cautions managers to properly structure and reflect those matrices commonly used as a benchmark for instigating investor decisions. Finally, the paper controls for the global financial crisis (GFC) and examines whether it has any significant impact on MPS in the case of MENA region.

The remaining part of the study highlights evidence from prior literature, elaborates on the methodology and enumerates the key findings. The paper finally concludes by suggesting some policy implications and recommendations for future research.

**Literature Review and Research Hypotheses**

The observed pattern of the influence of company specifics as determinants of MPS has evoked mixed responses in prior research. In a pioneering study, Collins (1957) examines the determinants of share price for the US market and he identifies several firm-specific characteristics including dividend, net profit, operating earnings and book value as the prominent factors affecting share prices in the US. Ever since, a significant body of theoretical and empirical literature has evolved that considers the determinants of market price of shares. One of the earliest studies conducted by Patell (1976) on NYSE indicates that disclosures of forecasted EPS are accompanied by significant price adjustments.

More recently, Irfan and Nishat (2002) examine the factors that influence share prices in Karachi Stock Exchange (KSE) for the period from 1981 to 2000. The study employs cross-sectional weighted least square regression and analyzes the impact of six variables, namely: firm size, dividend yield, payout ratio, asset growth, leverage and earning volatility on share prices. Of these, the payout ratio, firm size, leverage and dividend yield emerged as important factors affecting the stock market prices in KSE, once again suggesting the relevance of firm-specific factors as significant determinants of MPS (see also Amidu and Abor, 2006).

Furthermore, three relevant studies from the Indian economic setting by Das and Pattanayak (2009) Nirmala et al. (2011) and Om and Goel (2017) document the contribution of company fundamentals in determining the MPS. Das and Pattanayak (2009) examine 30 shares constituting the Bombay Stock Exchange -Sensitivity Index in order to study the factors affecting stock price movements. The analysis reveals that higher earnings, return on investment, growth possibility and favorable valuation have positive impacts on the market price of shares while higher risk and volatility have inverse impacts on MPS. Similarly, Nirmala et al. (2011) use panel data and examine three sectors namely auto, healthcare and public-sector undertakings over the period 2000-2009 in order to infer the main factors affecting share...
prices in India. The study employs the fully modified ordinary least squares method and the results reveal that dividend, price-earnings ratio and leverage are the major determinants of share prices for all the sectors under consideration. Findings by Om and Goel (2017) are in lines with the above studies emphasizing a positive relationship between earning per share, dividend per share, dividend payout ratio, total asset turnover ratio, return on equity and MPS while debt equity ratio and dividend yield exhibiting a negative relationship with MPS.

Other studies including Black and Scholes (1974) and Capstaff, Klaeboe, and Marshall (2004) analyze the relationship between dividend policy and stock return. The results show a positive relationship between the two variables. It could be argued that, investors place more value on dividend-paying firms as every investor prefers a consistent dividend policy. On the other hand, a negative relationship between dividend policy and share price changes have appeared in Baskin’s (1989) study. This is mainly attributed to the dividend irrelevant hypothesis and the notion among investors that dividend payments are the outcome of the past performance of the firm rather than a reflection of future performance. Denis and Osobov (2008) and Chen and Dhiensiri (2009) in their study of New Zealand and Nigerian markets, respectively arrived at similar results. A more focused study of the impact of dividends (measured by dividend yield and dividend payout ratio) along with other control variables on share prices were studied by Okafor and Mgbame (2011) in the Nigerian market. The multivariate regression analysis was applied on 10 firms for an eight-year period from 1998 to 2005. Results showed a negative impact of dividend yield on share price changes while dividend payout ratio revealed inconsistent results of positive and negative relationships during the different years studied.

Therefore, as shown in the previous literature, share price changes are associated with changes in company fundamental variables that are relevant for share valuation such as book value per share, dividend coverage ratio, dividend per share, earnings per share, dividend payout ratio, price-earnings ratio, return on equity, market capitalization, cash flow-price ratio, cash from operating activities per share, dividend-price ratio, net asset value per share, and firm size (Wilcox, 1984; Rappaport, 1986; Downs, 1991; ; Ferson, 2008; Somoye et al., 2009; Al-Shubiri, 2010; Aveh and Awunyo-Vitor, 2017 and Mousavii and Karshenasan, 2017; Avdalovic and Milenkovic, 2017)

In more recent literature, Bhattarai (2014) and Gautam (2017) analyze data from the Nepal Stock Market and arrived at conflicting results. Developing a multiple regression model, Bhattarai (2014) examines nine Nepalese commercial banks over the period 2006-2014. His results show that earning per share and price-earnings ratio are significantly positively correlated with share price while dividend yield exhibits an inverse relationship with share price. On the other hand, Gautam (2017) investigates 20 commercial banks over the period 2008/09 to 2015/16, reaching a conclusion that leverage, market capitalization, dividend payout and dividend yield are positively associated with stock return and book to market, growth of assets, and earnings-price ratio are negatively associated with stock returns, thus warranting further investigation.

In the context of MENA region, Midani (1991) studied 19 listed Kuwaiti companies and found that earnings per share is an important determinant of share price (see also Al Tamimi et al. 2011 for the UAE market). Sharing similar views, Obeidat (2009) stressed the importance of earnings per share and book value per share as vital contributors to MPS in his study of 38 companies listed in the Abu Dhabi Stock Exchange. Meanwhile, Sharif et al (2015) analyze a panel data set of 41 companies listed in the Bahrain stock exchange for the period 2006-2010 employing pooled OLS regression with robust standard errors as the estimation technique. The results indicate that the variables return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are significant determinants of share prices in the Bahrain market. Recent attempts to investigate the Jordanian market has also evoked similar results at par with market price literature. Empirical findings by Almumani (2014) prove that there is a positive relationship between price earnings ratio, book value per share, earnings per share and MPS, with dividend related variables projecting an insignificant relationship with MP. Similar views are echoed by AL Qaisi et al. (2016) in their study of twenty insurance companies listed in Amman stock exchange during the period 2011 to 2015 by employing multiple regression as the estimation technique. Findings indicate that return on assets, Debt Ratio, the company’s age and Size significantly affect MPS. These findings reassert a perceptional commonality embedded in MENA investors while ascertaining MPS.
On the other hand, another stream of empirical studies have developed recognizing the qualitative internal factors in addition to the quantitative factors (i.e. fundamentals) as share price determinants. A study carried out by Lee (2006) over the period 1920 to 1999 on NYSE testing both; fundamental and non-fundamental information impact on share prices conclude that investors overact to non-fundamental information but underreact initially to fundamental information such as book value, earnings, and dividends. Additionally, a study conducted by Sloan (2012) using quarterly data on 30 companies constructed the index (i.e. DJIA) from different sectors except the financial services as they are best represent the NYSE capital market. The study model includes wide range of financial (i.e. quantitative) as well as non-financial (i.e. qualitative) indicators to investigate stock returns determinants. Conspicuously, the examples of financial determinants which primarily affected MPS were dividends, current assets, total assets, current liabilities, total liabilities, total equity, earnings, earning per share, net income, and cash flow.

An overview of prior literature deciphers a commonality attached to the past empirical work and attests the premise that firm specific matrices (internal data) are inevitable components affecting MPS in any economic setting thus forming a baseline for investment decisions. Ironically, the proliferation of studies leave the relationship between firm specific factors and MPS equivocal, presumably due to the fact that MPS is a joint outcome of both micro and macro variables factors. A severe void is also noticed with respect to the economical settings studied leaving a lacuna in the MENA setting, as most of the studies concentrate on mature markets. In this case further insight into the issue is valuable as emerging markets like MENA region are partially segmented from global factors thus compelling the local factors to be a reason for fluctuating returns (see also Bilson et al 2001).

This paper will therefore contribute to the ongoing debate by conducting a comprehensive study of eight firm-specific factors, namely; return on equity (ROE), earnings per share (EPS), dividend yield (DYIELD), dividend per share (DPS), book value per share (BVPS), total debt to total assets (DEBT), price earnings ratio (PER) and firm size (SIZE) to determine their extent of impact on the share prices for listed companies in all the GCC countries and Jordan, thus forming a reliable sample from the MENA region.

Accordingly, guided by relevant models and theories such as the Gordon’s growth model, Ross’s Arbitration theory and Fama’s efficient market hypothesis, all offering a conceptual foundation to proceed with the study, along with supporting prior literature by Black and Scholes (1974), Wilcox (1984), Baskin (1989), Lee (2006), Das and Pattanayak (2009), Bhattachary (2014), Al Qaisi et al. (2016), Om and Goel (2017) and Mousavii and Karshenasan (2017), amongst others, that firm specific factors have a significant impact on MPS, the following testable research hypotheses are formulated:

H1: Ceteris paribus, there is a positive association between return on equity and MPS.
H2: Ceteris paribus, there is a positive association between book value per share and MPS.
H3: Ceteris paribus, there is a positive association between dividend per share and MPS.
H4: Ceteris paribus, there is a positive association between earnings per share and MPS.
H5: Ceteris paribus, there is a negative association between dividend yield and MPS.
H6: Ceteris paribus, there is a negative association between price earnings ratio and MPS.
H7: Ceteris paribus, there is a negative association between total debt ratio and MPS.
H8: Ceteris paribus, there is a positive association between firm size and MPS.
H9: Ceteris paribus, there is a negative association between global financial crisis and MPS.

4 Data, Empirical model and Estimation method
4.1 Data

The data for the present study is derived from OSARIS database of public companies listed in the MENA capital markets, namely Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, Oman, and Jordan. The database provides firm-level financial data on public listed companies. Initially, data was collected for 979 companies covering the period 2000-2015. However, 702 companies are dropped due to missing data, resulting in a final sample of 277 companies distributed as follows: Saudi Arabia (47), UAE (21), Qatar (15), Kuwait (13), Bahrain (3), Oman (8), and Jordan (170).
In order to gain maximum possible observations, pooled cross-section and time-series data is used. In this case, the total number of observations should be 4432 firm-year observations (277×16). However, negative values for price earnings and other missing figures reduces the number of observations to 1919 firm-year observations. As the number of observations for each company is not identical, this results in an unbalanced panel. Panel data is used because of advantages over cross sectional data. For example, panel data gives “more informative data, more variability, less co-linearity among the variables, more degrees of freedom and more efficiency” (Baltagi, 2001, p.6)

4.2 Empirical Model

Considering the research hypotheses formulated above and following the standard literature on the relationship between company fundamentals and common stock prices, the following empirical model to be estimated, for firm \( i \) in period \( t \), can be written as:

\[
MPS = \phi_0 + \phi_1 \text{ROE} + \phi_2 \text{BVPS} + \phi_3 \text{DPS} + \phi_4 \text{EPS} + \phi_5 \text{DYIELD} + \phi_6 \text{PER} + \phi_7 \text{DEBT} + \phi_8 \text{SIZE} + \phi_9 \text{CRISIS} + \epsilon
\]  

(1)

where the variables are defined in Table 1 below and the expected signs of the coefficients are \( \phi_1, \phi_2, \phi_3, \phi_4, \phi_6, \phi_8 > 0 \) and \( \phi_5, \phi_7, \phi_9 < 0 \).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Price Per Share</td>
<td>Year-end share price</td>
<td>MPS</td>
</tr>
<tr>
<td>Return on equity</td>
<td>Net Income/ Shareholders equity</td>
<td>ROE</td>
</tr>
<tr>
<td>Book value per share</td>
<td>Total shareholders’ equity/Number of shares outstanding</td>
<td>BVPS</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>Dividends paid/Number of shares outstanding</td>
<td>DPS</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Net Income/Number of shares outstanding</td>
<td>EPS</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>Dividend per share/Price per share</td>
<td>DYIELD</td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>Stock price/EPS</td>
<td>PER</td>
</tr>
<tr>
<td>Debt to total assets</td>
<td>Total debt/ Total assets</td>
<td>DEBT</td>
</tr>
<tr>
<td>Firm Size</td>
<td>Natural log of market capitalization</td>
<td>SIZE</td>
</tr>
<tr>
<td>Global financial crisis</td>
<td>Dummy variable equals 1 for the crisis period 2007/2008 and 0 otherwise.</td>
<td>CRISIS</td>
</tr>
</tbody>
</table>

4.3 Estimation Method

The purpose of this study is to examine the impact of company fundamentals on market price of shares for selected MENA countries. The paper also control for the global financial crisis and investigates its effect on MPS. The previous section showed the empirical model to be tested, which consists of nine testable hypotheses with their proxy variables. In order to estimate Equation (1), we first run a standard pooled OLS regression. Next, we performed OLS assumptions tests namely heteroscedasticity and autocorrelation. The results of Breusch-Pagan/Cook-Weisberg test for heteroscedasticity (test-statistic=2455.88, \( p \)-value=0.000) and Wooldridge test for autocorrelation (test-statistic=19.717, \( p \)-value=0.000) suggest that the null hypotheses of constant variance and no first-order autocorrelation, respectively, have been rejected. In this case, OLS produces biased and inefficient estimates. Therefore, to account for both problems and obtain more efficient estimates of the regression parameters, Equation (1) will be estimated using Feasible Generalized Least Squares (FGLS) estimator (see, for example, Greene, 2003).

5. Empirical Results

Table 2 below reports the descriptive statistics such as mean, standard deviation, minimum, maximum and coefficient of variation values for the variables employed in the analysis. The minimum and maximum values for the variables ROE (Min=-8.33; Max=2.98) and EPS (Min=-2.40; Max=8.28) show a wide spread, indicating major fluctuations in earnings pattern which is attributed to geopolitical issues engulfing the region. This also evident by the high values of the coefficient of variation for both variables, 4.60 and 2.69 respectively. Similarly, the dividend policies of companies measured by DPS and DYIELD show a wide variation among companies listed in the MENA capital markets. The small value of CV of PER implies low degree of variation, suggesting, in general, similar growth rates among the
The low value of CV of SIZE variable, measured by log market capitalization, suggests a small variation in the size among the companies studied.

### Table 2: Descriptive Statistics of the Dependent and Explanatory Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min.</th>
<th>Max.</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPS</td>
<td>5.350</td>
<td>7.941</td>
<td>0.056</td>
<td>70.775</td>
<td>1.484</td>
</tr>
<tr>
<td>ROE</td>
<td>.0687</td>
<td>0.316</td>
<td>-8.331</td>
<td>2.989</td>
<td>4.600</td>
</tr>
<tr>
<td>BVPS</td>
<td>2.018</td>
<td>2.900</td>
<td>-1.105</td>
<td>40.522</td>
<td>1.437</td>
</tr>
<tr>
<td>EPS</td>
<td>0.216</td>
<td>0.582</td>
<td>-2.406</td>
<td>8.285</td>
<td>2.694</td>
</tr>
<tr>
<td>DFS</td>
<td>0.122</td>
<td>0.371</td>
<td>0.000</td>
<td>14.104</td>
<td>3.041</td>
</tr>
<tr>
<td>DYIELD</td>
<td>0.027</td>
<td>0.079</td>
<td>0.000</td>
<td>3.571</td>
<td>2.926</td>
</tr>
<tr>
<td>PER</td>
<td>1.257</td>
<td>0.417</td>
<td>-0.474</td>
<td>4.454</td>
<td>0.332</td>
</tr>
<tr>
<td>DEBT</td>
<td>0.125</td>
<td>0.170</td>
<td>-0.122</td>
<td>1.361</td>
<td>1.360</td>
</tr>
<tr>
<td>SIZE</td>
<td>5.044</td>
<td>1.078</td>
<td>2.788</td>
<td>8.232</td>
<td>0.214</td>
</tr>
<tr>
<td>CRISIS</td>
<td>0.875</td>
<td>0.3308</td>
<td>0.000</td>
<td>1.000</td>
<td>0.378</td>
</tr>
</tbody>
</table>

Notes: Variables are defined in Table 1. CV is the coefficient of variation (Std. dev. / Mean).

Table 3 below shows the correlation matrix and VIF test to detect possible multicollinearity issue. As can be seen from Table 3, the intercorrelations among variables and the VIF values are low, (below 10, the rule of thumb) indicating the absence of multicollinearity problem.

### Table 3: Correlation Matrix and Variance Inflation Factors (VIF) for the Explanatory Variables

<table>
<thead>
<tr>
<th></th>
<th>ROE</th>
<th>BVPS</th>
<th>DPS</th>
<th>EPS</th>
<th>DYIELD</th>
<th>PER</th>
<th>DEBT</th>
<th>SIZE</th>
<th>CRISIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BVPS</td>
<td>0.117</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DPS</td>
<td>0.325</td>
<td>0.501</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>0.567</td>
<td>0.719</td>
<td>0.605</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DYIELD</td>
<td>0.093</td>
<td>0.038</td>
<td>0.695</td>
<td>0.073</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PER</td>
<td>-0.484</td>
<td>-0.121</td>
<td>-0.153</td>
<td>0.297</td>
<td>-0.158</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEBT</td>
<td>0.088</td>
<td>0.128</td>
<td>0.038</td>
<td>0.098</td>
<td>-0.017</td>
<td>-0.023</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>0.391</td>
<td>0.382</td>
<td>0.288</td>
<td>0.426</td>
<td>0.015</td>
<td>-0.130</td>
<td>0.431</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>CRISIS</td>
<td>-0.051</td>
<td>0.046</td>
<td>-0.007</td>
<td>0.018</td>
<td>-0.037</td>
<td>0.014</td>
<td>-0.002</td>
<td>-0.007</td>
<td>1.000</td>
</tr>
</tbody>
</table>

**VIF**

<table>
<thead>
<tr>
<th></th>
<th>2.63</th>
<th>3.16</th>
<th>5.51</th>
<th>5.19</th>
<th>3.52</th>
<th>1.44</th>
<th>1.25</th>
<th>1.69</th>
<th>1.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean VIF</td>
<td>2.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Variables are defined in Table 1.

Table 4 below presents the estimation results of FGLS regression. As stated earlier, the FGLS estimator is chosen after performing pre-estimation tests on our panel data model. The Wald test statistics reject the null hypothesis that the slope coefficients are jointly equal to zero (p-value=0.000).

### Table 4: FGLS estimation results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. error</th>
<th>Z-stat.</th>
<th>Expected Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>9.892</td>
<td>1.169</td>
<td>8.44*</td>
<td>+</td>
</tr>
<tr>
<td>BVPS</td>
<td>0.486</td>
<td>0.043</td>
<td>11.37*</td>
<td>+</td>
</tr>
<tr>
<td>DPS</td>
<td>8.396</td>
<td>0.405</td>
<td>20.71*</td>
<td>+</td>
</tr>
<tr>
<td>EPS</td>
<td>3.781</td>
<td>0.283</td>
<td>13.35*</td>
<td>+</td>
</tr>
<tr>
<td>DYIELD</td>
<td>-34.682</td>
<td>1.875</td>
<td>-18.50*</td>
<td>-</td>
</tr>
<tr>
<td>PER</td>
<td>3.842</td>
<td>0.255</td>
<td>15.04*</td>
<td>+</td>
</tr>
<tr>
<td>DEBT</td>
<td>-3.159</td>
<td>0.626</td>
<td>-5.05*</td>
<td>-</td>
</tr>
<tr>
<td>SIZE</td>
<td>1.217</td>
<td>0.108</td>
<td>11.28*</td>
<td>+</td>
</tr>
<tr>
<td>CRISIS</td>
<td>-0.400</td>
<td>0.242</td>
<td>-0.17</td>
<td>-</td>
</tr>
<tr>
<td>Intercept</td>
<td>-9.840</td>
<td>0.655</td>
<td>-15.06*</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Variables defined in Table 1. * indicates significance at P<0.001

As can be seen from Table 4, the results show that all the estimated coefficients are statistically significant and possess the expected signs, with the exception of CRISIS which is statistically not different from zero. As anticipated, the coefficients of ROE, BVPS, DPS, EPS and PER are positive and statistically
significant at less than 1% level \((z\text{-stats} = 8.44; 11.37; 20.71; 13.35\text{ and }15.04\text{ respectively})\). This suggests that these company fundamentals positively influence share prices in the MENA region. This result is consistent with the findings of Sharif et al. (2015); Almumani (2016) and Om and Goel (2017) amongst others. Needless to say, this indicates that all the former factors reflect a direct relationship between investment perceptions in companies with positive development and earnings potential that act as a furore to an increase in MPS. The former justification is specifically attributed to the results received for ROE, EPS and DPS, all which stands parallel to MPS. Similar arguments hold well for PER. A high PER indicates that investors expect positive and high earnings from the company thus signaling the trust attached to the companies operating fundamentals. This acts as a reason to further push the MPS. As for BVPs, the metric is employed by investors to scrutinize variations in stock price valuation. Investors view high BVPs stocks are more valuable thus leading to an increase in stock price of shares. This can be justified with the rationale that BVPs is a major representation of owners’ funds and signals the amount shareholders would receive during cases of dissolution, thus suggesting a higher BVPs to affect the stock prices in a positive way.

In line with previous findings by Om and Goel (2017); Okafor and Mgbame (2011) and Bhattarai (2014), the variable DYIELD exhibits a negative and statistically significant relationship \((z\text{-stat} = -18.50)\) with MPS. The theory of clientele effects offer a justification for this result whereby dividend policies impact various investors in different ways. While a certain group base their investment decision on dividend policies in order to get quick returns on investment, the other skeptical group prefers to avoid tax on dividends thus targeting capital gains. Investors in the MENA region studied presumably fall in the latter category. Invariably, DEBT shows a negative and statistically significant relationship with MPS \((z\text{-stat} = -5.05)\) implying that investors use this metric to gauge the extent of debt employed in financing projects. The results are in lines with several studies reviewed in prior literature (see Sharif et al., 2015; Om and Goel, 2017 and Al Qaisi et al., 2016). Investors in the MENA region fear that aggressive leverage practices are directly associated with volatile earnings and increased risk levels due to the burden of interest expenses. Increased cost of debt therefore acts as a deterrent to increasing the MPS due to these investors vacillating between investing in low debt or high debt companies. As evident from Table 4 the variable SIZE exhibits a positive and statistically significant relationship with MPS \((z\text{-stat}=11.28)\) with MPS denoting that MENA investing community perceives size as a vital indicator of accompanies risk aversion, operational and performance capability which later on becomes a precursor to high MPS. Not surprisingly, the control variable CRISIS shows a negative relationship with MPS, however the estimated coefficient is not statistically different from zero. This implies that investors in the MENA region are less vulnerable to the spillovers of the financial crisis. A possible explanation for that the majority of the markets in the MENA region are not co-integrated with world’s stock markets (see Neaime, 2016 and Paskelian, Nguyen & Jones, 2013)

6. Concluding remarks

Over the past decade, the MENA region especially the GCC countries have been at the epicenter as far as momentous capital reforms are concerned, thanks to the geopolitical stability, persistent rise in GDP and persistent progressive economic and social policies. This fundamental restructuring in the form of deregulation and other regulatory reforms in the capital markets are all indicators of a surge in both an equity culture as well as increased financial intermediation though unconventional channels in the MENA region. As a result, this obviates the role of traditional banks and lays emphasis on enhancing the ability of capital markets in channelizing funds for the overall development of the economy. This further urges the regulators to encourage secondary trading whilst harnessing and broadening a vibrant investor base by ensuring them an efficient and transparent capital market.

The current study investigates the impact of eight company specific factors namely ROE, EPS, DYIELD, DPS, BVPs, PER, DEBT and SIZE on the MPS of 277 listed companies in the MENA region. The FGLS is employed to estimate the parameters and results suggest that firm specific factors play a vital role in determining the MPS. More specifically variables such as ROE, BVPS, DPS, EPS and PER exhibit a positive and statistically significant relationship with MPS, while DYIELD and DEBT appears negative and statistically significant association with MPS. Finally, the control variable SIZE posits a positive and statistically significant relationship with MPS, while CRISIS emerges as an insignificant determinant of
MPS. These findings clearly indicate the relevance of firm specific factors in basing investment decisions thus mandating companies to incorporate sound corporate governance principles such as accounting audits and financial disclosures to remove inherent information asymmetries between management and shareholders, thus ensuring timely dissemination of material facts to potential investors. Ensuring transparency in financial disclosures and avoiding accounting opacities can aid in increased MPS of respective companies thus channelizing investments towards it. The inherent herding behavior prevalent among MENA investors is another issue to consider. Evidently, the impact of herding on price volatility is a result of change in investor confidence and not the herding factor in particular. Herding following a low investor confidence leads to increased price volatilities and vice versa. It is the need of the hour to transform such behaviors into more informed ones. Increasing investors’ awareness by organizing frequent investment decision making workshops is further recommended to avoid judgment errors related to assessing a firms’ worth.

Furthermore, several implications surface from the results obtained in this empirical study. Firstly, the study sheds light on potential explanatory variables need to be considered by investors while structuring their investments portfolio and evaluating stock prices. Secondly, listed companies should focus on improving the figures emerged as significant variables that affect the market price of shares. Thirdly, on a macroeconomic level, this study will help investors in making rational decisions and allocate resources efficiently and effectively leading to higher economic growth and standard of living.

Yet, the paper is also not free from limitations. The elimination of several companies due to non-availability of data poses as a hurdle in providing clarity to the firm specific factors affecting MPS. Moreover, the non-inclusion of macro factors affecting MPS eclipses a comprehensive perspective to the determinants of MPS. That said, impending studies can focus on a more inclusive approach of including both micro and macro factors affecting MPS. Future studies can further expand the scope of research by incorporating other competitive markets such as Egypt, Morocco and Algeria. Nevertheless, MENA markets burgeoning investment ecosystem along with its robust investment dynamics demonstrates the region potential to usher in a new investment paradigm for investors to diversify their portfolio and access new markets. For this, the sagacious use of specialized and customized indexes and metrics are most likely to play the dominant role in assisting investors to actively manage their portfolio and to navigate through uncertainties in order to reap fair and positive returns on investment.

References


Financial reforms in capital budgeting - application of goal programming approach

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Keywords
Capital Budgeting, Goal Programming, Mathematical Programming, Risk and Return, Project Management

Abstract
Capital Budgeting is an important aspect of finance which an executive and management utilises to optimize the investment. In every organization there are different priorities for investment. Risk and return are two vital aspects to be considered at the time of finalizing an investment option. There are organizations which pay more attention towards the return while reducing the risk whereas few organizations do not hesitate to take risk if more returns are expected from the investment. But the fact remains that there should be a proper balance between the risk and return in any investment decision.

There is a new dimension to this investment criteria, nowadays, the organizations are focusing more on applying mathematical programming models for the management systems. There are several approaches being practiced in this context. Here is a research paper where computing the maximum return for accepting or rejecting a project is decided with the help of fundamental programming model by prioritizing the goals. A new approach of computing capital budgeting is implemented with the help of goal programming. For example, Mobiru proposed the model of Goal Programming for allocating time and cost in Project Management by using the case in the project of a construction company.

The basic objective of this research paper is to present a clear picture on how quality can be brought into finance for getting more precise and better results in the field of capital budgeting. This research paper has provided a critical review of the Capital Budgeting and an attempt to re-counsel it with the ground level reality that a finance manager and management faces and which only can be justified in relation to the earning for the objectives and goals of the organization.

Introduction
Capital Budgeting is a process to determine Institution’s long term investments such as new projects, purchase of new machines, and change of machinery. This is the process of analyzing investment opportunities and deciding which project to accept out of many options available. Basically, it deals with selecting or rejecting a particular project. There are many stake-holders in an organization who are concerned and effected, willing to invest their funds in any project which is ready to accept certain amount of risk involved in order to earn a good return. To choose a specific project out of various opportunities available is really very difficult and tedious work. It is not just only a single project available all the times; but there remain situations where they have to deal with the multiple projects available at one time. It is very difficult for a financial executive to choose the right project at the right time failing which there are chances of collapsing even of a fundamentally sound organization.

The financial executives and the academicians have started using the Goal Programming Approach in their decision making process, especially in Project Management. The main reason for this is that there are multiple goals and objectives in project selections viz. budget management, material costs, completion time and labour related issues. The financial executive is required to accommodate all relevant matters by optimizing the overall return from the project. Though, the management always prefer to maximize the returns and minimize the cost, but they have to accommodate the multiple aspects and views from various stake holders such as regulators, workforce and society at large by setting
different goals such as product quality, employment stability, industrial and labour relations and CSR etc. Under these circumstances, a different kind of approach is required to accommodate the interests of various stake holders and to optimize the multiple goals and objectives associated with a project. That is the reason that a new technique known as Goal Programming Approach for financial decision making is evolved.

Purpose of this Paper

The purpose of this research paper is to identify the applications of goal programming technique of capital budgeting and the methodological aspects for the management and the financial executives and to generate interest in academicians and researchers. It will motivate and will be very helpful to the financial executives and the top management to choose a right project for investment by accommodating all the goals and objectives of stake holders of an organization.

Literature Review

There have been various studies relating to the application of goal programming approach in capital budgeting, some are mentioned below:

Arthur & Lawrence (1985) developed a model to analyse the make or buy decision. Their approach has taken into account the multi-product environment, over-time levels and capital utilization effects.

Balachandern & Steuer (1982) developed an interactive model to assist a certified public accounting firm in audit staff planning. The multiple objectives included such items as maximizing profit, accommodating bookings, avoiding unnecessary audit staff increases and decreases, minimizing underutilization of staff, and achieving professional developmental goals.

Callahan (1973) illustrated one goal programming investment planning model with profit and risk or safety goals.

Charnes, Cooper, & Ijiri (1963), in the area of capital budgeting. They used the goal programming formulation to show the Balance Sheet extension of break-even analysis.

Fabiane, Neida, & Carlos (2003) applied goal programming to a Brazilian forest problem. The goal programming model was used seeking to reach the following goals:

- Wood Harvest (Pine)
- Wood Harvest (auraucaria),
- Eva-mate Harvest,
- Tourism,
- Employees,
- Diversity of flora, and
- Diversity of Fauna

Gyu & John (2000) applied a goal programming model for project selection and resource planning. The decision model used is 0-1 goal programming model, which is validated by applying it to case study from the Woodward Governor Company.

Hawkins & Adams (1974) gave an illustration of goal programming applied to capital budgeting, which directly incorporated the existence of multiple conflicting goals. Their example model included net present value, sales and man-hour employment goals.

Hollis (1979) presented a single-period, multicounty goal programming model for centralized corporate planning utilizing a cash-pooling center, with emphasis on short term investing and financing.

Hong (1981) used a goal programming model including on goals of local finance mix of the firm, earnings per share, average rate of return, limit on debt financing and legal or other restrictions.

Jagetia & Nelson (1976) gave one example of a goal programming formulation for hospital budgeting with goals of profit and number of patient days.

Keown & Taylor (1978) presented a general capital budgeting goal programming model for the firm. Their example has the following goals: net present value, overall sales growth, profit, market share, public service image, product innovation, limitation of risky ventures, limitation of the degree of reliability on general economy, management depth and budget expense.

Klock & Lee (1974) suggested a goal programming model for property liability insurance with profit, current asset returns, and legal bounded goals.
Kumar & Philippatos (1979) applied goal programming to the investment decision of dual-purpose funds. An empirical demonstration is provided to show that dual purpose funds managers can improve their investment selection and subsequent performance by the use of goal programming methodology. Kombluth (1986) extended that research to show how a “preference” variance could be introduced into an accounting scheme using goal programming. The preference variance measures the proportion of the total variance that could or should be attributed to changes in management preference. Lawrance, Koch, & Burbridge (1976) illustrated an acquisition investment problem in terms of the following constraints: maximum budget, minimum total earnings and the minimum cash flow. These have the following goals and priorities: present worth of firm’s goal level of internal rate of return on all acquisition investments, present worth of firm’s future revenue growth potential, amount of debt financing for acquisition investments, and amount of assets-to-liability ratio for all acquisition investments. Lee and Kim (2000) suggest in their study an improved information system project selection methodology, which reflects interdependencies among evaluation criteria and candidate projects, by using network process within 0-1 goal programming model. Liang (2009) focuses on developing a two-phase fuzzy mathematical programming approach for solving the multi-objective project management decision problems in a fuzzy environment. The model designed minimizes simultaneously total project costs, total completion time and cashing costs with reference to direct costs, indirect costs, contractual penalty, costs, duration of activities, and the constraints of available budget. In a sequence of papers, Muhlemann, Lockell, & Gear (1978), Muhlemann & Lockett (1980) and Harrington and Fischer (1980) examined the problem of multi objective project selection. They developed a stochastic integer programme with recourse that includes as the objective function weighted linear combinations of deviations from set values for two goals. Mubiru (2010) proposed a goal programming model for allocating time and cost in project management. A construction company case was utilized to illustrate his model. Masood, Donald, & Dona (2001) developed a project selection model for which service institutions that incorporated research and development, investment plans, capital budgeting etc. The decision model used is 0-1 goal programming model, which is validated by applying it to a real project selection data. Mukherjee & Bera (1995) examined the project selection decision by using the technique of goal programming. The model was applied to Indian Coal Mining Industry. The model identifies five goals:

- Capital Investment Goal
- Cost of Production Goal
- Profit Goal
- Manpower Goal
- Demand Goal

O’ Leary and O’Leary (1981) developed a goal programming model for the cash management problem. Their model extended the basic single-objective cash management formulations to include multiple objectives. Sheshai, Harwood, & Hennanson (1977) assumed a piecewise linear variable cost function and a step function for fixed cost. They used zero-one integer programming to compute break-even point for a two-product example with a no-priority goal situation. Sealey (1977), (1978), developed a goal programming bank financial planning model with the following goals: profit, capital adequacy ratio. This model also has the following constraints: capacity adequacy, diversification, required reserves and balance sheet. Trennepohl (1975) showed an application of goal programming to bank asset management with the following goals in the same priorities: meet Federal Banking Regulations, achieve adequate safety in the bank’s investments, achieve adequate liquidity in the bank’s assets, achieve certain characteristics of the loan portfolio, achieve certain characteristics of the securities portfolio and obtain a certain level of earnings from the investments.
Practices in Capital Budgeting

At present the financial executives have been applying various underscoted techniques to choose one project out of various options available to the organisation. The most common practice among all is by applying the Net Present Value technique of Capital Budgeting. With the help of this technique, the financial executives decide upon accepting or rejecting a particular project. However, there are also various techniques available to a finance manager for choosing a particular project. Here, we will discuss in brief the various techniques of capital budgeting.

**Capital Budgeting Tools**
- Net Present Value (NPV)
- Pay Back Period
- Internal Rate of Return (IRR)
- Average Rate of Return (ARR)
- Profitability Index (PI)

**Net Present Value (NPV)**

Every technique of Capital Budgeting is involved with cash outflows and cash inflows. This is the latest and modern method of evaluating capital investment proposal. In this method, the time value of money is calculated by taking into account the present value of future cash inflows and deducting from this the net cash outflows. It helps in finding out the exact amount of return from a project. In simple terms, the net present of all inflows and outflows of cash during the entire life of the project is calculated separately for each year by discounting all the inflows by the organization’s cost of capital. Some organizations consider NPV as the best way of choosing a particular project for investment. The thumb rule for this approach is to find out whether the NPV is positive or negative. If it is positive, accept the proposal for investment otherwise reject it outrightly.

**Pay Back Period**

In this method the finance executives focus on the duration or the period by which the organization will get back their full cost of the initial cash outflows or the capital expenditure incurred for a particular project. This method is based on the premise of capital expenditure pays itself back over a number of years. Here, the organisation sets a certain target period during which they must receive their money invested in the project back. If a particular project depicts the payback period less than the period set out by the organization, then it is accepted otherwise rejected then and there only. If there is an option of more than one project available to the organisation, then the project with less payback period will be preferred but this is not the sole criteria of choosing any project. The return of the project is also calculated for consideration. However, in practice it depends upon organization to organization to choose a project having more payback period as per the organizations capability to bear the burden.

**Internal Rate of Return (IRR)**

The IRR technique is considered as the best technique by majority of the finance executives. As per this technique the company fixes a rate for the project and if the rate of return on investment is more than this rate, then they go for the project. In simple terms, the rate at which the sum of discounted cash inflows equals the sum of discounted cash outflows is known as the internal rate of return. For computing this internal rate, the present value of the cash inflows is equated with the present value of cash outflows then the interest rate is calculated. This interest rate is applied with the benchmark rate/the expected rate of the organization. The assumption under this technique is that intermediate cash inflows generated by a particular project are reinvested at the rate of internal return. If this rate is more than or equals to what company has anticipated, then they select the project otherwise it is rejected.

**Average/Accounting Rate of Return (ARR)**

This technique computes the average of averages i.e. average income/average investment. This method is popularly known as Accounting Rate of Return as the accounting statements are used under this technique to measure the profitability level of the projects. Various proposals available with the organisation are ranked in order to their earnings. The project of higher rate of return is selected. The decision rule using this technique is same as that of IRR. The Average Rate of Return should be more than the rate set by the company and for mutually exclusive projects, the one having more ARR should be
preferred. However, this technique leads to a lot of vague figures as such the ARR is considered quite obsolete and not being taken serious and practiced by most of the finance executives nowadays.

**Profitability Index (PI)**

This method is upgraded version of the Net Present Value technique of Capital Budgeting and also known as the Benefit Cost Ratio. It computes the ratio between present values of each cash inflows to cash outflows. If the PI is greater or equal to 1 then, the project is accepted otherwise rejected. If there are more than one project available with the organisation (mutually exclusive project) they should go for the project having greater PI.

In all the methods discussed above in brief, the present value is computed at a discount rate. This discount rate is also known as hurdle rate in accounting circle. The NPV of a project depends a lot on this discount rate decided by the company. The discount rate is computed as per the prevailing market conditions perceived by the financial executives and the top management. This discount rate should also take into account and measure the risk involved and the volatility of the market. The hurdle rate is sometimes referred to as cost of capital or cost of debt or cost of equity. A finance executive applies various methods for computing this rate as the CAPM or APT and WACC. The choosing of right rate is very important for any organisation failing which they will have to incur huge loss. Therefore, it is very important to choose the right rate at the time of selecting any project.

**Problems in Current Tools of Capital Budgeting**

There are many problems being faced by the practitioners in the application of current techniques of Capital Budgeting. The major problem is that an organization using more than one parameter in selecting a project ultimately ends up in getting itself confused instead of getting a proper solution. The various techniques of capital budgeting mentioned above is that all focus on the different aspects of a project. As such, the financial executives have to select and go as per only one technique of capital budgeting. While doing this, they have to sacrifice the results derived from some other tool of capital budgeting. The techniques applied by the finance executive deals only with limited parameters. That is, it only computes the whole project as per the given rate of an organization’s expectation and some additional measures or criteria or they fix a higher or lower limit, then the available tools of capital budgeting are not able to provide the solution of the goals of the organization. For example, if there are two different shares of companies which an organization intends to buy but both the shares are associated with different amount of risk as well as returns attached with it. Suppose, the objective of a company is to attain a minimum amount of return cannot satisfy their goal as it has restricted itself from taking the risk beyond a minimum amount of risk as well as returns from it. In such a scenario, there would be several combinations possible for choosing these shares. Here, the methods suggested for above mentioned scenario will definitely not satisfy the goals of the company.

Further, there is much beyond just risk and return concepts associated with the project of an organization. Nowadays some projects are undertaken for improving the brand image of an organization. As such, in this case the method mentioned above will not be able to satisfy the required objective while selecting the best project which will satisfy the overall criteria according to priority of the organisation. The available techniques of capital budgeting will create a lot of conflicts at the time of choosing a project. These methods are supposed to be handled with a lot of care and precautions as NPV and IRR sometime depict different opinions about a project which may ultimately result in confusion for a finance manager. There are also problems, if an organization intends to attach some more criteria in selecting a right project. There may be several other objectives an organization intends to achieve, to be incorporated while selecting a project which cannot be computed with the prevailing techniques of capital budgeting. As such, the new approach of goal programming has been derived to provide solution to all the problems discussed above.

**Development of New approach Goal Programming**

The Goal Programming Approach of Capital Budgeting is an advanced linear programming technique used for providing a solution for the problems related to multi criteria decision making system. Each of these criteria measures is provided a goal or target value which is expected from the project. Unwanted deviations from the process of target values are minimized or maximized in an achievement
function. This can be a vector or a weighted sum dependent on the goal programming variant used by the financial executive.

**Steps Involved in Goal Programming Approach**

**Step 1**: Identify the goals and constraints that may create hurdles in achieving the goals.

**Step 2**: Determine the priority level of each goal with P1 very important, P2 is next most important and so on.

**Step 3**: Define the decision variables.

**Step 4**: Formulate the constraints using LP procedure.

**Step 5**: Develop goal equation for each goal with right hand side specifying the target goal. Deviation Variables $d_1^+ + d_1^-$ are included in each goal equation to reflect possible deviations from the Target values i.e. above or below.

**Step 6**: Write the objective function in terms of minimizing or maximizing a prioritized function of the Deviation variables.

**Goal Programming Approach for Capital Budgeting**

We can accommodate and solve the problems related to various goals and objectives desired by the stakeholders of an organization. The way we can develop this model is by first set various goals and objectives for selecting a project out of various options available with the organization. We can divide our discussions in two parts i.e. the first one dealing with clubbing of all the capital budgeting tools through goal programming and second one by dealing with new parameters to select a project using goal programming approach. Let’s discuss each part of this model in brief.

**Inclusion of New parameters into Goal Programming Model**

We can understand this model with the help of an example. Suppose, the process of selecting projects in an organization is based upon certain parameters such as, the risk associated with the project, returns expected from it, Pay Back Period of the project and the extent of social service presumed to be performed through this project. Here, we have four goals and objectives expected to be fulfilled from a particular project. We will now have to accord our priority to the goals decided by an organization, after consultation with all the stakeholders. Now, let’s presume that the risk is on the top of priorities fixed by this organisation, then the returns from this project, third is Pay Back Period and the last one is related to the level of social work expected from this project.

Suppose, the organisation has six projects in hand to select from, then we can choose the best one by applying various combinations. In Goal Programming, the goals with higher priority are expressed as priority level 1 goal, i.e. risk, and the secondary goal as priority level 2 goal i.e. returns and so on. This type of prioritizing procedure is known as pre-emptive priorities because the decision maker will not sacrifice any portion of target of the priority level 1 for priority level 2. In goal programming with pre-emptive priorities, trade-offs between higher and lower level goals are never permitted.

Then after prioritizing of the objectives and the goals of an organisation, goal equations and constraints are developed by the financial executive. This is done just like as is done in linear programming. The difference is just that here we form equation of the priority based upon the deviations. For example, if we are talking about the level 1 goal i.e. risk, then deviations will be $d_1^+$, $d_1^-$, where:

- $d_1^+$ = The amount by which the portfolio/project risk index exceeds the target.
- $d_2^-$ = The amount by which the portfolio/project risk index is less than the target.

Now, after finding the deviations, these will be converted into equations. If risk associated with each of the six projects are 0.50, 0.25, 0.75, 0.60, 0.40 and 0.10 and suppose the risk index is 1000, then the goal equation will be subject to following constraints:-

$$0.50A + 0.25B + 0.75C + 0.60D + 0.40E + 0.10F - d_1^+ + d_1^- = 1,000$$

Where, A, B, C, D, E and F are various projects.

The objective function will be minimizing the deviation that exceeds the risk. Thus, our objective function would be represented as:

**Minimise $d_1^-$**

This is just an example to express the goal equation formulated as level one, likewise other level goals are written in each kind of equation and then total of all the equations are merged by forming a
unique equation for the whole project. To complete the formulation of the model, we must develop a goal equation for each goal. Thus, for the above mentioned example, our objective function will be as under

\[
\text{Minimise } P_1(d_1) + P_2(d_2) + P_3(d_3) + P_4(d_4)
\]

Where, \( P_1, P_2, P_3 \) and \( P_4 \) represent goals and objectives of the organisation at priority level 1, 2, 3 and 4 respectively. As mentioned above \( d \) implies positive and negative deviations from the goal at various levels. By solving the equation, we can easily come to a point for selecting projects and this is very helpful in solving the equations. We can easily come to a point for selecting projects and this is very helpful in Portfolio Management. These equations can be easily solved by using excel and specially developed software package.

**Application of Goal Programming Model**

The goal programming approach of capital budgeting can be utilized effectively in many areas of financial management as mentioned below :-

Corporate Budgeting and Financial Planning

Capital Budgeting

Financing Decisions

Mergers, Acquisitions and Divestitures

Investment Planning / Portfolio Selection

Commercial Bank Management

Insurance Management and Pension Fund Management

Scheduling Financing Staff

Interest Rates and Risk

Government and Public Firms

Accounting Control

**Research work on Goal Programming Applications by Basic Application Areas**

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(Taken from Research Paper on Goal Programming Application by Basic Application Area by Lin & O’Leary, 1993)
Clubbing Current Capital Parameters into a Goal Programming Model

The major problem with the current techniques of capital budgeting was that the Finance Executive used to get confused at the time of using more than one tool. This issue now can be easily handled and resolved by applying this model as he can now apply easily, all the techniques of capital budgeting for finding the best project out of all the projects available with the organisation. Suppose, we want to consider a project by considering NPV, IRR, Pay Back Period, ARR and Profitability Index and our priority remains as per ascending order i.e. NPV, IRR, Pay Back Period, Profitability Index and ARR. Then our objective function of Goal Programming Model will be as follows :

Minimise \( P_1(d_1^-) + P_1(d_2^-) + P_3(d_3^+) + P_4(d_4^-) + P_5(d_5^-) \),

where,

\( P_1, P_2, P_3, P_4 \) and \( P_5 \) represent goals at priority level 1,2,3,4 and 5 respectively.

\( d_1^- = \) The amount by which project is having a present value of each cash inflows less cash out follows.

\( d_2^- = \) The amount by which the project is having IRR less than the hurdle value.

\( d_3^+ = \) The amount by which project is having Pay Back Period greater than the required period.

\( d_4^- = \) The amount by which project is having ARR less than less than the desired index.

\( d_5^- = \) The amount by which project is having ARR less than the hurdle rate or discount rate.

Now, the whole problem in finding the best project can be solved by the finance executive by using this equation under Goal Programming. We can arrive at the best project that will optimize the objective function. We have already discussed above about how to solve this equation.

Note : In the above cases, we have shown you the objective function by minimizing the deviations that reduces from attaining maximum profits. The same thing can be done to maximize the deviation that helps in achieving our goal. The whole objective function can be formulated so as to maximize the deviations accordingly.

Advantages of Goal Programming Model

The major advantage of this Goal Programming approach is that it also takes into consideration all other aspects of the projects/ investments/ portfolios. Such as the extent of benefits expected from the project for public welfare, branding the project and economically soundness etc. There is yet another major benefit using this model that is it prioritises the goals as per the expectations of various stake holders who help in selecting the project, without any conflict. The prioritization is done purely on the basis of each stake holder, which helps in producing the desired results through customization. This customization will solve the major problems of the organization in selecting the projects which they used to face at the time of using IRR and NPV methods of capital budgeting.

Conclusion

Use of Goal Programming Approach over the conventional methods of capital budgeting will prove to be very useful for organizations having multiple objectives to handle at the time of selecting the best suited project out of various options available. It is quite easy to apply, once this method is understood properly. This model provides an opportunity to the finance executives and the management to prioritize the risk and return as per their requirement which helps in solving the problems being faced by them because of various compulsions in the organisation.

The Goal Programming Model appears to be an appropriate, powerful and flexible tool for decision making for a modern decision maker who is burdened with achieving multiple conflicting goals under complex environmental constraints. This approach does not attempt to maximize or minimize the objective function directly, as in the case of Linear Programming technique but focuses on accommodating the goals and objectives of all the stake holders of an organization. This new approach of capital budgeting tries to minimize the deviations observed between the desired goals and the actual results to be achieved as per the assigned priorities in an organization.

References


Alleged antitrust violations in collegiate athletics

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Keywords
NCAA, Per Se Method, Quick-Look Analysis, Rule of Reason, Sherman Antitrust Act

Abstract
The previous four decades have witnessed numerous suits brought against the National Collegiate Athletics Association. Plaintiffs have included student athletes, coaches, broadcasters, tournament organizers, and more, all allegedly impacted by the NCAA’s enforcement of eligibility and similar regulations. All cases discussed in this piece alleged violations of the Sherman Antitrust Act, America’s first “trust-busting” statute to eliminate unreasonable restraints on trade, often taking the form of monopolies and trusts. While numerous plaintiffs have alleged violations of the Sherman Act, only few have been awarded relief after an extensive过程 fought every step of the way by the NCAA. After taking the first step of defining activities as commercial to pave way for application of the Sherman Act, several cases have certified a class action and argued for the application of one of the three primary methods of determining antitrust violations: per se, quick-look, and the rule of reason. This paper includes a case-specific analysis of each step in the litigation process of alleged violations of the Sherman Antitrust Act. Its primary goal is to educate legal representatives of NCAA member universities and legal professionals planning to or in the process of representing student athletes.

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Background
Overview: National Collegiate Athletic Association
The National Collegiate Athletic Association (NCAA), a non-profit organization and the governing body over all collegiate athletics, was formed in 1906 under the guidance of President Theodore Roosevelt (Byers & Hammer, 1995; Ncaa, 2018). The collegiate athletics governing body was created because of a problem in college athletics at the time, especially college football, where deaths and severe injuries were on the rise. The NCAA was created by officials from universities across the country that were charged with rule creation for college football to limit the number of deaths and injuries (Vanderford, 2015). Over time, however, the NCAA began to take on more responsibilities to create “rules committees and conduct national championships for other sports, such as track and field, basketball and hockey” (Byers & Hammer, 1995). One guiding principle for the NCAA from President Roosevelt was that “it is first-class, healthful play, and is useful as such, but play is not business, and it is a very poor business indeed for a college man to learn nothing but sport” (Byers & Hammer, 1995). This led to the implementation of rules limiting compensation, described as follows:

“No Student shall represent a college or university in any intercollegiate game or contest... who has at any time received, either directly or indirectly, money, or any other consideration.” (Byers & Hammer, 1995)

After a few decades, the NCAA encountered its first major challenge to President Roosevelt’s guiding principle. During a case in 1953, the NCAA was ordered to award workers compensation to an injured athlete because he was considered an “employee” (University, 1953). This became an immediate threat to the NCAA and forced the association to respond in order to keep the nature of college athletics “not business”. This resulted in the NCAA developing the principle of amateurism which is outlined as follows:

“No individual who does not receive pay in any form in that sport, does not accept a promise of pay even if such pay is to be received following completion of intercollegiate athletics participation; and does not sign a contract or
commitment of any kind to play professional athletics, regardless of its legal enforceability or any consideration received.” (Byers & Hammer, 1995)

This statement along with the concept of one-year renewable scholarships has allowed the NCAA to protect itself from a variety of cases regarding student employment and compensation over the course of its existence (Walter, 2017).

While this setup was originally intended to eliminate the issue of compensation, it has caused current and former student athletes to argue for compensation and recognition of employment through other means. Most notably in the past thirty years, cases alleging antitrust violations have been the most frequent and concerning to the NCAA. The cases are argued on diverse grounds, including but not limited to: the market of recruitment for student athletes, event broadcast rights, coach number and salary limits, and the rights to the likeness, images, and licensing of student athletes. Cases regularly are based on arguments to identify impacted markets and decide which NCAA regulations are subject to antitrust scrutiny.

As a result of the frequency of antitrust cases being filed, this piece will specifically be summarizing which methods the plaintiffs use to argue and the courts use to decide various antitrust claims. The primary methods to be highlighted include: rule of reason, illegal per se, and quick-look. This piece will analyze whether alleged activity should be classified as commercial or non-commercial; the NCAA’s ability to shield their current regulations with procompetitive justifications will then be considered, analyzing whether they are anticompetitive by nature or design. Several cases will be discussed under each section to demonstrate how the primary concept of the section was utilized and connected to the overarching application of the Sherman Antitrust Act.

Overview: Sherman Antitrust Act of 1890

The Sherman Antitrust Act, passed in 1890 as a sweeping response to the rapid growth in influence of the nation’s most powerful trusts and monopolies, served as the first major United States statute to outlaw business activities which restricted interstate commerce and suppressed competition (Law.Cornell, 2010). The Sherman Act (15 U.S.C. §§ 1-7) was originally written to outlaw all significant restraints of trade which included “every contract, combination, or conspiracy in restraint of trade” as well as any “monopolization, attempted monopolization, or conspiracy or combination to monopolize”. The United States Supreme Court has since interpreted the statute to restrict only those activities whose detrimental impact on trade was deemed unreasonable by the Court, decided on a case by case basis (Federal, 2017). Although trusts are defined as providing a single set of beneficiaries with shares from stockholders of several companies, regulatory intervention is still required for their detrimental impact similar to monopolies. A monopoly is an arrangement where a single supplier of a good exerts significant control over a market; this control could potentially allow the supplier to raise prices, provide inferior product, and suppress innovation by competitors (Linfo, 2004).

Standard Oil attorney Samuel Dodd conceived the idea of a trust and designed the most notorious trust in history, which rose to control more than 90% of the country’s oil refining capacity. Nine trustees received all profits, decided dividends, appointed officers and set corporate strategy for all of Standard Oil’s component companies throughout the country. Similar trusts were established in the tobacco, railroad, steel, meatpacking, and sugar industries (Law.Cornell, 2010). Standard Oil and numerous other infamous trusts and monopolies were impacted by the Sherman Act, including Microsoft as a notable recent example.

Violations of the Sherman Act can be prosecuted as civil or criminal, with the majority of cases treated as civil and the remainder reserved for those who deliberately attempt to price fix or engineer bids. Penalties of up to $1 million and incarceration of up to ten years for individuals and $100 million for corporations can be imposed by the Department of Justice for violations of the Act (Federal, 2016). Parties injured by violations of the Sherman Act who are seeking damages are entitled to treble damages, or three times the injury amount, even if this amount exceeds the $100 million threshold (Law.Cornell, 2010). Application and violation of the Sherman Act are determined by a common series of steps which will be discussed in this article. Activities which are deemed per se violations are not open to justification or defense. Those not deemed per se will be subject to either a “quick-look” analysis or be judged by the rule of reason which considers market impact and justifications to determine if the activities can continue.
The Sherman Act, though extensive in scope and impact, failed to address several trade-restraining activities discovered by corporations in the decades following its passing. The subsequent Clayton Act (15 U.S.C. §§ 12-27) implemented in 1914 filled significant loopholes, specifically addressing mergers and interlocking directorates. Section 7 of the Act thereby outlawed mergers and acquisitions which act “substantially to lessen competition.” Section 8 of the Act “prohibits the same individual from serving as an officer or director of two competing corporations” (Law.Cornell, 2010). Also enacted in 1914 was the Federal Trade Commission Act, the statute authorizing the creation of today’s Federal Trade Commission in addition to outlawing “unfair methods of competition” and “unfair or deceptive acts or practices.” Violations of the Sherman Act are also violations of the FTC Act, the Supreme Court has ruled. The FTC Act outlaws some conduct not categorized by the Sherman Act, so violations of the FTC Act are handled specifically by the Federal Trade Commission (Federal, 2016).

Initial Stages of Antitrust Litigation
Defining Commercial Activity

The cases discussed in the following content all center around the antitrust claims made against the National Collegiate Athletics Association regarding a variety of reasons including: employment, unreasonable restraint of market, horizontal price-fixing, or group boycott. However, “in order to state claim under the Sherman Act, there must be a commercial activity implicated” (Bassett, 2008). A commercial activity is defined as:

“Either a regular course of commercial conduct or a particular commercial transaction or act.”

Another way to think of this concept is that a party must prove injury not only to itself, but also to a relevant market in which the commercial activity took place. Therefore, the inability to assign an anticompetitive activity to a relevant commercial market results in the failure to make an antitrust claim (US, 2016). The following cases will attempt to provide clarification on what courts have characterized as a commercial activity or market in terms of the NCAA product.

In the case of Basset v NCAA, the United States Court of Appeals for the Sixth Circuit heard the challenge of plaintiff Claude Basset who sought appeal of judgment in favor of defendants NCAA and University of Kentucky Athletic Association. The plaintiff “alleges NCAA, the UKAA and the SEC conspired to prevent [Basset] from coaching at any NCAA member school in violation of the Sherman Antitrust Act” (Law.Cornell, 2010). Plaintiff was a former assistant coach for the UKAA football program but resigned due to allegations of NCAA rule infractions. The district court originally held that the activities of the NCAA were not commercial in nature and no antitrust case could therefore be made. In the appeal case, Basset stated that he originally intended to challenge the NCAA’s “standards for defining improper conduct” and transitioned his case to challenge the enforcement of the NCAA’s standards (Law.Cornell, 2010). He alleged that the NCAA allowed schools to divert allegations of code violations onto their coaches, thereby detrimentally impacting a specific market, the market for collegiate athletics coaches.

In determining potential antitrust violations arising from the NCAA’s “enforcement program and the imposed sanctions arising therefrom” (Bassett, 2008), the court looked to precedent cases involving the NCAA. The court considered cases including NCAA v. Smith (1999) which found that the NCAA’s enforcement rules were not commercial in nature as they did not provide a commercial advantage and ensured fair competition (NCAA, 1999). On the contrary, Worldwide Basketball and Sports Tour, Inc. v NCAA (2004) determined that several of the NCAA’s code enforcement activities were in fact commercial in nature because they directly impacted revenue generation by Worldwide (Worldwide, 2004). In the Bassett case, the court questioned whether the plaintiff was making a claim against the NCAA’s enforcement rules as these were the reasons for his unemployment (Bassett, 2008). Despite the ruling from Worldwide Basketball and Sports Tours, the court chose to follow the Smith decision and ruled that Bassett’s claims were not commercial because the nature of a coach’s job relies heavily on recruitment and academic fraud determination activities, which had nothing to do with the commercial classification of conspiring against an individual for the benefit of the NCAA. While boycotts are considered per se violations and were present in the Bassett case, the court could still not apply the Sherman Act as the base activities were not deemed commercial.
In the case of *Agnew v NCAA*, the United States Court of Appeals for the Seventh Circuit heard an appeal from the Southern District of Indiana. In the original ruling, the plaintiffs Joseph Agnew and Patrick Courtney argued that NCAA bylaws created a restraint on trade in both the market for bachelor’s degrees and the labor market for student athletes. Both plaintiffs had been former collegiate athletes who were no longer able to compete because their one-year scholarships were not renewed by their corresponding universities. The plaintiffs therefore argued that the NCAA was restricting their rights to play by limiting the number of scholarships schools could offer for a specific sport. The defendant, NCAA, argued that plaintiffs did not identify a market whose trade was restrained by caps on the number of scholarships. Even if the bachelor’s degree and labor markets were restrained markets, the plaintiffs didn’t show that the specific markets were even commercial, so no antitrust claim could be made (Agnew, 2012). The district court agreed with the defendants’ claims and dismissed the case based on the fact that the plaintiffs “failed to identify a cognizable market in which trade was improperly restrained, and that even if plaintiffs did adequately allege there is a product market…those markets are not cognizable in the context of the Sherman Act” (Worldwide, 1999).

The plaintiffs then filed for appeal and the court of appeals upheld and affirmed the decision by the district court. Although the courts have not decided whether they recognize the student athlete recruitment market as a commercial market at all, both the district court and the appeal court ruled that the plaintiffs’ alleged markets were not markets at all. The court rejected the bachelor’s market for two reasons; 1- one cannot outright pay for a bachelor’s degree but must meet requirements to earn one; and 2- the students are not given a bachelor’s degree solely for competing in athletics (Worldwide, 2004). The court then referenced *Banks v NCAA* to reaffirm its doubt that the relationship between universities and college athletes represented a labor market as scholarships, which are used as the means exchanged, are “based upon the school’s tuition and room and board, not by the supply and demand for the players” (Banks, 1993). These decisions in turn led to no market being identified and dismissal at both the district and appellate levels.

The following cases in the subsequent sections were all initially deemed to involve commercial activities in district courts which allowed courts to move forward with application of the Sherman Act. The appellate courts, however, disagreed with the district courts in some instances described below.

**Instituting Class Action**

Numerous cases argued against the NCAA have had their motion granted by the Court to certify the case as a class action lawsuit. By no means have all cases against the NCAA been argued as class action suits, but those which have were required to follow a series of steps to define the class and determine its size. Four key prerequisites must be met before certification of a class which allow the plaintiff to sue as a representative of all alleged parties. According to the Federal Rules of Civil Procedure Rule 23, Part 1, plaintiff can represent class if: 1- gathering of all members of the class would be impracticable; 2- there exist common questions of law or fact among members of the class; 3- defenses and claims of the plaintiff are similar to those of members of the class; and 4- the representative plaintiff will protect the interests of class members (Legal, 2011). These four prerequisites are commonly referred to as numerosity, commonality, typicality and adequacy. Adequacy has several sub-requirements regarding conflicts of interest and protection of the class. The two most common prerequisites challenged by the NCAA are typicality and adequacy, with the NCAA attempting to limit the size of the class to minimize potential damages.

In the case of *Jenkins v NCAA* decided in December 2015 by the District Court for the Northern District of California, plaintiffs included student athletes who played NCAA Division 1 football and NCAA basketball between March 4, 2015, and December 2015 (Jenkins, 2015). Jenkins and other members of the class challenged NCAA regulations limiting grant-in-aid monies (GIA) to only value of tuition, fees, room and board and textbooks, less than the total cost of attendance. The plaintiffs alleged that the NCAA violated the Sherman Antitrust Act by limiting compensation provided to student athletes. They sought damages for the difference between the monies given as GIA and the total cost of attendance, arguing they would likely be given more compensation in the form of GIA if NCAA regulations did not enforce a limit (Legal, 2011). After filing the initial complaint, the plaintiff filed a motion requesting certification of class to include the numerous other football and basketball athletes who allegedly suffered
damages as a result of these NCAA regulations. Beginning with numerosity, the plaintiffs stated the class comprised “thousands of potential members” from collegiate football and basketball programs and the hundreds of GIA awards limited by the regulation. With numerosity satisfied, they moved to satisfy commonality by listing several common questions and concepts from all plaintiffs in the class. These included “whether “NCAA rules have harmed competition in those markets” and “whether the NCAA’s procompetitive justifications for its conduct are legitimate.” Commonality was also undisputed by the NCAA, which requires all members of the class to have suffered the same injury; specific to antitrust cases, all plaintiffs must have suffered from the same antitrust violation (Legal, 2011).

With the prior three prerequisites satisfied by the class, the NCAA disputed the plaintiffs’ claims to typicality, which requires the named plaintiff to vigorously yet fairly defend the class and its interests. Two sub-questions which must be answered regarding the plaintiffs and their counsel to determine if legal adequacy is present include: whether conflicts of interest exist and whether the case will be prosecuted vigorously for the benefit of the entire class. The NCAA provided two theories to allege conflicts of interest within the class, arguing that litigation of class magnitude to lift GIA caps would force member schools to decrease the number of additional players for economic reasons which would in turn harm current and potential members of the class. In addition, as the number of students who turn down current scholarships with the GIA cap is very small, those students who turn down GIA scholarships totaling less than the cost of attendance would likely receive a lesser amount without the cap than initially offered. Witnesses for the plaintiffs and the court found these arguments were either invalid or did not affect members of the class and certified that adequacy existed. With numerosity, commonality, typicality and adequacy established, the court certified the class and allowed the case to move forward as a class action suit (Jenkins, 2015).

**Arguing Violations of the Sherman Antitrust Act**

**Per Se Method**

When attempting to determine if violations of antitrust law have occurred, courts typically use a combination of three methods after determining the activity does have an impact on commercial activities. These three methods include: the illegal per se method, the quick-look method, and the rule of reason method. Applying these methods involves a series of steps, and not all three methods must be used together. The per se method seeks to determine if certain practices are “entirely void of redeeming competitive rationales”. Once it has been determined that a practice is per se illegal in fact, a court does not have to determine the effects on a market or whether they are procompetitive measures (Law, 1998). A procompetitive practice is one that generally promotes competition in the marketplace. Per se rule applies to a list of specific alleged violations, including naked horizontal price-fixing agreements or group boycotting. Horizontal price fixing is a generally illegal arrangement among competitors to charge the same, normally higher, price for an item, although in the context of antitrust it can be generalized as an attempt to control prices across a market (Merriam 2018). Group boycotting is an agreed-upon, or forcefully implemented, refusal by competitors to deal with a business or individual for committing a specified action which could include upsetting price controls or allegedly violating corporate regulations. Relating to collegiate athletics, while these activities are commonly associated with per se, the courts have specified an important exception:

“The U.S. Supreme Court recognizes that certain horizontal restraints are justifiable under antitrust laws because they are necessary to create the product of competitive college sports.” (Law, 1998)

This principle of allowing anticompetitive activities which must exist for the product to be produced is a crucial exception which has been mentioned in several cases argued against the NCAA. In the following cases, the issue of per se illegal activities was applied by the court or argued by the plaintiffs. The focus will be on how the court applied and interpreted the per se activity.

In the case of Law v. NCAA, the United States Court of Appeals for the Tenth Circuit ruled on a dispute involving the plaintiff-appellee, the National Collegiate Athletic Association, and defendant-appellant William Hall (Law, 1998). The case involved a bylaw passed by the NCAA which capped the earnings a coach could receive if they did not qualify as a head or assistant coach. As a result, the two defendants were classified as restricted earnings coaches (REC) and filed suit to challenge the new REC
rule’s limitation on compensation using Section 1 of the Sherman Act, arguing that it was an unlawful “contract, combination… or conspiracy in restraint of trade.” (Law, 1998). The district court in the original case found that the NCAA did violate section 1 of the Sherman Act. The NCAA appealed the decision, and the appeals court initially applied the rule of reason to determine if the REC rule constituted an “unreasonable restraint of trade” under Section 1 to allow the NCAA to present justifications. The defendant-appellants argued, however, that the per se rule should be used because a horizontal price fixing agreement was present which is considered to be an unredeemable per se violation. They argued that the REC rule was anticompetitive because it enforced a limit on the cost incurred by all member schools which is crucial in producing the product of collegiate athletics. Citing precedent from the National Collegiate Athletic Association v. Board of Regents (National 1984), the court refused to apply per se and opted for rule of reason; in that case, the court came to the conclusion that:

“On the fact that the NCAA is organized as a nonprofit entity, or on our respect for the NCAA’s historic role in the preservation and encouragement of intercollegiate amateur athletics… it is critical that this case involves an industry in which horizontal restraints on competition are essential if the product is to be available at all.” (National, 1984)

This principle therefore allowed the NCAA to practice some anticompetitive horizontal price-fixing activities in the interest of ensuring the continued existence of its product. Using the Board of Regents decision further, the court deemed it necessary to apply the rule of reason to determine if this price agreement served a procompetitive purpose.

Rather than set limits on coach compensation, Hennessey v. National Collegiate Athletic Association ruled on an NCAA regulation limiting the number of coaches of specified types (Hennessey, 1977). The United States Court of Appeals for the Fifth Circuit heard the case between plaintiff-appellants Lawrence Hennessey and Wendell Hudson versus defendant-appellee NCAA. The case originally dealt with the REC rule discussed above, but this time focused on the aspect of the rule which limited the number of full-time coaches a team could have, forcing some previously full-time coaches to be classified as part-time coaches (Hennessey, 1977).

This REC bylaw caused both Hennessey and Hudson to be classified as part-time coaches, which in turn also limited their compensation. The district court originally found in favor of defendant, NCAA, but after appeal, the plaintiffs argued that the bylaw instituted a “group boycott” and was therefore per se illegal. The plaintiffs argued that by distinguishing a certain group of individual coaches out of the whole group, they are boycotting their previous business relationship and preventing them from getting higher coaching jobs with any team under the NCAA (Hennessey, 1977). The court chose not to apply per se because of the precedent set by Goldfarb v Virginia State Bar which stated:

“The fact that a restraint operates upon a profession as distinguished from a business is, of course, relevant in determining whether that particular restraint violates the Sherman Act. It would be unrealistic to view the practice of professions as interchangeable with other business activities, and automatically to apply to the profession antitrust concepts which originated in other areas.” (Goldfarb, 1975)

The court decided to apply rule of reason instead because it was inappropriate to interchange the restraint of losing a job in a profession with the business of collegiate athletics, ruling that the regulation was therefore not per se illegal in fact. The court highlighted that although it chose to apply an exception to this case and several others, the NCAA must realize that its regulations are by no means above the scrutiny of antitrust law for per se violations. It then transitioned to applying the rule of reason (Hennessey, 1977).

In the case of Smith v NCAA, the United States Court of Appeals for the Third Circuit heard a dispute between plaintiff-appellant Renee M. Smith and defendant-appellee NCAA (Smith 1998). In the original case prior to appeal, the plaintiff’s claim against an NCAA regulation banning her participation in athletics while in a graduate school program at another university was dismissed, with the court stating that her antitrust claim was invalid. The plaintiff made these arguments on the grounds of a violation of Sherman Act 1, along with other claims as well that aren’t relevant to the discussion at hand. Specifically, the argument is that the bylaw of NCAA unreasonably restrains trade and has an adverse anticompetitive effect. The courts dismissed the case because it believed that antitrust laws did not apply to the NCAA’s
eligibility rules because these eligibility rules served the purpose of making NCAA’s unique product competitive (Smith, 1998).

It made this decision based on rulings in other cases including but not limited to: McCormack v. National Collegiate Athletic Association (McCormack, 1988), Gaines v National Collegiate Athletic Association (Gaines, 1990), Jones v. National Collegiate Athletic Association (Jones, 1996). The court therefore ruled that: “The NCAA’s eligibility requirements are not plainly anticompetitive and therefore are not per se unreasonable” (Smith, 1998). This further solidified the point that courts were not willing to deem NCAA bylaws subject to per se antitrust scrutiny, but instead applied the rule of reason due to the unique nature of the NCAA’s product.

“Quick-Look” Analysis

As previously mentioned under the section titled per se method, quick-look analysis is one of the three methods to analyze the impact of activities which are alleged to unreasonably restrain business activities. Rather than being a completely separate analysis method, quick-look, applicable only under specific circumstances, is also defined as an abbreviated Rule of Reason analysis. To be applicable, the market which was impacted by the alleged market-restraining activities must be readily apparent so that:

“An observer with even a rudimentary understanding of economics could conclude that the arrangement in question would have an anticompetitive effect on customers and markets.” (National, 1984)

If the market definition reasonably meets this threshold and the violation is not deemed per se, quick-look analysis allows the court to come to a conclusion without sophisticated market analysis. This rapid analysis is also known as applying “the rule of reason...in the twinkling of an eye” as referenced by National Collegiate Athletic Association v. Board of Regents, allowing the rule of reason to be applied only:

“Where the contours of the market and, where relevant, submarket, are sufficiently well-known or defined to permit the court to ascertain without the aid of extensive market analysis whether the challenged practice impairs competition.” (National, 1984)

This abbreviated analysis tool was misapplied in the case Worldwide Basketball & Sport Tours, Inc. v. NCAA (Worldwide, 2004) decided in November 2004 by the United States Court of Appeals for the Sixth Circuit. NCAA regulations of the time instituted what became known as the “Two in Four” rule which barred student athletes from participating in more than two certified non-NCAA basketball tournaments in a four-year period. The association was concerned about the “inherent recruiting and competitive advantages” provided to schools which had the geographic and financial ability to participate in outside certified tournaments. The plaintiff is an organization which organizes the outside tournaments and derives revenue from tickets sales and broadcast contracts.

Upon determining that these activities constituted commercial activities and fell under the rule of reason for instituting horizontal restraints on competition, the court determined that no involved industry analysis was necessary following precedent from Board of Regents holding that “naked restraints on output” require justification even without such analysis (National, 1984). This ruling also followed FTC v Indiana Federation of Dentists stating that “no elaborate industry analysis is required to demonstrate the anticompetitive character” of such activities (FTC, 1976). The district court originally held that quick-look was inappropriate but eventually ruled in favor of it, but upon appeal ruled its application was again inappropriate. The court concluded that the relevant market was not only unapparent, but also was inadequately defined in the first place by the plaintiffs; the plaintiffs had not satisfied their burden of proof to define the relevant impacted market. Application of the quick-look method must be accompanied by a relatively apparent definition of the market and consumer. As the quick-look rule can potentially be applied after bypassing per se, cases which are inappropriate for application of the quick-look rule for requiring market analysis or requiring justification are immediately sent to be analyzed further by the rule of reason (Worldwide, 2004).

Rule of Reason

The rule of reason is the final and most involved analysis tool to determine if activities are unreasonable restraints on trade and therefore violations of the Sherman Antitrust Act. After determining that application of the per se and quick-look (abbreviated rule of reason) methods are inappropriate for requiring justification or in-depth market analysis, the rule of reason gives both parties in the suit the
opportunity to expand further upon allegations of anticompetitive activities while also offering procompetitive justifications.

Several anticompetitive activities fall immediately under the rule of reason, most often those considered horizontal restraints on competition (horizontal price fixing condemned under per se rule). Cases are judged to determine whether procompetitive justifications outweigh the anticompetitive effect; even if some activities are found to be violations under the rule of reason, they may still be allowed to continue if they can be redeemed by procompetitive arguments. One crucial exception to this balance is for anticompetitive activities which are absolutely necessary if the product is to exist at all.

A critical aspect of hearing arguments about anticompetitive and procompetitive activities is the shifting burden of proof between plaintiff and defendant. Initially in the application of rule of reason, the plaintiff possesses the burden of proof to demonstrate that an activity has a substantially adverse effect on competition. Upon satisfying this burden, the defendant must present evidence of “procompetitive virtues” to counteract the anticompetitive activities. If legitimate procompetitive justifications can be argued by the defendant, the plaintiff must demonstrate that the activity “is not reasonably necessary” to achieve the same desired outcome. The plaintiff could also argue that a less restrictive version of the activity can still achieve the same outcome. As long as procompetitive benefits of alleged antitrust violations can be shown to outweigh their anticompetitive impacts or be necessary for the survival of the product, significantly anticompetitive activities can be allowed to persist the marketplace (Law, 1998).

One of the first and most significant cases involving the NCAA and the rule of reason was decided by the Supreme Court of the United States in 1984 under National Collegiate Athletic Association v Board of Regents, 468 U.S. 85. NCAA regulations limited the number of football games universities were allowed to air on television networks by outside broadcasters. Several NCAA member universities contracted with networks to air more than the allowed number of games and filed suit after the NCAA threatened disciplinary action. After the district court found that the NCAA’s regulations violated the Sherman Act, a court of appeals determined the NCAA regulations were a per se violation of price fixing. The Supreme Court reversed the per se classification and deemed the regulations a horizontal restraint of trade to be judged under the rule of reason; the price with the existing regulation is higher while output is lower than without it, part of the very definition of a restraint on trade or an act designed to prohibit (National, 1984).

Extensive market analysis by both parties led to the conclusion that the sport broadcasting market is a separate market upon which the NCAA had the ability to exert extensive control. The NCAA offered several procompetitive justifications including classifying their relationship with the broadcasting industry as a joint venture which achieves “otherwise unattainable efficiencies.” The association also argued that its primary goal is to facilitate competition and that its organizing of television contracts did not eliminate the competition’s presence in the market. Both the District Court and the Supreme Court found these justifications to be insufficient; the specific market into which the NCAA was selling its product was by design non-competitive, and while it may have been promoting competition in other sports, the anticompetitive impact on the football market outweighed this competition. The Court acknowledged the potential necessity of some anticompetitive practices to allow for the creation of the NCAA’s very specialized product, but its grip on related markets was unacceptable (National, 1984).

Another important suit settled recently involving the NCAA is the NCAA Student-Athlete Name & Likeness Licensing Litigation (In re, 2013). Originally arguing individually in 2010 against the NCAA with the same complaint under O’Bannon v NCAA, O’Bannon transitioned his lawsuit into a larger class action suit under the above final title (O’Bannon, 2014). The plaintiffs alleged that the NCAA misappropriated their names, images, and likenesses in violation of their statutory and common law rights of publicity. They described how NCAA regulations fostered anticompetitive activities, namely antitrust conspiracy with sports advertising companies and video game manufacturers, which limited the right to utilize these aspects of their identity, resulting in unjust enrichment in the form of profits (In re, 2013). Using the Board of Regents case as precedent, the court applied the rule of reason to analyze market impact and justifications (National, 1984). Market analysis found that the NCAA regulations restrained competition in two relevant markets: the Division I student athlete education market and the group licensing rights market. However, the NCAA offered several procompetitive justifications the court deemed legitimate to
protect the unique competitive foundation of the product. After the NCAA demonstrated that legitimate procompetitive justifications existed, the plaintiffs argued against the degree of strictness stemming from the regulations. The court ultimately decided that individual advertising rights do not constitute commercial activities and therefore cannot fall under antitrust arguments, although the anticompetitive activities were deemed justified. The class subsequently succeeded in altering the regulations to require outside entities to contact players individually to request rights to their identity rather than receiving these rights directly from the NCAA. The NCAA still today does not allow athletes to contract out their identity in this manner (In re, 2013).

Conclusion

The previous four decades have witnessed numerous suits brought against the National Collegiate Athletics Association. Plaintiffs have included student athletes, coaches, broadcasters, tournament organizers, and more, all allegedly impacted by the NCAA’s enforcement of eligibility and similar regulations. All cases discussed in this piece alleged violations of the Sherman Antitrust Act, America’s first “trust-busting” statute to eliminate unreasonable restraints on trade, often taking the form of monopolies and trusts. While numerous plaintiffs have alleged violations of the Sherman Act, only few have been awarded relief after an extensive process fought every step of the way by the NCAA. After taking the first step of defining activities as commercial to pave way for application of the Sherman Act, several cases have certified a class action and argued for the application of one of the three primary methods of determining antitrust violations: per se, quick-look, and the rule of reason. One fact has remained clear throughout decades of litigation since 1984 when the ruling from NCAA v Board of Regents opened the door to a series of antitrust cases which continue to this day: the NCAA and its numerous regulations are not shielded from antitrust scrutiny. Though few have succeeded in the past, future cases will decide whether the NCAA’s regulations will withstand the test of time and relentless scrutiny.

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Entrepreneurship education: An exploratory study applied on primary stage international schools in Egypt

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Abstract
The focus of this research is in the area of Entrepreneurship Education (EE). Egypt took the 54th and last rank on EE at school stage dimension in the Global Entrepreneurship Monitor (GEM) 2017 report. This dimension appeared to be the weakest of all entrepreneurship ecosystem dimensions. Therefore, there is a dire need to investigate deeply EE. This exploratory study aims to explore the perception and support of school leaders regarding EE at the primary stage. The research employs a qualitative approach. A semi-structured interview was conducted with school principals and heads of primary stage in international schools located in Cairo and Alexandria. These two governorates represent the majority of international schools in Egypt.

The content analysis and findings reveal among other things the novelty of the term EE and its association with 21st century skills. This research sheds light on the ambiguity of EE curriculum and challenges facing implementation. Teachers engage with students to work on some projects and do community service, however, they lack subject knowledge and pedagogy. Hence, continuous professional development in EE is required to qualify the teachers to deliver it effectively and demonstrate good practices.

Practical importance of this research is manifested in the findings and recommendations provided for practitioners, policy makers, teacher educators, school leaders and parents with regards to embracing and enhancing EE as a key competency for lifelong learning.

Theoretical importance resides in adding to the literature and filling the gap regarding EE at school level in developing countries.

Introductions
Almost 70% of the adult population across 52 economies surveyed by GEM believed that entrepreneurs are well regarded and enjoy high status within their societies and about 61% of adults in the same economies believe that entrepreneurs reap substantial media attention (Global Entrepreneurship Monitor, 2017). Entrepreneurship has occupied a great attention during the last decade on the national level. This increased attention attains to the positive impact of entrepreneurs and the establishment of small and medium sized enterprises. SMEs contribute to a nation’s GDP, reduce unemployment, reduce illegal immigration, provide creative and innovative solutions to persisting problems and thereby enhance a country’s economic conditions and foster economic growth (UNESCO 2010; OECD 2015; European Commission 2015).

The Global Entrepreneurship Monitor (GEM) - Egypt National Report (2016) indicated that in line with the above, Egypt’s economic reform agenda during 1990s highlighted the importance of SMEs to accomplish economic prosperity. Hence, several counter measures have been taken to provide the necessary infrastructure and framework for all involved stakeholders to embrace entrepreneurship successfully. However, these endeavors towards entrepreneurship witnessed failure due to some reasons,
among which is the poor awareness and training about entrepreneurship knowledge, skills and competencies among those who intended to create their own business and those who did but failed during the first years. Similarly, some other countries need to significantly improve one-third to more than half of the 12 measured entrepreneurial framework conditions. These countries are Croatia, Iran, Morocco, Puerto Rico, South Africa and Uruguay. While, leading countries according to the report are represented by Netherlands, Indonesia, Estonia, United Arab Emirates and Switzerland.

Consequently, Egypt’s entrepreneurship ecosystem ranks in the bottom quartile of most of the measures in the Global Entrepreneurship Monitor (ibid). This reveals how far Egypt is from embarking seriously on framing policies that induce and support entrepreneurship as efficiently and effectively as aspired. The entrepreneurial framework comprises 12 components: entrepreneurial financing, government policies: support and relevance, policies regarding taxes and bureaucracy, government entrepreneurship programs, entrepreneurship education at school stage, entrepreneurship education at post school stage and entrepreneurship training, research & development (R&D) transfer, commercial and legal infrastructure, internal market dynamics, internal market burdens or entry regulations, physical infrastructure, cultural and social norms. The weakest dimension of them in all economies generally and in Egypt specifically is Entrepreneurship Education at school stage (Global Entrepreneurship Monitor, 2017).

The report defined EE at school stage as the extent to which training in creating or managing new firms and SMEs is incorporated within the education system at primary and secondary school level. EE at school stage dimension had a mean of 4, Egypt ranked last with scores 1.6 and 1.76 in 2016 and 2017 respectively, on a scale from 1 to 9, where 1 is highly inefficient to 9 which is highly efficient.

There is a consensus among experts that our teaching methods do not encourage behaviors such as creativity, independence or personal initiative that bring up entrepreneurs. Curricula taught to students in schools neither provide an understanding of the fundamentals of a free market economy, nor an understanding of how business is created.

Thereby, there are three indicators that shape EE in schools; these are the nation’s educational policy and framework, the teacher and the curricula (European Commission, 2016). If these three highly weighted factors are put correctly into action, then we shall witness a remarkable progress in Egypt’s rank in EE at school stage dimension as is the case with leading countries like Portugal (1st rank), England (13th) and Finland (16th), each scoring 4.3, 4 and 3.9 respectively, (Global Entrepreneurship Monitor, 2015). In GEM (2017) EE at school stage dimension scores for United Arab Emirates is 5, Lebanon 4.8 and Qatar 4.3 thereby they precede Egypt as their ranks are 3rd, 5th and 6th respectively among all 54 surveyed economies.

Looking back upon the above-mentioned high influencing indicators, we will instantly relate the teacher and the curricula to the local schools. European Commission report on EE(2011) indicates that schools play a vital role in implementing EE together with other key areas where action is required; initial teacher education; development of the long-term vision and supporting frameworks across education systems at the national level; continuing professional development for teachers and local schools’ prioritization of EE through supporting structures and activities.

Hence, the overall aim of this research is to explore the perception and support of principals and heads of primary stage in international schools in Egypt. School principals play a very influential role in determining the school strategy and directing the teachers and school resources to the best interest of the students’ learning. To achieve this aim, it will be through the following objectives:

- Understand Entrepreneurship Education within the wider scope
- Point out the perception of school principals and primary stage heads regarding EE
- Recognize the international schools’ culture for embracing EE
- Identify true drivers and intentions of school leaders with respect to EE
- Compile a short list of most important challenges when implementing EE
- Defend EE training for teachers in their continual professional development

To achieve this goal, this paper is structured into the following sections: literature review, data and methodology, findings, discussion and conclusions. Finally, the research shows the implications and limitations of this study followed by possible directions for future work.
Literature review

The impact of introducing EE in primary or basic education level has social effects in addition to the aforementioned economic effects. A study conducted by Lackéus, as cited in European Commission (2015) unleashed social effects on students like potential happiness, more engagement with the school extracurricular activities, better subject results, decreasing bullying at school, increasing self-confidence and encouraging creativity. Moreover, Martin et al. as cited in Assessment Tools for Entrepreneurship Education (ASTEE) project prepared by Moberg et al. (2014) asserted student’s intentions to have their own business later on and boosting their ambition.

This enchanting impact is a result of adopting the wider definition of entrepreneurship as a key competence for lifelong learning. Enriching children with behavior, skills and attitudes about creativity, problem solving, self-efficacy and innovation to reflect on their well-being in life, work and society whether they will be employed (intrapreneur) or self-employed (entrepreneur). This is based on 2006 recommendation of the European Parliament and the Council on Key Competences for lifelong learning; it stated one of the eight key competences a ‘sense of initiative and entrepreneurship’ (European Commission, 2016).

It followed, international conferences and symposiums held in Budapest and Oslo actively recommend EE in both elementary and secondary stages at schools, although in the secondary stage EE focuses on the narrow definition of Entrepreneurship, which is establishing your own business and finding creative solutions. These definitions are agreed on in Geneva in 2012 by the European Commission Thematic Working Group on Entrepreneurship Education that included representatives from ETF, GIZ, ILO, UNESCO and UNEVOC (ibid). Hamid (2013) conducted in-depth interviews with five different groups of professionals (officers, headteachers, subject teachers, expert teachers and teachers’ trainers). It was a qualitative research using a case study approach which investigated the perceptions of a selected group of respondents concerning the implementation of the government’s new entrepreneurship education program in Year 1 at the primary stage. It looked at respondents’ understanding of the entrepreneurship element, their views on the purpose of its implementation and the pedagogical and political issues faced during the implementation process.

A thematic analysis approach was used to identify themes. The findings suggested that there were relatively different views on the concept and purpose of EE. Specific differences between the implementers (the teachers), headteachers and curriculum developers were also identified. The majority of the interviewees agreed that EE implementation was a positive development and most respondents had similar opinions concerning the cross-curricular approach. The findings also showed lack of monitoring and poor training which slowed down the implementation. EE research grasps the attention of academics and researchers thriving within two sectors: entrepreneurship and business/management education (Blenker et al., 2014). Most of the published research found in the literature cover either the extent of implementing EE or the impact of EE on students and teachers.

The context of this research is in Egypt which is one of the biggest African and Arab countries. It consists of 27 governorates on a land of 1.01 million km2 with more than 40% of the Egyptian citizens occupying urban areas, most of them, in Cairo and Alexandria. According to The Central Agency for Public Mobilization and Statistics (CAPMAS) the results of 2017 census showed Egypt’s population at 94,798,827 million citizens living in Egypt while the population of Egyptian expatriates hit 9.4 million (www.sis.gov.eg). The current structure of Egypt’s educational system accommodates the needs of a diverse population, unequally distributed regionally, and with wide variations in terms of socio-economic status and cultural differences (OECD, 2015b).

The (Ministry of Education, 2017) statistical yearbook revealed the number of students and schools in all educational phases in Egypt. In the primary stage which is the focus of this research private schools constitute 11.32% of all primary stage schools in Egypt. The percentage of primary stage students in private schools represent 9.6% of all primary stage students in Egypt. Private schools’ figures represent two types of schools; private schools delivering Egypt’s national curriculum in English or French languages and international schools delivering international curricula such as British or American. The latter one charges higher tuition fees and is perceived as providing better facilities and more extracurricular activities than regular private schools.
Data and methodology

The aim of this research is to explore the perception and support of principals and heads of primary stage in international schools in Egypt. When reviewing literature for identifying the extent of entrepreneurship education implementation and the perception of school leaders and teachers, it was found that some factors were driven from qualitative studies, while some others are developed using quantitative studies. Thus, it was decided to follow the qualitative approach which is mostly used to gain in-depth information about a novel phenomenon and to grasp the participants’ perception and intentions associated with EE.

Exploratory studies are undertaken to better comprehend the nature of the problem since very few studies might have been conducted in that area. Extensive interviews with many people might have to be undertaken to get a handle on the situation and understand the phenomena. (Sekaran and Bougie, 2016). The study sample is a convenient sample which is one of the nonprobability sampling designs, the elements in the population do not have any probabilities attached to their being chosen as sample subjects. This means that the findings from the study of the sample cannot be confidently generalized to the population. It was matching the aim of the research to obtain some preliminary information in a quick and inexpensive way. Convenience sampling is most often used during the exploratory phase of a research project and is perhaps the best way of getting some basic information quickly and efficiently (ibid).

This section emphasizes the qualitative analysis of the data, including the practical steps of the content analysis approach which were used through step-by-step procedure which had been drawn by (Bryman and Bell, 2011). Data was analyzed using NVIVO 11 software into generative themes, which were described individually how the themes overlapped then cascaded to codes within main categories.

Under the sample of this study and according to the responses received from four school principals and seven primary stage heads participants, the following findings are explained in each section. The demographics of the research participants in respect to gender were 10 females and 1 male, 2 British principals and 9 Egyptian respondents, age group was 30-39 mostly for head of primary stage and above 50 for school principals. Most of the participants attained post graduate studies whether it’s a master degree in education or a post graduate diploma for teachers.

The interviews were audio recorded with a total of 285 minutes. The longest interview lasted for 58 minutes and the shortest lasted for 21 minutes. The audio record was made after the participants' appraisal and agreement to participate in the study. All the participants answered the 36 questions and at the end of the interview, they were given the chance to ask any question about the research or any contribution they would like to add. After the interviews were made, an organization of the data for each individual interviewed was made. Then, the content analysis was applied to develop the data.

This technique enables common themes to be recognized from the text, which initialized from the repetition of words and ideas. In this study, the content analysis identified codes as fragments of words within the transcripts containing information were highlighted and coded. After codes had emerged, similar codes should be grouped together to create concepts. Such concepts were examined against the transcripts to ensure fidelity with the data (Bryman and Bell, 2011). The following section discusses each theme extracted from the content analysis with the questions and quotes that help in creating each theme.

Findings

The content analysis revealed six themes, perception, strategy, support, implementation, audit and evaluation. Each one is presented with its questions and quotes.

Perception Theme

This section illustrates the findings regarding the perception theme. The main quote that leads to the creation of this theme under the perception title was "... the perception of entrepreneurship education, as I see is a reflection of the skills and talents that students should be familiar with in order to succeed in their careers; whether to be self-employed or not". The theme measures the belief held by school principals and heads of primary stage in International schools in Egypt with respect to EE through related questions; namely: How well do you know about entrepreneurship; how well do you know about EE in schools; does EE relate to society; what benefits would it bring; what is EE for grades 4-7; do you
think it is important to introduce EE at this early age; why and what benefits would it bring; in your opinion, are the school teachers appropriately qualified to deliver EE.

This theme includes 21st century skills category with its codes [self-awareness; creativity; teamwork; self-confidence; leadership; responsibility; presentation; problem-solving; persuasion; critical thinking] and society benefits with its codes [economic growth; open-mindedness; community development; leaders building; innovation enhancement; different jobs exposure].

Most of the interviewees clarified that EE is included implicitly in education through the 21st century skills. Creativity received the highest number of responses with a frequency of 13 followed by both teamwork and responsibility with 12 responses. The head of social science department for elementary grades in one of the schools said that "…… without creativity, the kid will not be able to cope with everyday progress in life". One of the remarkable responses in this spot was mentioned by a school principal " I believe self-confidence is the most important value not just kids but everyone should learn, because if the kid is not confident he/she will be shy sharing ideas or participating in an activity. A lot of chances will be lost if the pupils were not confident". Leadership and presentation skills received 11 and 10 respectively, indicating the awareness of the education staff of the skills necessary to build future entrepreneurs without being directly connected to the word ‘entrepreneurship’. On the other hand, persuasion and critical thinking codes received 8 and 7 in a row. Self-confidence received an overall frequency of 5. At the last places came problem solving and critical thinking skills.

As for the codes of the society benefits. Primary department heads and principals were familiar with EE results in society also without being directly put under 'Entrepreneurship'. Economic growth received the largest amount of responses followed by 8 responses to both community development and leaders building. Lots of interviewees expressed their expectations of facing future new careers and that they are preparing their students to not just adopt but also being leaders and occupy top positions when they begin their careers or starting up their own business. In light of this, open-mindedness and different job exposure codes received 7 and 6 respectively. Finally, innovation enhancement code was repeated 5 times by the participants. Thereby, creativity ranked the highest among the theme's codes that is exactly more than the least frequent code ‘self-awareness’ by 10.

In conclusion, the 21st century skills category ranked the highest in essence to the development of EE as it received 85 responses, while the society benefits category ranked the lowest with a total frequency of almost the half of the responses in the first category.

Strategy Theme

The main quote lead to the generation of the strategy theme was "Our school strategy is to improve the academic achievement or all the students through activities and by the help of the parents". The questions measuring this theme were: does the school policy incorporate EE? why? what is the school vision regarding EE? are EE practices and plans communicated with different stakeholders; please specify the stakeholder and the objective of communicating EE and the method.

This theme includes two categories; stakeholders’ engagement with its codes [parents meetings, awareness sessions, orientations, and seminars] and school culture with its codes [open-door policy, family-based environment, active learning, self-learning, general knowledge empowerment, motivational spirit]. Parents meeting on a regular basis is the code most repeated by interview participants. They think that parents, teachers, students are angles in one triangle and missing the engagement of one will not be in line with successful educating process. Orientations, seminar and awareness sessions with 6, 5, 4 responses are similar in function, as all aim to engage stakeholders in the education process in general and in EE in specific.

"The school culture is what catalyze the education progress and gives higher results" said one of the primary stage head in one of the international schools. Hence, open-door policy ranked the first among the other codes within the theme. Next, family-based environment got a repetition of 11 responses. Active and self-learning respectively received 8 and 6 responses right before motivational spirit. At the last place, general knowledge empowerment was repeated by the participant 4 times only. Open-door policy then parents meeting received the largest amount of responses. In contrast, Awareness sessions and general knowledge empowerment were the least frequent codes in the strategy theme. To sum up, school
culture category with a frequency of 49 received 20 responses more than the stakeholders' engagement category.

Support Theme

The 36 semi-structured interview questions involved 7 questions that were related to this theme. These questions were: are there enough resources (physical, time, money) allocated for successful implementation of EE; are there enough financial budgets to provide for EE during the year; are legal issues or concerns handled in advance; how do you encourage or support EE activities; do you use your social network and professional connections to get external community support; how do you support and encourage teacher training in EE; when, who was the provider, what was it about?

The quote below represents the starting point for this theme creation. "....teachers, managers, students and parents are the main support for the shared objectives which is giving a healthy teaching environment to the students. The school's qualifications regarding the staff and international standards as well as our financial budget are also a very big support for achieving our goal....". This theme has three categories; resource with its codes [financial budget, capacity, teachers' qualifications]; top management with its codes [professional development, staff training, teachers' workshops, group meeting, online assessment]; and finally, community category with its codes [visits permits, professional connection].

Teachers' qualification code is ranked at the top as it received 5 times more responses than what financial budget code received. At the middle, capacity had 6 responses, as a lot of participants emphasized the essence of wide range of capacity in places, because many activities require huge places. Therefore, some schools are currently looking for an expansion in order to facilitate implementing the students' activities. Under the top management category, staff training was the most frequent code with a repetition of 12. The principal of one of the popular international schools in Egypt suggested that school management should focus on staff training on regular basis. "....We send our teachers all over the world to get high-standard training, and this will always be a school priority". Group meeting, teachers' workshops codes received 10 and 5 in a row, whereas professional development and online assessment received 10.

The last category in the support theme is community. This is considered as an external factor in affecting the education process including EE. Visits permits which received 9 responses as it is important and critical for both school staff and students, for instance; if the school plans to have a visit to a public or private bank, factory or hospital and the organization refused to give a permit it will affect the lesson planned, as teachers will need extra effort to visualize these visits and make it closer to the kids' imagination and it will take more time for students to understand it so well. Professional connection on the other hand received 7 responses. Many interviewees clarified that sometimes they use their personal networks to facilitate the students' activities, for example; when a teacher calls a businessman friend to ask him/her to give a speech in the school after the appraisal of the managers.

The most frequent code among all the codes in the support theme was teachers' qualification, since most of the principals participated in the interviews mentioned that a high percentage of teachers are MA holders. Among the whole theme, top management category received 47% of the total responses within the support theme, while the least frequent category 'community' contributed by only 21%.

Implementation Theme

This theme was generated with the help of the quote mentioned by one of the participants " When it comes to the teaching activities, it is important to implement it in a way that will attract the student to discover the lesson by his/her own". The questions linked to this theme were: is EE delivered through a separate subject or through cross-curricular activities? which is more beneficial and why?; do you attend any EE activities? describe your experience; What activities/events take place, pedagogy style, interaction with the external community; Do EE activities tackle moral and ethical issues?

This theme includes the highest number of codes compared with the other five themes. It involves two categories; cross and extra-curricular activities category with its codes [Role model talks, competitions, field trips, career days, science fare]; and community services category with its codes [fundraising, volunteering events, orphanage and hospital visits].
The code career day received the largest number of repetition, not only within its category but among the entire themes. This gives a pretty strong evidence of how implicitly entrepreneurship skills are embedded in the elementary stage.

The second category within the implementation theme is fundraising. One of the responses received regarding this code was "...... I have not seen yet any activity that the kids enjoy more than fundraising". Orphanage and volunteering events relative to all themes' codes received large number of responses with total frequency of 12 and 11 respectively. The codes of the cross and extra-curricular activities category surpassed the codes of community services category.

In conclusion, it became easy to predict that cross and extra-curricular activities category will weigh more than community services category as cross and extra-curricular activities category received 61 responses which is 24 responses more than in community services category.

Audit Theme

In this theme, there were 2 main question directly reflecting the auditing function in the schools. These were as follows: how do you perform an internal audit on EE; is there an external audit or control mechanism on EE on local or international level? One of the vital quotes that was the driver of the audit theme was "It is very necessary to always keep tracking our performance by auditing them and write reports of the corrective action needed for better future performance". The following section will explain the two categories included in audit theme which are internal category along with its codes [surveys, questionnaires, two-way feedback] and External category with its codes [international accreditation, mother-branch appraisal]. Two-way feedback received the highest amount of frequency, whereas questionnaires code was the lowest in receiving responses.

In the external audit codes international accreditation code was repeated 10 times by the participant, which is the double of what mother-branch appraisal code received as not all the schools have more than one branch. Among the entire theme, two-way feedback (either from teachers to students and vice versa or from the heads to teachers and vice versa) ranked the highest compared to other codes in the theme. Mother-branch appraisal on the contrast ranked the last. To sum up, the internal audit category received 24 responses that are nine responses more than what external codes received.

Evaluation Theme

Evaluation theme is the last stage in the process of education and the final theme under this study. It was driven through a quote by one of the International school principals in Egypt which was " ... I myself like to evaluate the activities with the heads and teachers in a friendly way through side-talks and sometimes through formal meetings". The questions asked to the participant in relation with this theme were: How do you evaluate the activities and results; how do you assess and review student learning of EE; do you share results; is there an official evaluation mechanism to capture stakeholder feedback, ex; students’ opinion, parents, teachers facing challenges or seeking advice; do you arrange any meetings with head teachers or teachers to discuss any challenges or obstacles that rise during implementation; do you ask them informally; do they call you or seek advice informally, overall, what challenges does the school face when implementing EE; what specific benefit or value added does it bring the school from implementing EE; how do you practice your leadership style; and how would you describe the school culture?

This theme includes two separate categories; results category with its codes [school reputation, school goals achievement] and constraints category with its codes [time, cost, new implementation resistance, staff mindset, logistical concerns]. Under the results codes, school reputation received 11 responses while school goals achievement received only 7. One of these responses "I feel so proud when I see our graduates well prepared for the university life academically and socially, and this is what we always seek".

Within constraints category, time was the main limitation for teachers to implement new activities that help in facilitating the education process generally and EE specifically. New implementation resistance received 7 responses, emphasizing that starting a new idea implementation takes longer time from teachers to get used to the new system or to adopt a new teaching technique. At the last place, there were both staff mindset and logistical concerns that received just two responses. These two codes were
considered the lowest among all the themes' codes. Constraints category received 29 responses representing 62% of the total theme's responses, while the remaining goes to results category.

**Conclusion**

To conclude, the categories for the entire themes were plotted into a chart as in figure 1. From the figure it is shown that 21st century skills ranked the first with a total frequency of 85 followed by cross and extra-curricular activities with 61 responses and at the last rank among the 13 categories was external audit with an amount of only 15 responses.

![Figure 1 Themes' Categories](image)

The last step in the qualitative analysis is presenting the comparison between the themes and ranks them. To do so, all the categories in each theme were summed up to get the total responses each theme received. Figure 2 illustrates that perception theme with distinct number of responses contribute by the highest amount to the importance of EE, followed by the implementation theme. Strategy and support had very close number of frequency with 78 and 75 responses in row right before audit theme. Finally, evaluation theme's weight relative to the overall weight was the lowest.

![Figure 2 Themes Total](image)

To further explain the contribution of each theme in the overall importance of EE in International schools in Egypt, the total responses for all themes were calculated then, the weight held by each theme was presented in the pie chart in the figure 3 below. Perception theme contributes to the overall responses by the highest rate of 28%. Implementation theme was the second highest contributor with a rate of 21% followed by strategy and support themes with close values of 17% and 16% respectively. As mentioned earlier, evaluation and audit themes were the least frequent with a contribution rate of only 10% and 8% in a row.
Discussions and conclusions

In this section, the researcher discusses the study findings in light of the research objectives. The literature covered in the study clarifies EE meaning in the broader context, which is a key competence for lifelong learning. Enriching children with behavior, skills and attitudes about creativity, problem solving, self-efficacy and innovation so as to reflect on their well-being in life, work and society whether they will be employed (intrapreneur) or self-employed (entrepreneur). This is complying with the content analysis findings of the perception of school principals and primary stage heads regarding EE as they mentioned 21st century skills such as self-awareness; creativity; teamwork; self-confidence; leadership; responsibility; presentation; problem-solving; persuasion and critical thinking. Although the term itself is novel and not clearly distinguishes between primary and secondary education stages.

Regarding the international schools’ culture for embracing EE, the analysis reveals that school culture is of an open-door policy and family-based environment that promote active learning, self-learning, general knowledge empowerment and instill a motivational spirit among the school teachers. This kind of culture promotes the school strategy set by the principals and department heads as building the trust will create opportunities for exploring new things in new methodology expecting new results not witnessed before.

This leads us to identify the true drivers and intentions of school leaders with respect to EE. The interview findings demonstrate the acknowledgment of school leaders about societal benefits such as economic growth; open-mindedness of students and employees; community development; leaders building; innovation enhancement and different jobs exposure. The school leaders’ intention is to focus on achieving the school goals and aiming for a distinctive school reputation among competing schools. They feel proud of their graduates who graduate from their schools to join the best universities in the world. During the academic year, some challenges are faced that obstruct the good intention towards adopting EE as either a cross curricular or extra-curricular activity. The most challenging concern is the time constraint as teachers are obliged to deliver other subjects that belong to the national curriculum such as Arabic, Religion and Social studies in addition to the international curriculum adopted by the school. This places a large burden as the academic achievements always come first and some activities or trips need to be cancelled although they were planned for. The second most important challenge is the resistance to new ideas and exercises.

This last challenge leads us to the final research objective of the importance of EE training for teachers in their continual professional development. The content analysis has shown that entrepreneurship is not clear in the minds of teachers. In addition, they are not really sure how to implement it especially that it needs the teacher to play the role of facilitator and should be student led not teacher led. Teachers need to receive adequate training regarding the different teaching methods and
pedagogy as they can have the students make role-plays and real-life simulation, shadowing and experiential learning.

Research Limitations and Direction for Further Research

In this study, the qualitative approach was employed with a convenient sample of school principals and heads of primary stage in international schools in Alexandria and Cairo, Egypt. This kind of sampling limits the generalizability of results. In addition, a wider geographical coverage might have revealed different insights from less populated governorates like Port-said and Luxor. Moreover, the study focused on international schools only as they adopt international American or British curricula presumably tackling EE, unlike national private schools and governmental schools which follow Egypt’s national curricula which does not comprise EE nor skills for life.

EE requires extensive research and development in interdisciplinary fields between education, business and management. There is a need for a longitudinal study for a deeper understanding of EE practices and improvement. Further studies are needed for assessing EE impact on children behavior, acquired knowledge and entrepreneurial skills. Studies on parental attitude and support towards EE would enrich the literature, as well. Different employed methodologies would contribute extensively to EE awareness such as observations, action research and ethnography. Last but not least, research on teacher training is desired to link teacher expectations and implementation with what they learnt during their trainings.

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You reap what you sow: ‘Are management educators responsible for declining employability of students in Indian B Schools?’

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Abstract
A study by ASSOCHAM in 2016 revealed that most B schools in India, except the IIMs, are producing sub-par management graduates who are either unemployable or are earning less than Rs.10,000 per month with the campus placements falling by 45 percent. Data from AICTE shows the number of management colleges has dropped from 3609 in 2014-2015 to 3264 in 2017-2018. Thus Corporate India’s declining demand for students is affecting admissions resulting in the closure of Institutions. There are several reasons for this trend but a significant one is the delivery of course curriculum. It appears that management institutions are sowing orange seeds and expecting to reap apples wanted by the Industry.

This study tries to answer three questions. What is used by management educators, why and to what extent? Literature review helped identify the ideal teaching methodologies for adult learners in B-schools. Then 10,000 questionnaires were circulated both online and offline using purposive sampling and snowballing technique amongst educators from Management Institutions across the country of which 776 responses were finalised. Triangulation technique was applied to check for content validity, expert’s opinion for face validity and construct validity by developing them on the basis of the Literature Review. The data was then analysed using factor analysis to reconfirm the structure of the items and their interrelationship. Subsequently, Reliability Test was applied to check for consistency of the instrument and multiple regression analysis to test the hypotheses.

The study revealed that management educators are focusing on quantity sacrificing quality and a gap exists between ‘what is’ and ‘what ought to be’. It should help educators introspect and reflect on their role in shaping the future of thousands of young students and remind them of their responsibility to ensure that they sow only what Institutions wish to reap for the Industry.

Acknowledgement
The authors wish to acknowledge the funding support extended by Christ Institute of management for carrying out this research work.

Introduction
India is the world’s largest provider of management education(Economist, 2016). This picture changes drastically when it comes to the quality of the graduating students of these institutions. While the number of institutions struggling to remain afloat is on the rise, the students being churned out of the remaining few are either without jobs or are forced to accept jobs with frugal pays. The Industry in particular and the nation, in general, seems to be gaining very little from the students passing out of management institutions. The industry, academia and all those interested in seeing our country grow are of the opinion that graduates are amassing their degree certificates despite the absence of skills needed to be a productive part of the Indian economy(Chakrabarthy, 2016).

Questions have also been raised on the work ethics and values of these management graduates, which is captured in the quote by Late. Prof Sumantra Ghoshal, “The worst excesses of recent management practices have their roots in a set of ideas that have emerged from business-school academics
over the last 30 years” (Ghoshal, 2005). Even more alarming is that more than 50% of the passing graduates in India failed to secure jobs through campus placements in 2016-2017. While the unemployment situation in India is a major cause, the fact that management students from B and C grade schools lack creativity, confidence and practical knowledge (ET online, 2017) are additional reasons for this state of affairs.

This leads us to the question, why are we seeing this drop in the quality of graduates? There are several reasons, including the quality of intake of the students, the outdated curriculum, the quality of faculty, the infrastructure support offered in B schools etc. The researchers feel that the delivery of curriculum is the key because ultimately what we sow is what we reap. Thus if management institutions sow oranges and nourish them like apples, they will get neither oranges nor apples.

This paper explores ‘What do they use and to what extent?’ and ‘Why?’ Traditionally it has been observed that educators in most B schools use pedagogical tools. Pedagogy is the art and science of teaching children and is derived from Greek word ‘peda’ or ‘paid’ translated as a child (Knowles, 1973). Lecture-based teaching, regular written tests that check rote learning skills of the students are all pedagogical tools of learning and teaching used extensively in Institutions. The methodology of teaching young adults is referred to as Andragogy. Andragogy is based on a Greek word ‘aner’, meaning man, implying that this is an art and science of helping adults learn (Knowles, 1996).

The authors undertook an extensive literature review with the primary objective of understanding the benefits of each teaching methodological tool and the secondary objective of analysing which each teaching methodology is appropriate for adult learners. Once these two aspects are established we would compare what ought to be against what is being done in management institutions in India and understand the reasons for the same. This study should hold a mirror to educators and enable us to do what is very often asked of students, which is to challenge assumptions and beliefs and open ourselves up to change and transformation.

**Literature Review**

Since the study is based on 15 items developed in a previous study (Poulose & Sharma, 2018) that explored and identified various tools used in classrooms, in this paper we tried to explore and document the specific advantages of each method through literature review.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Andragogy</th>
<th>Reference</th>
<th>Features &amp; Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Projects</td>
<td>(Hansen &amp; Randall, 2006) (Aggarwal &amp; O’Brien, 2008)</td>
<td>Exposes students to the real world, fostering higher level learning as outlined in Bloom’s taxonomy, critical thinking and responding to the critical feedback from peers, to work with diverse team members</td>
</tr>
<tr>
<td>2</td>
<td>Case Method</td>
<td>(Athanassiou, Mc Nett, &amp; Harvey, 2003) (Graham, Morecroft, Senge, &amp; Sterman, 1992)</td>
<td>Draw from functional knowledge gained in the classroom to analyse and process case Organises available information, critically analyse data and come up with solutions on their own</td>
</tr>
<tr>
<td>3</td>
<td>Simulation</td>
<td>(Poulose &amp; Sharma, 2018) (Savery, 2006) (Salas, Wildman, &amp; Piccolo, 2009)</td>
<td>Problem-based learning (PBL) process, an instructional learner-centred approach that empowers learners to conduct research, integrate theory and practice and apply knowledge and skills to develop a viable solution to a defined problem</td>
</tr>
<tr>
<td>4</td>
<td>Role Plays</td>
<td>(Gartmeier, et al., 2015) (Janis &amp; King, 1954)</td>
<td>Overt verbalisation induced by roleplay tends to augment the effectiveness of persuasive communication and students displayed a relatively great amount of improvisation in their talk and felt satisfied with their speaking performance.</td>
</tr>
<tr>
<td>5</td>
<td>Industrial Visits</td>
<td>(Benefits of industry visits to students, 2017)</td>
<td>Practical knowledge and hands-on experience</td>
</tr>
<tr>
<td>6</td>
<td>Flipped Classroom</td>
<td>(Tucker, 2012)</td>
<td>Frees up the class time for much more productive learning Offers student a lot of freedom to learn independently</td>
</tr>
<tr>
<td>7</td>
<td>Student Presentation</td>
<td>(Andrews &amp; Higson, 2008) (BBC British Council, 2006)</td>
<td>An extremely crucial communication skill &amp; a medium for students to share with others what they have learnt and give them a chance to challenge their understanding of the topic.</td>
</tr>
<tr>
<td>8</td>
<td>Group Discussion</td>
<td>(DeLozier &amp; Rhodes, 2017) (Hazari, North, &amp; Moreland, 2009)</td>
<td>Benefitted the performance of students and helped improve conceptual understanding of applied principles Build on each other’s knowledge by forming participatory communities</td>
</tr>
</tbody>
</table>
Studies have shown that adult learning is characterised by self-directed learning, fostering critical thinking, experiential learning, the immediacy of application of knowledge, allows responsibility for decisions and the instructor is expected only to be the facilitator (Brookfield, 1995); (Rismiyanto, Saleh, Mujiyanto, & Shofwan, 2017). Thus based on the benefits of the tools tabulated above and understanding of conditions of adult learning, student involvement and practical instead of theoretical based learning come across as being essential elements of Andragogy. This is in line with the findings of a previous study by (Poulose & Sharma, 2018) where the two dimensions identified were student engagement (SE) and application-based learning (AL). As such all the tools can be classified into HH, HL, LH or LL wherein H stands for high and L for low on the two dimensions. Simulation, Projects and Case Method came out to be the most ideal andragogical tools belonging to the HH category followed by Flipped classrooms, student presentation, guest lecture, seminar and role play, Industrial visits, GDs and peer group learning of the HL/LH category that should be used extensively in Management Institutions. With ‘what ought to be’ clear now, the study should reveal ‘what is and why’?

**Research Methodology**

To answer the questions raised in the literature review this study adopted both exploratory and descriptive research methods. Ivankova et al., (2006) confirms that when we use the combination of both exploratory and descriptive research techniques, they help in bringing out more vigorous results. The exploratory research technique was used to reconfirm the various andragogical tools identified through literature and the descriptive research technique was used to generalize the findings through appropriate statistical tools.

The structured and self-administered questionnaire was developed based on the analysis of related literature and other secondary source data, such as news articles and journals (Siniscalco & Auriat, 2005) & (Meadows, 2003). There were sixteen different sections, where section one captured the demographic profile of the respondents and the remaining fifteen sections focused on andragogical tools identified through literature review. These fifteen sections were further divided into two parts wherein the first part captured ‘what’ component (as the independent variable) and the second part was designed to confirm the reasons of usages (as the dependent variable) of the tool. The pilot study was conducted before finalizing the questionnaire on 47 educators through which we found that 7 questions were not clear and 4 questions were repetitive in nature. These 11 questions were removed and 8 new questions were included in the final instrument.
This study used a purposive and snowballing sampling technique for data collection. The questionnaire was circulated to around 10,000 faculty members of various B/C grade management institutions in the country through online and offline method, out of which, we finalized 776 responses for the analysis. Hair et al., (2010) & Chawla & Sondhi, (2011) too concluded in their study that 5:1 ratio among the items is appropriate for getting the precise results in multiple regression analysis.

Validity and Reliability

The validity of the instrument was checked to measure the accuracy of the scale (Polit & Hungler, 1993). It is anticipated that the scale should confirm the content, face and construct validity. The objective of content validity of the questionnaire is to get the consensus of the subject experts on the constructs, concept, and content of the items selected in the tool. This study applied triangulation technique to check the content validity of the scale. The focused group discussion method, expert opinion method and discussion techniques were applied to ensure the content validity of the constructs used. Based on the comments of the experts on each and every item the scale was further improved. This research also confirms face validity by ensuring that the scale appeared to be measuring what it was supposed to measure (Benson & Clark, 1983). To ensure the face validity of the scale, expert’s opinion (such as senior professors of various B-schools & managers from the industry) were taken into consideration. Finally, the construct validity was checked through the construction of the items used in the scale based on the concepts of the constructs which was developed through in-depth literature review.

The data was first checked to see if it was normally distributed, and it meets all the assumptions of multicollinearity and homoscedasticity (Hair, Black, Babin, & Anderson, 2010). The second stage was to apply a factor analysis to reconfirm the structure of the items and their interrelationship (Malhotra, 2010). This study found all the factors coming out to be appropriate with the KMO (0.916) and Bartlett’s test of Sphericity (0.000), for further analysis. We found 15 factors with 74% variances. The Principal Components Analysis with Varimax Rotation was applied to examine the dimensions of the instrument. Identified andragogical tools through factor analysis were retested through reliability analysis to check the internal consistency. The Cronbach’s Alpha values closer to 1.0 is considered more reliable but the value above or equals to 0.70 is also considered good (Zikmund, 2004); (Nunnally & Bernstein, 1994, p. 265); (Robinson, Shaver, & Wrightsman, 1991, pp. 12-13) & (Nunnally J. C., 1978). The values of fifteen different constructs were found to be well within the limits (Please refer Table 2).

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Tools</th>
<th>No of Items</th>
<th>Cronbach’s Alpha</th>
<th>Sig</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Projects</td>
<td>6</td>
<td>0.817</td>
<td>0.000</td>
</tr>
<tr>
<td>2</td>
<td>Case Method</td>
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<td>3</td>
<td>Simulation</td>
<td>5</td>
<td>0.845</td>
<td>0.000</td>
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<td>4</td>
<td>Industrial Visits</td>
<td>5</td>
<td>0.911</td>
<td>0.000</td>
</tr>
<tr>
<td>5</td>
<td>Flipped Classroom</td>
<td>7</td>
<td>0.905</td>
<td>0.000</td>
</tr>
<tr>
<td>6</td>
<td>Role Plays</td>
<td>7</td>
<td>0.882</td>
<td>0.000</td>
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<tr>
<td>7</td>
<td>Student Presentation</td>
<td>6</td>
<td>0.861</td>
<td>0.000</td>
</tr>
<tr>
<td>8</td>
<td>Group Discussion</td>
<td>8</td>
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<td>0.000</td>
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<tr>
<td>9</td>
<td>Story telling Method</td>
<td>5</td>
<td>0.784</td>
<td>0.000</td>
</tr>
<tr>
<td>10</td>
<td>Peer-group Learning</td>
<td>7</td>
<td>0.917</td>
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<tr>
<td>11</td>
<td>Seminars</td>
<td>4</td>
<td>0.812</td>
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</tr>
<tr>
<td>12</td>
<td>Guest Lectures</td>
<td>7</td>
<td>0.795</td>
<td>0.000</td>
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<td>13</td>
<td>Research Sharing</td>
<td>7</td>
<td>0.851</td>
<td>0.000</td>
</tr>
<tr>
<td>14</td>
<td>Audio Visual Media</td>
<td>5</td>
<td>0.835</td>
<td>0.000</td>
</tr>
<tr>
<td>15</td>
<td>Lecture-based Teaching</td>
<td>7</td>
<td>0.898</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Data Analysis

The universe of this study consists of B/C grade management institutions from across the country. As discussed above 776 responses were finalized for the statistical analysis out of which 53.2% (n=412) were male and 46.8% (n=364) were female respondents. Average experience of the respondents...
was 12.6 years and 69.8% (n=542) respondents had doctorate degree 37% (n=287) respondents were from marketing specialization, 28% (n=217) respondents were from finance specialization, 21% (n=163) respondents were from HR specialization and rest 14% were from other specializations such as IT & operations.

The data from the study revealed the answer to our first question, which is ‘what do educators use? The results revealed that ‘project’, ‘case study’, ‘student presentation’, ‘GDs’, ‘Audi-Visual mode’ and ‘lecture-based teaching’ are tools used by over 90% of the educators. A second set of tools including ‘Role Play’, ‘Peer group learning’, ‘Industrial Visit’, ‘Research Sharing’ and ‘Guest Lectures’ are used between 60% to 90% and the remaining andragogical tools including ‘Simulation’, ‘Flipped classroom’, ‘Seminar method’, and ‘Storytelling’ are used the least, which is 40% to 60%.

After the demographic analysis, the multiple regression analysis was applied to test the proposed hypotheses (see Table 2). This helped answer the second research objective, which is ‘Why do educators use what they use?’

Hypotheses Testing
From the Table 3, it is evident that all 15 hypotheses are rejected as the p-values (<0.05) are well within the limit.

\( H_06: \text{There is no significant effect of the components, ‘real-time learning’, ‘easy to use’, ‘high on application-based teaching’, ‘high student’s involvement’, ‘bridge the gap between industry & academia’ and ‘creative thinking’ on the usage of project andragogy.} \)

The results (see Table 3) clearly indicate that the hypothesis stands rejected and there is, in fact, significant effect of the components on the decision of the educator to use project Andragogy. Further it is also seen that the ‘Real-time learning (B=0.201; p-value=0.000), ‘High on application-based teaching (B=0.139; p-value=0.000) and ‘Easy to use (B=0.218; p-value=0.000) are seen to influence significantly the decision to use project while the components ‘High student involvement’, ‘bridge the industry-academia gap’ and ‘creative thinking’ are having an insignificant influence on the decision to use project methodology.

\( H_07: \text{There is no significant effect of ‘real-time learning’, ‘high students involvement’, ‘access to repository’, ‘high on application-based teaching’, ‘peer pressure’, ‘creative thinking’, ‘decision making’ and ‘institute insists’ on the usage of case study andragogy.} \)

The regression output values lead us to reject the hypothesis (see Table 3). The components influence the decision of the educator to use Case study. ‘Real-time learning (B=0.128; p-value=0.000)’, ‘High students involvement (B=0.482; p-value=0.002), ‘High on application-based teaching (B=0.316; p-value=0.003), ‘Institution insists (B=0.360; p-value=0.010) and ‘Peer Pressure (B=0.077; p-value=0.030)’ have a significant influence on the educator’s decision to use case study while ‘Access to repository’, ‘creative thinking’ and ‘decision making’ are components that are insignificant.

\( H_08: \text{There is no significant effect of ‘real-time learning’, ‘high students involvement’, ‘access to repository’, ‘high on application-based teaching’ and ‘decision making’ on the usage of simulation andragogy.} \)

The values indicate (see Table 3) that there is a significant effect of the components on the usage of simulation Andragogy. Educators use Simulation mostly because of the ‘high level of student involvement (B=0.290; p-value=0.000)’ and ‘real-time learning (B=0.094; p-value=0.041)’ involved. Of all the components ‘the access to repository’, ‘high on application-based teaching’ and ‘decision making’ are seen to be insignificant.

\( H_09: \text{There is no significant effect of ‘Real-time learning’, ‘High students involvement’, ‘High on application-based teaching’, Institution insists and ‘Bridge the gap between industry & academia’ on the usage of industry visit andragogy.} \)

The hypothesis stands rejected (see Table 3) hence there is a significant effect of the components on the usage of industry visit Andragogy. Further it is seen that except for ‘High application-based teaching (B=-0.053; p-value=0.225)’ all others including ‘Institution insists (B=0.496; p-value=0.000)’, ‘Real-time learning(B=0.102; p-value=0.005)’, ‘High students involvement (B=-0.146; p-value=0.002)’ and ‘Bridge the gap between industry and academia (B=0.146; p-value=0.000)’ are seen to be of significant value.

8th International Conference on Restructuring of the Global Economy, 9-10th July 2018, University of Oxford, UK
H$_{60}$: There is no significant effect of ‘It is quite innovative, ‘Creative thinking’, ‘Decision Making’, ‘Enhances leadership skills among students’, ‘Enhances team building skills among students’, ‘Enhances conceptual knowledge’ and ‘Helps improve knowledge of current happenings of the industry’ on usage of flipped classroom andragogy.

The values from Table 3 clearly indicate that the hypothesis is rejected. This implies that there is a significant effect of the components on the usage of the flipped classroom. The ability to foster creative thinking (B=-0.383; p-value=0.000), innovation (B=0.362; p-value=0.000) and decision making (B=0.411; p-value=0.000) are found to be significant and the remaining components are insignificant.


With this hypothesis getting rejected there is said to be a significant effect of the components on the usage of role play Andragogy (see Table 3). Results point to the fact that all the components ‘learning while playing’ is the only one that is insignificant, while the others such as ‘Real time learning’ (B=-0.319; p-value=0.000), ‘High students involvement (B=0.418; p-value=0.000), ‘Decision Making (B=-0.107; p-value=0.009), ‘Improves Soft skills (B=0.382; p-value=0.000), ‘Develops Team Spirit (B=-0.204; p-value=0.000) and ‘Students appreciate it more (B=-0.100; p-value=0.002) are seen to have significant effect on the usage of role play andragogy.


The hypothesis is rejected and the individual component ‘high student involvement’ is seen to have insignificant influence on the usage of the student presentation (see Table 3) Andragogy, while all others including ‘Peer Pressure (B=-0.087; p-value=0.005), ‘Creative thinking (B=0.091; p-value=0.000)', ‘Institute insists (B=0.126; p-value=0.000), ’Improves Soft Skills (B=0.078; p-value=0.000), and ‘Easy to use (B=0.174; p-value=0.000) factors studied are having a significant value.

H$_{68}$: There is no significant effect of ‘decision making’, ‘institute insists’, ‘improves soft skills’, ‘enhances leadership skills among students’, and ‘helps improve knowledge of current happenings of the industry’ on the usage of group discussion andragogy.

Since the hypothesis is rejected (see Table 3), looking further into the individual components it is found that ‘decision making (B=0.477; p-value=0.000)’, ‘institute insists (B=0.216; p-value=0.000)’ and ‘helps improve knowledge of current happenings of the industry (B=0.178; p-value=0.005)’ are significant and the remaining insignificant.

H$_{69}$: There is no significant effect of ‘access to repository’, ‘decision making’, ‘critical thinking’, ‘easy to use’ and ‘helps change the thinking and behaviour’ on the usage of story-telling andragogy.

The rejected hypothesis reflects that there is a significant effect of the combined components on story-telling Andragogy (see Table 3). Data also reveals that ‘decision making’ and ‘helps change thinking and behaviour’ factors that are found to be insignificant, while all the others such as ‘access to repository (B=-0.196; p-value=0.000), ‘critical thinking (B=0.268; p-value=0.000)’ and ‘easy to use (B=0.118; p-value=0.002)’ have a significant effect on the usage of story-telling Andragogy.

H$_{70}$: There is no significant effect of ‘helps change the thinking and behaviour’, ‘creative thinking’, ‘decision making’, ‘enhances leadership skills among students’, ‘enhances team building skills among students’, ‘enhances conceptual knowledge’, and ‘it connects with that age group’ on the usage of peer group learning andragogy.

The Table 3 values indicate that there is a significant effect of the factors on the use of peer group learning Andragogy. ‘Decision making’ is seen to be the only component that is insignificant while all the others such as ‘helps change the thinking and behaviour (B=0.166; p-value=0.000), ’creative thinking (B=-0.128; p-value=0.015), ‘enhances leadership skills among students (B=0.130; p-value=0.031), ‘enhances team building skills among students (B=0.319; p-value=0.000), ‘enhances conceptual knowledge (B=-0.196; p-value=0.000), and ‘it connects with that age group (B=-0.808; p-value=0.051)’ have significant values indicating their influence on the usage of the peer group learning Andragogy.

H$_{71}$: There is no significant effect of ‘institute insists’, ‘bridge the gap between industry & academia’, ‘helps improve knowledge of current happenings of the industry’ and ‘students appreciate it more’ on the usage of seminar andragogy.
Like all another hypothesis this too is rejected (see Table 3) and further it is found that ‘student appreciates it more (B=0.213; p-value=0.000)’ and ‘bridges the industry-academia gap (B=0.131; p-value=0.004)’ are having a significant value, whereas ‘Institute insists’ and ‘Helps improve knowledge of current happenings in the industry’ are seen to be insignificant indicating that they are not substantially significant reasons why educators use seminar Andragogy.

**H12**: There is no significant effect of ‘real-time learning’, ‘expert knowledge sharing’, ‘peer pressure’, ‘I have good industry connects’, ‘institute insists’, ‘bridge the gap between industry & academia’ and ‘helps improve knowledge of current happenings of the industry’ on the usage of guest lecture andragogy.

The hypothesis is rejected which (see Table 3) goes to prove that there is a significant effect of ‘real-time learning (B=-0.200; p-value=0.000)’, ‘expert knowledge sharing (B=0.201; p-value=0.000)’, ‘I have good industry connects (B=0.268; p-value=0.000)’, ‘bridge the gap between industry & academia (B=-0.283; p-value=0.000)’ and ‘helps improve knowledge of current happenings of the industry (B=0.133; p-value=0.000)’ components on the usage of guest lecture Andragogy. ‘Peer pressure’ and ‘Institute insists’ are found to be the insignificant effect on the usage of the guest lecture Andragogy.

**H13**: There is no significant effect of ‘access to repository’, ‘peer pressure’, ‘creative thinking’, ‘enhances conceptual knowledge’, ‘students appreciate it more’, and ‘it connects with that age group’ on the usage of research sharing andragogy.

Rejection of the hypothesis implies (see Table 3) that there is a significant effect of the factors on the use of research sharing Andragogy. The components, ‘Access to repository (B=-0.526; p-value=0.000)’, ‘Creative thinking (B=0.898; p-value=0.000)’, ‘Students appreciate it more (B=-0.172; p-value=0.008)’ and ‘It connects with that age group (B=-0.205; p-value=0.000)’ are seen to be significant while the rest of the components are having an insignificant effect on the usage of research Andragogy.

**H14**: There is no significant effect of ‘access to repository’, ‘peer pressure’, ‘institute insists’, ‘visual learning’ and ‘students appreciate it more’ on the usage of audio-visual andragogy.

With this hypothesis being rejected it is clear that the components have a significant effect on the decision of the educator to use audio-visual Andragogy (see Table 3). Further analysis reveals that ‘institute insists (B=0.241; p-value=0.000)’, ‘visual learning (B=0.264; p-value=0.000)’ and ‘students appreciate it more (B=0.090; p-value=0.003)’component significantly influences the usage of audio-visual Andragogy, while the rest are insignificant.

**H15**: There is no significant effect of ‘enhances conceptual knowledge’, ‘helps improve knowledge of current happenings of the industry’, ‘decision making’, ‘institute insists’, ‘students appreciate it more’, ‘easy to use’ and ‘helps change the thinking and behaviour’ on the usage of lecture-based andragogy.

Tests showed (see Table 3) that the components do influence the usage of lecture-based Andragogy. Further it is seen that of all the seven components only ‘helps improve knowledge of current happenings of the industry’ is seen to be insignificant, whereas, ‘enhances conceptual knowledge (B=0.474; p-value=0.006)’, ‘decision making (B=0.166; p-value=0.000)’, ‘institute insists (B=0.118; p-value=0.000)’, ‘students appreciate it more (B=0.087; p-value=0.000)’, ‘easy to use (B=0.168; p-value=0.000)’ and ‘helps change the thinking and behaviour (B=-0.136; p-value=0.000)’ have a significant impact on the usage of lecture based Andragogy.

**Table 3: Regression Output**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Tools</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>F-Value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Projects</td>
<td>0.421</td>
<td>0.417</td>
<td>93.357</td>
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</tr>
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<td>2</td>
<td>Case Method</td>
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<td>0.496</td>
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<tr>
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<td>Simulation</td>
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<td>0.245</td>
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</tr>
<tr>
<td>4</td>
<td>Industrial Visits</td>
<td>0.099</td>
<td>0.091</td>
<td>11.697</td>
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</tr>
<tr>
<td>5</td>
<td>Flipped Classroom</td>
<td>0.346</td>
<td>0.333</td>
<td>27.768</td>
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</tr>
<tr>
<td>6</td>
<td>Role Plays</td>
<td>0.437</td>
<td>0.43</td>
<td>59.406</td>
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</tr>
<tr>
<td>7</td>
<td>Student Presentation</td>
<td>0.239</td>
<td>0.233</td>
<td>38.251</td>
<td>0.000</td>
</tr>
<tr>
<td>8</td>
<td>Group Discussion</td>
<td>0.367</td>
<td>0.363</td>
<td>82.964</td>
<td>0.000</td>
</tr>
<tr>
<td>9</td>
<td>Story telling Method</td>
<td>0.259</td>
<td>0.249</td>
<td>28.049</td>
<td>0.000</td>
</tr>
<tr>
<td>10</td>
<td>Peer-group Learning</td>
<td>0.325</td>
<td>0.317</td>
<td>41.735</td>
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</tbody>
</table>
Discussion & Conclusion

The first question this study answers is, what is used by educators and to what extent. The results are in line with the assumption that we began with, that Pedagogy and not Andragogy is used the most. Results show that Institutions continue to base their teaching extensively on pedagogical tools like lecture-based teaching and audio-visual method. Except ‘Simulation’, Flipped classroom’, ‘Seminar method’, and ‘Storytelling’ all the other tools are used by over 60% of the respondents extensively. This implies that 11 tools are used by the majority of the educators for their courses. Though impressive, one must not overlook the fact that all the respondents follow the semester or trimester system that mandates completion of course content in 30-45 hours. This being the case if educators are using all these tools for a course within the allotted hours then the quality of their delivery is questionable! Due to personal and professional compulsions, educators are focusing on quantity sacrificing quality of methodology. It also shows that some very important andragogical tools like simulation, flipped classrooms, seminar method are not being used enough. Thus it becomes evident that gap exists between what should be used to teach and what is being used to teach.

This study also provides detailed insight into why educators use what they use. It was found that easy to use (21.8%) and Real-time learning (20.1%) have the most influence on the decision to use project Andragogy. This is not in line with our understanding gained from literature review of the benefit of Projects. A component as significant as application based learning came across as being insignificant. During interaction with faculty for filling of the questionnaire, we realised that most educators are considering assignments given in class as Projects instead of live projects students undertake in organisations. The case method is used mostly because educators believe that they are ‘High on application-based teaching (31.6%). High student involvement (48.2%) and a majority are seen using it because Institution insists (36%). This is reinforced by our own personal experiences and observation of Institutions insisting on the case method. A few government universities have pre-defined case studies assigned for each course, which must be mandatorily taken up by the educators.

The results for simulation are not in confirmation with the results of the Literature review. Past studies have shown that simulation is highly application based and helps students in fostering their decision-making skills in a risk-free environment (Salas, Wildman, & Piccolo, 2009) & (Pohls & Sharma, 2018). But these components were found to be insignificant in our studies. Student engagement increases with use of simulation were the only result that was in line with past studies. Based on the outcome of the study for this component and our personal observation while administering this questionnaire we are compelled to attribute this to the quality and mindset of the faculty. We came across several educators who were not aware of this particular tool. This is reinforced by the fact that merely 50.5% of the respondents were found to be using this tool.

Educators agreed that bridges the industry-academia gap component increased with every Industrial visit, however, the results also showed an inverse relationship between industry visits and student engagement & application based learning, implying that industrial visits reduce student engagement and learning. This reflects their lack of confidence in this tool and yet 69% of the respondents were found to be using this tool. This is probably because Institution insists (50%) on the usage of this tool as this component was found to be very significant. The respondents believed that the innovativeness of Flipped classrooms is what influences its usage. But the inverse relation that came up for the component fosters creative thinking and the finding that all the other components are insignificant again raises questions on the awareness of the educator and their openness to experiment with new tools. The fact that only a meagre 48.5% of the respondents use this tool validates our opinion.

The results of role play confirmed our belief that educators perceive it to influence student involvement (41.8%) and helps develop their soft skills (38.2%). Student presentation as a tool again

<table>
<thead>
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<th>Seminars</th>
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</tr>
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<tbody>
<tr>
<td>11</td>
<td>0.118</td>
<td>0.11</td>
<td>15.283</td>
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<td>12</td>
<td>0.298</td>
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<tr>
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<td>0.351</td>
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</tr>
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<td>14</td>
<td>0.307</td>
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<td>61.871</td>
<td>0.000</td>
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</tr>
<tr>
<td>15</td>
<td>0.135</td>
<td>0.127</td>
<td>16.244</td>
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</tr>
</tbody>
</table>
surprised us as the findings were not in alignment with the findings of past studies. None of the components was seen to be greatly influencing the usage of this tool. This is probably an indicator of the way this tool is used and the quality of the students. GDs were found to be used by educators mostly because of their belief that students ‘decision-making skills improve (47.7%)’ and the institution insists (21.6%). Most institutions across the country use GDs to impart placement training for the students. Both tools are used by over 90% of the respondents.

‘Story-telling’ and ‘audio-visual media’, literature review established as mostly pedagogical tools (Maddalena, 2015). Our study reveals that audio-visual media is used extensively by educators while storytelling did not find much favour with educators, though the few who use it believe that this influences the students critical thinking. The study revealed that peer group learning as a tool is used the most due to its influence on team building skills (31.9%). But other components that were found to be significant in previous studies were either found to be insignificant or having an inverse relation with the variable (Astin & Alexander, 1993) & (Roock, et al., 2016). For instance, creative thinking is seen to have an inverse relation, implying that more peer group learning will reduce creative thinking. This could be attributable to the quality of the students and the lack of confidence of the educator to let the tool be learner-centric.

The results for seminar Andragogy brings out an interesting fact that Institutions are not insisting on seminars as this is seen to have an insignificant influence on the variable. This raises questions about the willingness and ability of institutions to offer the educators the support they need to use Andragogy. Substantially high number of respondent are seen using guest lecture for their courses (89.7%) and the reason why they are using this appears to be due to its influence on network building and knowledge sharing. A tool like research sharing that is crucial for management students is seen to be used by only 69% of the educators and the most influencing factor attributed for its usage is ‘creative thinking (89.8%)’. Several other significant factors like ‘access to repository’ and ‘it connects with the age group’ showed an inverse relation with the variable. This we attribute to the lack of research inclination of the educators that is evident from the quantum of research contribution from the educators in B and C grade institutions.

Lecture-based teaching, the tool which is used extensively for children and has its obituary written several times continues to be used extensively by educators (94.8%). The study also shows that almost all the components are found to be significantly influencing the variable implying that the educator attributes several benefits to the usage of this lecture tool.

From the above results, we may conclude that gap does exist between what is and what ought to be. Students continue to be trained using several pedagogical tools and a few andragogical ones and educators are currently using too many methodologies in the limited sessions allotted for each course. The study also reveals that educators are using the methodologies they use because of their perception and understanding of their benefits in addition to the limitations imposed on them by external factors like the Institution, Trimester/Semester system, quality of students evidenced by the usage of tools like Industrial visit and Guest lectures, which the educator feels contributes very little to student learning. Additionally, a few internal factors like quality of the educator, training received on usage, mind-set and beliefs they hold are what we believe, responsible for their using pedagogical tools like lecture-based teaching extensively and not using a few andragogical tools that belong to the HH category.

Employability of students is linked to their knowledge, skill and attitude (KSAs). Management Institutions are meant to be the training centres where the educator is entrusted with the responsibility of honing these KSAs. However, our study shows that selection of tools meant for such training is being done due to beliefs on perceived benefits and certain limitations imposed on the educators. This is then bound to impact the employability of the students. Too much nourishment forced on a seedling does more harm than good, similarly, too many tools in too short a period can instead of honing, harm the student’s abilities. Educators’ selection of the tool to be used should be on the basis of the need and objective of the students but now it is on the basis of the need and beliefs of the educator and the Institution. Hence it would not be wrong to conclude that educators are one of the primary reasons for the declining employability of the management students. The results of this study hold a mirror to the educators specifically and other important stakeholders, which we hope would force them to initiate drastic changes and bring in more accountability to the entire process of delivery of course curriculum.
short, this study should cause stakeholders to pay attention to what they sow and how, so as to reap employable industry-ready students.

**Limitations and Scope for Future study**

While we strongly stand by the results of our study, we also feel that there could be minor variations in the results due to a few limitations like the sincerity with which the educators answered the questionnaire, the length of the questionnaire, time & resources, educators understanding of terms or the lack of it to name a few. Further, this study does not measure directly the impact of the current methodologies on the employability level of the student. Also, it would be unfair to lay the blame fair and square on the educator without trying to understand their reasons for not using andragogical tools. Hence in our next study, we would be asking the educators ‘why they do not use what they do not use’. We would also like to explore if their decision to use a tool is influenced by factors such as experience, gender, specialisation etc. To establish clearly the role of the educator in the employability it is also essential to explore other factors responsible like the quality of the students, the infrastructural and resource support from the management and isolate their influence from the total impact on employability. Finally to understand the effectiveness of the execution of current methodologies it is important to explore the level of training received in each methodology by the educators and study the KSA level of students at the time of joining the Institution and comparing it after they acquire their degrees.

**References**


The impact of entrepreneurship education on planned behavior

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Keywords
Entrepreneurship Education, Theory of Planned Behavior, Subjective Norms, Behavior Control, Entrepreneurship

Abstract
The main aim of this study is to explore the state of entrepreneurship education in Egyptian universities to fill the gap in entrepreneurship education research. A questionnaire was applied and employed in English face-to-face and online. Regression and SEM models had been fitted between research variables using SPSS and AMOS – version 24, so that the hypotheses could be tested. Finally, it was found that there is a significant positive effect of entrepreneurial education on Subjective Norms, Control, and Attitude, implying the significant effect on the overall planned behavior.

Introduction
With the development of several fields nowadays in Egypt, it becomes important to foster entrepreneurship, which is one of the highest priority in public policy. Therefore, entrepreneurship education in higher educational institutions should be promoted as a mechanism for educating and developing students for an entrepreneurial career and equipping them with the necessary skills and competences to compete in a rapidly globalizing marketplace.

Entrepreneurship education is believed to have invariable result in a comparable growth in the quantity and quality of entrepreneurial activity. However, the schools and colleges in which entrepreneurship courses are offered vary considerably from institution to institution. However, the teaching and assessment methods used in entrepreneurship education vary. Entrepreneurship education research in the USA, Europe, and even Asia is strongly presented in the literature. However, little is known about the nature of entrepreneurship education in Africa with the exception of some fragmented studies (Leitch and Harrison, 2008).

The main aim of this study is therefore to explore the state of entrepreneurship education in Egyptian universities to fill the gap in entrepreneurship education research. Policy makers, curriculum developers, and other stakeholders.

This research is illustrated into several sections. The next section presents the literature review about entrepreneurship education and the theory of planned behavior. The third one illustrates research design, framework, developed hypotheses and identifying data and employed statistical tools. Section four explains the findings of statistical analysis, and the final section presents the conclusion of this research.

Literature Review
This section is designed to explain the theoretical background of Entrepreneurship education and how it influences the behavior of students towards Entrepreneurship Intention and development.

Entrepreneurship Education
In this section, a review of the entrepreneurship education is provided including its dimensions of Experience, Action and Reflection. Experience is a philosophical construct as well as a common everyday practice; hence, it is both a theoretical and existential concept, which relates both to the public sphere and to private subjectivity (Jay, 2005). There are many contexts for understanding experience, like: philosophical, religious, aesthetic, political, cultural, social or historical. Experience has also influenced the way that the learning process is nowadays understood, as it has, to some extent, reformulated both the
aims of education and how contemporary pedagogy is applied, especially in regards to experience-based learning (Boud et al., 1985; Itin, 1999).

Historically, experience was related to education from the beginning of the existence of philosophical thought and the very first theories of knowledge, starting from Plato and Aristotle. However, up to the late twentieth century, experience was never unambiguously placed in the center of interest for education or philosophy of education. The meaning and the value of experience in education developed and grew out of the progressive educational movement in the USA, closely connected to the philosophical traditions of pragmatism and instrumentalism (Dewey, 1916/2007; Hickman, 1992). From a progressive educational perspective, both learning and experiencing is a lifetime process and goes together with human development (Dewey, 1916/2007).

To understand the concept of action, in a sense of executing a particular behavior in a particular situation, we need to refer back to ethics. For Aristotle, actions are done for the sake of things other than themselves and are aimed for some purpose (Ackrill, 1978). All action taken is, for Aristotle, leading toward achieving eudaimon (the highest good), which all human activity is directed toward. Aristotle distinguished between voluntary and involuntary, or non-voluntary, action. Voluntary action wears a notion of responsibility for its effects. It is guided by either desire or practical reason (Thomson et al., 2004). Stoics’ philosophy of action also refers to the issue of appropriateness of actions and their virtuous nature. Humans need to be conscious of acting and understand their actions. From the ethical standpoint, the Stoics distinguish two different levels of appropriate actions: intermediate and perfect acts. They may share the same outward representation but they differ in human mindsets (Johnson, 2013). Intermediate acts are justifiable, whereas perfect ones are reasonable and harmonic, and executed by wise men (Johnson, 2013).

In relation to entrepreneurship, and for understanding the entrepreneurial venturing process as a result of planned behavior, the interest is put more on purposeful doing, not “happenings” to a person or mechanical reactions to some stimulus (reflexive behavior). In regards to happenings, action is a physical behavior that is to be executed and that generates some consequences but focusing on happenings is unpredictable and will most likely lead to different outcomes every time one tries to understand why an entrepreneur acted in a certain way. Instead, the interest for action in entrepreneurship would be more informed through investigating the intentional actions of entrepreneurs and their reasons for acting in an entrepreneurial way, based on a purposeful decision to act in a given situation.

Actions are the behaviors executed by a human being in a particular situation. Action orientation in entrepreneurship education demonstrates the behavioral nature of entrepreneurs in the sense that individuals respond to the consequences of their actions and readjust to act again. However, learning cannot be perceived as solely “actual doing,” which is a quite limited and mechanistic view. Taking action is only one part of the learning process, nevertheless crucial for enabling learning from experience. What is important to stress, as needed in entrepreneurship, is not just any action, but action that is deliberate and intentional, and by that, it includes human aspects too.

Reflection has always been connected to philosophy and learning (Dewey, 1916/2007; Jay, 2005), but its importance in education has, during the last couple of decades, grown, thanks to the new winds that are currently blowing in higher education. These winds are closely connected to a movement of directing learning from a teacher-centered approach toward a more student-centered approach (DuFour, 2004). Through this, the pedagogical pendulum has moved from didactics toward experience-based approaches (Gibb, 1987; Roberts, 2012). In this development, the aspects of action, experience and reflection are seen as important ingredients for the development of knowledge through education.

Reflection may take a form of an assessment of “how or why we have perceived, thought, felt or acted” (Mezirow, 1990, p. 6), be part of problem solving (Ferry and Ross-Gordon, 1998), or synthesis of knowledge had and acquired (Dewey, 1938), addressed as a 708-abductive process (Dewey, 1938; Peirce, 1992). Not all humans have the ability inherent to reflect, as a pre-requisite for reflection is to be present to the nature of the experience, and open to its potential meanings (Rodgers, 2002, p. 850). However, all humans have the ability to learn how to reflect and extract meaning from experiences undertaken (Boud et al., 1985; Dewey, 1910/1997).
Theory of Planned Behavior (TPB)

Ajzen (1999) stated that Theory of Planned Behavior (TPB) considered as an extension to the theory of reasoned action. Dawkins and Frass, (2005) and Ajzen (2015) illustrated that TPB is an extension of the theory of reasoned action as it includes perceived behavioral control construct. It has evolved to being the most popular and influential framework in the study of human action (Ang et al., 2015). Shin (2012) demonstrated that attitudes and norms have different impact on behaviors in different cultural settings; where attitudes, personal needs, and perceived rights have significant influence on the individuals' behaviors from individualistic cultures. Moreover, social norms, duties, and obligations have significant influence on the behaviors of people from collectivistic cultures. The relation between attitudes and behavior has been an area of main concern in social psychology for decades, denoting that the ability of attitudes to foretell behaviour is actually quite poor. Perhaps the most significant attempts to cure this problem have been the initiation of the Theory of Reasoned Action (TRA) and its successor, the Theory of Planned Behaviour (TPB) (Rise et al., 2010).

Attitudes have been found to affect and predict many behaviours (Jalilvand and Samiei, 2012). In TRA, attitude is denoted as the evaluative effect of positive or negative feeling of individuals in carrying out a particular behaviour (Gopi and Ramayah, 2007). TPB describes attitude towards a behaviour as “the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question”. Attitude toward the behaviour relates to the degree to which an individual has a favourable or unfavourable evaluation, or appraisal, of the aimed behaviour. Overall, the more favourable the attitude toward the behaviour, then the firmer will be an individual’s intention to do the behaviour. Attitude was identified as “the user’s evaluation of the desirability of his or her using the system,” a function of the subjective probability that the usage behaviour will lead to a specific outcome and a rating of the desirability of the outcome.

Attitude exhibits feelings that performing a behaviour would lead to a specific, and desirable, outcome, as a result of performing that behaviour (Baker et al., 2007). Jalilvand and Samiei (2012) considered the target behaviour as the intention to travel, and the attitude is that toward visiting Isfahan. Also, Gopi and Ramayah (2007) deemed the two components of attitude as attitude towards physical object (internet, computer) and attitude towards behaviour or executing particular action (using internet for stock trading).

Subjective norm was suggested as a second determinant of intention. Within TPB, it is identified as “the perceived social pressure to perform or not to perform the behaviour” by the individual. Gopi and Ramayah (2007) also defined it as the individual’s perception of the probability that the potential referent group or individuals approve or disapprove of carrying out the given behaviour. Individuals may be affected by family members, friends, colleagues and relatives (Jain et al., 2017). TPB views the role of social pressure to be more vital when the motivation to act in accordance with that pressure is greater. Motivation to comply is the degree to which the person desires to comply with the wishes of the other party. A component of subjective norm is normative belief, or the individual’s perception of a substantial referent other’s opinion about the individual’s performance of the behaviour (Baker et al., 2007; Jalilvand and Samiei, 2012).

When Baker et al. (2007) applied TPB in the adoption context, subjective norm has been divided into two types of normative influence: including the influence of one’s peers (e.g. peer influence); and the influence of one’s superiors (e.g. superior influence). Although the judgements of these two distinct normative groups might vary from each other, they are still both anticipated to have a noteworthy influence on an individual’s intention. Gopi and Ramayah (2007) suggested that since Subjective norm is revealed as a direct determinant of behavioural intention in TRA and TPB then it can be alleged that subjective norm have significant effect on intention to use internet stock trading as well. Also, there is a direct relationship between subjective norm and purchase intention when explicating attitudes toward purchasing counterfeit fashion goods among US college students (Jain et al., 2017).

In relating the TPB to current models of the transfer of training, the construct of subjective norm, apprehends under the wide category of work environment elements, such as work characteristics, post-training interventions, transfer climate, management and peer support and chance to transfer. Prevailing transfer literature has spent a great deal of effort on inspecting the effect of social support (mainly...
supervisors, peers and subordinates) and organizational transfer climate on training transfer, but the outcomes are diverse. For example, quite a few recent studies about the effect of supervisory support on transfer motivation and training transfer have provided fluctuating results. Other than the possibility of the construct validity problem of the variables, one possible justification is that even if the transfer-enhanced behaviour from others would be sufficient for instigating positive trainees’ transfer, these supporters may not be appreciated by the trainees (Cheng et al., 2015).

Perceived behavioural control is encompassed of two factors; control beliefs, which correlates to the sense of the self-availability of skills, resources and opportunities; and perceived facilitation, which correlates to an individual’s consideration of the importance of those skills, resources and opportunities for the attainment of desired outcomes. Gopi and Ramayah (2007) assumed that since PBC is based partly on previous experience and partially from second hand information through the exchange of information by family, friends and factors then, it may constraint the level of perceived difficulty of carrying out the behaviour of interest. Given the expansion in resources (time, computer, network and money) and opportunities, the higher is the perceived control of the particular behaviour and thus the more probable is the implementation of the behaviour, in this case online stock trading transactions.

As per reviewing literature, it was observed that few studies had been tackling the subject in Egypt, with a less focus on Entrepreneurial Education. Therefore, this research is attempted to address the impact of Entrepreneurial Education, including Experience, Action, and Reflection, on Planned Behaviour dimensions, including Subjective Norms, Attitude and Perceived Control.

Research Methodology

According to Anselm Strauss and Juliet Corbin (1998), methodology in the field of social sciences is a mean of accumulating knowledge regarding the real world. A research purpose provides the basic directions for carrying out the research. The research purpose is to explain the impact of Entrepreneurial Education on the Planned Behavior in both; undergraduate and post graduates of the Egyptian universities. Accordingly, the entrepreneurial education had been investigated in the previous section and its dimensions had been developed to be Experience, Action and Reflection. Also, it had been claimed by Theory of planned Behavior (TPB) that behavior is interpreted by some personal values and attitude. The theory of planned behavior specified its dimensions to be; Subjective Norms, Perceived Behavioral Control and Attitude.

Therefore, the research framework developed is illustrated using the following figure:

![Figure 1 Research Framework](image-url)

Thus, the research hypotheses could be stated as follows:

**H1:** There is a significant positive effect of Entrepreneurial Education on Subjective Norms.

- **H1a:** There is a significant positive effect of Experience on Subject Norms.
- **H1b:** There is a significant positive effect of Action on Subject Norms.
- **H1c:** There is a significant positive effect of Reflection on Subject Norms.

**H2:** There is a significant positive effect of Entrepreneurial Education on Behavior Control.

- **H2a:** There is a significant positive effect of Experience on Behavior Control.
H2b: There is a significant positive effect of Action on Behavior Control.
H2c: There is a significant positive effect of Reflections on Behavior Control.

**H3: There is a significant positive effect of Entrepreneurial Education on Attitude.**
H3a: There is a significant positive effect of Experience on Attitude.
H3b: There is a significant positive effect of Action on Attitude.
H3c: There is a significant positive effect of Reflections on Attitude.

The population of the study is represented by the students in the undergraduate stage who are supposed to be receiving entrepreneurial education courses in the Egyptian universities. A questionnaire was applied to factors tested and developed in English either face to face or online and included three parts and totally 51 questions. At the end of the questionnaire, some demographic questions from participants (Gender, Age, Income level and Education) were asked. A total of 400 questionnaires were collected. For analyzing data and evaluating results, SPSS and AMOS (version 24.00) were used. Descriptive analysis such as means, standard deviation and frequencies are calculated and regression and SEM models were conducted.

**Findings**

In this section, empirical study is conducted in order to test the research hypotheses. Table 1 shows the regression model for the effect of Experience on Subjective Norms, where there is a significant effect of Experience on Subjective Norms, as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. In addition, R Square is 0.173, which means that Experience explains 17.3% of the variation in Subjective Norms.

**Table 1: Regression Model of Experience on Subjective Norms**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.998</td>
<td>0.064</td>
<td>15.612</td>
<td>0.000</td>
<td>0.173</td>
</tr>
<tr>
<td>Experience</td>
<td>0.403</td>
<td>0.041</td>
<td>0.416</td>
<td>9.783</td>
<td>0.000</td>
</tr>
</tbody>
</table>

a Dependent Variable: Subjective Norms

Table 2 shows the regression model for the effect of Action on Subjective Norms, where there is a significant effect of Action on Subjective Norms, as the corresponding P-value is less than 0.05 and the regression coefficient is greater than zero. In addition, R Square is 0.051, which means that Experience explains 5.1% of the variation in Subjective Norms.

**Table 2: Regression Model of Action on Subjective Norms**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.174</td>
<td>0.085</td>
<td>13.774</td>
<td>0.000</td>
<td>0.051</td>
</tr>
<tr>
<td>Action</td>
<td>0.242</td>
<td>0.049</td>
<td>0.226</td>
<td>4.958</td>
<td>0.000</td>
</tr>
</tbody>
</table>

a Dependent Variable: Subjective Norms

Table 3 shows the regression model where there is a significant effect of Reflection on Subjective Norms, as the corresponding P-value is less than 0.05 and the regression coefficient is greater than zero. In addition, R Square is 0.075, which means that Reflection explains 7.5% of the variation in Subjective Norms.

**Table 3: Regression Model of Reflection on Subjective Norms**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.117</td>
<td>0.08</td>
<td>14.023</td>
<td>0.000</td>
<td>0.075</td>
</tr>
<tr>
<td>Reflection</td>
<td>0.296</td>
<td>0.049</td>
<td>0.274</td>
<td>6.097</td>
<td>0.000</td>
</tr>
</tbody>
</table>

a Dependent Variable: Subjective Norms

Table 4 shows the regression model for the effect of Experience on Control, where there is a significant effect of Experience on Control, as the corresponding P-values are less than 0.05 and the
regression coefficients are greater than zero. In addition, R Square is 0.268, which means that Experience explains 26.8% of the variation in Control.

Table 4: Regression Model of Experience on Control

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.859</td>
<td>0.065</td>
<td>13.276</td>
<td>0.000</td>
<td>0.268</td>
</tr>
<tr>
<td>Experience</td>
<td>0.54</td>
<td>0.042</td>
<td>0.518</td>
<td>12.948</td>
<td>0.000</td>
</tr>
</tbody>
</table>

* a Dependent Variable: Control

Table 6 shows the regression model for the effect of Action on Control, where there is a significant positive effect of Action on Control, as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. In addition, R Square is 0.105, which means that Action explains 10.5% of the variation in Control.

Table 6: Regression Model of Action on Control

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.011</td>
<td>0.089</td>
<td>11.359</td>
<td>0.000</td>
<td>0.105</td>
</tr>
<tr>
<td>Action</td>
<td>0.375</td>
<td>0.051</td>
<td>0.325</td>
<td>7.337</td>
<td>0.000</td>
</tr>
</tbody>
</table>

* a Dependent Variable: Control

Table 7 shows the regression model for the effect of Reflection on Control, where there is a significant positive effect of Reflection on Control as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. In addition, R Square is 0.141, which means that Reflection explains 14.1% of the variation in Control.

Table 7: Regression Model of Reflection on Control

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.956</td>
<td>0.083</td>
<td>11.580</td>
<td>0.000</td>
<td>0.141</td>
</tr>
<tr>
<td>Reflection</td>
<td>0.437</td>
<td>0.050</td>
<td>0.376</td>
<td>8.666</td>
<td>0.000</td>
</tr>
</tbody>
</table>

* a Dependent Variable: Control

Table 8 shows the regression model for the effect of experience on Attitude, where there is a significant positive effect of Experience on Attitude, as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. In addition, R Square is 0.294, which means that Experience explains 29.4% of the variation in Attitude.

Table 8: Regression Model of Experience on Attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.804</td>
<td>0.054</td>
<td>14.753</td>
<td>0.000</td>
<td>0.294</td>
</tr>
<tr>
<td>Experience</td>
<td>0.484</td>
<td>0.035</td>
<td>0.542</td>
<td>13.799</td>
<td>0.000</td>
</tr>
</tbody>
</table>

* a Dependent Variable: Attitude

Table 9 shows the regression model for the effect of Action on Attitude, where there is a significant positive effect of Action on Attitude as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. In addition, R Square is 0.055, which means that Action explains 5.5% of the variation in Attitude.
Table 9: Regression Model of Action on Attitude

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.112</td>
<td>0.078</td>
<td>14.187</td>
<td>0.000</td>
<td>0.055</td>
</tr>
<tr>
<td>Action</td>
<td>0.232</td>
<td>0.045</td>
<td>0.235</td>
<td>5.16</td>
<td>0.000</td>
</tr>
</tbody>
</table>

a Dependent Variable: Attitude

Table 9 shows the regression model for the effect of Reflection on Attitude, where there is a significant positive effect of Reflection on Attitude, as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. In addition, R Square is 0.172, which means that Reflection explains 17.2% of the variation in Attitude.

Table 10: SEM Analysis of Educational Entrepreneurship on Planned Behavior antecedents

<table>
<thead>
<tr>
<th>Model</th>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subjective Norms</td>
<td>Experience &lt;---</td>
<td>.556</td>
<td>***</td>
</tr>
<tr>
<td>Subjective Norms</td>
<td>Action &lt;---</td>
<td>-0.04</td>
<td>.967</td>
</tr>
<tr>
<td>Subjective Norms</td>
<td>Reflection &lt;---</td>
<td>.251</td>
<td>***</td>
</tr>
<tr>
<td>Control</td>
<td>Experience &lt;---</td>
<td>.649</td>
<td>***</td>
</tr>
<tr>
<td>Control</td>
<td>Action &lt;---</td>
<td>.017</td>
<td>.836</td>
</tr>
<tr>
<td>Control</td>
<td>Reflection &lt;---</td>
<td>.356</td>
<td>***</td>
</tr>
<tr>
<td>Attitude</td>
<td>Experience &lt;---</td>
<td>.280</td>
<td>***</td>
</tr>
<tr>
<td>Attitude</td>
<td>Action &lt;---</td>
<td>.154</td>
<td>.043</td>
</tr>
<tr>
<td>Attitude</td>
<td>Reflection &lt;---</td>
<td>.346</td>
<td>***</td>
</tr>
</tbody>
</table>

Figure 2 shows the SEM model conducted using AMOS. The model fit indices: CMIN/df = 1.682, GFI = 0.946, CFI = 0.964, AGFI= 0.929, and RMSEA = 0.039 are all within their acceptable levels.
Figure 2: Impact of Entrepreneurial Education on Planned Behavior antecedents

Conclusion

This research aim includes many objectives that differ between exploring the state of entrepreneurial education in Egyptian universities and its impact on the planned behavior of students, and therefore its effect on development in Egypt. So, all steps followed in this research, including literature review, selecting the research method, targeting population and sample study, and finally analyzing data, mainly serve these referred objectives. Testing hypotheses reached the same results that shown by the reviewed literature, as all effects of entrepreneurial education; experience, action, and reflection, on the theory of planned behavior; subjective norms, control, and attitude, are significant and positive, as the correspondent P-values are less than 0.05 and the values of coefficients are greater than zero. Moreover, it could be observed that the impact of the entrepreneurship education is the highest on Control, with R square of 0.419. The impact of entrepreneurship education on subjective norms comes in the second rank, with R square of 0.316, while the least impact of entrepreneurship education is found on Attitude, with R square of 0.237.

Finally, Stakeholders in Egypt; as policy makers and curriculum developers can benefit from results found by this research. They can implement effective efforts to achieve such development at many different levels of society that mainly depend on education, as it shown by the research findings that applying entrepreneurial education in Egypt can be a good method.

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Determinates of innovation and its relationship with Economic growth in Saudi Arabia

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Key words
Innovation, Determinates, Cronbach’s Alpha, Social factor

Abstract
In this paper, researchers study the main important determinates of innovation in KSA in general and its role to increase GDP by referring to objectives of 2030 vision by encourage and promote small enterprise and encourage innovation. Therefore researchers distributed survey to the students of jazan university and innovation center. Researchers used cronbach’s Alpha to determine the reliability of sample that equal to 90% also focus on correlation between variable. The results of hypothesis refer to the significance relationship between innovation and economic growth.

1. Introduction
There is no doubt that sustainable development requires improving the living conditions of the society without increasing the use of natural resources because it has a great positive impact on economic growth by creating new job opportunities and developing the community through supporting small enterprises, which increases the individual income for the social welfare of whole society. The observer for the global economy will find that innovation is a key role for countries to depend on economic development. This is what Saudi Arabia aims at through Vision 2030, which emphasized the role of innovation and small projects in developing the economy away from dependence on oil. Whereas Saudi Arabia has already begun to attract the attention of knowledge economy and the development of programs that encourage innovation, where Saudi Arabia ranks 55th among the world’s countries in the global innovation index according to the last World Intellectual Property Organization report. By focusing on innovation in the Kingdom of Saudi Arabia, we find that there must be attention to productivity indicators and economic factors, which in turn affect and are influenced by, create more innovations.

Companies that pursue a technology and give utmost importance to innovation will impact positively on economic development. We can identify the reasons for the increase in productivity, which contribute to increase the innovations of companies in the following points:

- The role of institutions in supporting innovation.
- Infrastructure.
- Make a change in human capital

2. Literature Review
Since the innovation has a fundamental role in the growth and development of nations, where innovation is represent success of business. Regarding to the possibility to implement innovation in organizations need to take proper measures to avoid its failure so, Jasmin Rebort son et al (2008) made a sample that demonstrates the need for an interaction between support for innovation and the availability of the necessary financial resources, not to mention climate and policies pursued and the integration of these stimuli to reach to desired innovation.

The fact that the increase in the productivity of any country and its growth is measured by adopting the technology and the development of innovative systems for the development of the country economically. So John Baptiste say (1803) explained that technology has a negative role on workers and will affect the raise unemployment rates and this will only create new additions that will absorb...
unemployment. In contrast James Steling (1767) noted that technology has a positive effect on commodity prices and negative on workers.

And the fact that innovation based on the growth and survival of organizations and their employees. So we find Klein, Coon & Sora (2001) interested in creating an appropriate environment for implementing innovation, Also Klein et al, knight (2005) pointed out that the climate be appropriate for the application of innovation will be through the adoption of specialized agencies. On the level of competition, innovation has a constructive role. Where Brash, capozzi & davidson (2008) analyzed the questionnaire shows that innovation a key role in the survival of companies as well as to put the center of competitors and also Makinsey (2006) occurred in the field of competition in the markets. This is what Schumpeter's theory (1934) suggested that innovation always work with competition in same side.

According to Sun Ling (2012), based on a descriptive approach to describe the potential for interaction between innovation in technological fields and its impact on economic development, where the study found that the presence of innovations will reduce project costs, promote companies and increase their profits. As Hristea Anca Maria (2012), described the importance of innovation in EU and divides EU to four groups according to the importance of innovation.

Juliane de Bassi padilha et al (2017), described the vectors of innovation that will represent as an addition to the product and give it a competitive advantage, especially in the design stage that these additions will enable products to compete in the market. It found it necessary to integrate innovation into the product development stage. Thus contributing to the process of innovation. Taking into account the relationship between innovation and performance level Jasinski H.Andrzej (2011), analyzed the impact of innovation on macro-economic in Poland depend on three factors, size of modernized product in industrial products, number of high-tech product in export and density of innovation. Concluded a positive relationship between economic growth and innovation. In reference to Porter's theory (1990), explained if the business environment has changed, it is necessary to re-evaluate the institution and the labor market and radical innovation one of the most important influences in the work environment, which led the researcher maximizing the role of radical innovation in emerging societies. Because of its positive impact on economic development.

Regarding to achieve high level of economic growth Lei Weng et al (2012), tested the relationship between patents and economic growth based on the following variables (Gross Domestic Product, the number of patents - foreign direct investment - trading volume). They reached to a positive relationship between technology represented in innovation and economic growth. And also lei zhag et al (2012), examined variables that illustrate the relationship between scientific technology and economic growth in Beijing by using (human capital, labor, technology) taking in consideration the effectiveness of investment in China. Economic growth will be determined by increased reliance on technology.

There is some literature linking innovation with economic policies and its contribution to increasing welfare and reducing unemployment rates such as Germany, Denmark, Spain, etc. Where Miguel Martin et al (2012) estimate a function that illustrates the relationship between innovation and some economic and social variables. Also reached to the social climate has a main role in generating innovations. In addition to there are incentives to increase innovations such as income and training. Regarding to Ricardo Moutinho (2015), pointed out that research and development does not contribute to support the economic market. Also focused on that if reliance on innovation policy to solve the economic problems will have a positive impact on unemployment and thus increase investment, increase economic growth and sustainable development of all society. Sonia paroling (2013), analyzed the determinants of innovation according to industrial organizations through restructuring production with the demand or need of the market and after knowing the need of the market will be innovated in light of it.

To preserve the environment from various pollutants Mihaela Diaconu (2011), described the environmental benefits of using technology and relying on innovation as contributing to reduce environmental damage due to the use of pollutants. It showed the importance of the role of organizations, research and development to have a positive relationship with the advancement of the environment and has given utmost importance to bring about innovations in the field of environment. Because innovation has an important role in financial development Wen Feng Zhao (2016), tested the impact of financial growth as security market, FDI on local innovation output among different cities in China. The results...
refer to there is a positive effect of the financial growth on the regional innovation output and this effect is different among the regions in China. Also, there is a positive effect of R&D and FDI on local innovation output. And at the level of achieving sustainable development, Viorel Cornescu, Cecilia Adam (2013), provided a theoretical description of the role of innovation to achieve sustainable development through the role of innovation in meeting the needs of consumers without wasting resources. This can be achieved only through approaches to increase the efficiency of economic resource utilization.

And the importance of the role of innovation as a catalyst for small enterprises Barbara Scozzi et al, (2005) investigated techniques which used in SMEs to support innovation inside enterprises. It has reached to a clear weakness of communication within institutions and between the institution external environments in addition, inability of management all these factors effect on encourage and support innovation in SMEs. Carol Poon Man Wai (2017), described the impact of innovation and social impact on universities. Recently universities must be prepared incubators of innovation, Universities have effective role to serve the community and must be the nucleus of innovative education.

Investment in innovation has become one of the most important factors that positively affect on local development and also increase the economic growth of the country so Shun Zhang, Lining Dong (2016) analyzed the relationship between increasing venture capital and its impact on increasing innovation. The results showed that venture capital has a positive impact on local innovations and that capital increase will increase the efficiency of innovation.

Luan carlossantiosilva et al (2012) Analyzed stages of technological companies in Brazil, which illustrate the basic dimensions that affect innovation by using a questionnaire that determines the challenges facing innovation in organizations. Also Matthew Coates, Lydia Bals (2013) analyzed the factors that encourage pharmaceutical organizations to apply innovation and the reasons for the disparity between the performance of these organizations in addition to measuring the innovative climate in these organizations.

3. Factors of successful innovation and development

(3-1) Institutions and innovations in Saudi Arabia

Saudi Arabia is currently undergoing a transition phase at the economic, social and cultural levels. In the framework of this change, we observe the growth of non-oil economic activity and the focus on the knowledge economy, based on the innovations. So it has been allocated special initiatives to support innovations within the budget of the Kingdom.

Where the panels initiative was launched in several chambers of commerce in most cities of Saudi Arabia and supported by teams headed by the Ministry of Commerce and Investment. On the other hand, the educational, intellectual and cultural readiness of the members of the society in the Kingdom is the main foundation upon which the success of spreading the culture of innovation. It is not easy to transfer the culture of the society from the thought of consumption to productive thought so it is necessary to include the culture of innovation in educational institutions, both basic and university, and this is what worked on the Saudi universities, which created many centers, units and incubators supporting business innovation.

Regarding to King Abdulaziz City for Science and Technology (KACST) is the best example of supporting institutions for scientific research and providing the environment for innovators, which will serve the society at all levels "medical, engineering, technological, etc. " This is in addition to the Communications and Information Technology Commission (CITC), which launched the Saudi Innovation Program, which aims to benefit from the experiences of previous countries in the field of innovation. Also will provide visas and licenses to non-governmental organizations from outside the Kingdom to be in the Kingdom.

(3-2) The role of infrastructure and environment in supporting innovation.

The decision-makers in the Kingdom seek to balance the promotion of economic growth and the maintenance of financial sustainability through the adoption of several measures to control public spending by reducing or postponing projects of lower priority while continuing to implement important investment programs in both human capital and infrastructure. It is worth noting that Saudi Arabia’s adoption of a future strategy besides the economic transformation programs 2020 that aim to increase the
levels of economic diversification and the adoption of many initiatives that encourage innovation and provide many jobs. Which will increase the income of individuals who will revive the areas where these projects exist as a whole, where it is based on the Arab Economic Report) is expected to Saudi Arabia's economy will achieve growth of around 0.7% in 2017 and expects to increase this growth in 2018 to 1.5%. The observer of the intellectual environment in Saudi Arabia, and if the situation is compared to the current intellectual situation of the situation two decades ago, we will find a terrible transformation, especially with regard to the development of services, especially technology as a whole and would not have been achieved without the existence of innovative centers in most Saudi universities, But There are still many difficulties that stand in the way of innovation as:

**Internal factors:**
Lack of financial support.
Weak cooperation between educational institutions and supporters of non-innovation.

**External factors:**
1. To convince the public and society of the effectiveness of innovation.
2. Marketing and presentation of innovations.

Elements Affecting the Innovation Environment:
1. Quality of scientific research bodies.
2. The level of companies’ spending on R & D activities.
3. Cooperation between universities and industrial companies in the field of research.
4. Government acquisition and promotion of high-tech products.
5. Availability of scientists and engineers and management.
6. Patents of benefit and Protection of intellectual property.

The results of the study show that social factors play an important role in increasing innovation. Social factors are represented in several axes: educational institutions, both basic and university, as evidenced by the existence of many educational institutions such as King Abdulaziz City for Science and Technology (KACST) as an educational institution that provides the community with innovative cadres. It also highlights the effective role of government agencies in the Kingdom, which encourages innovation as a solution to the unemployment problem. Many ministries adopt many initiatives that support innovation such as Saudi Innovation Initiative, a national initiative that fosters innovation and stimulates creativity as a sustainable extension of the national economy. Culture of innovation in society, partnership and cooperation between local and international companies.

In line with the vision of 2030, one of whose aims was to transform into a knowledge-based economy, many of the organizations that financed innovations in the Kingdom emerged but are rather
This is what the study results proved, which indicated that the funding factor is the biggest challenge facing innovation in Saudi Arabia.

4. Research Methodology

This paper, researchers used the analytical methods which is based on the collection of facts and information to analyze the role of innovation to achieve economic growth. Our questionnaire has been distributed to innovation center and collection of student in jazan university in order to know the impact of different mentioned factors on innovation, as well as, to concentration on information about the effect of innovation on economic growth in Saudi Arabia. Researchers used the statistical technique of cronbach's Alpha to measure the credibility of sample's answers. The study depend on the following hypothesis:

- H01- There is no significance between innovation and economic growth in Saudi Arabia.
- H1- There is significance between innovation and economic growth in Saudi Arabia.
- H02- There is no relationship between economic factors affecting innovation and economic growth.
- H2- There is relationship between economic factors effecting innovation and economic growth.
- H03- Social factors haven't effect on innovation and economic growth in Saudi Arabia.
- H3- Social factors have effect on innovation and economic growth in Saudi Arabia.

5. Finding and Analysis

The researchers investigated the reliability of the sample's answers by using Cronbach's Alpha where the questionnaire contain two sections, first section represented as economic factors and second is social factors. Sample's answers have been formative based on the quintuple Likert scale. Cronbach's Alpha is equal to 90% as shown in figure No (1), and this value is acceptable and confirms the stability and reliability of the sample.

In order to get higher Cronbach's Alpha which reached the value of 90% , we recommended to remove few questions with low credibility which are q3,q4,q10,q20 from economic factors section , that asked the sample about the relationship between contribution of innovation and GDP , The role of innovation to reduce the unemployment rate in KSA , The economic return from innovation which implemented from universities' students and The fund is considered the most important barrier that face inventors . Therefor answers that given by respondents to the remaining questions have a high credibility and allow us to build strong conclusions. That means, results are stable and also if we distribute again the same questionnaire to same sample, we will achieve same results.

**The result of Hypothesis**

The schedule below is considered as summarized, where Researchers found that there is a strong positive correlation between social factors and total factors. But economic factors the correlation with total factors that determine innovation is average.

Our results evidence the confirmation of the hypothesis that innovation effects positively the economic growth in Saudi Arabia. In addition, there is a positive impact for social factors on innovation and economic growth in Saudi Arabia.

<table>
<thead>
<tr>
<th>Item</th>
<th>Hypothesis</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H01</td>
<td>There is no significance between innovation and economic growth in Saudi Arabia.</td>
<td>Rejected</td>
</tr>
<tr>
<td>H1</td>
<td>There is significance between innovation and economic growth in Saudi Arabia</td>
<td>Acceptable</td>
</tr>
<tr>
<td>H02</td>
<td>There is no relationship between economic factors effecting innovation and economic growth.</td>
<td>Rejected</td>
</tr>
<tr>
<td>H2</td>
<td>There is relationship between economic factors effecting innovation and economic growth.</td>
<td>Acceptable</td>
</tr>
<tr>
<td>H03</td>
<td>Social factors haven't effect on innovation and economic growth in Saudi Arabia.</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3</td>
<td>Social factors haven't effect on innovation and economic growth in Saudi Arabia.</td>
<td>Acceptable</td>
</tr>
</tbody>
</table>

**Conclusion**

Regarding to research's sample answers; social factors have significant impact on innovation and economic growth of Saudi Arabia. Thus, we can conclude that social factors and economic factors had an effective role to achieve economic growth . We can enrich the research with these recommendation:

- Focus on establishing an independent ministry to handle innovation and inventors.
- At the educational level of basic and university education, it is necessary to change traditional curriculum and focus on approaches that motivate innovation.
• Attention to technical education that will add to GDP.
• Employing the results of innovations presented by King Abdulaziz City for Science and Technology.

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Silvia Cruz,Sonia paulino (2013)," Public service innovation and evaluation indicators " J.Techol.manag.Innovo,volume8,special isue ALTEC

Appendix
Figure (1)

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.902</td>
<td>0.900</td>
<td>35</td>
</tr>
</tbody>
</table>
Figure (2)

### ANOVA

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between People</td>
<td>2557.980</td>
<td>252</td>
<td>10.151</td>
<td></td>
</tr>
<tr>
<td>Within People</td>
<td>1264.981</td>
<td>34</td>
<td>37.205</td>
<td>37.520</td>
</tr>
<tr>
<td>Residual</td>
<td>8496.162</td>
<td>8568</td>
<td>.992</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9761.143</td>
<td>8602</td>
<td>1.135</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12319.123</td>
<td>8568</td>
<td>1.391</td>
<td></td>
</tr>
</tbody>
</table>

Grand Mean = 2.49

Figure (3)

### Correlations

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Total factor</th>
<th>Economic factor</th>
<th>Social factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total factor</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.730*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>253</td>
<td>253</td>
</tr>
<tr>
<td>Economic factor</td>
<td>Correlation Coefficient</td>
<td>.730*</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>253</td>
<td>253</td>
</tr>
<tr>
<td>Social factor</td>
<td>Correlation Coefficient</td>
<td>.895*</td>
<td>.384**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>253</td>
<td>253</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
A new perspective on causes of the global financial crisis

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Key words
credit destruction principle, dysfunction of economy, financial crisis, ownership society, time-shift and vacancy of demand

Abstract
The factors that have been widely known until now are not the root cause of the financial crisis in 2008 but the phenomena that appeared in the developing course of it. There is a fundamental cause apart from them. It is the pledge of 'Ownership Society' that Bush candidate proclaimed in the 2000 presidential election. After win of the election, he enacted the policy of supplying 5.5 million homes to homeless people. The role of financial derivatives was important for its funding and the rise in housing prices was essential for the demand.

However the housing prices reversed to decline since 2007, which caused the prices of financial derivatives to plummet. So the financial companies which were involved in the derivatives went into a crisis of bankruptcy. The principle of credit destruction, which is a reversed process of credit creation, thereupon operated. At last the whole financial institutions were on the brink of collapse.

This paper reveals not only its real cause but also its developing process that led to the global crisis, and then it might be dawned why economic difficulties were followed inevitably. The way, that would have minimized the economic damages caused by the financial crisis in 2008, is also discussed in this paper in order to find effective countermeasures against various economic crises that may arise in the future. And the responsibility for the crisis is also clarified in order to prevent the national economy from promoting a sweet political promise such as 'Ownership Society'.

1. Introduction
It is as important as anything else to know what caused the financial crisis in the late 2008 and how it was developed since it is indispensable to prevent such a tragedy from occurring again in the future. And it is essential for the successful management of a company too. In reality, Lehman Brothers, which was appraised in the past as one of the best companies by some experts in the business management, went bankrupt in the late 2008 when the crisis happened. However it is not easy to find it exactly even though it is very important as above when a cause takes long period of time to result in a disaster. The financial crisis in 2008 is one such representative example. Indeed, all of the factors that have been raised as the cause of the crisis so far are not fundamental because negative cases can be suggested easily for them. It is rather reasonable to assume that they are the phenomena which occurred during the developing process of the financial crisis. We investigate the fact that reveals not only the real cause of it but also elucidates its process which led to the global crisis in this paper.

If any policy prescription would be made for the similar crisis in the future based on wrong understanding of its cause, the result would be worse than ever. So it is important to know the exact cause of the crisis, especially, in order for the government to prepare a proper policy against it. Above all, identification of the exact cause of it would not only open up a path to prevent such a tragedy from happening again in the future but also would help us to anticipate how the process would take place and what the ending would be. Then it would be easy to prepare a proper policy which will reduce the depth and duration of economic recession caused by the crisis. To our thought, such an exact analysis has not been achieved at all as to the crisis in 2008 till now. If the exact cause is not clarified as above, such a tragedy would be rarely prevented from occurring again in the future.

More importantly, the relatively successful accomplishment of overcoming it has not been assessed properly. If a successful policy is not assessed enough, it is likely for the government to adopt a wrong policy which results in failure when a similar crisis occurs in advance again. In the world, the road
to success is unique or narrow, but the road to failure is wide and spreads all over. If any policy to fail would be selected in the future, a tragic accident such as the Great Depression would happen in the economy and the period of economic recession would be prolonged.

2. What have been pointed out as causes of the crisis?

Economic experts have suggested many factors that seemed to cause the crisis. Among them, it has been argued that the crisis was a product of the neoliberal policy which relaxed the financial regulation. In particular, the claims that high investment leverage of financial companies, which was exploded by the easing policy of legal and institutional regulations on financial instruments, called for the crisis have been accepted as truth. Other claims that the national debt or the development of the financial market was the cause of the crisis have been seemed truth too.

All the above factors are appealing since they appeared before the crisis broke out. But all that preceded the crisis is not a cause of it. If it is wrong to understand the exact cause, it is almost impossible to capture the progressing process of the crisis and to reduce its damages and adverse effects of the post, needless to talk about preventing a similar crisis from occurring in the future. It is so important and essential to identify accurately the causes of all economic crises including a financial crisis. At first, each of the above-mentioned factors is reviewed by this paper whether it is the real cause of the crisis or not. To put it plainly, the reason why each of them was not the real cause but fake one is checked and then it is clarified what was its real and root cause in this paper. It is discussed also in this paper how it has led to such a serious disaster as we have experienced recently.

2.1. Was it real that financial derivatives, high leverage of investment, and neo-liberalism caused the financial crisis?

The most well known cause of the global financial crisis in 2008 claimed by some experts was the financial deregulation about financial derivatives, excessively high investment ratios, and so on. However, the book 'Rethinking the Great Depression' written by Gene Smiley in 2002 contradicts vigorously the claim as follows.

"The Great Depression is often said to demonstrate the instability of the market economies and the need for government oversight and direction. The evidence can no longer support such assumptions. Government efforts to control and direct the gold standard for national purposes brought on the depression. Once it began, government actions, particularly in the United States, caused it to be much longer and much more severe. When the contraction finally ended, government interference in U.S. markets made the recovery unbearably slow and in 1937~1938 brought on a 'depression within a depression'. The 1930s economic crisis is tragic testimony to government interference in market economies." (Smiley, Preface x, 2002)

The government should be more competent than the market function in order to prevent economic crises or to lessen the damages through strengthening its regulation on the financial market. But it is rarely expected. Rather, it is common for the government to shorten the market function and to make the economy worse by reversing it. The same was true of the financial crisis in 2008. In reality, the financial derivatives were not a fundamental cause of the crisis because the variable that followed could not be the cause. The crash risk of the derivatives related to home loans, especially CDS(Credit Default Swap), became serious after the crisis of housing loans happened. It was a financial product similar to the 'Portfolio Insurance' in the late 1980s, but it was hard to find any economist claiming that it caused the shock of stock market on October 1987 and the subsequent recession in the economy.

It was true that the CDO(Collateralized Debt Obligation), a kind of financial derivatives that securitized debts, increased the demand for housing and raised the prices of real estate by providing additional funds to mortgage loans, but it was just a security for dispersing the debt risk. From scientific standpoint, they were not a root cause of the financial crisis even though it was true that mass production of them deepened and widened the crisis. The claim that financial derivatives caused the crisis revealed a logical contradiction on its own, because financial crises had occurred intermittently in the days when the derivatives had not been developed so much. For instance, the US economy had suffered the crisis several times even in the recent history such as the early 1970s, the early 1980s, the late 1980s, the late 1990s, and
the early 2000s.

In the economy, financial derivatives have functioned as quasi-moneys with creating credits which have contributed to a stable growth of the economy. Therefore, if the derivatives are considered as a fundamental and decisive cause of the financial crisis, any extreme regulation on them would be justified and the development of financial market would be suppressed. Then it would hinder the stable growth of the economy by suppressing the credit creation.

Even though a variable such as economic growth or money has good function in the economy, it is necessary to manage it politically in order to stabilize the national economy and the financial market because it may cause a severe crisis when it increases excessively. At least, the plunge of its price or its rate which often causes a collapse of the market should be prevented beforehand. Thus the proposal to trade the derivatives in open markets is desirable. However, it is necessary to prepare a preventive measure from hindering the development of new financial products.

Next, it was likely that the high leverage of investment banks caused the crisis. But it was not a root cause of the crisis since there was an opposite case. The investment ratio of LTCM (Long Term Capital Management), which broke down in 1998, was much higher than the leverage ratios of bankrupt companies in 2008. LTCM borrowed 125 billion dollars based on its capital with just 5 billion dollars, investing 1,250 billion dollars worth of financial products, making the leverage be 250 times (Greenspan, pp 193, 2007). However, its bankruptcy did not cause a serious crisis such as the crisis in 2008.

The more decisive opposition can be found in the futures trading at the commodity exchange market, trading in petroleum, grains, industrial resources, and so on. It is noticeable that it has not caused a financial crisis even though the ratio in the futures trading market is very high. Rather, the high investment ratio has contributed to long-term stabilization of the commodity market by reducing a sudden price fluctuation and by causing frequent but low price fluctuations. Therefore, the high investment ratio was not a root cause of the financial crisis.

Third, the argument that deregulation or neoliberal economic policy called for the financial crisis is also a logical error because the countries that have not pursued neoliberal economic policies have experienced the crisis several times. Even in the recent history, such cases are easily found. The crisis experienced by Finland and Sweden in the early 1990s is the representative example. These two countries suffered a severe crisis despite steadfast policies far from the neo-liberalism. This fact disproves that the crisis in 2008 was not caused by the neo-liberalism. Particularly noteworthy is the fact that the financial crisis has been overcome much more successfully than others when the neoliberal policy has been firmly established.

2.2. Did national debt cause the financial crisis?

The claim that national debt caused the crisis was appealing as strong as any others since the countries which experienced seriously the financial crisis were likely to get high ratio of national debt to their GDP. This claim is deep in history. In 1930s, early in the Great Depression, Irving Fisher raised the notion of debt deflation. In short, excessive debt called for shortage of demand, which led to prices decline and economic downturn resulting in an economic depression. This claim is persuasive in ideality but it is not useful in reality because his argument has been rejected by the history. For example, the US debt-to-GDP ratio was around 30 percent until the 1970s and it increased continually to exceed 70 percent in the 1980s, but the economy did not go down like the Great Depression. In 2010, Kenneth Rogoff and Carmen Reinhart published a book titled 'This Time is Different: eight centuries of financial folly' studying the national debt defaults in the economic history. Their arguments that national debt played a key role in the crisis has been persuasive since the US sub-prime mortgage crisis quickly developed into a severe financial crisis and it spread quickly to other countries which kept large debt ratios.

So is the debt really a root cause of the financial crisis? Even though a country with a high debt ratio is vulnerable to the financial crisis, it is hard to consider it as a root cause of the crisis because the reality rejects it. According to a IMF's report on the national debt-to-GDP ratio on November 2009, it accounted 84.8 percent for the US economy and 218.6 percent for the Japanese economy. Why did the financial crisis happen in the US economy which kept a much lower debt ratio than the Japanese economy? If the debt was a root cause of the financial crisis, it should have occurred in Japan first, not in US. Therefore, it is hard to see that debt was its root cause.
Above all, the government has to raise its debt ratio significantly in order to get out of the financial crisis. Large amount of public fund should be invested in order to stabilize the financial system and fiscal spending should be increased significantly in order to escape severe economic downturn. Then the national debt should be getting bigger and bigger. If the debt is considered to be a root cause of the crisis, it is likely that the crisis becomes more serious since the above prescriptions cannot be enacted.

2.3. Did the development of financial market deepen the crisis?

Kindleberger and Alliver claimed at the foreword of 'Manias, Panics, and Crashes; The History of the Financial Crises' that the development of financial market deepened the financial crisis as follows. "The years since the early 1970s are unprecedented in terms of volatility in the prices of commodities, currencies, real estate and stocks, and the frequency and severity of financial crises."(Kindleberger & Aliber, pp 1, 2005) "Despite the lack of perfect comparability across different time periods, the conclusion is unmistakable that financial failure has been more extensive and pervasive in the last thirty years than in any previous year."(Kindleberger & Alliber, pp 7, 2005) In short, they argued that the development of financial market caused frequently the crisis.

However, it is an erroneous analysis stemming from a lack of understanding about a pathological phenomenon. It is just like to assert that the humanity is getting more and more often a disease nowadays and its cause is the development of civilization. However, with the development of civilization, the treatments on diseases have become easier and more effective than the past and the life span of mankind has been getting longer. It is same to claim that the ‘division of labor’ has played a role in separating the supply and the demand and thus it causes a recession which occurs when the latter becomes insufficient compared with the former. And it is equal to claim that the financial crisis is due to the development of stock market since it has caused not only the expansion of the stock market but also the collapse of its bubble.

Their claim is very dangerous because the logic may develop into the direction of destroying the division of labor and dismantling the stock market. It is reasonable to assume that the financial crisis is only a pathological symptom since the division of labor and the development of stock market have made a great contribution to economic development. It could not be claimed to eliminate the immune system of human body even if the hypersensitivity of human body’s immune function causes a disease occasionally or exacerbates it. As healthy a person gets sick, the economy is occasionally exposed to a disease, no matter how strong the economy is.

Of course, it is necessary to manage the pace of deregulation or liberalization so that it can be sustainable. No matter how positive are economic variables such as economic growth and money, losing their sustainability often leads to a big catastrophe. It is also essential that the development of financial derivatives should be adjusted within a sustainable range such as the growth rate and money in the economy. So what is the real cause of the financial crisis in 2008?

3. A root cause and developing process of it

What caused the financial crisis in 2008 which put the economy into a wholly upset? As well known, it was caused by the collapse of sub-prime mortgages. So what happened to the sub-prime mortgage crisis? It is very important to understand the root cause precisely so that we can correctly understand the process of its development and the result. Especially it is very important for preparing a proper prescription of the government. And it is also important for a company to overcome properly the crisis. So what is the root cause of sub-prime mortgage crisis? The cause cannot be happen after the crisis. What appears before the crisis and its developing process? The factor that happens first is the real root cause. So what happened first?

The Bush administration, launched in 2000, pledged to provide 5.5 million houses to homeless people based on the election slogan of ‘Ownership Society’. In order for the new 5.5 million houses to be sold smoothly, various political supports were necessary. And the rise in housing prices is also essential in order to attract the attentions of homeless people. In the end, the housing industry was overheated and some housing prices became more than doubled in his regime. Such a surge in the prices eventually created a bubble and its collapse brought about the financial crisis.

A similar case to the US economy had happened already in the UK economy. In the mid-1980s,
the Thatcher administration provided 1.5 million houses mainly to homeless people. In 1984, the 'Housing and Building Control Act' was enacted for the policy and, in 1988, the 'Housing Act' was enacted to promote the sale of public housing. Its government cut the housing price by up to 60 percent and supported its financing lavishly. The supply of new houses also increased dramatically. So the rate of home ownership rose to 65 percent in 1988 from 56 percent in 1979. As a result, the housing prices rose sharply overall but this rising prices were not sustainable. The prices fell since 1989 and the bubble burst in 1990. In the end, a financial crisis broke out and the UK economy suffered a severe difficulties for three years, with negative growths for two years as the below table 1 shows.

It is marvelous that this historical fact was ignored by the economic experts in US and they did not pointed out the problem of Bush's electoral pledge of 'Ownership Society'. It might be caused by the reason that the economics they have learned is rarely useful in reality, not because that they are incompetent. To our thoughts, the economics is hardly capable of even reading the reality.

(Source; International Financial Statistics 1999, IMF)

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Table 1. Growth Rate(%) of UK from 1983 to 1993

One other economic variable made the US crisis worsen. It was the sharp increase in fiscal spending due to the tax cut and the war in Iraq, which aggravated the fiscal balance. Its deficit continued to rise, reaching about 800 billion dollars in 2006 which was about 6 percent of GDP. The government could not help to issue bonds so much that the interest rates rose rapidly. Of course, the rising interest rates were not a root cause of the crisis since there were many cases where they did not cause a financial crisis. So it is correct to say that the policy of supplying homes to the homeless at a large scale caused the crisis. The rise in interest rates played the role of a blast to it.

Until the mid-2000s, the interest rates in the US market remained relatively low since China and Japan, which had recorded a large-scale surplus in the balance of international payment, had bought US treasuries. But the deficit of US current account skyrocketed to about 800 billion dollars in 2006 and the situation changed abruptly. The value of dollar turned to be weak as the dollar supply became excessive. If the dollar continued to depreciate, the countries that bought US treasuries would have faced losses. So it became difficult increasingly for foreign capitals to buy sufficiently them and the interest rates in US rose sharply.

The interest rate of federal treasury bond for three months rose already to 4 percent in 2005 and to 5 percent in 2006 from 2 percent in 2004. The low-income earners who had paid the interests on mortgage loans were in serious trouble, which raised market interest rates further. As market interest rates surged, the prices of sub-prime mortgages began to fall quickly and the prices of financial derivatives that included them fell sharply. The burdens of financial institutions that invested much in financial derivatives deteriorated rapidly. At last some financial companies began to collapse causing credit destruction. The US financial crisis in 2008 went on this way. Its crisis spread to the countries with weak economy, especially the countries with large deficit of international payment or with large amount of fiscal debt, and the countries of which banks invested too much in US financial derivatives.

In short, 'Ownership Society' is the root cause of the global financial crisis. Is it real? There are two ways to find the root cause. One way, as seen so far, is to find the variable at first that has changed significantly. This way is also powerful to find the root cause of a crisis, since there exists certainly a variable that has changed significantly. But it is not easy to find the root cause in this way because there are many variables in the economy. So it is much more useful than the above way to trace backward the past process that has developed the crisis. Just as there are induction and deduction methods in the logic, there are two ways of finding the cause. Since the cause of the crisis is found in the former way till now, it is also necessary that the latter way is reviewed in order to check its root cause.

Why did the global crisis happen in 2009? It was caused by the spreading of US financial crisis to some countries. So why did the US financial crisis happen? It is a common analysis that it was occurred by the bankruptcy of Lehman Brothers in the late 2008. So why did it go bankrupt? It is the analysis of this
paper that the deposit withdrawal from Bear Stearns operated the economic principle of credit destruction, that is, the reverse process of credit creation. So why did the deposit withdrawal from Bear Stearns happen? It was because two hedge funds, subsidiaries of Bear Stearns, broke down after losing 1.6 billion dollars of customers' money in mid-2007, raising worries about the business performance of Bear Stearns. Why did they went broken down? It was because their business balances had deteriorated due to the price fall of financial derivatives they invested. So why did their prices fall?

There were two reasons for the price fall. One was that the repayment burden of mortgage loans grew to such an extent that it was hard to be afforded. Especially, the repayment burden of the poor was increased very much. The other one was that housing prices fell. The decline in housing prices meant that it was no longer necessary for the poor to hold house with the repayment burden of its loan. It is needed to track these two causes back in time.

First, what was the reason why the burden on the poor increased? It was because the interest rate surged. Why did the interest rate soar? There were several causes, but the most critical was the excessive issuance of the federal bond. The interest rate rose sharply due to the excessive supply of the federal bond and its price falling. As already mentioned, the interest rate of a federal bond soared to 5 percent in 2008 from 2 percent in 2004. So why did the supply of federal bond become excessive? It was because the budget deficit in 2006 was about 800 billion dollars. Why did the deficit so suddenly rise? It was because tax revenues did not increase enough due to the tax cuts while fiscal spending increased significantly due to the Iraqi war. One of the fundamental causes of the US financial crisis was thus found.

Next, why did housing prices fall rapidly? The reason for it was that the housing prices had soared to form a bubble. So why did the housing prices soar? Many people were so busy to buy houses. Why? The Bush administration had enforced the policy to provide 5.5 million houses to the homeless, political supports were needed eventually in order for such a large number of houses to be sold well, Fannie Mae and Freddie Mac played important roles for its funding, and then anyone could borrowed the almost amount of the purchase fund. It was even more essential that housing prices continued to rise, which would encouraged the homeless to purchase a house. And the continuous rise of housing prices caused the future demand to shift into the current demand for the gains of rising prices. Actually, the homeless was able to make a large amount of loan enough to buy a house without paying his own money when the housing prices rose rapidly.

However, the soaring prices could not be sustained since the time, when the demand was shifted, would come someday and then the demand would be vacant. And the poor could pay back the loan interest only when its rate was low, so the sustainability of the rising price became lower and lower because the burden of mortgage repayment got bigger and bigger. When the burden increased after the interest rates rose, the sub-prime mortgages became fragile and then the housing prices turned to sharp decline. In the end, the prices of sub-prime mortgages and relevant financial derivatives plummeted as housing prices turned downward. The value plunge of the derivatives caused many hedge funds as well as some banks to collapse, triggering the financial crisis by operating the credit destruction principle.

4. Was there any way to minimize the impact?

The crisis in 2008 might not happen if the political promise to supply 5.5 million houses to the homeless was not made and its impact was not so serious if the fiscal deficit was not increased so much. Even though the crisis was unavoidable, it would have been possible to reduce the blow of it if appropriate policy measures had been taken in time. Historically there were some cases which prevented further development of the crisis by blocking the operation of the credit destruction principle. The following instance is representative one.

As Kindleberger and Aliber wrote in their above book; "The implosion of the bubble in U.S. stock prices in 2000 led to declines in stock prices for the next several years but the ensuing recession in 2001 was brief and shadow."(Kindleberger & Aliber, pp 5, 2005) What policy made such an exceptional achievement at that time? The autobiography of Greenspan, the ex- chairman of the Fed, showed the successful policy as below.

In 2001, the US economy was in a serious situation where the collapse of the NASDAQ market could trigger a financial crisis. Early January 2001, the FOMC cut the fed funds rate by half a percent point to 6 percent. It was an unusual measure, since it had been common to cut by 0.25 percent. At the end of
January, the interest rate was cut additionally, but the dangerous economy did not settle. So, on March, April, May, and June, the FOMC continued to lower the interest rate to 3.75 percent. (Greenspan, pp 212-213, 2007)

The economic situation, which had just been calmed down slowly, broke into the unpredictable situation in 2001 by the September, the Afghanistan war, and so on. With this uncertainty growing, the Fed cut federal fund rate four more times. At the end of 2001, accounting scandals of Enron and WorldCom happened, worsening the economic situation further. Especially, the bankruptcy of WorldCom at 107 billion dollars in assets was the biggest in history. Finally, the FOMC lowered the interest rate to 1.25 percent on October 2002. This was a very low level that could not have been imagined ten years ago at that time. (Greenspan, pp 228, 2007) These preemptive cuts of the interest rate blocked the operation of the credit destruction principle.

On the other hand, there are far more examples in the world history that caused a tragic situation by neglecting the operation of credit destruction principle. The Great Depression in the 1930s is one such representative example. Bankruptcies of banks were on the verge of a financial crisis in the early 1930s, but no proper policy measure was taken. In recent years, there happened a financial crisis in 2008 in the US economy. If the economic principle of credit destruction was understood well, it might be possible to prevent the crisis in 2008 or to weaken its economic damage and to prevent its worldwide spread. In fact, there were such cases in history.

One of them is the case of 'Black Monday' on October 19, 1987. The Dow fell 508 points at the day. The rate of daily drop was 22 percent, marking record high. It was twice as high as the fall on October 24, 1929 which was called as 'Black Thursday' causing the Great Depression. The shock was so great that leading newspapers in US reported at that time as follows. 'There is no question that this is the worst economic time since the Great Depression.' 'Sluggish economic growth this year will cap the worst three-year period centered on a recession since the Great Depression.' 'The banking industry has plunged to its lowest point since the Great Depression.' 'The worst retail sales period on record since the Great Depression.' 'This recession is hitting white-color workers more heavily than any since the Great Depression of 1930s.' 'Forecasts for a weak recovery suggest the period [ahead] will be the worst for the economy since the Great Depression.' (Kaletsky, pp 107, 2011) It can be easily guessed how big the shock was as one leading weekly magazine had posted the title 'Again 1929?'

The Fed Chairman Greenspan at that time canceled a Dallas schedule and returned to Washington instantly. He discussed about the situation with his advisory group and made a deliberate decision. An hour before the stock market opened the next day, he made a short speech that 'The Fed qua US central bank is ready to supply liquidity to stabilize the economy and financial markets.' In line with this speech, the Federal Reserve Bank of New York provided promptly as much liquidity as needed in the stock market. This immediate response stabilized the financial market. Furthermore, the Dow, which had fallen to 1,738 at that time, reached 14,000 in 2006 after overcoming the sharp decline in 2001 and the US economy enjoyed a long prosperity just before the financial crisis in 2008.

The economic difficulties after 2008 could have been avoided or alleviated if a proper policy was implemented preemptively when the stock prices of investment banks fell rapidly. It should have enforced an aggressive monetary-easing policy on November 2007 when the big losses in the business balances of Merrill Lynch, Citigroup, and AIG were exposed. At the time, "Merrill wrote off a staggering $8.4 billion - fully 22 percent of the company's net worth." (Lowenstein, pp 109, 2010) "Similar tensions were brewing at Citigroup. Two months earlier, it had claimed to be immune the subprime virus; now it admitted it would have to write down $8 billion to $11 billion in mortgage securities and corporate loans in the fourth quarter - in addition to a $6 billion charge for the third." (ibid., pp 110, 2010) AIG was asked for additional collaterals from Goldman Sachs, Merrill Lynch, and Societe Generale (Lowenstein, pp 112, 2010). In this situation, it was right for the government to assume that the credit destruction principle started to work.

The Fed lowered the interest rate on September 2007 and the financial market seemed to be stabilized on early October as the Dow exceeded 14,000. Accordingly the worry about financial crisis became rather dull and the policy response was insufficient. Despite the Fed's cut of its interest rate, the prices of financial derivatives continued to decline and the balance of financial institutions deteriorated.
rapidly. Citigroup and Merrill Lynch fired their CEOs and expanded their capitals. The Fed cut its interest rate two more times as the financial market was not stabilized. The Fed cut its interest rate by 0.75 percent on January 2008 once more, but its move was too late and defensive. It was needed to take a preemptive and aggressive action to calm down the fast-paced financial crisis. In this situation where credit destruction is under way, a policy to supply the liquidity directly into the financial market had to be implemented by the Federal Reserve Banks.

Even if the opportunity to stabilize the financial market was missed at that time, the collapse of Bear Stearns on April 2008 should have been prevented any means. And then it would have been possible to mitigate the impact of the financial crisis by cutting off the further operation of the credit destruction principle. Unfortunately, it did not stop and the market became worse and worse. On early July, IndyMac Bank, a big mortgage lender, went bankrupt. Two months later, there appeared another serious accident, which triggered the crisis in earnest. It was the bankruptcy of Lehman Brothers, fourth-ranked US investment bank, on September 14th. This accident accelerated the credit destruction.

On September 15, Merrill Lynch, which was third in US investment bank and belonged to a top-tier group, was acquired by BOA and Morgan Stanley, the second largest US investment bank, was in a liquidity crisis and acquired by JP Morgan. On September 16, AIG, the world's number one insurance company, received 85 billion dollars from the public fund and on October 8 it received 37.8 billion dollars in addition. And banks such as Washington Mutual and Wachovia collapsed. Citigroup, a very large commercial bank, received the public fund too. Confronting the collapse risk of the whole financial system, the US government announced the plan to spend a large public fund of 700 billion dollars which could hardly be imagined in that summer. The amount spent actually was about 400 billion dollars. And the US Treasury spent more than 800 billion dollars on fiscal spending in order to prevent operating of the vicious cycle which might be caused by the dysfunction of economy.

What would have happened if Bear Stearns recognized its serious situation and received immediately co-financing from other financial institutions on March 10 when the withdrawal of investment fund occurred first? What would have happened if the Fed announced that it would put 30 billion dollars directly into Bear Stearns, not to JP Morgan? What would have happened if Lehman Brothers had been relieved by declaring that the Fed would preemptively invest half of the 700 billion dollars from the public fund into it? If the principle of credit destruction was known well to economic experts widely, the policy makers would have done so and could have prevented the economy from falling into such a serious crisis as in 2009. Indeed, a decade ago, there was a case in which a serious crisis was overcome without a severe blow to the economy.

When LTCM was in bankruptcy crisis on September 1998, the US economy was in great danger of falling into a swamp of financial crisis. Just before it, Russia declared moratorium on its international payment, so the occurring possibility of a financial crisis was as high as ever. As mentioned already, LTCM borrowed 125 billion dollars relying on 5 billion dollars in capital and operated 1.25 trillion dollars of investing in financial derivatives. If left untreated, it would have developed into a very severe crisis. Faced with this crisis, Bill McDonough, Governor of the Federal Reserve Bank of New York at that time, called top executives of the 16 most influential banks in the world and asked them to solve the problem of LTCM together. Finally, they decided to put 3.5 billion dollars into LTCM after tense and long negotiations.(Greenspan, pp 194, 2007) As a result, LTCM's capital of 5 billion dollars disappeared as smoke, but the above banks collected their inputs. In addition, investment losses of LTCM did not affect significantly the financial market and the economy. Foremost, it is very important that the operating of the credit destruction was blocked.

Deposit withdrawal of a financial company is as dangerous as the collapse of stock market. Economic experts usually have likened it to 'shouting fire' in a dark theater where a movie is playing. The deposit withdrawal of a bank is dangerous as above. So the Fed and the Treasury Department should have responded immediately when Bear Stearns confronted with deposit withdrawal. If so, there would have been no collapse of Lehman Brothers, Merrill Lynch, AIG, etc., and no input of the massive public fund so much. Looking back, it is a real pity.

Why did not the US policy authorities respond timely to the collapse of Bear Stearns? First, they did not understand certainly the economic principle of credit destruction. Economists were not different
from them. Rather, some influential economists blamed vigorously the decision of the Fed to support JP Morgan for 30 billion dollars on April 2008 in order to stem the bankruptcy of Bear Stearns. For instance, Joseph Stiglitz, who won the Nobel Prize in economics in 2001, condemned the policy that the Fed rescued Bear Stearns. It was his claim that the bank, which was a main culprit of the turmoil in 2008, was rescued irrationally and ambiguously without any consideration to relieve the poor house holders.

When the Congress voted to rescue Freddie Mac and Penny Mae on July 30, 2008, Robert Rodriguez, a fund manager who was famous as warned the crisis in advance, criticized that the financial and social system was going to drive the descendants into financial poverty. And a republican senator at that time, Jim Burning, blamed that socialism was being realized in US. However the junk mortgages invested by these two institutions were estimated over 1 trillion dollars. If one of them collapsed, all the financial system would have been at risk of collapse. Moreover, the dollar was even more likely to lose its position as an international key currency if foreign investors such as China and Japan, which had believed in government guarantee for the companies, left the US market with disappointment. If it would have happened actually, the US economy would have fallen into a swamp of economic hardship that would be hard to recover.

The above blames got Paulson, who was to be sensitive to the public opinion, try to avoid the injection of public fund to Lehman Brothers, which caused decisively the financial crisis. If the economic principle of credit destruction would have been understood by the economic experts, it would have been easy for them to realize the fact that the collapse of a large financial company would lead to a severe crisis by operating the principle, collapsing the whole financial institution. And then they would have urged the Fed to take appropriate actions.

In reality, the operation of the credit destruction principle stopped after the US monetary base was doubled at the end of 2008 from the previous year. This rapid rate of money increase would have been sufficient to bring about a surge in inflation at a normal situation, but it did not occur since the economic downturn reduced the circulating speed of money, the credit multiplier, and the currency function of quasi-moneys. It also contributed to the price stability that the volume of financial derivatives was decreased dramatically by their price falling.

It would have happened that dollar lost the position of an international reserve currency as the supply of dollar became excessive resulting in its value decrease, but this risk also disappeared due to the surge of dollar demand in the countries that were exposed to the currency crisis and forced to increase their foreign exchange reserves. However, if the economy would recover in earnest, the monetary policy should be tightened to prevent the value decrease of dollar, which is the reason why the exit strategy of the quantitative easing policy has begun to be sought since 2012.

To summarize, the US financial crisis in 2008 was the worst since the Great Depression as results of Bush's recklessness, Paulson's sensitivity to the public opinion, and Bernanke's passive response. At first, Bush made a reckless promise to supply 5.5 million homes to the homeless. Next, Paulson was flustered to rescue some financial companies and to neglect others, especially to leave Lehman Brothers bankrupt. And Bernanke turned away his face from the operation of the credit destruction principle, which resulted in long-term economic difficulties worldwide.

5. Why is it difficult to prevent a financial crisis?

What is the nature of a financial crisis? The crisis is a serious disease of the economy. As a healthy person gets sick occasionally, a healthy economy undergoes a financial crisis occasionally. In fact, most countries has already undergone the financial crisis several times. Even the countries that get strong competitiveness and growth potential have experienced financial crises too. For an instance, the crisis occurred in Japan in the late 1980s while the slogan to learn Japan was flared worldwide.

Why does the financial crisis, a serious disease of the economy, burst intermittently? Unlike a human disease, its cause and process is relatively simple. World history has showed that most of financial crises have occurred in two cases as follows. First, it has occurred when the real estate market or the stocks market is overheated to make bubble which collapses soon. Next, it has occurred when the economy is overheated to worsen the balance of international payment which causes a currency crisis.

Is it easy to capture and prevent the financial crisis if its cause and process is simple as above? If it can be grasped or prevented easily, it is not needed to call the financial crisis as an economic disease.
Above all, it is very difficult to judge which level is overheated and which level is bubble. Therefore, it might be right to say that preventing financial crisis in advance would be harder than anything else. The key might be how quickly we would find out it and how quickly we would prescribe against it.

The global crisis of 2008 was in a situation where the economic sickness was very serious and the prescription was too late. Fortunately, the economic disease was recovered by prompt countermeasures of the government after a relatively short distress of the economy. However, it passed through twists and turns too relying on what policy was enforced. For instance, the EU succeeded in blocking the operation of credit destruction principle by increasing its monetary base by 37 percent in 2008. This policy contributed to the economic recoveries of Poland, Hungary, Ireland, Iceland, and Latvia which experienced a serious crisis in the end of 2008. After then it implemented an austerity policy in the second half of 2009 to cut the increasing rate of its monetary base by minus 0.9 percent in order to prevent inflation, which resulted in deepening of the crisis by resuming the operation of credit destruction principle. And then the economy was worsened. Especially the countries such as Greece and Spain, whose balances of international payments recorded large deficits, experienced serious difficulties. On the contrary, the US government blocked the further operation of credit destruction principle through increasing its monetary base by more than 20 percent in 2009 just after doubling it in 2008, thereby it prevented the economic hardship from becoming more serious than it was in reality.

6. Discussions and a conclusion

If the cause of a crisis is temporally distant from its result like the recent crisis, it is difficult to grasp the causal relationship between them and the cause is hardly believable even if it is captured. However, the crisis has to be judged as a chronic disease of which cure is very difficult since it is the result of a long-term developing process. Therefore, it is inevitable to pay attentions to the developing process of the cause which takes a long period of time to reach the result.

To ensure and conclude, let's check again the root cause of the global crisis in 2008 and its developing process as below. The pledge of 'Ownership Society' propounded by Bush in the 2000 presidential election was the underlying cause of the financial crisis. Based on this pledge, President Bush at that time made a policy of supplying 5.5 million homes to the homeless. For the success of this policy, contributions from Fannie Mae and Freddie Mac was required since the role of their funding and financial derivatives was important. And the rise in housing prices was also essential in order to attract attentions of the homeless. So the time shift of demand from the future happened and the bubble of housing prices occurred, resulting in the vacancy of demand that caused the collapse of bubble which plummeted the prices of financial derivatives. And the financial companies which invested much into the derivatives were at risk of collapse as the economic principle of credit destruction came into playing in the bankruptcy crisis.

It would be easy to relieve the crisis occurring in the future if the cause and developing process of financial crisis, the economic terms and principles that works in its process such as the time shift of future demand, the hollowing out of demand, and the economic principle of credit destruction are understood precisely and well.

7. Research limitation and direction for further research

In the history, a financial crisis has been occurred not only by the overheating of real estate market including housing or stocks market but also by the overheating of the whole domestic market of a national economy which causes a currency crisis resulting in a financial crisis. We would like to keep on researching on all the financial crises.

It is difficult to capture the causal relationship between the cause and the result when the former is temporally distant from the latter. And the cause is hardly believable even if it is captured. However, if an economic event is the result of a long-term developing process, it is common for the result to be a chronic disease and its cure is difficult. Therefore, it is necessary to pay attentions to the developing process of a cause which takes a long period of time reaching the result and to the research for historical instances.
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The important enablers of lean implementation towards organizational performance in financial services

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Keywords
Lean, Organization Culture, Organizational Performance, Financial Services, Socio-technical system

Abstract

**Purpose** – This research aims primarily at investigating the important enablers of Lean implementation towards organizational performance. This research is carried out in Thai leading financial institutions that experienced adopting lean concept for enhancing their organizational performance.

**Design/methodology/approach** – The questionnaire survey was developed and employed as the primary data collection method. The questionnaire was distributed to three leading financial institutions that adopted the Lean concept for enhancing organizational performance. The multiple regression was employed for investigating the importance of lean enablers and testing the hypotheses proposed concerning the research conceptual model.

**Findings** – The results provided substantial evidence that financial institutions require to consider not only technical practices, but also supporting practices as supporting enablers for implementing lean to enhance the organizational performance successfully.

**Research limitations/implications** – The research conceptual model was tested utilizing data gathered from financial institutions implemented lean as improvement initiatives. Considering the limitation of time, this study mainly focused on investigating relationships between lean practice and lean enablers towards organizational performance.

**Practical implications** – Financial institutions that plan to adopt lean concept should consider the importance in implementing lean practices and lean enablers for pursuing better organizational performance outcomes.

**Originality/value** – This study extends the prior research of lean implementation in financial services by empirically investigating the importance of both Lean practices and lean enablers towards organizational performance.

1. Introduction

Concerning the highly competitive market, it becomes more imperative that organization requires improving their business continuously for achieving the sustainability of the organization. There are growing external pressures in reducing costs, increasing flexibility, improving quality and cutting down the lead times. This increasing competition forces organizations to reconsider their operations and strategies (Karmarkar, 2004). With this regards, many improvement programs are initiated and adopted with the aim of delivering the superior product and service to customers. In particular of service organizations, the competitive forces tend to be an important challenge globally. “Lean” is therefore one of the most powerful improvement methods which is widely adopted with the aim of enhancing the organizational performances.

Particularly in the scholarly literature in operations management, lean concept is of vital important in attaining the goal of sustaining the organization. Recently, Lean has become became one of the most important improvement initiatives that was disseminated to both manufacturing and service industries. Nevertheless, it has sometimes been questioned, regarding the limited applicability and suitability of Lean adoption in the service sector (Hines et al., 2004). The academic research related to the adoption and implementation of Lean in the service sector is still at a fairly early stage, this calls for...
empirical research to understand the way in which a Lean concept could be adopted successfully for enhancing organizational performance. This calls for the importance in understanding these relationships for further contributing to the practitioners who plan to adopt and implement lean concept efficiently and effectively in the services sector.

Therefore the primary aim of this research is not only to understand the outcomes of the lean practice to organizational performance, but also to explore the importance of lean enablers towards the lean adoption in service environment, particularly in the financial services. Hence, this research aims at contributing to the knowledge on understanding the relationship among lean enablers, lean adoption practices, and organizational performance. Two research questions are as follows;

RQ1. What are important enablers of lean implementation success in financial institutions?
RQ2. To which enablers of Lean implementation are important for implementing lean practice successfully for enhancing the organizational performance of financial services.

2. Literature Review
Considering research questions and objectives, relevant literature was reviewed as follows

2.1 Lean adoption in services
To date, the majority of academic papers related to lean implementation are based on the manufacturing sector. Lean implementation in service is still considered under research area. In service sector, lean is, however, considered one of the improvement methodologies that has been growing strongly in adopting for improvement strategy for enhancing service excellence. In the early stage, the literature related to lean services is dominant by conceptual and case studies papers. However, Hadid and Mansouri (2014) point out that it appears to be a lack of compressive list of lean practices for being used to empirically test relationships with organizational performance.

Considering the appropriate approach for investigating the relationships between lean adoption and organizational performance, Hadid and Mansouri (2014) conceptualized the model based on the socio-technical system with the aim of understanding the role of lean practices for enhancing the performance of the organization. Regarding the conceptualized model, lean practices can be viewed as lean technical practices (LTPs) and Lean supportive practices (LSPs). Similarly, Mambrandt and Ahlstrom (2012) developed and empirically validated and instrument for assessing lean service adoption. The instrument is refined and validated through an iterative process considering both theoretical and practical insights. The instrument consists of 34 items for assessing enablers of lean adoption, lean practices, and operational performances (Mambrandt and Ahlstrom, 2012). This will allow researcher to measure the level of lean service adoption for develop the body of knowledge related to the adoption of lean service. Hence, lean practices will be reviewed concerning two aspects of lean enablers (lean supportive practices) and lean technical practices in the following sessions of 2.2 and 2.3 consecutively.

2.2 Enablers of lean implementation
Comprehensive literature review on factors enabling lean practices for enhancing organizational performance was conducted, four main enablers are reviewed as follows;

Leadership and Management

An excellent leadership and management is one of the crucial factors that enable lean to be implemented successfully (Anchanga et al., 2006). Managers and their actions can result the difference between successful and unsuccessful lean adoption effort (Suarez-Barraza et al., 2012; Mambrandt and Ahlstrom, 2012). Without the continuous support and commitment from top management, the true importance of the initiative will be in doubt and the energy behind it will be weakened (Pande et al., 2000).

In the early stage of quality management implementation, it is vital that management communicate the goal and clear strategic direction for implementing quality initiation effectively. Naslund (2013) also points out that management should communicate the change and provide employees with understanding regarding the benefits of improvement methodology adoption (Naslund, 2013). This can help inspire and motivate employees in participating in lean implementation (Naslund, 2013). Leadership and management effectiveness allows employee involvement in continual improvement activities of the
organization (Habidin and Yusof, 2013). Overall, leadership and management construct addresses imperative aspects of leadership commitment, communication, involvement and support.

Organizational Culture

Organizational culture is considered another important aspect that enable organization in implementing quality management practices successfully. A number of studies have argued that organizational culture is a key significant driver to quality management implementation success (Hackman and Wageman, 1995, Powell, 1995; Kujala and Lillrank, 2004). Hackman and Wageman (1995) pointed out that QM initiatives require further than implementing technical practice, but need a fundamental change of underlying culture and attitude of people in the organization. Wu et. al. (2011) stated that quality management implementation is more likely to be success if the organizational culture is compatible with the value and basic assumptions proposed by QM practices. Organizational culture values are considered important as they drive attitudes and behaviors of employee thereby unconsciously impact how practices are implemented and institutionalized in the organization (Detert et al., 2000). It is therefore important that QM practices needs to be embedded in supportive culture for generating positive impact on organizational performance (Wu, 2015). It is therefore of interest in investigating relationships between organizational culture, lean practices and organizational performance.

Employee relations

Considering the high degree of customer contact in services, employees play important roles in delivering valued service to customers. The highly skilled labors of the organization are important to ensure company growth and success (Jeyaraman and Teo, 2010). Taking the view of organizational development (OD) techniques to facilitate changes in the organization, employee relations is considered imperative in enabling the success of quality management implementation (Kaynak, 2003). Malmbrandt and Ahlstrom (2013) point out that employee play a critical role in lean adoption. Adequate employee training, commitment and understanding of lean adoption effort are considered important enablers in driving lean to become success (Malmbrandt and Ahlstrom, 2013; Balle and Regnier, 2007; Bowen and Youngdahl, 1998).

Customer focus

Customer focus of lean concerns with supporting practices that enable the implementation of lean by taking customers into consideration. The increasing importance of mass customization and personalized services drives organization to focus on customer for surviving in the highly competitive situation. Having a good understanding of customer allows organization to differentiate its products and services from competitors, sustain customer loyalty, and deliver the highest value to customers (Margrettta, 1998). Focusing on customer need and satisfaction are important practices in implementing quality improvement initiatives successfully (Habidin and Yusof, 2013; Antony et al., 2005). The study of Habidin (2013) highlight the importance that organization pay attention on customer focus practices in order to implement Lean Six Sigma more successfully, which is in line with studies of Antony et al. 2005; Kumar et al., 2009.

Based on the literature review above, four main important enablers of lean implementation are leadership and management, organizational culture, employee relations, and customer focus. All these four important enablers are considered imperative for implementing lean for enhancing the organizational performance more successfully and effectively, rather than implementing lean practices separately. With this regards, the author hypothesize that:

$H1$: Lean enablers are positively related to organizational performance

Lean practices in service organization

Lean practices focus on the way of working that is seen as consistent with lean principles (Malmbrandt and Ahlstrom, 2013). A wide range of lean practices has been identified related to lean implemented in manufacturing sector, considering the basic set of lean principles (Shah and Ward, 2007; Malmbrandt and Ahlstrom, 2013). Hadid and Mansour (2014) argued that extant literature related to lean adoption in service does not provide a comprehensive list of lean practices related to specific context
of service. Hence, it is imperative that researchers review the literature and adapt a specific measures concerning the context being studied.

Considering as the under research area of empirical study of lean implementation in financial services, lean practices will be therefore proposed considering core principles of lean by adapting from the extant literature related to lean adoption and implementation. In this research lean adoption practices will be developed considering 7 lean service principles extracted from extant literature consisting of: specify customer value, identify value stream (value stream mapping), create value flow, standardize work, attain zero defects, visualize process, pursue continuous improvement, and ensure pulling system.

**Lean practices and organizational performance**

In order to measure the results of lean implementation, it is imperative that organization identify appropriate measures for investigating the relationships between lean practices and organizational performance. To deepen the knowledge related to lean implementation in services, there is a need in understanding the relationships between quality practices and performance using empirical data in particularly of the service sectors. This would help practitioners in understanding how organizational performance can be improved resulted from the improvement practices for further improving organization continuously (Elg et. al., 2014; Sabella and Kashou, 2014). Considering literature reviewed above, organizational performance measures will be developed considering extant literature and suggestions from practitioners who experienced in lean adoption in a specific context of financial services. We hypothesize that:

**H2: Implementation of lean practices in financial services will have a positive impact on organizational performance.**

Based on literature review in previous sections, the research model is conceptualized to explore the relationships between lean enablers, lean practices and organizational performance as the following figure 1.

![Research Conceptual Model](image)

**Figure 1: Research conceptual model**

### 3. Research Methodology

#### 3.1 Research instrument

Based on the research conceptual model proposed in the previous section, the questionnaire survey was developed considering the previous literature. The questionnaire consisted of four sections in order to cover objectives of this research including: demographic, lean enablers, lean practices, and organizational performance. A five-point Likert scale was used to ask respondents for scoring (items) ranging from 1 = strongly disagree to 5 = strongly agree. The pilot test was conducted with 30 respondents who experienced involving in lean implementation in financial institutions to ensure that the survey instruments are easy to understand by the respondents.

To enhance the internal consistency of the research instrument, reliability test was conducted. In order to justify the scale’s reliability, the Cronbach’s alpha coefficient of individual constructs is therefore analysed to ensure the quality of the measurement scales. The Cronbach’s Alpha coefficients resulted from the pre-test are provided as the following table 1.
Table 1: Cronbach’s Alpha coefficients from Pre-test

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>Amount of items</th>
<th>Cronbach’s Alpha Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Specify Customer Value</td>
<td>4</td>
<td>0.868</td>
</tr>
<tr>
<td>2</td>
<td>Identify Value Stream</td>
<td>4</td>
<td>0.708</td>
</tr>
<tr>
<td>3</td>
<td>Create Value Flow</td>
<td>4</td>
<td>0.715</td>
</tr>
<tr>
<td>4</td>
<td>Standardize Work</td>
<td>3</td>
<td>0.795</td>
</tr>
<tr>
<td>5</td>
<td>Ensure the High Level of Quality</td>
<td>4</td>
<td>0.825</td>
</tr>
<tr>
<td>6</td>
<td>Visualize Processes and Performance</td>
<td>3</td>
<td>0.869</td>
</tr>
<tr>
<td>7</td>
<td>Pursue Continuous Improvement</td>
<td>4</td>
<td>0.883</td>
</tr>
<tr>
<td>8</td>
<td>Ensure that all activities are pulled</td>
<td>3</td>
<td>0.847</td>
</tr>
<tr>
<td>9</td>
<td>Top Management and Leadership</td>
<td>5</td>
<td>0.858</td>
</tr>
<tr>
<td>10</td>
<td>Organization Culture</td>
<td>9</td>
<td>0.827</td>
</tr>
<tr>
<td>11</td>
<td>Employees Relations</td>
<td>9</td>
<td>0.917</td>
</tr>
<tr>
<td>12</td>
<td>Custom Focus</td>
<td>4</td>
<td>0.787</td>
</tr>
<tr>
<td>13</td>
<td>Organizational Performance</td>
<td>10</td>
<td>0.907</td>
</tr>
</tbody>
</table>

3.2 Data collection

Empirical data was collected from the financial institutions implemented lean. With this regards, not all financial institutions in Thailand adopted lean as the strategic improvement initiatives. There are only some financial institutions adopted lean as strategic improvement initiatives. Researcher therefore formally requested for the permission in collecting the questionnaire survey. Only three leading financial institutions in Thailand allowed in gaining access as the target site. In total, 400 questionnaires were distributed. In total, 185 completed questionnaire survey were received, considering as 46.25 percentage response rate.

3.3 Data analysis

In this study, descriptive statistics analysis was conducted to explain demographic information of respondents. Agreement level of all constructs in the study was also examined. Multiple regression method was utilised for investigating the relationships among constructs proposed in the research conceptual model. All the hypotheses were tested utilizing results from multiple regression analysis.

4. Data analysis results

In this research, descriptive statistics was analysed to explain the demographic data of respondents. Multiple regression was employed to test model fit and relationships between independent and dependent variables of the proposed model. Detailed analysis results are as follows.

4.1 Demographic of respondents

The total number of respondents were 185 with 55.1% of female and 44.9% of male. The percentage of respondents’ age range between 21 and 30 was 21.1, 31.9% between the ages of 31 and 40, 28.1% between the ages of 41 and 50; and 18.9% between the ages of 51 and 60. In terms of educational background, 51.9% hold bachelor degree, 46.5 % hold a master degree, and doctoral degree graduated was 1.6%. The respondents’ were from different positions; 15.1% of respondents were vice president, 8.1% of assistant vice president, 27.6% of senior manager, 15.7% of team leader, and 33.5% of operations staffs. In term of working experience, 22.7% of respondents had experiences less than 3 years; 15.1% between 4 and 6 years; 16.8% between 7 and 10 years, and 45.4% of respondents had working experiences more than ten years. Lastly, respondents were asked to identify experiences of being part of lean implementation; 14.6% had experiences in lean implementation less than 6 months, 13% between 6 and 12 months, 27.6% between 1 and 3 years, 29.2% between 4 and 5 years, 11.9% between 6 and 10 years, and 3.8% had experiences in lean implementation more than 11 years. The respondent’s profile is summarized as the following Table 2 below.
<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender of respondents:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>83</td>
<td>44.9</td>
</tr>
<tr>
<td>Female</td>
<td>102</td>
<td>55.1</td>
</tr>
<tr>
<td>Ages of respondents:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td>39</td>
<td>21.1</td>
</tr>
<tr>
<td>31-40</td>
<td>59</td>
<td>31.9</td>
</tr>
<tr>
<td>41-50</td>
<td>52</td>
<td>28.1</td>
</tr>
<tr>
<td>51-60</td>
<td>35</td>
<td>18.9</td>
</tr>
<tr>
<td>Educational background:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>96</td>
<td>51.9</td>
</tr>
<tr>
<td>Master degree</td>
<td>86</td>
<td>46.5</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>3</td>
<td>1.6</td>
</tr>
<tr>
<td>Job position:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice president</td>
<td>28</td>
<td>15.1</td>
</tr>
<tr>
<td>Assistant vice president</td>
<td>15</td>
<td>8.1</td>
</tr>
<tr>
<td>Senior manager</td>
<td>51</td>
<td>27.6</td>
</tr>
<tr>
<td>Team leader</td>
<td>29</td>
<td>15.7</td>
</tr>
<tr>
<td>Operations staffs</td>
<td>62</td>
<td>33.5</td>
</tr>
<tr>
<td>Working experiences:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-3 years</td>
<td>42</td>
<td>22.7</td>
</tr>
<tr>
<td>4-6 years</td>
<td>28</td>
<td>15.1</td>
</tr>
<tr>
<td>7-10 years</td>
<td>31</td>
<td>16.8</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>84</td>
<td>45.4</td>
</tr>
<tr>
<td>Experiences in lean implementation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-6 months</td>
<td>27</td>
<td>14.6</td>
</tr>
<tr>
<td>7-12 months</td>
<td>24</td>
<td>13.0</td>
</tr>
<tr>
<td>1-3 years</td>
<td>51</td>
<td>27.6</td>
</tr>
<tr>
<td>4-5 years</td>
<td>54</td>
<td>29.2</td>
</tr>
<tr>
<td>6-10 years</td>
<td>22</td>
<td>11.9</td>
</tr>
<tr>
<td>11 years or above</td>
<td>7</td>
<td>3.8</td>
</tr>
</tbody>
</table>

### 4.2 The impact of lean practice and lean enablers on operational performance

A multiple regression was conducted to analyze the relationship between lean practice and lean enablers including leadership and management, organizational culture, employee relations, customer focus on operational performance. Result revealed that there are significant positive relationship between lean practices, and lean enablers on operational performance. It was found that the lean enablers including leadership and management together with customer focus were positively related to operational performance of organizations. However, there was no significant relationship between organizational culture nor employee relation on operational performance.

The final regression model was exhibited in Table 2. The coefficient of determinant adjust $R^2$, indicating the percentage of total variation of operational performance predicted by the lean practices and lean enablers is 62.0%, while the rest is predicted by other unexplained factors.

### Table 2: Final regression model of lean practices and lean enabler on operational performance

<table>
<thead>
<tr>
<th>a. Model Summary</th>
<th>Std. Error of the Estimate</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.32639</td>
<td>0.620</td>
<td>0.610</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b. Coefficients*</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$B$</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.363</td>
</tr>
<tr>
<td></td>
<td>LP</td>
<td>.465</td>
</tr>
<tr>
<td></td>
<td>LM</td>
<td>.120</td>
</tr>
<tr>
<td></td>
<td>OC</td>
<td>.130</td>
</tr>
<tr>
<td></td>
<td>ER</td>
<td>.026</td>
</tr>
<tr>
<td></td>
<td>CF</td>
<td>.188</td>
</tr>
</tbody>
</table>

a. Independent variable: lean practice (LP), leadership and management (LM), organizational culture (OC), employee relation (ER), customer focus (CF); dependent variable: operational performance (OP)
5. Discussion and Conclusions

This research aimed to fill this gap by investigating the relationships among lean enablers, lean practices and organizational performance. The findings suggest that positive relationships exist among constructs of lean enablers, lean practices, and organizational performance. This overall results supports the empirical findings of previous literature that investigated the relationship between quality management practices and organizational performance (Hadid et al., 2016; Hadid and Mansouri, 2014; Chavez et al., 2013; Vinodh and Dino, 2012). Examining the level of lean enablers implementation, customer focus and organizational culture have significant relationships towards organizational performance, indicating that organization should pay attention on managing changes concerning the attitude of people and culture; and taking customers into consideration for providing services. These two enablers of organizational culture and customer focus are important in driving lean to become success (Malmbrandt and Ahlstrom, 2013; Balle and Regnier, 2007; Bowen and Youngdahl, 1998). Considering the multiple regression analysis results, this strengthens the importance in implementing all lean enablers (LE) of organizational culture, and customer focus to support lean practices (LP) implementation for improving the organizational performance.

This research contributes to the existing body of knowledge of lean implementation in financial services by empirically investigating the importance of lean enablers in implementing lean practices for enhancing the organizational performance. The findings highlight and confirm the significance that organizations implement both lean enablers, in particular of organizational culture and customer focus, and lean practices for attaining the better organizational performance. This finding supported the underlying theory of socio-technical system (STS) suggested by Trist and Bamford (1951) that indicates the importance that organizations considered both supporting and technical practices for achieving better outcome of practice implementation. The statistical findings indicated the significant relationships among lean enablers, lean practices and organizational performance. This sheds some light for financial services intended to adopt lean concept in implementing both lean enablers and lean practice for synergizing the performance outcomes resulted from lean implementation. Concerning the limitation in gaining access and limited number of financial institutions adopted lean as improvement initiative, this affect the response rate of questionnaire data gathered. The author therefore suggests in adopting this model and measures developed for empirically investigating relationships among all constructs in other services context such as healthcare and insurance companies. Lastly, the study of moderator effect of lean enablers would be of interest for broadening the existing body of knowledge of lean implementation for enhancing organizational performance in financial services.

References


The impact of viable system model on organizations success in the security sector of Egypt

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Keywords
Security, VSM, Organization Success, Communication, Coordination

Abstract
Security becomes an important issue in nowadays in Egypt, especially after the recent revolutions happening in the country since year 2011. Thus, there is a great concern with the security services provided in the country nowadays. Therefore, the organizations success in the field of security is gaining a high focus and new contributions in managing such organizations become an essential requirement. Accordingly, this research comes to introduce the viable system model (VSM) as a solution to the problems that such organizations are facing, as VSM is designed to surface deficiencies present in the existing systems. Questionnaires are directed to experts in the field of security to figure out the problems they are facing and provide solutions using VSM. A structural equation modeling will be conducted to analyze the questionnaires after applying reliability and validity analysis. Results showed that the first and fifth hypotheses are supported, as there was a significant relation between Operation and Organizational Success as well as Top management and Organizational Success. On the other hand, the second, third and fourth hypotheses are rejected as there was an insignificant relation between each of Coordination, Executive Management, Sustainable Development and Organizational Success.

Introduction
Given the importance of being secured and the increasing demand of security services nowadays, there is a need for new contributions in management of enterprises that provide such services to ensure quality at a reasonable cost and expected delivery time and by that achieve organizations success. The viable system model (VSM) is praised for its significance in the field of operational management. VSM is used to design a viable system or to surface deficiencies in an existing system. Consultants, decision makers and system analysts particularly appreciate VSM given the thoroughness and rapidness of the VSM diagnosis and its ability to assist with complexity management. A VSM diagnosis leads to a comprehensive understanding of a system. It reveals the interactions and linkages in the system and surfaces present shortcomings.

Thus, there is a need to highly improve the security services provided by different companies. The research aim is to explore the VSM dimensions which cope with the organization success. Therefore, this research comes to explore the relationship between VSM and organization success through the knowledge management process and provide solution to security problems facing the country nowadays. It is important for any country to provide the desired level of security for citizens through different security services provided. In Egypt, the issue is highly important after the revolutions the country had been exposed to.

This research is designed to include five main sections, where the first one will represent the introduction to the research; presenting its problem, aim, and objectives. The next section is presenting the literature review, including the VSM meaning and related theories as well as recent studies testing the impact of VSM on organization success. The third section is describing the research methodology, including the research framework and hypotheses. The fourth section is an illustration of the findings and results of the research. Finally, the fifth section represents the discussion and conclusion of this research.
Literature Review

British theorist Stafford Beer developed the concept of Organization Cybernetics (OC) in the late 1970s, which has attracted the attention of many scholars since then. Cybernetics is commonly understood as the science of effective management through the exploration of a firm’s communication and control systems. Thus, OC provides practitioners with the tools to achieve organization success, notably through the use of Stafford Beer’s Viable System Model (VSM). The Viable System Model (VSM) was described by Stafford Beer, the father of Management Cybernetics, in his books Brain of the Firm (Beer, 1981), The Heart of Enterprise (Beer, 1979), and Diagnosing the System for Organizations (Beer, 1985).

The viable system model was first addressed by Beer’s (1984) viable systems model which is based on five essential “recursive” functional sub-systems which work to ensure the viability and symbioses (Leonard, 2007). Another definition of the VSM is that it is a design of Management Cybernetics used as an organization instrument to achieve its success. Thus, the VSM unites the main concepts of cybernetics and represents a pragmatic framework tooled to analyze and design organizations (Gmür et al., 2010). The VSM not only supports an organization by diagnosing of its system structure to reveal room for improvement, but also supplies an instrument for redesigning the system structure in order to sustain, consolidate and advance its viability (Gmür et al., 2010).

Organizations’ viability is a complex issue, owing to the high number of factors that affect it (Ríos, 2006). So, VSM offers a useful, innovative, and effective reference framework for analyzing the organizational structure of an organization from a multidimensional, cybernetic perspective, on the strength of which managers can cope more efficiently and substantially with complexity. In addition, a framework was offered to cope with complexity, which proved to be of value in practice and which can be considered from both a theoretical and a practical point of view as a highly mature organizational theory (Gmür et al., 2010).

The VSM applies to every system that must process internal and external complexity in order to preserve its sustainable capacity to act and its ability to develop the framework proposed by Gmür et al (2010) because it is considered as the heart of enterprise. Also, a functional model of viability was proposed that specifies criteria for the functioning of systemic infrastructures (Achterbergh and Vriens, 2011) and offers a powerful and alternative model for both economic and social organizations to structure themselves, especially, for those operating in highly turbulent environments (Ben-Ali, 2011).

Hence, the VSM primary purpose is to reduce the internal and external complexity of a system by providing a framework that makes the organization’ multidimensional structure and sub-systems observable and facilitates its analysis. A variety of different organizations had used the VSM to solve problems and redesign the organization so that it is capable to sustain itself and adapt to its changing environment. VSM has also been effective in enabling managers and other users to make effective strategic decisions for their organizational success. However, the VSM is a complex system in itself that must be clearly understood before being adopted. The next section covers the fundamental aspects of the VSM theory.

According to the VSM theory (Beer 1979, 1981, 1985, 1989), a social system is viable if, and only if. It fulfills a certain number of requirements. Moreover, the VSM is distinctive from other theories because it claims that the fulfillment of these conditions is not only necessary but sufficient to guarantee an organization’s viability (Schwaninger, 2006; Gmür et al, 2010).

Firstly, a viable organization must perform five management functions, namely Operation, Coordination, Control, Intelligence and Policy (Schwaninger, 2006; Espejo, 2007; Leonard, 2007; Rios, 2010; Gmür et al, 2010; Achterbergh and Vriens, 2011). Those subsystems can be further described as follows: System One consists in the organization’s primary activities. The operational units of System One perform the day-to-day business activities of the organization and are in direct interaction with their environment. Those primary activities constitute the identity of the organization. For example, the primary activity of an energy production company may be the production and distribution of wind energy. Each activity is considered a viable system on its own, containing the five subsystems needed for its viability.

System Two provides coordination elements such as communication systems, coordination committees or shared databases. It ensures that all System One units can interact smoothly and consistently among themselves. System Three, also named the “central command channel” (Beer, 1985) is
the executive management which governs System One and ensures stability and cohesion within the organization as a whole through System Two and Three* . Thus, System Three is concerned with the “inside and now” well-being of the organization. Its functions include the allocation of resources and enabling the autonomy of primary activities. System Three* is the organization’s auditing and monitoring channel (Achterbergh and Vriens, 2011).

System Four handles the long-term and sustainable development of the organization. Specifically, System Four keeps track of the trends, strengths and weaknesses related to the organization’s environment. It is responsible of the “outside and then” of the organization by maintaining a constant readiness to change. System five is responsible for the normative management of the organization. It defines the organization’s ethos, vision and goals. Systems One to Three* are thus in charge of the organization’s short-term operational management, while System Four and Five take care of the long-term strategic management (Achterbergh and Vriens, 2011).

An organization cannot be considered viable without the presence of the five management functions mentioned above. Viability means having the ability to exist independently and to adapt to its constantly changing environment (Ashterberg and Vriens, 2011; Hildbrand and Bodhanya, 2014). Therefore, a viable system must be able to cope with the complexity and variety related to its own structure and its surrounding environment. Conant and Ashby (1970) addressed this problem by stating that any system has to be regulated through a model that displays all features and possible states of that system (Puche-Regaliza, 2014). In other words, Ashby’s law of requisite variety specifies that the regulating system must have as much variety as the system it is meant to regulate to measure its complexity (Holten and Rosenkranz, 2011). The role of the five management functions is to manage the available variety to support the relationship between the system and its organizational or natural environment (Leonard, 2007).

The VSM can be applied to any viable system that is capable of supporting itself as an independent entity. Each entity is nested within other entities according to a number of different criteria including its scale, and the requirements of its environment and the larger entities, if any, in which it is embedded. For instance, those basic entities may be divisions if we look at an organization, nation states if we look at a nation, nations if we look at a continent and continents if we look at the whole world. This is Beer’s concept of structural recursion which entails that the five subsystems recur in all embedded and embedding primary activities. Hence, in a firm each organizational level is a recursion of its super-system which is autonomous and able to exist independently. This reduces complexity as decisions concerning the details of operations can be made locally without the involvement of top management (Holten and Rosenkranz, 2011; Hildbrand and Bodhanya, 2014; Hildbrand and Bodhanya, 2015; Markus Schwaninger, 2015).

Legitimacy is an important element of an organization’s success that must be strategically managed and be considered as a required goal in the organization’s strategic planning process. Diez-Martín et al. (2013) and Organizational survival (or success) is linked to legitimacy (Meyer et al, 1977) because organizational survival depends on the support the organization receives from its different constituencies. So, it is considered as a key factor in understanding organizational growth and survival (Diez-Martín et al. 2013).

The effectiveness of communications with the public regarding a charitable organization’s success stories depends on the type of message used in relation to the cultural context. Schertzer, (2010), therefore, the question of how the enterprise attempts to deal with significant change is often crucial to how well it succeeds, so it was suggested that the need for critical factors to be addressed during periods of significant change in order for the organization to be successful Chrusicel and Field (2006).

On the other hand, Rodríguez-Sánchez and Perea, (2015) define organizational resilience as the ability to manage disturbances of the normal workflow and to regain a dynamically stable state that allows the organization’s goals of production and safety to be achieved and It can be conceptualized as a resilience potential in innovation contexts. Therefore, an organization’s capacity for resilience is developed through strategically managing human resources to create competencies among core employees, that when aggregated at the organizational level, make it possible for organizations to achieve
the ability to respond in a resilient manner when they experience severe shocks (Rodríguez-Sánchez and Perea, 2015).

Then, reputation creation, enhancement, and protection are critical to an organization's success, yet highly challenging given the wide ranging and somewhat opaque nature of the concept. Gatzert, et al., (2016) in addition a continuous change can put great strain not only on individuals and groups but the organization itself (Vakola et al., 2004). Accordingly, it is concluded that the organizational success is the maintenance of positive adjustment under challenging conditions such that the organization emerges from those conditions strengthened and more resourceful (Rodríguez-Sánchez and Perea, 2015).

The VSM contributes to an organization’s success by helping it strategically plan and manage its goals including organization legitimacy, effectiveness and reputation. Among the most important elements to ensure an organization resilience and sustainability is by creating effective communication channels for transmitting information across the different system levels. This is done by ensuring that knowledge management is well established within the organization.

For a policy issue, stakeholders need to exercise an on-going influence in related policy processes. Dialogues require the underpinning of good organizational processes to contribute to transparency. Weak transparency loops may undermine the legitimacy, authenticity and truth of experts’ participation in dialogues. It is apparent that well-designed dialogues between actors and stakeholders are unlikely to increase the acceptance of a policy if the silent majority, in multiple daily events, experience that the implementers are not truthful. Also, it may be counterproductive to invite stakeholders to dialogues to frame policy, if afterwards they have no influence in the unfolding of events (Westerlind and Andersson, 2005).

Dialogues need to be part of a decision-making process in which stakeholders are fully engaged. This kind of engagement requires embedding dialogues in structural mechanism for participation and this, on its turn, requires an appreciation of the requisite organization for the policy of concern. Clarify effectiveness is the main heuristic that the RISCOM model offers in order to give adequate embedding to dialogues.

In learning terms, it is recognized that stakeholders in the problematic environment can help clarifying effectiveness by stretching those resources concerned with the outside and then in the organizational system but equally those operators currently implementing the policy can help clarifying effectiveness by aligning their actions with those of policy-makers, thus reducing gaps between the meanings created in the informational domain and produced in the operational domain. Policy-makers, at several levels of organizational recursion, can clarify effectiveness by aligning the closure they give to organizational processes with what is considered good and just in that society.

Also, civil society members with strong views about a policy issue (i.e. stakeholders in the problematic environment) can contribute to clarify effectiveness by improving their communications with the silent majority, thus increasing their involvement and the alignment of their values with those of policy-makers. Policy-makers can increase transparency by making their actions contestable by the people through democratic mechanisms (Espejo, 2007).

The viable system model is a useful frame within which to consider these possibilities and to build capacity for concerted action. Common survival may well depend on the ability “live together” and to find local ways to collaborate in the face of potential risks and to work together to prevent them or to blunt their effect. If this does not happen, some of the potential “bads” will be worse. If there is no route to viability for whole countries and large population groups within countries, conflict is predictable. Technology enables even a small group of people to do a great deal of damage and it is not a happy alternative to let increasing security become the only answer to problem situations. Climate change will affect us all. It could be that currently less developed portions of the world will have what is needed to make the difference between massive collapse and bearable adjustments. Human beings could take a lesson from the fungi and the algae. They took a “lichen” to each other and thrive in conditions that neither could survive alone (Leonard, 2007).

A study of Boyd and Jaworski (2009) explained that both analytic narratives of intentionality and executable prototype models have essential roles to play in learning about and designing systems. This is done by three parallel learning-conversations: about why we are learning this; about what is really going
on here; and about which learning strategies (meta-cognitive strategies) to use. These conversations are carried on at the same time as cyber systemic modelling which often involves the building of a canonical formal representation of entities, relationships and transformations, making possible the running of simulations. This is done in order to assess the completeness, correctness and requisite control variety aspects of actual and prospective viable systems and software. It has been found by carefully triangulated observations over two decades of using successive versions of this methodology that graduate students who work through these activities with this notational technology, develop deeper understanding, produce more reliable software and develop more viable systems Boyd and Jaworski, 2009).

The VSM highlights the importance of comprehending an organization as more than a hierarchical entity, and clearly indicates that normative, strategic and operational management tasks are not hierarchically isolated but distributed and shared managerial functions, which allow the absorption of complexity at an early stage in the organization, and therefore relieve management on the corporate level. To cope with this responsibility, appropriate capabilities must be acquired on each and every recursion level of an organization. In this case study, three important functions of the VSM for the practitioner have emerged (Gmür, et al, 2010):

The VSM contributes enormously to one’s understanding of an organization, by demonstrating immediately to the user, while applying the VSM, the importance of an integration and active perception of normative, strategic and operational management tasks on each level of recursion. The model guides the manager’s attention deep into the structural interrelationships between the various decision nodes in an organization. It highlights especially the need to acquire an understanding about the existing communication channels, which ensure the flow of information inside the organization. The case study has shown how deep the model allows one to “dive” into the workings of an organization. It almost forces the user to investigate an organization intensively and not just be comfortable with scratching on the structural surface.

As the analysis has proven, the model also applies in the context of a non-profit organization, which indicates the adaptability of the framework. Regarding the organizational design and the introduced initiatives of management to improve its structural efficiency and therefore its viability, the study gives an example of how a new structural configuration or structural advancements can be derived from a diagnosis based on Beer’s VSM.

The VSM has preserved its importance as an efficient management tool since its emergence more than 30 years ago. As the case study corroborates, the VSM’s practical and application-oriented focus is of high value for diagnosing and designing viable, sustainable organizations. An implementation of the model for Libya’s Youth and Sports Ministry was undertaken in 2007. Although the full implementation was never completed, the methodological approach used was effective. Another lesson learnt by the analyst was that before attempting to improve the viability of a system, whether a human resource planning information system for an organization or implementing a viable model for a ministry or state, it is necessary to plan for a scenario where unforeseen and catastrophic changes, whether from external environmental challenges or from internal policy changes, can challenge the survivability of the project itself (Ben-Ali, 2011).

The process that helped the university’s new top management was outlined to diagnose the situation at the beginning of its mandate and to design pertinent actions. This process starts by clarifying the university identity, purpose and boundaries and is followed by identifying the required structural levels. For each of them the key factors to be considered and actions to be taken are stated. The use of a Recursion Levels-Key Factors Matrix helped to maintain a coherent and holistic view of the intervention. This kind of framework can guide leaders of public and private organizations to apply cybernetic concepts to improve their strategic policies’ design and actions. The application of organizational cybernetics and the viable system model to urban planning-related activities in universities is highly original. The framework here presented, together with the example of its application, can serve as a guide to leaders of other universities as well as other public or private organizations when coping with the complexity they have to face (Ríos, et al., 2010).

VSM and qualitative research methods were combined in an interactive manner to produce a VSM diagnosis. The VSM diagnosis highlighted that while continuity of the system is not at risk, many
improvement opportunities exist. For example, the local mill management lacks autonomy, essential operational measurement cannot be realized, coordination is deficient and a vision or identity for the mill area and a joint effort to engage in strategic considerations is missing. Miller-grower fragmentation surfaced as one cause of these shortcomings. Although VSM revealed shortcomings, it was unable to facilitate interventions for improvement. VSM’s capacity in dealing with shortcomings should be strengthened and the merit of VSM in other food-related supply systems should be investigated. Millers and growers need to become genuine partners and work jointly on the issues that challenge the system to realize the full potential that is embedded in the system. VSM has not been applied in the sugar industry context and the number of researches that explore sugarcane supply chains holistically is limited (Hildbrand and Bodhanya, 2014).

An exploratory empirical analysis is conducted of a set of software projects, in which the degree of compliance with the requirements set down by the VSM and the success rating of their development are identified. The results of the study indicate that the most influential factors in achieving global viability in a software project are the local environment, the organizational units and the intelligent system. Building on those factors, a mathematical prediction model is developed, reaching an accuracy of 63.16 percent in its predictions. The authors wish to point out that due to the number of projects employed in the statistical analysis, the results have to be interpreted with caution and are of an exploratory nature. The authors seek to show that the VSM is an extremely useful tool for the management of software projects and, by extension, projects of a general nature.

The authors therefore suggest that knowledge of VSM would be of incalculable value for managers wishing to manage projects successfully and to survive in such a complex and rapidly changing environment as the software project environment is. Its application allows us to diagnose and to detect the critical factors to achieve such success. In addition, the research seeks to increase the universality of VSM, contributing to a better understanding of it and a better and greater formalization of it in favor of its acceptance and its practical use, seeking in this way to palliate some critical principals related to its abstraction and limited applicability and to increase its rigor and validity as an instrument for the diagnosis and the design of viable organizations (Puche-Regaliza et al., 2017).

The novelty of this study is therefore principally found in the application of the VSM to the organizational structure of a software project in such a way that it allows us to detect key factors in its success. Besides, building on the validation of this proposal through the completion of a quantitative empirical analysis, this study also offers a prediction mathematical model that relates key factors with the success of the project (Puche-Regaliza et al., 2017).

**Research Methodology**

This section presents the research methodology adopted in this paper, including research design, sample selection methods and data gathering techniques. As the objective of this study is to investigate the challenges faced by security companies in Egypt and the role of VSM in helping these companies achieve organization success, the researcher chose to adopt an exploratory research approach using quantitative tools.

Quantitative research is an objective measurement and statistical analysis of numeric data to understand and explain observable phenomena (Ary, et al., 2018). The purpose of this method is to establish either relationships or cause and effect between variables It requires large samples examined through statistical instruments to test a pre-existing theory. This study used the questionnaire survey to confirm the hypotheses and research framework. The questionnaires used for this study included twenty-five questions divided among eight research constructs retrieved from the literature: Operation, Coordination, Executive Management, Sustainable Development, Top Management, and Organizational Success.

The questionnaire answers were measured based on a five-point scale where 1=Strongly Disagree and 5=Strongly Agree. Besides, the questionnaire included five demographics variables about the respondent’s personal information including gender, experience, organization volume, sector and department. A simple random probability sampling technique was used for the questionnaires. The questionnaires were self-administered and distributed by the researcher to employees from the targeted security companies.
The research framework could be illustrated using the figure below.

The research hypotheses could be stated as follows:

**H₁:** There is a significant relationship between development of VSM and Organization Success  
**H₂:** There is a significant relationship between development of Operation and Organization Success  
**H₃:** There is a significant relationship between development of Coordination and Organization Success  
**H₄:** There is a significant relationship between development of Executive Management and Organization Success  
**H₅:** There is a significant relationship between Sustainable Development and Organization Success  
**H₆:** There is a significant relationship between development of Top Management and Organization Success

**Results and Findings**

This section tests the relationship between VSM model and Organization Success. The VSM, including its five main dimensions are the independent variables, while the Organization Success is considered as the dependent variable of the model. As a preliminary step, the descriptive analysis had been observed for the research variables. Then, the correlation, regression and SEM analysis had been fitted for the research hypotheses.

**Descriptive Analysis**

The descriptive statistics is a way to illustrate and understand characteristics of a specific data set, by making short summaries about the sample and measures of the data. Frequency statistics sum the number of times that each variable is repeated. In the following section, means, standard deviations and frequency statistics will be conducted on the research variables.

Table 1 shows the frequency tables for the research variables, where it could be observed that most responses are in the agreement zone, yet some of the responses are in the disagreement zone which means that Operation, Coordination, Executive Management, Sustainable Development, Top Management and Organizational Success need to be improved.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Frequencies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Operation</td>
<td>3.6667</td>
<td>0.94148</td>
<td>18 15 142 191 78</td>
</tr>
<tr>
<td>Coordination</td>
<td>3.6194</td>
<td>0.84281</td>
<td>0 50 124 215 55</td>
</tr>
<tr>
<td>Executive Management</td>
<td>3.5586</td>
<td>1.05115</td>
<td>5 94 74 190 81</td>
</tr>
<tr>
<td>Sustainable Development</td>
<td>3.7703</td>
<td>0.88704</td>
<td>15 16 99 240 74</td>
</tr>
<tr>
<td>Top Management</td>
<td>3.619</td>
<td>0.8769</td>
<td>8 29 152 190 65</td>
</tr>
<tr>
<td>Organizational Success</td>
<td>3.6441</td>
<td>0.93318</td>
<td>3 63 93 215 70</td>
</tr>
</tbody>
</table>

**4.2. Hypotheses Testing**

This section discusses the hypotheses testing of the research framework through using correlation, regression and SEM analysis. The SPSS program is used for correlation and regression analysis, while AMOS is used for the SEM analysis. Table 2 shows the correlation matrix between Operation, Coordination, Executive Management, Sustainable Development, Top Management, and
Organizational Success. It is found that there is a significant positive relationship between Operation, Coordination, Executive Management, Sustainable Development, Top Management, and Organizational Success as P-value is 0.000 for all relationships and the coefficients are 0.691, 0.529, 0.556, 0.655, 0.515 respectively.

Table 2 Correlation Matrix between VSM and Organizational Success

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation</td>
<td></td>
<td>1</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Correlation</td>
<td></td>
<td>.613*</td>
<td>1</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Coordination</td>
<td></td>
<td>.000</td>
<td></td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
</tr>
<tr>
<td>Coordination</td>
<td></td>
<td>.629*</td>
<td>.540*</td>
<td>1</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
</tr>
<tr>
<td>Executive Management</td>
<td></td>
<td>.706*</td>
<td>.520*</td>
<td>.553*</td>
<td>1</td>
<td>.</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
</tr>
<tr>
<td>Sustainable Development</td>
<td></td>
<td>.471*</td>
<td>.495*</td>
<td>.562*</td>
<td>.587*</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
</tr>
<tr>
<td>Top Management</td>
<td></td>
<td>.691*</td>
<td>.529*</td>
<td>.556*</td>
<td>.655*</td>
<td>.515*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
<td>444</td>
</tr>
</tbody>
</table>

Table 3 shows the regression model fitted for the effect of VSM dimensions; Operation, Coordination, Executive Management, Sustainable Development, and Top Management on Organizational Success. It illustrates that there is a significant positive effect of Operation, Sustainable Development, and Top Management on Organizational Success as the regression coefficients are 0.373, 0.241, 0.130 and P-values are 0.000, 0.000, 0.005 respectively. Moreover, it is found that there is insignificant effect of Coordination and Executive Management on Organizational Success as P-value is 0.062, 0.077 respectively. Moreover, the R squared is 0.585 which means 0.585 of the variation of the organizational Success can be explained by the independent variables together.

Table 4 Regression Model Fitted for VSM Effect on Organizational Success

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.337 (.147)</td>
<td>.377 (.053)</td>
<td>2.297</td>
<td>.022</td>
<td></td>
</tr>
<tr>
<td>Operation</td>
<td>.373 (.046)</td>
<td>.377 (.053)</td>
<td>7.066</td>
<td>.000</td>
<td>0.585</td>
</tr>
<tr>
<td>Coordination</td>
<td>.086 (.053)</td>
<td>.078 (.039)</td>
<td>1.871</td>
<td>.062</td>
<td></td>
</tr>
<tr>
<td>Executive Management</td>
<td>.070 (.039)</td>
<td>.079 (.053)</td>
<td>1.770</td>
<td>.077</td>
<td></td>
</tr>
<tr>
<td>Sustainable Development</td>
<td>.241 (.054)</td>
<td>.229 (.046)</td>
<td>4.496</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Top Management</td>
<td>.130 (.046)</td>
<td>.122 (.054)</td>
<td>2.813</td>
<td>.005</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 shows the SEM analysis of VSM; Operation, Coordination, Executive Management, Sustainable Development, and Top Management on Organizational Success. It could be observed that there is a positive significant influence of VSM; Operation and Top Management on Organizational Success, as the corresponding estimates is 0.583 and 0.265, as well as P-values are all less than 0.05. On the other hand, Coordination, Executive Management, and Sustainable Development are shown to have an
insignificant influence on Organizational Success, as p-values are greater than 0.05. Also, the R square is 0.786, which means that the VSM dimensions explain 78.6% of the variation in Organizational Success.

<table>
<thead>
<tr>
<th>Table 5</th>
<th>SEM Analysis of VSM Effect on Organizational Success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Success</td>
<td>Operation</td>
</tr>
<tr>
<td>Organizational Success</td>
<td>Coordination</td>
</tr>
<tr>
<td>Organizational Success</td>
<td>Executive Management</td>
</tr>
<tr>
<td>Organizational Success</td>
<td>Sustainable Development</td>
</tr>
<tr>
<td>Organizational Success</td>
<td>Top Management</td>
</tr>
</tbody>
</table>

It should be noted that the model fit indices; CMIN/df = 1.515, GFI = 0.952, CFI = 0.986, AGFI = 0.933, and RMSEA = 0.034 are all within their acceptable levels. The SEM model conducted is illustrated in the Figure 1, where the measurement model had been fitted with the remaining statements after deleting items with weak loadings. Modification indices had been tested to reach the optimum fit of the model.

![Figure 2 SEM Analysis of VSM Effect on Organizational Success](image)

Therefore, the first and fifth hypotheses are supported as there is a significant relation between Operation and Organizational Success as well as Top management and Organizational Success. On the other hand, the second, third and fourth hypotheses are rejected as there is an insignificant relation between each of Coordination, Executive Management, Sustainable Development and Organizational Success.

Conclusion

VSM has proved to be a powerful and good system, as it facilitated the work in an extreme way. Analysis showed that there is a problem and lack of coordination between executive management. Organizations’ viability is a complex issue, owing to the high numbers of factors affecting it. The viable system model is a useful frame within which to consider these possibilities and to build capacity for concerted action. Our common survival may well depend on our ability “live together” and to find local ways to collaborate in the face of potential risks and to work together to prevent them or to blunt their effect. A suggestion for future research is to examine, on a broader empirical basis, whether the claims made by the VSM theory hold true.

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Practices and procedures of corporate governance in Bangladesh

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Keywords
Corporate governance, corporate environment, Board of Directors

Abstract
Corporate governance is an important issue these days. Corporate governance is being introduced gradually in most companies and organizations in Bangladesh. Corporate governance has been adopted by 67% of the companies whereas 43.3% have compliance policy with national or international benchmarks. However, a considerable percentage of the top management does not fully understand the concept of corporate governance and Bangladesh has below the stand of global economy in corporate governance. One reason for this slow progress in adopting corporate governance is that most companies are family oriented. The effectiveness of corporate governance mechanisms is affected by such concentrated ownership structure. Motivation to disclose information and promote governance practices by companies is also felt negatively. Corporate governance practice in Bangladesh neither has value judgment nor any consequences. The current system does not provide enough legal, institutional and economic motivation for stakeholders to encourage and enforce corporate governance practices in Bangladesh.

The study examines the state of Corporate Governance in Bangladesh. Corporate governance has been receiving increasing attention from regulatory bodies and practitioners worldwide since 1990s. The small size of Bangladesh and its lack of natural resources have necessitated an open trade policy. The country also has a liberal policy toward foreign direct investment. But corporate governance in practice and philosophy up till now under-developed in Bangladesh. The aim of the paper is to examine the importance and scope of corporate governance and recommends the ways to improve the corporate governance in Bangladesh.
Relative importance of variables in discriminating small and medium enterprises in implementing activity based costing: an empirical investigation

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Keywords

Abstract
Since the past few years, Small and Medium Enterprises (SME’s) were the main source of job creation in developing countries mainly due to their nature of the business, its peculiarities and also the important contribution that it does towards employment growth and economic development of countries. In spite of that, there has been a strong criticism in the recent past that the SME’s have not been able to adapt newer management accounting practices to the changing business scenario. Today, SME's continue to be under increasing pressure to remain in a highly competitive environment. To be effective and profitable SME’s need to embrace proven management accounting techniques. In this backdrop, the author investigated the existing cost management practices, and the driving forces influencing the adoption or non-adoption of Activity Based Costing (ABC) in SME’s. In the process 100 valid responses were obtained from SME’s functioning in Coimbatore and were subjected to analysis, to infer the relative importance of variables that discriminates SME’s in implementing/non-implementing ABC and to establish a functional relationship among current cost management practices with their demographics. The study reveals that Competition, Annual Turnover, Business Classification, Nature of Products/Services contribute substantially for active consideration and implementation of ABC by the SME’s in this region.
Managing performance: Role of goal setting in creating work meaningfulness

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Keywords
Performance management, goal setting, work meaningfulness, managing performance

Abstract
Social, economic and technology changes are impacting organization and work. Human Resource Management processes, systems and practices in the areas of performance management and employee engagement are getting impacted to keep pace with the changes at work, people and technology. Employees are also in search of more meaningful experiences at work. Therefore, there is a need for process and system that connects the purpose of organization to employees and their work and practices thereby increasing work meaningfulness. To address this need, organizations are rethinking their performance management strategies and its alignment with strategic goals (People Matters, 2018). Goal setting is an important management lever under performance management that can improve performance in a meaningful way both for organization and individual as over ninety percent of empirical studies have shown positive effects of goal setting on employee or team performance (Locke & Latham, 1990; Latham, Borgogni & Petita, 2011).

This deductive study analyzes role of goal setting in creating work meaningfulness and its implication on organizations and individuals while managing performance, in the context of the shifting nature of work. This study covered 61 professionals in a new age information technology multinational organization using Locke Latham scale of goal setting and Work and Meaning Inventory scale for work meaningfulness. Findings indicate a significant and positive link between goal rationale and work meaningfulness.

Introduction
Nature and concept of work is getting redefined as organizations are moving away from hierarchical structures to more flattened structure, fixed to flexible working hours, hoarded to shared information, command and control to engaging, empowering and inspiring leadership, on premise to cloud technology, silo and fragmented workforce to more engaged and connected workforce with work from anywhere options (Forbes, 2013). These changes have posed a challenge in creating meaningful work assignments for employees and workplaces in the pursuit of consistently engaged employees.

Work is a primary source of personal fulfillment and social inclusion and not just a means to achieve economic independence (Deloitte, 2018). Social, Economic and technology changes are impacting organizations as well as work within the organizations (PWC Report, 2017). These rapid discontinuous organizational changes have resulted in flatter organizational structures, broader span of control, self-managing work groups consisting of network structures (Deloitte, 2018). Complex, rapid, changing and competing business scenario has changed the nature of work with more informed, demanding and changing customer needs; economic shifts, disruptive innovations; radical thinking, scarcity of resources and heavy insurgence of technology, automation and artificial intelligence; (Pettigrew et al., 2001; Lee & Warner, 2001; Zhu & Warner, 2005; Poon & Rowley, 2010; Brownstein, Lipton & Katz, 2016; Forbes, 2016; PWC, 2018). Changing nature of work has necessitated the need that work be designed collaboratively for achieving high performance while enabling individuals to integrate their personal obligations (Bailyn, 1993).
Many studies have shown that human resource practices have positive relationships with different measures of organizational performance (e.g. Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Delery & Doty, 1996; Guthrie, 2001) and performance management is one such HRM practice which strategically links business, organization and individual (Armstrong & Baron, 2000). Goal setting is a critical component of performance management (Paulakos 2009; Rao, 1982). Goal setting is management process which ensures that every employee knows their role and results they need to accomplish to maximize their contribution towards overall business (Williams, 1991). Effective goal setting positively impacts employee outcomes (Locke, 1968; Latham & Yukl, 1975; Matsuietal.,1987; Tubbs,1986, 1993; Knight et al., 2001; Dweck et al., 1993; Sujan et al., 1994). Commitment to specific challenging goals, adequate feedback, high self-efficacy (and ability), and suitable task strategies lead to high performance (Locke & Latham, 1991). Research from Mone and London (2009) suggests that when managers and employees set goals collaboratively, employees become more engaged. Stretch goals can enhance personal growth and professional development, as well as improve organizational effectiveness (Kerr & Landouer, 2004). Goals are an integral part of performance management and specific, difficult performance goals that predict particular individual behaviors or actions (DeShon & Gillespie, 2005; Locke & Latham, 2004) impact employee performance and motivation thereby leading to meaningfulness (Locke Latham, 1991; Rosso, Dekas & Wrzeniewski, 2010).

Individuals are also concerned with the fundamental shift in world of work as they want to thrive, consider themselves equal to their supervisors and are keen to organize their working time according to their own desires (Deloitte, 2018). Extant literature claims that individuals have an inherent need for a meaningful work life (Steger et al., 2012; Arnold, Turner, Barling, Kelloway & McKee, 2007). Individuals who do not find their workplace meaningful and purposeful are not motivated to work to their capacity (Rosso, Dekas & Wrzeniewski, 2010).

Therefore, on one hand organizations need to keep pace with the changes at work where goal setting may be one of the levers to enhance organizational performance and engage employees. On the other hand, employees are in search for more meaningful experiences at work. This was particularly observed in the new age information technology multinational organization where the study was conducted as work/tasks were evolving to cater to increased client demand, reduced delivery cycle times, improved quality achieved by developing, upgrading and deploying proprietary technology. These two roles; client service (understanding and providing solution to ever increasing client requirements) and technology (developing new solutions) were at the forefront of changing work requirements and goal setting was being used as a practice in performance management to align employees towards changing business priorities. This guided the decision to choose the site with an objective to study role of goal setting and work meaningfulness in managing performance.

The study adds to the current body of research as goal setting and work meaningfulness have been studied in isolated manner and there are no studies exploring the role of goal setting in creating work meaningfulness while managing performance in the context of changing nature of work.

Theoretical Foundation and Hypotheses Development

Review of past literature presents evidence that performance management and goal setting are important concept in domain of work from organizational perspective (Locke & Latham, 1990) and associated with work meaningfulness (individual perceived). For this study, role of goal setting in creating work meaningfulness while managing performance is explained by review of extant literature in the area of performance management, goal setting and work meaningfulness.

Performance Management

As organizations are challenged to enhance performance and productivity in current fast changing business scenario, HRM (Human Resource Management) practices play a vital role as they affect organizational performance (Becker, Huselid, Pickus, & Spratt, 1997; Guest, 1997; Paauwe & Richardson, 1997). The relationship between HRM and organizational performance has been researched a lot in the past decade (e.g. Wright & Snell, 1998). Taking a performance management approach involves aligning HRM in a way to maximize current and future employee performance, which in turn is expected to affect organizational performance making an integrated set of HRM practices central to performance.
management (Hartog et al., 2004). Current research also links HRM to organizational performance (e.g. Boselie, Paauwe & Jansen, 2001). Studies in this area often report positive relationships between integrated bundles of HRM practices and different measures of organizational performance (e.g. Arthur, 1994; Delery & Doty, 1996; Guthrie, 2001; Huselid, 1995; MacDuffie, 1995). HRM and performance management practices affect the employee’s perception and evaluations (Hartog et al., 2004). Employee behavior in turn has impact on organizational performance (e.g. productivity) (Hartog et al., 2004). Thus performance management practice is an important HRM practice impacting organizational and employee performance (Schuler, Jackson 2006).

Performance management is a means to get better results from the organization, teams and individuals within an agreed framework of planned goals, objectives and standards (Armstrong & Murlis, 1994). Performance management therefore has gained a lot of research interest and has been defined in different ways by various researchers. Effectiveness and efficiency are two fundamental dimensions of performance management (Neely et al., 2005). Business attains function of efficiency and effectiveness by performance measurement, performance measure and performance management system (Neely et al., 2005; Baron & Armstrong, 1998; Mone et al., 2011).

However, performance management frameworks have remained more or less similar over the years and therefore, have received criticism as they been slow to adapt, most of them still emphasizing financial measures and a command and control approach, based on monitoring the achievement of targets (Brudan, 2010). Performance Management system has been criticized because it is considered a backward looking process however, with the new pace of change organizations want to know how they can be competitive in the future (Harvard Business Review, 2014). Some studies also claim that performance management system has not been a very engaging process, not dynamic, not high touch, not continuous and not meaningful highlighting the need to rethink performance management system design (SHRM, 2015; Washington Post, 2015).

A survey conducted by Watson Wyatt revealed that less than forty percent of employees shared that their performance management system established clear performance goals, generated honest feedback and leveraged technology for streamlining the process (Paulakos, 2009). Accenture found that performance management techniques are mostly used as a means of retrospective review or accountability rather than in a strategic and dynamic way (Clark et al., 2015). Performance management is potentially useful in directing attention to performance yet it risks becoming too bureaucratic and being misused as many appraisal schemes are narrow and individualistic in focus (Guest, 1996). Therefore, there have been several attempts to reinvent performance management system in the recent years mostly focusing on goals (PWC, 2013, 2016; Deloitte, 2016). In changing environment of work, where productivity and efficiencies are on demand and performance management focusing on goals is being reinvented, there is need and call for more research (Mone & London, 2009; Armstrong & Baron, 2000).

Existing research literature provides extensive evidence that motivation and engagement are important aspects driving individual performance (Locke & Latham, 2004; Smythe, 2008; Crawford, 2010; Robinson et al., 2011). Few empirical studies state that high levels of employee engagement are associated with improved individual employee performance (Luthans & Peterson, 2002; Crawford, 2006; Smythe, 2008).

Even though motivation and engagement have been pronounced as organizational construct to enhance organizational performance and have positive relationship with employee retention, performance (Chalofsky & Krishna, 2009) and work meaningfulness (May et al., 2004) however, underlying conditions of employee’s experience of work has been often overlooked (Rich et al., 2010). Prior research suggests that goal setting is an important lever of performance management which has linkages with employee performance, engagement, motivation and work meaningfulness ((Pulakos 2009; Rao, 1982; Knight et al., 2001; Ryan & Deci, 2000; Locke & Latham, 2004; Klinger, 1980) and therefore an area worth examining in context of changing nature of work, workplace and workforce.

**Goal setting**

Goals are an important component of performance management system as goals are performance directed resulting in elevated performance (Locke & Latham, 2006). Goals and goal-related processes motivate, organize, and direct behavior at all ages (Chapman & Skinner, 1985; Heckhausen, 1999). Goals
help direct and maintain behavior on tasks that may provide only distant rewards (Dik et al., 2008). Effective goal-setting behavior is therefore important in career decision-making, a complex process often requiring delay of gratification, careful prioritizing and planning, and personal action (Dik et al., 2008). Commitment to specific challenging goals, adequate feedback, high self-efficacy (and ability), and suitable task strategies lead to high performance (Locke & Latham, 1991). Thus effective goal-setting can lead to better individual performance. Goals also play an important role in making work meaningful as when employees can pursue cherished goals they find work more meaningful (Klinger, 1977; Ryff & Singer, 1998).

Changes in work system have led to changes in approaches towards setting goals (Kochan, Orlikowski & Cutcher-Gershenfeld, 2002). Earlier jobs were broken down into tasks, involving competencies and measurable objectives however work has changed now tremendously making organizations realize that they need to rely on workers to decide how work can be accomplished which requires more employee autonomy, flexibility, empowerment, continuous learning, risk taking and creativity (Thomas, 2000). Research suggests that four most intrinsic rewards are sense of meaning and purpose, sense of choice, sense of competence and sense of progress (Thomas, 2000) and goals play an important role in helping employees achieve these rewards. Thus, if one views the development of meaning as a process of setting and pursuing important goals, goal setting is an important aspect of designing work (Humphrey & Nahargang, 2007). Successful goal completion requires that employees have flexibility in how goals are pursued (Locke & Latham, 1990). If employees have autonomy in the decision making process leading to goal completion, they will have higher levels of experienced meaning (Maddi, 1970). More directly, numerous studies have shown that autonomy is critical for creating self-determination and meaning (Deci & Ryan, 2000).

Goal-setting theory refers to the effects of setting goals on subsequent performance and Locke (1991) found that individuals who set specific, difficult goals performed better than those who set general, easy goals. Locke proposed five basic principles of goal-setting: clarity, challenge, commitment, feedback, and task complexity.

Goal setting as mechanisms to improving employee performance has been fairly extensively discussed in the management literature (Medlin et al., 2009) in terms of both motivational impact toward improving performance (Locke, 1968; Latham and Yukl, 1975; Matsui et al., 1987; Tubbs, 1986, 1993; Dweck et al., 1993; Sujan et al., 1994; Knight et al., 2001;) and as being integral parts of management systems or processes designed to improve performance (Odiorne, 1978; Ivancevich et al., 1978; Walton, 1986; Muczyk and Reimann, 1989; Zabaracki, 1998). Locke Latham (1990) presented a summary of 25 years of research on goal setting and task performance theory and found that both are valued and useful. While goals affect action, they drive desired behavior, productivity and effectiveness in work organizations.

Goals are work converted to activities and tasks for employees; effective goal setting positively impacts employee outcomes (Locke, 1968; Latham and Yukl, 1975; Tubbs, 1986; Matsuiet al., 1987, 1993; Dweck et al., 1993; Sujan et al., 1994; Knight et al., 2001). Many management systems or processes, such as management by objectives, total quality management, and continuous improvement initiatives, feature goal setting as a critical element for success (Odiorne, 1978; Ivancevich et al., 1978; Walton, 1986; Zabaracki, 1998; Muczyk & Reimann, 1989). Four questions in Gallup’s Q12 survey instrument that is used to measure the level of employee engagement are related to the idea of goal-goal setting (Buckingham & Coffman, 1999). Medlin et al., (2009) concluded in their study that goal setting led to engaged employees.

Good goals are consistent, precise, challenging, measurable, achievable, agreed, time related and team work oriented (Armstrong & Baron, 2000). Similarly, Locke Latham (1990) suggested that in order to establish effective goals, goals must clearly define the output to be achieved, should have a direct link to organizational success factors and objectives, goals should be challenging yet attainable to motivate performance and not too many and work should be defined well. Very difficult goals lead to effective performance as compared to moderately difficult goals (Locke Latham, 1990).
Goals should neither be too easy nor too difficult, they should be challenging yet manageable. According to Csikszentmihalyi best moments occur when an individual’s body or mind is stretched to its limits in a voluntary effort to achieve something challenging and worthwhile. Locke & Latham (2007) summarized that goals are motivational, people work harder for more challenging goals, variations in ability impact goal-related performance gains, self-efficacy and related belief systems influence goal achievement, feedback interacts with goal success, goal commitment moderates the impact of goal setting and goals direct attention and affect activity selection. Specific goals have been found to be stronger, motivating employees (West et al., 2009). There is a substantial body of research showing that individuals will strive to meet even very challenging goals (Locke & Latham, 2002), are motivating when they have higher self-efficacy (Maddux, 1995) thereby leading to a positive outcome (Bandura, 1989; Pernn, 1989), should be specific and challenging to reach higher level of performance (Locke & Latham, 1991).

Goal intensity has been majorly studied in terms of commitment which refers to the degree to which the individual is attached to the goal, considers it significant or important, is determined to reach it, and keeps it in the face of setbacks and obstacles (Locke & Latham, 1991). Goal commitment can act both as a direct causal factor and as a moderator of performance (Locke & Latham, 1991). People who are less committed give up their hard goals in favor of easier ones (Erez & Zidon, 1984). On the other hand, when goals are low, high commitment may restrict performance as committed people will try to raise their goals whereas uncommitted people may set higher goals in pursuit of greater challenge (Locke & Latham, 1991).

Research suggests by nature, human beings are goal-oriented (Ebner & Hastings, 2013). Goals can be “personalized choices that individuals make as they direct their lives toward certain outcomes and away from others” (Emmons & Kaiser, 1996, p. 81). Commitment to specific challenging goals, adequate feedback, high self-efficacy (and ability), and suitable task strategies lead to high performance (Locke & Latham, 1991). Locke Latham (1991) suggested goal setting theory emphasizing practical implication to motivate employees in organizational setting describing self-regulatory effects of goal setting highlighting ways that people can use goals as a self-management technique. Goal setting theory (Locke & Latham, 1984, 1990a) is based on the simplest of introspective observations wherein conscious human behavior is purposeful and is regulated by the individual’s goals. Occupations which are regarded as meaningful such as medicine, art are associated with noble goals and individuals who feel that their work promotes these goals derive satisfaction (Ariely, Kamenica & Prelec, 2008).

Extant literature suggests that structured client goals and high levels of client involvement in goal-oriented behavior lead to greater client mental health and satisfaction (e.g., Willer & Miller, 1976; Hall & Foster, 1977). Clients seeking career counseling also benefit from interventions employing effective goal-setting strategies (Young & Valach, 2003; Wehmeyer et al., 2003). Previous research investigated to find whether goal setting worked with different tasks and in different settings for generalization which involved connecting goal setting with related concepts at the same level of abstraction, such as feedback, participation, incentives, self-efficacy, and satisfaction and tying goal setting to broad concepts such as values and personality (Locke Latham, 1991). Goals have been studied in relation to performance (content and intensity) and specificity and difficulty (Locke Latham, 1991). Over 400 studies have examined the relationship of goal attributes to task performance and revealed that performance is a linear function of goal difficulty (Locke & Latham, 1991) and goals and specific norms influence performance (Earley & Erez, 1990).

Goals setting theory suggests that goals are motivational; they impact task performance and individual behavior (Locke & Latham, 2013). Ability, self-efficacy and feedback are likely to affect goal achievement. Theories of general life goals suggest that goals direct behavior and activity towards satisfying experiences (Locke & Latham, 2013). Goal-setting theory is among the most valid and practical theories of employee motivation in organizational psychology (C. Lee & Earley, 1992; Miner, 1984; Pinder, 1998). Prior research suggests that specific difficult goals are likely to increase performance on well over 100 different tasks involving more than 40,000 participants in at least eight countries working in laboratory, simulation, and field settings (Locke & Latham, 2002). The dependent variables have included quantity, quality, time spent, costs, job behavior measures to name a few with time spans ranging from 1 to 25 years (Locke & Latham, 2002). The effects apply to individual as well as groups (O’Leary-Kelly,
Martocchio, & Frink, 1994), organizational units (Rogers & Hunter, 1991), and entire organizations (Baum, Locke, & Smith, 2001). Studies have used experimental, quasi-experimental, and correlational designs to find the effects like whether the goals are assigned, self-set, or set participatively (Locke & Latham, 2002).

Thus, in order to make work meaningful for employees, it is important to investigate nature of employee goals. There seems to be a consensus that goals are central to organizational and individual effectiveness, yet there seems to be gaps in understanding of their antecedents, formation and dynamics, and consequences especially in foundations of how goals are formed and changed through which they may affect individual and organizational performance (Linder & Foss, 2018).

Work Meaningfulness

Meaningfulness is deeper level of intrinsic motivation (Chalofsky & Krishna, 2009). Meaning can refer to "life meaning, purpose, and coherence" (Ryff, 2000, p. 132). Meaningfulness is a construct grounded in Kahn’s (1990) research and perspective on employee engagement. Extant literature suggests that meaningful work (and calling) positively correlates with a wide range of desirable well-being and work-related variables (Steger, 2011). In general, those who feel their work is meaningful report higher levels of well-being (Arnold et al., 2007), including more frequent positive emotions (Steger, Littman-Ovadia, Miller, Menger, &Rothmann, 2013; Steger, Pickering, Shin, &Dik, 2010), more positive self-image (Torrey & Duffy, 2012), more satisfaction with life (Douglas, Duffy, &Autin, 2016; Steger et al., 2010; Steger et al., 2012) and more meaning in life (Dik, Sargent, & Steger, 2008; Dik& Steger, 2008; Douglas et al., 2016; Steger et al., 2010; Steger et al., 2012).

Extant literature claims that individuals have an inherent need for a meaningful work life (Kotter-Grühn, Wiest, Zurek, & Scheibe, 2009; Seligman, Parks, & Steen, 2004; Sheldon, Elliot, Kim, & Kasser, 2001, Herzberg, Mausner & Synderman, 1959; Maslow 1943, 1954, 1971; McClelland, 1965; McGregor, 1960; Rogers, 1959). Individuals who do not find their workplace meaningful and purposeful are not motivated to work to their capacity (Rosso et al., 2010).

Therefore, in the backdrop of changing nature of work, work needs to be redesigned and goal setting is an important aspect of work design which can create work meaningfulness for employees. Thus, exploring the role of goal setting in creating work meaningfulness can bring useful insights yet, there are no studies exploring the same. Therefore the focus of this research is to analyze role of goal setting in creating work meaningfulness. In addition work meaningfulness itself has been studied in context of many other variables but the not revisited to analyze role of goal setting in creating work meaningfulness leading to research question of ‘what is the role of goal setting in creating work meaningfulness while managing performance ’ in context of changing work environment’.

Hypotheses Development

Based on above discussion, the research framework for the study is represented below in Figure 1.

It is suggested that goal setting has a significant effect on work meaningfulness. Goal setting is operationalized in the study using Locke Latham scale comprising following constructs were chosen from the Locke Latham scale for this study: goal stress, goal efficacy, goal rationale, goal conflict, organization facilitation of goal achievement and goal clarity. Work meaningfulness can be measured in terms of positive meaning, greater good motivation and meaning making through work. Summing across these three dimensions gives an overall work meaningfulness measure.

Figure 1: Research Framework

Therefore to analyze role of goal setting in creating work meaningfulness, following hypotheses was formed.
H1 – Goal setting has no significant effect on work meaningfulness

Measuring Variables

There have been several attempts to measure goal setting (Lee et al., 1991). Various attempts to measure goal setting have looked at goal setting components and few at goal setting outcomes (Locke & Latham, 1984; Lee et al., 1990). Extant literature has used various components to measure goal setting such as supervisor rating of job performance (Latham & Lee, 1986), goals specificity and difficulty (Locke & Latham, 1984), employee participation (Earley, 1985), employee training (Erez & Kanfer, 1983), feedback (Locke et al., 1984, Okada & Inoshita, 1983), goal conflict, stress (Locke & Latham, 1984). Goal setting outcome studies have mainly focused on task performance and satisfaction (Rogers & Hunter, 1985; Locke & Latham, 1990). By far, Locke and Latham (1984) is the most widely used scale of goal setting with 53 item scale to measure perceptions of goal setting programs (Lee et al., 1991). Therefore, Locke Latham scale on Goal setting has been used in this study. Locke Latham (1991) scale has several constructs of goal setting such as supervisor support and participation, goal stress, goal efficacy, goal rationale, use of goal setting in performance appraisal, tangible rewards, goal conflict, organization facilitation of goal achievement, dysfunctional effects of goals and goal clarity. Since the objective of this research is to examine the relationship between goal setting and work meaningfulness, Locke Latham scale of goal setting was used for this study having constructs of goal stress, goal efficacy, goal rationale, goal conflict, organization facilitation of goal achievement and goal clarity.

Work meaningfulness research presents diverse ideas about meaningful work and ways of assessing it (Steger et al., 2012). There have been many attempts to measure work meaningfulness (Job characteristics model by Hackman & Oldham, 1976; assessing a meaning dimension of empowerment (work is important, work is meaningful, job activities are meaningful) (Spreitzer, 1995), May, Gilson, and Harter (2004) brought slight variations on Hackman and Oldham’s (1976) original work seeking responses about work being important and meaningful, and work/job activities being significant, worthwhile, valuable, and meaningful, Arnold, Turner, Barling, Kelloway, and McKee (2007) defined meaningful work “finding a purpose in work that is greater than the extrinsic outcomes of the work” (Arnold et al., 2007, p. 195), Ashmos and Duchon’s (2000) assessed meaningful work as an important component of workplace spirituality, Meaning in Life Questionnaire (Steger, Frazier, & Oishi, 2006) measures meaning not specifically related to work, existential Meaning of Work Scale (Fairlie & Flett, 2004) uses items relating to work as inhibiting selfhood and work as enabling selfhood, Work Values Scale (Bu & McKeen, 2001) uses the extrinsic and intrinsic subscales, Work Preference Inventory (Amabile et al., 1994) uses items to measure both intrinsic and extrinsic motivation at work. Extant literature also has some qualitative research scales on work meaningfulness (Lips-Wiersma & Morris, 2009, 2011). In this study WAMI scale (Work and Meaningfulness Inventory; Steger et al., 2012) is used to measure work meaningfulness as the scale is structurally sound representing important facets of meaningfulness. The scale consists of experiencing positive meaning in work, sensing that work is a key avenue for making meaning, and perceiving one’s work to benefit some greater good. This scale is chosen as is in the original study conducted by (Steger et al., 2012).

Sample

The research questionnaire was administered to a random sample of 100 employees working in various client and technology related roles. A total of 61 responses were received, giving a response rate of 61%. Respondents were between the age group of 28 to 40 years and care was taken to ensure respondents had spent at least 2 years or more in the organization such that they had enough time to experience work characteristics present in the job. Data was collected on site over one to four days. Before taking the survey participants were briefed about the nature and purpose of research and were explained that they could ask if they did not understand meaning of any statement. Participants completed the survey within eight to twelve minutes.

Site

Information technology is an industry that leads disruptive and rapid changes. Technology leaps, emergence of newer products, never ending customer expectations, margin pressures, competition, consolidation (smaller companies getting acquired by the bigger firms) and changing regulations have
become the norm. More importantly, workforce dynamics are changing because of onshore/offshore model where cost advantages are balanced to value and skill availability. Set in this backdrop, the site chosen for the study is a medium-sized IT multinational firm headquartered in USA with significant presence in Southeast Asia. The firm provided cutting edge technology solutions and services (24/7) to the clients across the globe with help of multiple delivery centres (four in Asia acquired in the last three years). Challenges were to accelerate pace of growth, integrate technology, empower global teams, integrate workforce for leveraging resources, locations and time zones. The firm was organized on global reporting model wherein each product line could have management, sales, developers, operations personnel across any of the global offices working collaboratively.

Employees were working in technology and client related roles which had undergone changes over the years due to competition, technology, changing customer demands and changing workforce. To manage the expectations of this young and dynamic workforce, the firm in the past had worked on incremental changes improvements to performance management process in line with latest industry trends. The workforce typically consisted of mostly young, educated (professionally qualified), knowledge workers and mostly millennial possessing high technology skills. Business demands on these employees changed rapidly. The work product had to be complete and accurate with no room for error. Employees had to learn nuances of new products deliver in compressed timelines and continuously challenged with improved processes. Working in global teams across time zones had their own challenges. The aspirations of the workforce were also matched with the purposive work they produced, day in day out, impacting client success through technology deployment. To manage these challenges performance management program was rejuvenated to make the process continuous, consistent, real time and intuitive.

These changes forced employees to focus on work done rather than work flow, asking questions rather than status quo, problem mindset to solution focus orientation and being agile and flexible rather than rigid. These changes required change in goals in order to create meaningfulness and therefore thought appropriate to study goals and work meaningfulness in context of changing work.

Results and Findings

Descriptive Analysis

Descriptive statistics (frequency distribution, means and standard deviations) are used to develop a profile of the respondents and to summarize the variables. To better understand the relationships among the variables, correlation analysis is performed to generate the correlation matrix. Finally, to test the research hypotheses, multiple regression analysis is used. As there are multiple items of each construct, the average of multiple items is used in the multiple regression.

Table 1 Goal Setting goal stress, goal efficacy, goal rationale, goal conflict, organization facilitation of goal achievement and goal clarity.

<table>
<thead>
<tr>
<th></th>
<th>Goal Stress</th>
<th>Goal efficacy</th>
<th>Goal rationale</th>
<th>Goal conflict</th>
<th>Organization facilitation of goal achievement</th>
<th>Goal clarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.14</td>
<td>3.96</td>
<td>3.80</td>
<td>2.27</td>
<td>3.59</td>
<td>3.98</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.07</td>
<td>0.06</td>
<td>0.10</td>
<td>0.07</td>
<td>0.08</td>
<td>0.07</td>
</tr>
<tr>
<td>Median</td>
<td>2.00</td>
<td>4.00</td>
<td>4.00</td>
<td>2.25</td>
<td>3.60</td>
<td>4.00</td>
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<tr>
<td>Mode</td>
<td>2.00</td>
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<td>4.00</td>
<td>2.25</td>
<td>4.00</td>
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<tr>
<td>Standard Deviation</td>
<td>0.56</td>
<td>0.48</td>
<td>0.76</td>
<td>0.52</td>
<td>0.59</td>
<td>0.53</td>
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<tr>
<td>Sample Variance</td>
<td>0.31</td>
<td>0.23</td>
<td>0.57</td>
<td>0.27</td>
<td>0.35</td>
<td>0.28</td>
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<tr>
<td>Kurtosis</td>
<td>2.40</td>
<td>1.71</td>
<td>0.93</td>
<td>1.17</td>
<td>1.78</td>
<td>2.34</td>
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<tr>
<td>Skewness</td>
<td>1.09</td>
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<td>-0.55</td>
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<td>2.88</td>
<td>3.40</td>
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<tr>
<td>Minimum</td>
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<td>1.50</td>
<td>1.13</td>
<td>1.60</td>
<td>2.00</td>
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<tr>
<td>Maximum</td>
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<td>5.00</td>
<td>4.00</td>
<td>5.00</td>
<td>5.00</td>
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<tr>
<td>Sum</td>
<td>130.33</td>
<td>241.50</td>
<td>231.50</td>
<td>138.54</td>
<td>218.85</td>
<td>242.58</td>
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<tr>
<td>Count</td>
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<td>61.00</td>
<td>61.00</td>
<td>61.00</td>
<td>61.00</td>
</tr>
</tbody>
</table>
Findings suggest that respondents feel their goals have high efficacy (Average score of 3.96) and high goal rationale (Average score of 3.8). Similarly, respondents feel organization facilitates goal achievement (Average score of 3.59) and their goals have clarity (Average score of 3.98).

**Table 2 Work meaningfulness**

<table>
<thead>
<tr>
<th></th>
<th>WM_P</th>
<th>WM_MM</th>
<th>WM_GM</th>
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<td>4.00</td>
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</tr>
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<td>0.61</td>
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<tr>
<td>Kurtosis</td>
<td>2.59</td>
<td>2.14</td>
<td>1.09</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.97</td>
<td>-0.87</td>
<td>-0.57</td>
</tr>
<tr>
<td>Range</td>
<td>3.25</td>
<td>3.00</td>
<td>3.33</td>
</tr>
<tr>
<td>Minimum</td>
<td>1.75</td>
<td>2.00</td>
<td>1.33</td>
</tr>
<tr>
<td>Maximum</td>
<td>5.00</td>
<td>5.00</td>
<td>4.67</td>
</tr>
<tr>
<td>Sum</td>
<td>233.25</td>
<td>238.67</td>
<td>217.33</td>
</tr>
<tr>
<td>Count</td>
<td>61.00</td>
<td>61.00</td>
<td>61.00</td>
</tr>
</tbody>
</table>

Findings suggest that respondents feel their work is meaningful as all the three constructs of work meaningfulness are high on mean scores; positive meaning in work (Average score of 3.82); work is key avenue for meaning making (Average score of 3.91) and greater good motivation (Average score of 3.56).

**Correlation**

As can be seen in the correlation matrix of variables given below, goal rationale is highly correlated to positive meaning and making meaning through work constructs of work meaningfulness which highlights the importance of providing logic of goals to employees.

**Table 3 Correlation Matrix**

<table>
<thead>
<tr>
<th>Goal Stress</th>
<th>Goal Efficacy</th>
<th>Goal Rationale</th>
<th>Goal Conflict</th>
<th>Organization facilitation of goals</th>
<th>Goal Clarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GE</td>
<td>-0.19</td>
<td>1.00</td>
<td>-0.60</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>GR</td>
<td>-0.43</td>
<td>0.63</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GC</td>
<td>0.51</td>
<td>-0.32</td>
<td>-0.60</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>GF</td>
<td>-0.28</td>
<td>0.42</td>
<td>0.61</td>
<td>-0.39</td>
<td>1.00</td>
</tr>
<tr>
<td>GCL</td>
<td>-0.25</td>
<td>0.38</td>
<td>0.54</td>
<td>-0.37</td>
<td>0.79</td>
</tr>
<tr>
<td>WM_P</td>
<td>-0.44</td>
<td>0.37</td>
<td>0.64</td>
<td>-0.49</td>
<td>0.47</td>
</tr>
<tr>
<td>WM_MM</td>
<td>-0.38</td>
<td>0.28</td>
<td>0.55</td>
<td>-0.45</td>
<td>0.41</td>
</tr>
<tr>
<td>WM_GM</td>
<td>-0.33</td>
<td>0.10</td>
<td>0.42</td>
<td>-0.32</td>
<td>0.21</td>
</tr>
</tbody>
</table>

**Multiple Regression Analysis Results**

Regression runs were performed for each construct of goal setting with overall work meaningfulness. The multiple regression analysis results are summarized below.

To test the two research hypotheses, the significance of the t-tests for the model coefficient is assessed. As shown, the p-value for goal setting is not significant in relation to work meaningfulness. Hence the null hypotheses, H1 (Goal Setting has no significant effect on work meaningfulness) is accepted.
Table 4 Multiple Regression Analysis of Goal setting and Work Meaningfulness

<table>
<thead>
<tr>
<th></th>
<th>Coefficients</th>
<th>t Stat</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interception</td>
<td>2.90</td>
<td>3.57</td>
<td>0.00</td>
</tr>
<tr>
<td>GS</td>
<td>-0.17</td>
<td>-1.31</td>
<td>0.20</td>
</tr>
<tr>
<td>GE</td>
<td>-0.16</td>
<td>-0.99</td>
<td>0.33</td>
</tr>
<tr>
<td>GR</td>
<td>0.38</td>
<td>2.80</td>
<td>0.01</td>
</tr>
<tr>
<td>GC</td>
<td>-0.09</td>
<td>-0.59</td>
<td>0.56</td>
</tr>
<tr>
<td>GF</td>
<td>-0.09</td>
<td>-0.53</td>
<td>0.60</td>
</tr>
<tr>
<td>GCL</td>
<td>0.24</td>
<td>1.32</td>
<td>0.19</td>
</tr>
</tbody>
</table>

(R-square = 0.422; Adjusted = 0.358) F = 6.57

However, findings suggest that goal rationale construct of goal setting is significantly and positively related to work meaningfulness with p value (0.01) which reveals that goal rationale has significant effect on work meaningfulness. The regression model is significant (p value = 0.0000) and has an R-Square of 0.422 (adjusted R-Square = 0.358). That is, 35.8% of the variation in employee work meaningfulness can be explained by variation in goal rationale variable of the goal setting. The R-Square level is considered adequate as the objective of the model is to assess the direction and strength of the association between task characteristics and work meaningfulness, and not to predict work meaningfulness.

Conclusion

This study investigated the role of goal setting in creating work meaningfulness as perceived by employees in a new age IT MNC working in various client and technology related roles. In particular it investigated whether a higher level of work meaningfulness is associated with goal setting. A questionnaire survey yielded 61 usable responses (response rate of 61%). Results obtained from multiple regression analysis indicate a significant and positive link between goal rationale and work meaningfulness. This finding implies that goal rationale can generate feeling of work meaningfulness amongst employees.

Organizations need to provide logic/ rationale of goals that employee are working on to create work meaningfulness. Individually goal setting did not show positive effect with work meaningfulness but, study revealed that goal setting and work design are highly correlated and goal rationale and work meaningfulness are highly correlated. Thus, it can be inferred that work if redesigned by providing rationale for goals employees are working on, then organizations may cultivate meaningfulness. It also indicates the importance of continued research in this area.

The study also has few limitations. First, the sample may not be representative of the population and therefore findings may not be generalizable to different population. Second, a self-reported questionnaire was used in the study. Non response bias may come about when sampled subjects who are significantly different from respondents who do not respond. However the response rate of 61% may have mitigated this. Further, test results detect no indication of non-response bias which may occur due to respondent’s background characteristics which is mitigated in the study by maintaining anonymity and confidentiality.

Third, variables investigated in the study are not meant to be complete or exhaustive and the scope of the study was restricted to work design and work meaningfulness variables. For example, dependent variable (work meaningfulness) is just one of the several organizational outcomes. Other variables future research can focus on are work centrality, job involvement, job satisfaction, employee engagement, calling and wellbeing. Similarly, independent variables are limited to work design.

Fourth, for the scope of this study, above scales have been studied in aggregation and separately in past research studies. In this study aggregated scores of work meaningfulness have been used. Correlation for individual items of constructs has been studied to identify which aspect interacts more with work meaningfulness.
Finally, future researchers can look at conducting a similar study in different organizational, industry settings covering other organizational outcomes. In this study, overall meaningfulness is assessed. Future research can assess each variable of work meaningfulness to generate greater insights. Future research can also examine different ways in which organizations strive to create work meaningfulness for employees. Further, it is useful to study work meaningfulness in different countries to understand its antecedents and consequences from a global perspective.

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Performance of social forestry on farmers’ revenues: lessons from Yogyakarta and Lampung, Indonesia

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Key words  
social forestry, revenues, predictors, binary logistic

Abstract

Our paper attempts to explore to what extent economic, social, and environmental factors have brought any impacts on farmer’s revenues participating in social forestry? The persistence of inequality, poverty, and deforestation, has forced policy makers to reconsider social forestry as a key policy reform in Indonesia. As the social forestry has not grown enormously by 2014 due to unclear land coverage, licensing, and lack of government support, the current Joko Widodo government introduced a new programme of social forestry that give local farmers to have not only a free access to forests but also a right to run business from core crops, supplementary crops, animal husbandry, to tourism-based activities.

Our analysis pioneers the study of Indonesia’s social forestry development that incorporates economic, social, and environment perspectives. An explanatory ethnographic study and binary logistic regression model prove to be useful as the basis to integrate the three perspectives. We found that partnership, number of workers, log stealing and core crops are the key predictors of farmers’ revenues. Some economic, social, and environmental variables are insignificant to explain the revenues as the period of implementing social forestry is relatively short. Our findings offer some insights about impacts of social forestry, and hence, suggest some policy recommendation to improve the planning and implementation of social forestry.

Acknowledgement:

This research is financed by Kemitraan Governance Reform in Indonesia. Special thanks go to Minister of Natural Environment & Forestry who assigned me and team to conduct this study. I am grateful for my research team from Yogyakarta (Hempri Suyatna, Ronggo Sadono, and Y Sri Susilo) and Lampung (Nairobi, Rahmat Safe’i, and Arivina Ratih Yulihar Taher) together with all assistants who have gathered data and worked together for about 4 months.

Introduction

Forest for people is a new paradigm for forest development and management in Indonesia. In fact, the newest figures indicates that there is about 42.25 million hectares (ha) of Indonesian forests in which the private firms, mostly owned by conglomerates, have hold and utilised about 95.76% of forest areas. Ironically only 4.14% of the forest areas are given and utilised by either local farmers or Small-Micro Enterprises (SME). The new paradigm of social forestry is designed to change this huge inequality dramatically. Forest areas are not only for big players that exploiting forest for wood-based industry or agro-based industry but also for local people living in and around forest areas. The local small farmers or SME are often chased by forest guards because they are accused to steal woods, involve in illegal logging, destroy or even burn forest to clear land and cultivate crops illegally in protected or stated-owned forests. Now the local communities in and around the forest areas are given the license of social forestry.
The current president of Indonesia, Jokowi, has approved to eliminate illegal logging in Indonesia by focusing on social forestry for the benefit of the local communities. Regulation on social forestry is written under the ministerial regulation of the Ministry of Natural Environment and Forestry (KLHK) Number P.83/MENLHK/SETJEN/KUM.1/10 year 2016, a revision of previous social forestry program rules. This regulation explained in detail about the social forestry scheme, starting from simplification of proposal process mechanism until the issuance of a permit. The policy’s objective is to increase the local community welfare while being sustainable extracting forest resources. The ministerial regulation explains in detail what and how social forestry works. The objectives are set as follows: first, to give a guideline for granting rights for licensing, partnership, and forest management in the field of social forestry. Second, to solve tenure and justice problems for local communities, within or around forest areas. In short, this candy boils down to prosperous people, but the forest must also be sustainable.

Implementation of this initiative is fraught with challenges. The debate surrounding the right set of property rights, whether for the community, private or individual in the sustainable use and management of forest resources, remains an unresolved problem. It is debatable whether and how social forestry in Indonesia can provide the expected tenure security as well as contribute to improving livelihoods and forest conservation. Showing performance of social forestry, our study will focus on the improvement of local farmers’ welfare. Our analysis will elaborate on the extent of impact of welfare improvement concerning economic and social dimension to the community around the forest, and the extent to which social forestry can support forest sustainability. Lastly, using binary logistic regression models, we will analyze to what extent some key variables incorporating economic, social, and environment perspectives influence farmers’ revenues.

**Literature review**

Our study proposes a change of point of view of measuring key performance indicator of social forestry. Highlighting perception of the locals regarding social forestry including what has changed since the licensing reward. “Cultural-cognitive: emphases the shared conceptions that constitute the nature of social reality and the frames through which meaning is made” (Scott, 2001). Borrowing Scott’s definition of cultural-cognitive, our study aims to analyse how social forestry is perceived by the society.

Like many other third-world countries, many countries are still working on building robust regulation that works effectively to manage social forestry. Working towards bettering the national policy in Liberia, reorientation of the forest policy is government’s realisation of the need to better forest governance to ensure effective poverty alleviation (Brown, 2002).

The case of social forestry in Thailand offers an interesting case. Aiming to modify teaching, learning, and school-community relations in Thailand, a pilot project of Social Forestry, Education and Participation (SFEP) involving students in learning local village problems related to forest management (Mcdonough & Wheeler, 1998). As achievements of the project, school contributes to local communities by allowing their fifth and sixth grader to assess real-life problems and applying what they have been taught in class enhancing their knowledge of essential concepts. A more integrated relationship between all players benefiting a greater community capacity. Mcdonough & Wheeler (1998) has defined the key subjects and lessons of schools and communities collaboration from the standpoint of villagers.

The policy brief is funded by the USAID for decision maker and practitioners in developing countries ensuring the are exposed with the sustainability knowledge enhancing environmental quality. The Environmental and Natural Resources Policy and Training (EPAT) Project is part of their programme to also encourage the adoption of economic policies to promote sustainable use of natural resources (Josiah et al., 1995).

**Table 1. Utilization of Forest**

<table>
<thead>
<tr>
<th>Forest Land</th>
<th>Actor</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Private Enterprises</td>
<td>40,463,103</td>
<td>95.76</td>
</tr>
<tr>
<td>Local Farmers/SME</td>
<td>1,748,931</td>
<td>4.14</td>
</tr>
<tr>
<td>Public Utility</td>
<td>41,200</td>
<td>0.10</td>
</tr>
<tr>
<td>Total</td>
<td>42,253,234</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Ministry of Natural Environment & Forestry (2018)
An institutional framework Joint Forest Management (JFM) in Andhra Pradesh, India, found a framework that works with active local stakeholders to protect and manage forest resources. State forest departments partner up with local communities commit to increasing incomes of the locals by providing more fair distribution of the benefit. To analyse the level impacts of JFM in three regions, the collection of primary data help measure economic well-being, inequality, and poverty. When limiting the assessment to forest-dependent villages, the program successfully achieve their goal which is to increase financial welfares for the forest-dependent.

Presenting a complete assessment of the present social and economic benefits of forestry, forests and woodlands in Scotland, a research was based on the seven ‘Forestry for People’. The typology themes include; “employment and volunteering, contribution to the economy, recreation and accessibility, learning and education, health and well-being, culture and landscape, and community capacity” (Edwards et al., 2009). Multiple benefits derived from the initiatives were available; thus livelihood benefits have resulted from planning and delivery of the framework.

A study by Ingram et al. (2016) explored an evaluation method of the influence of large-scale plantations by focusing on value chain and stakeholders. The paper offers a framework to use as a guideline on examining the impacts of a modern plantation in Africa. By assessing two cases of investments in sustainable forestry operations in Tanzania and Mozambique, this research applies the theory of change of impact logic to evaluate economic, social and environmental impacts.

The concept of forest for people in the 8th World Forestry Congress (WFC) in 1978 implies that forest development should aim at ‘forestry for local community development’. The objective is to improve the living standards of rural communities around the forests by involving them in decision-making process and forest management activities with local wisdom. Since then the new paradigm was born in the development of forest called Social Forestry (SF).

In Indonesia, the SF program was introduced by the Ministry of Forestry in 1995. The birth of the SF program is regulated by the Minister of Forestry Decree No. 622/Kpts-II/1995 on Community Forest Guidelines. The program aims to answer the demands of the local parties as many problems emerged in the implementation of SF. SF program has undergone many changes, namely successively with the issuance of: (1) Minister of Forestry Decree Number 677/Kpts-II/1998 on Community Forest; (2) Forestry Minister’s Decree No. 31/ Kpts-II/2001 on the implementation of Community Forestry; (3) Minister of Forestry Regulation Number P.01/Menhut-II/2004 on Local Community Empowerment in and around forests in the framework of social forestry; (4) Minister of Forestry Regulation Number P.37/ Menhut-II/2007 on Community Forest; (5) The legal basis of SF in Government Regulation Number 6 of the Year 2007 as a revision of Government Regulation Number 34 of the Year 2002. In the Government Regulation Number 6 of the Year 2007, what is meant by SF is state forest whose central utilization is intended to empower the community. In addition, PP No. 6/2007 also explains about forest utilisation, one of which is Timber Forest Product Utilization Permit which is a cultivation land in SF program.

Areas that may be designated as SF areas include protected forest areas and production forest areas, to the extent that they are not encumbered with permits in the use of forest products and or become a source of local livelihoods. For the granting of community forest permits per Minister of Forestry No: 37/2007 covers the facilitation and licensing stages.

To achieve the objectives above facilitation activities are done through the provision of legal status, institutional development, business development, technological guidance, education and training, open market access, and coaching and control. Such facilitation activities shall be undertaken by district/municipality governments that may be assisted by the government and provincial governments and may be assisted by other parties such as universities/research institutes and community services, non-governmental organisations, financial institutions, cooperatives and village-owned enterprises (BUMDes).

As many corporation attempts at shifting their supply chain to a more sustainable pathway by purchasing only from certified “sustainable” products. Answering the question of whether or not a certification of the sustainable supply chain has any difference, the project evaluates if certification meets such pledges. A study on CF uses “statistical analyses to satellite-based estimates of tree cover loss to infer the causal impact of a third-party certification system on deforestation and fire within Indonesian oil palm
plantations” (Carlson et al., 2017). Although finding suggests a substantial reduction of forest degradation with certification, fire and peatland is outside the parameter.

The SF licensing and facilitation procedure scheme starts from the local community group applying for permission to the governor/regent, the application is completed with a sketch of the requested work area and the Certificate of Group containing the fundamental data of the community group from the Village Head. The governor/district head proposes the establishment of the SF working area to the Minister after verification by the team formed by the governor/regent. Against the proposal of the governor/regent, verified by the verification team established by the Minister. If they meet the conditions, then the Minister of Forestry will set the SF working area according to the proposal of the governor/district head.

In 2006 the program did not experience much growth in the field. The lack of clarity of management areas, business license, and facilitation become the problem causing the program not to develop in the field. This condition is slightly different in 2007, post-birth Regulation of Minister of Forestry Number P.37 / Menhut-II / 2007, the community of Social Forestry program participants can breathe a little relieved. With the birth of P.37, there is a bright spot on the certainty of working area, business permit, and clarity of facilitation. The certainty of a work area and business licensing is a significant legal aspect in ensuring the sustainability of sustainable forest management efforts. Facilitation from various parties is needed to improve the institutional capacity of the community in managing the forest.

After going through a reasonably winding road, in 2007, the farmer group struggle SF program participants began to show a glimmer of hope. From the evaluation of the implementation of temporary permits for SF in 6 districts in 3 provinces (Lampung, DIY and West Nusa Tenggara), the community is considered capable of managing the forest well and deserves formal legal recognition. The community of Social Forestry program participants in the six districts is entitled to get the Decree of the Minister of Forestry on the Determination of Community Forestry Working Areas and the Regent's Decree on Permit for Community Forest Utilization to 57 SF Farmers Groups in the six districts. On December 15, 2007, at Gunung Kidul, the Minister of Forestry Decree on the Establishment of Community Forestry Working Area by the Vice President of the Republic of Indonesia, Jusuf Kalla.

Table 1 shows the distribution of the location of the recipients of the 2007 community forest works in 6 districts in Indonesia. Massive community forestry in Indonesia is located in Tanggamus Regency (29.91%). Kulonprogo and Gunungkidul districts have a much lower community forest area of 2.23% and 12.34% respectively. Table 2 shows the distribution of the location of the recipients of the 2007 community forest works in 6 districts in Indonesia. Massive community forestry in Indonesia is located in Tanggamus Regency in Lampung (29.91%). Kulonprogo and Gunungkidul districts in Yogyakarta Special Region (DIY) have a much lower community forest area of 2.23% and 12.34% respectively.

Table 2. Distribution of Recipient Location of Establishment of Working Area of Community Forestry 2007

<table>
<thead>
<tr>
<th>No.</th>
<th>District</th>
<th>Area (ha)</th>
<th>% To Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gunung Kidul</td>
<td>1,087,45</td>
<td>12.34</td>
</tr>
<tr>
<td>2.</td>
<td>Kulonprogo</td>
<td>196,80</td>
<td>2.23</td>
</tr>
<tr>
<td>3.</td>
<td>Lampung Barat</td>
<td>1,970,09</td>
<td>22.36</td>
</tr>
<tr>
<td>4.</td>
<td>Lampung Utara</td>
<td>1,200,00</td>
<td>13.62</td>
</tr>
<tr>
<td>5.</td>
<td>Tanggamus</td>
<td>2,547,22</td>
<td>29.91</td>
</tr>
<tr>
<td>6.</td>
<td>Lombok Tengah</td>
<td>1,809,50</td>
<td>20.54</td>
</tr>
<tr>
<td>Total</td>
<td>Community Forestry</td>
<td>8,811,06</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Ministry of Forestry (2008); Kuncoro et al. (2018)

As a target between the set of community forest targets in 2009 covering an area of 429,125.29 ha. This target is determined by the extent and spread of the SF Development Project location in 1993-2001, the proposed area of the district and the social forestry work area. The location of the SF area is spread
across several provinces as shown in Table 3. Up to 2014, the SF area reached an area of 328,452.86 ha, which is still far away with the target in 2009.

Table 3. Realization of Forest Areas through CFUP (IUPHKm) by Provinces in 2009, 2014, and 2016

<table>
<thead>
<tr>
<th>No.</th>
<th>Province</th>
<th>SF Areas (ha)</th>
<th>2009</th>
<th>2014</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Aceh</td>
<td></td>
<td>-</td>
<td>-</td>
<td>200,00</td>
</tr>
<tr>
<td>2.</td>
<td>Sumatera Utara</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Riau</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.</td>
<td>Jambi</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>Sumatera Barat</td>
<td></td>
<td>-</td>
<td>1,511,00</td>
<td>-</td>
</tr>
<tr>
<td>6.</td>
<td>Sumatera Selatan</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Bengkulu</td>
<td></td>
<td>1,762,75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8.</td>
<td>Lampung</td>
<td></td>
<td>15,001,30</td>
<td>46,867,67</td>
<td>-</td>
</tr>
<tr>
<td>9.</td>
<td>DIY</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10.</td>
<td>Jawa Barat</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11.</td>
<td>Jawa Timur</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12.</td>
<td>Kalimantan Barat</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13.</td>
<td>Kalimantan Tengah</td>
<td></td>
<td>-</td>
<td>-</td>
<td>1,885,00</td>
</tr>
<tr>
<td>14.</td>
<td>Kaliamntan Selatan</td>
<td></td>
<td>-</td>
<td>730,00</td>
<td>-</td>
</tr>
<tr>
<td>15.</td>
<td>Kep. Bangka Belitung</td>
<td></td>
<td>-</td>
<td>1,227,00</td>
<td>-</td>
</tr>
<tr>
<td>16.</td>
<td>Sulawesi Selatan</td>
<td></td>
<td>-</td>
<td>5,025,66</td>
<td>-</td>
</tr>
<tr>
<td>17.</td>
<td>Sulawesi Tengah</td>
<td></td>
<td>31,00</td>
<td>590,00</td>
<td>-</td>
</tr>
<tr>
<td>18.</td>
<td>Sulawesi Tenggara</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19.</td>
<td>Sulawesi Utara</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20.</td>
<td>Sulawesi Barat</td>
<td></td>
<td>-</td>
<td>4000,00</td>
<td>-</td>
</tr>
<tr>
<td>21.</td>
<td>Bali</td>
<td></td>
<td>150,00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>22.</td>
<td>NTB</td>
<td></td>
<td>185,00</td>
<td>3,805,16</td>
<td>380,46</td>
</tr>
<tr>
<td>23.</td>
<td>NTT</td>
<td></td>
<td>500,00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>24.</td>
<td>Maluku Utara</td>
<td></td>
<td>290,00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>25.</td>
<td>Papua</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>17,630,05</strong></td>
<td><strong>64,046,49</strong></td>
<td><strong>2,465,46</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of LHK (2016); Kuncoro et al. (2018)

Minister of Forestry Regulation no. P.88/Menhut-II/2014 is a refinement of evaluation P.37/Menhut-II/2007 and P.52 /Menhut-II/2011. In Regulation P.88/ Menhut-II / 2014 SF aims to improve the welfare of local communities through the utilisation of forest resources in an optimal, fair and sustainable manner while maintaining the sustainability of forest and environmental functions. This regulation is more about the rights and obligations of SF participants such as licensing permit in SF located in production forest and protected forest areas.

As time went by the latest regulation was Minister Forestry DecreeNumber 83/MENLHK/SETJEN/KUM.1/10/2016 on social forestry aimed at providing guidance on the granting of customary forest management, licensing, partnership and forest rights in the field of Social Forestry. This Ministerial Regulation aims to solve tenure and justice problems for local communities and indigenous and tribal peoples living around forest areas to improve forest welfare and sustainability. In this regulation, the scope of social forestry is village forest, community forest, community plantation forest, forestry partnership, and customary forest. This social forestry program has been regulated so that the period and evaluation for village forest, community plantation forest and community forest shall be valid for 35 years and evaluated every five years. Monitored on social forestry programs by assistants/working groups of the Local Forestry Program or Forest Management Area. The holder of the management license also gets protection from harmful interference and environmental pollution or unilateral pickup by other parties.

In the Social Forestry and Environmental Partnership program, the Directorate General of 2015-2019 targets to improve access to community forest management, to increase conflict and tenure
resolutions in forest areas and to improve environmental and forestry behaviour. This program supported by the provision of social forestry area with a target of 12.7 millions ha in 2019.

In the framework of achieving the Millennium Development Goal (MDGs) in 2015, the targeted working area of the Community Forest Program is 2.1 million ha. The Ministry of Law and Human Resources is committed to contributing to reducing poverty, especially the poverty of communities living around the forest. With the Social Forestry target of 2.1 million ha, an expectancy that by 2015 the forestry sector can reduce poverty by at least 50%. Until 2017, the area of social forestry has reached 7.6 million ha spread throughout Indonesia.

The Social Forestry and Environmental Partnership program is in line with the Nawacita program targeting to reduce the frequency and extent of illegal logging, enhancement of timber forest products and water security (see Figure 1). Nawacita is the 9 missions that the President of jokowi set to be achieved until 2019. With social forestry programs involving the community, forest security will see improvement because not only the government agencies but also the community have a stake in maintaining the area they have managed through a proper management license through village forest management rights, community forest utilisation permit, and permit utilisation of forest timber forest product. Improvement of timber forest products will apparent from the maximum area management by involving forest communities by combining with local wisdom. With the preservation of forests, it will have an impact on water security considering the function of the forest as a water store.

Figure 1. The Linkage between the Nawacita (9 Missions) and the Social Forestry Program

Source: LHK Ministry (2017)

The social forestry strategic plan and programs focus on granting social forestry management access and capacity building of social forestry enterprises. These strategies and programs emphasize that forests should be able to provide prosperity for the communities living around the forest. Implementation of strategies through the provision of access to forest land and business capacity building are key for reducing poverty, especially for forest communities (Figure 2). The social forestry program must also be supported by financing for business development, capacity building of human resources and institutional strengthening through intensive facilitation so that the community is self-reliant and able to optimize the existing resources.
Social forestry is a sustainable forest management system implemented in forest areas. As it aims to improve welfare, environmental balance and socio-cultural dynamics of the locals, main actors are local communities or SME. Furthermore, it spans five types involving village forest (hutan desa or HD), community forest (hutan kemasyarakatan or HKm), people plantation forest (hutan tanaman rakyat or HTR), indigenous forest (hutan adat), and forestry partnership (kemitraan kehutanan). Until the end of the former Susilo Bambang Yudhoyono (SBY) regime (October 2014), there were only 449,104 ha, or accounted about 4% of total forest areas, given to local communities who got the permit to access the five types of the forests in Indonesia. Until December 2017, under the Jokowi Working Cabinet, 4,150 of social forestry permits granted to 293,367 households with the forest areas of 1.336 millions ha. Figure 3 shows the development of social forestry programs comparing the era of SBY and Jokowi regime. Under Jokowi, the area of social forestry has risen dramatically to 1,069,761 ha in April 2018. In other words, there is an increase of about 66.4% compared to that of SBY era (33.6%). In total, the social forestry program has granted 1,336,295.25 ha with 4,150 permits to 293,367 households for local communities across Indonesia.

Figure 3. Key Performance of Social Forestry Areas: SBY vs Jokowi Regime

Key Performance Indicator of Managed Forest Area

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Area (ha)</td>
<td>Area (ha)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Village Forest</td>
<td>78,072.00</td>
<td>608,646.83</td>
<td>686,718.83</td>
</tr>
<tr>
<td>2</td>
<td>Community Forest</td>
<td>153,725.15</td>
<td>140,166.52</td>
<td>293,891.67</td>
</tr>
<tr>
<td>3</td>
<td>Community Plantation</td>
<td>198,594.87</td>
<td>48,304.87</td>
<td>246,899.74</td>
</tr>
<tr>
<td>4</td>
<td>Forestry Partnership</td>
<td>18,712.22</td>
<td>67,639.79</td>
<td>86,152.01</td>
</tr>
<tr>
<td>5</td>
<td>Indigenous Forest</td>
<td>-</td>
<td>16,463.34</td>
<td>16,463.34</td>
</tr>
<tr>
<td>6</td>
<td>Community Forest Utilisation Permit (CFUP)</td>
<td>-</td>
<td>6,167.90</td>
<td>6,167.90</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>449,104.2</td>
<td>887,191.25</td>
<td>1,336,295.48</td>
</tr>
</tbody>
</table>

Source: Ministry of Environment and Forestry (2017)

In fact, spill-over and multiplier effects of social forestry will bring direct and indirect impacts. Direct impacts are enjoyed by the impoverished local communities who get the permits not only by the private large firms. Indirect benefits and impacts will also be felt for local communities, mostly small farmers and SME, in and around forest areas from job creation (lower unemployment), increased value-added and economic growth, and lower inequality.

Until 2017, the permit for social forestry utilisation has reached 301,548.67 ha spread over 26 provinces in Indonesia (see Table 4). For reserve area Community forest until 2017 has reached 432,598.86
ha. The difference between the reserve rate of the social forestry area and the permit grant becomes an opportunity for the forest community to gain access to manage the land more widely.

Table 4. Key Performance of Preparation of Social Forestry Areas (ha)

<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Reserve (ha)</th>
<th>MOU (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2007-2014</td>
<td>328,452.86</td>
<td>153,725.15</td>
</tr>
<tr>
<td>2</td>
<td>2015</td>
<td>40,128</td>
<td>20,945.06</td>
</tr>
<tr>
<td>3</td>
<td>2016</td>
<td>55,018</td>
<td>2,465.46</td>
</tr>
<tr>
<td>4</td>
<td>2017</td>
<td>-</td>
<td>124,413</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>432,598.86</td>
<td>301,548.67</td>
</tr>
</tbody>
</table>

Source: Ministry of Environment and Forestry (2017)

Figure 4 shows the data of Social Forestry Utilisation Business Permit (IUPHKm) from the beginning of community forestry is rolled out until December 2017 spread over 34 provinces in Indonesia. Achievements of the program up to December 2017 are still below the number of working area stipulated. Lampung Province got the largest permit area of 109,360.73 ha while Bali received the permit for social forestry utilisation of at least only 150 ha. This area can be increased considering the social forestry area identification data which is not yet the same as the permit for social forestry utilisation data. In the social forestry area determination data, it has been assigned an area of 432,598.86 hectares by December 2017. In Lampung Province, it has been set as wide as 111.115,61 ha still above achievement.

Research methodology

The identification of economic, social and environmental impacts of social forestry conducted in two research sites: Lampung Province and Yogyakarta Special Region (DIY). These two provinces are chosen because they have been designated as social forestry pilot provinces in Indonesia. Each province is taken into two community forest locations.

The research location for Lampung Province is conducted in Pekon Margoyoso Sub Sumbereso and Pekon Sukamaju Ulu Belu District Tanggamus Regency. For the province of DIY, we focus on Hamlet Kalibiru, Hargowilis Village, Subdistrict Kokap, Kulon Progo Regency and Menggoran II Hamlet, Bleberan Village, Playen District, Gunungkidul Regency. Social forestry areas in DIY and Lampung areas contribute about 0.41% and 36.3% respectively of the total community forest areas in Indonesia.
The unit of analysis in this study is a member of the Community Forest Group (gapoktan). The analytical unit studied for DIY Province is a member of Mandiri community forest group in Kalibiru Hamlet, Hargowilis Village, Kokap, Kulonprogo Regency and community forestry group Tani Manunggal, Menggoran II Village, Bleberan Village, Playen, Gunungkidul Regency. While the analysis unit in Lampung Province is members of Beringin Jaya community forest group, Pekon Margoyoso, Sumberejo Sub-district and members of community forestry group Sinar Mulya, Pekon Sukamaju, Ulubelu District, Tanggamus District.

We use cluster and purposive sampling method to choose the key respondents in an explanatory ethnographic study. Cluster sampling is also called sampling area. Cluster sampling used when elements of the population are geographically dispersed so that it is difficult to construct frame sampling. In the implementation, sampling method with cluster sampling, we divides the population into subgroups based on certain criteria as we attempt to maintain heterogeneity in one subgroup and homogeneity between subgroups, then we choose the number of subgroups randomly (Cooper & Schindler, 2014; Kuncoro, 2013: 136). In this context, selected clusters are social forestry forests in Sukamaju Village and Margoyoso Village Ulubelu Subdistrict in Tanggamus Regency, Hargowilis Village in Kokap Subdistrict of Kulon Progo Regency and Bleberan Village in Playen Subdistrict of Gunungkidul Regency.

The technique of determining the respondents using purposive sampling. This technique is intentional sampling following the required sample requirements such as related properties, key characteristics, and different main crops. Respondents in the study were members of the social forestry farmer group. The number of respondents for each social forestry location is 50 samples so that we have 200 respondents for four locations. In order to sharpen the analysis, we also conducted focused group discussions with other informants such as: farmer group management, tourism awareness group (pokdarwis), farmer groups (gapoktan), farmer group members, business units within gapoktan, and related stakeholders from various types of government (head regents, subdistrict, village, dukuh/pekon) and NGOs.

Our research is based on three perspectives, namely economic, social, and environmental aspects in realizing community welfare and forest sustainability. From economic perspective, we will identify the economic impact will be seen from the following economic indicators: total revenues of farmers, employment arising from the existence of social forestry, poverty reduction, and business partnership being developed. From social perspective, key indicators for social impact are as follows: public perception, institutional design, behavior change, and key constraints in the development of social forestry. From environment perspective, we used the following key indicators: sustainability environment, emerged threats (forest fires, animal intrusion, thieves and strikes), and community participation in supporting environmental sustainability.

In this study used descriptive analysis which includes case method, statistical method and logistic regression analysis used to predict the determinants of revenue classification of respondents. Binary logistic regression model was used to explain the significance of the identified factors influencing farmers’ revenues. The model is as follows:

\[ \pi_i = \Pr(Y_i = 1 | X_i = x_i) = \frac{\exp(\beta_0 + \beta_1 x_i)}{1 + \exp(\beta_0 + \beta_1 x_i)}. \]  

Equation (2) is the simplification of (1):

\[ \logit(\pi_i) = \log\left(\frac{\pi_i}{1 - \pi_i}\right) = \beta_0 + \beta_1 x_i \]

Equation (2) can be written as follows:

\[ \text{Logit (REVENUES)} = b_3 \text{LAMA}SK + b_7 \text{LUAS}LAHAN + b_2 \text{TK} + b_3 B_{\text{TRANSPORT}} + b_4 B_{\text{INPUT}} + b_5 \text{KEMITRAAN} + b_6 \text{P}_\text{HKM} + b_7 \text{KENDALA} + b_8 \text{KEBAKARAN} + b_9 \text{PENCURIAN} + b_{10} \text{PENDAMPINGAN} + b_{11} \text{TANAM POKOK} + b_{12} \text{PARTISIPASI}_{\text{RENCANA}} + b_{13} \text{PARTISIPASI}_{\text{PELAKSANAAN}} \]

\[ + b_{14} \text{PARTISIPASI}_{\text{MONEV}} \]
The above equation is used to answer the research question as follows: Are categories of farmers revenue (REVENUES) can be explained by some keypredictors (LAMA_SK, LUAS_LAHAN, TK, B_TRANSPOR, KEMITRAAN, P_HKM, KENDALA, KEBAKARAN, PENCURIAN, PENDAMPINGAN, TANAM POKOK, PARTISIPASI_Rencana, PARTISIPASI_Pelaksanaan, PARTISIPASI_Money)? The explanatory variables are:

- LAMA_SK = length of yearsholdingsocial forestry permit,
- LUAS_LAHAN = area of social forestry managed by each community,
- TK = number of workers including family wokers,
- B_TRANSPORTASI= percentage of transportation cost to total costs,
- B_INPUT = cost of inputs to total costs,
- KEMITRAAN = type of partnership that the farmers involve,
- P_HKM = knowledge on social forestry (1 =know, 0=do not know).
- KENDALA = key constraints identification (0 = do not know,1 = market access, 2 = capital access. 3 = raw material access, 4 = traditional equipments, 5 = combination of 1-4, 6 = other),
- KEBAKARAN = fires (1= never experice fires, 0= fires occur),
- PENCURIAN = thefts (0= No theft, 1= theft occur),
- PENDAMPINGAN= assistance received (0= no assistance, 1= assistance is given),
- TANAM POKOK= main crops (1=coffee, 2=teak tree,3=other forestry crops),
- PARTISIPASI_Rencana=to what extent local communities involved in sustainable forest planning (3= high, 2=medium,1=low),
- PARTISIPASI_Pelaksanaan=to what extent local communities involved in implementing sustainable forest(3 = high,2 = medium, 1 = low),
- PARTISIPASI_Monev=to what extent local communities involved in monitoring and evaluation of sustainable forest (3 = high, 2 = medium, 1 = low).

Findings and discussions

Linking Economic, Social, and Environment Perspectives

From economic perspective, there is an increase in production, income, and employment in Lampung and Yogkarta due to social forestry (Kuncoro et al 2018). The peasant farmers have come out from the poverty trap as shown by: (1) The farmers of social forestry have their own houses although some are still semi-permanent; (2) Most farmers own motorcycles between 1 to 3 units.

From social perspective, our analysis found that the social forestry program has increased public knowledge about social forestry, encouraging the emergence of a local institution (especially cooperatives), and changes in positive community behaviour (Kuncoro et al. 2018). Obstacles that may threaten the sustainability of identified social forestry programs are: lack of assistance from Ministry of Environment and Forestry, the form of assistance that appears is still oriented to the strengthening of institutions (silver), complaints related to the procedure of thinning (Gunungkidul), lack of management capacity in managing social forestry and weather factor (strong winds, rain and drought at times that do not fit the cycle) becomes a problem for the sustainability of coffee plantation business in lampung.

From environment perspective, we used the following key indicators: sustainability environment, emerged threats (forest fires, animal intrusion, thieves and strikes), and community participation in supporting environmental sustainability.

Binary Logistic Regression

Figure 5 shows the distribution of annual revenues by respondents. Most of farmers have annual revenues between IDR 1 to 20 millions(53,5%); 25% of them haveannual revenues of IDR20 to 40 millions, and 5,5% have annual revenues of IDR 60 to 70 millions. There are only 4% of farmers that have annual revenues above IDR80 millions. In average, annual revenues of 200 respondents are about IDR28.3 millions or only IDR 2.36 million per month.
We may classify annual revenues as high and low with the average revenue as a benchmark. We set the \( Y \) is a binary response variable in equation 2 and 3, \( Y_i = 1 \) if the revenues are classified as ‘high’ in observation \( i \) when they higher than the average; \( Y_i = 0 \) if revenues are classified as ‘low’ in observation \( i \) when they lower than the average. Table 5 shows 67% respondents have low revenues while 33% have high revenues.

Table 5. Annual Revenue Classification

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>134</td>
</tr>
<tr>
<td>High</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
</tr>
</tbody>
</table>

Binary logistic regression analysis proves that number of workers, log stealing, core crops cultivated, and partnership have a positive effect on revenues. The types of partnerships that have been done in the form of counselling, training, buying products, providing capital assistance, and mentoring.

Overall, binary logistic regression models can allocate more precisely over 84-86% of revenue classification. The modelling step can be described as follows: Firstly, all the predictor variables are included in the model 1. Secondly, with a Wald backwards stepwise procedure, some variables are eliminated from the initial model in an iterative process. At each iteration step the significance of variables included in the initial model is tested, and those insignificant variables are eliminated. Finally, a model is developed, and all insignificant variables are excluded and estimated coefficients are allocated to the significant variables or types. All the variables, together with their estimated coefficients and the corresponding Chi-square’s significance values and summary of the classification for the model, are given in Table 6. Model 2 is the best model because the result can predict precisely the group membership of 82.8% for the respondents whose revenues are high after having the social forestry permit; while it can also predict precisely the group membership of 84.8% for the respondents who claimed the revenues are low.

The key variables that determine the farmers’ revenues increase or not are partnership, number of workers, log stealing and core crops. The logistic regression coefficients for log stealing are negative and significant with 90% confidence degree. This means that the higher log stealing occur the higher the probability of the respondent’s revenues to decline. Likewise the logistic regression coefficients for core crops are negative and significant with 99% confidence degree. It means that the higher reliance on core crops the lower the probability of the respondent’s revenues.

Both partnership and number of workers influence revenues positively. The higher the farmers involve in partnership the higher the probability of the respondent's revenues to increase. The higher the farmers employ workers the higher the probability of the respondent's revenues to increase.

Other variables have insignificant coefficients are the land area, transport costs, input costs, fire occurrence, assistance, plan participation, and money participation. This means economic variables (land areas, transport costs, input costs), social variables (assistance, knowledge of community forests, and constraints on community forest management), and environmental variables (fire occurrence, plan
participation, and money participation) has not significantly affected the revenue of respondents. This possibility is caused by the relatively short period of implementation of social forestry (3-4 years).

**Table 6. Determinants of Farmers’ Revenues**
**Using Binary Logistic Regression**

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.340 (0.034)</td>
<td>1.248 (1.158)</td>
</tr>
<tr>
<td>Land size</td>
<td>0.103 (0.359)</td>
<td></td>
</tr>
<tr>
<td>Length of forestry permit</td>
<td>-0.165 (1.026)</td>
<td>-0.184 (1.026)</td>
</tr>
<tr>
<td>Number of workers</td>
<td>0.153 (3.787)*</td>
<td>0.154 (4.402)*</td>
</tr>
<tr>
<td>Transport cost</td>
<td>1.225 (0.470)</td>
<td></td>
</tr>
<tr>
<td>Input cost</td>
<td>-0.009 (0.000)</td>
<td></td>
</tr>
<tr>
<td>Partnership</td>
<td>0.253 (4.602)*</td>
<td>0.205 (4.052)**</td>
</tr>
<tr>
<td>Constraints</td>
<td>0.025 (0.009)</td>
<td></td>
</tr>
<tr>
<td>Know on social forestry</td>
<td>0.324 (0.263)</td>
<td></td>
</tr>
<tr>
<td>Forest fire</td>
<td>-0.318 (0.095)</td>
<td></td>
</tr>
<tr>
<td>Log stealing</td>
<td>-0.718 (2.359)</td>
<td>-0.741 (2.729)*</td>
</tr>
<tr>
<td>Guidance</td>
<td>0.153 (0.051)</td>
<td></td>
</tr>
<tr>
<td>Core crops</td>
<td>-1.165 (1.314)</td>
<td>-2.685 (18.041)**</td>
</tr>
<tr>
<td>Planning Participation</td>
<td>0.294 (0.145)</td>
<td></td>
</tr>
<tr>
<td>Implementation Participation</td>
<td>-0.132 (0.030)</td>
<td></td>
</tr>
<tr>
<td>Money Participation</td>
<td>-0.132 (0.030)</td>
<td></td>
</tr>
<tr>
<td>High revenues</td>
<td>83.6%</td>
<td>82.8%</td>
</tr>
<tr>
<td>Low revenues</td>
<td>84.8%</td>
<td>84.8%</td>
</tr>
<tr>
<td>Overall Percentage</td>
<td>84.0%</td>
<td>86.4%</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>116.854</td>
<td>114.530</td>
</tr>
<tr>
<td>Nagelkerke R²</td>
<td>0.616</td>
<td>0.607</td>
</tr>
</tbody>
</table>

* Wald statistics in parentheses.
** Model 1: full model; model 2: best model.
***) significant with degree of confidence 99%.
**) significant with degree of confidence 95%.
*) significant with degree of confidence 90%.

**Conclusions**

Our analysis pioneers the study of Indonesia’s social forestry development that incorporates economic, social, and environment perspectives. An exploratory ethnographic study and binary logistic regression model are useful as the basis to integrate the three perspectives. Based on binary logistic regression analysis, some key variables that determine the revenues of the farmers are partnership, number of workers, log stealing and core crops cultivation. Other variables are found insignificant statistically are the land areas, transport costs, input costs, fire, assistance, plan participation, and money.
participation. This means economic variables (land area, transport costs, input costs), social variables (assistance, knowledge on community forests, and constraints on community forest management), and environmental variables (fire, core crops, participation in planning, and participation in money) has not significantly affected the revenue of respondents. This possibility is caused by the relatively short period of implementation of social forestry (3-4 years).

Based on the results of the analysis and findings, it can be drawn the policy implications from the perspective of each dimension as follows: first, from the economic dimension, our findings imply that: (a) the social forestry program, in particular community forest, should work together and synergise with stakeholders. namely: local governments, academia, business, local communities, and mass media (Penta Helix) as stakeholder engagement is expected to increase farmer’s revenues and business partnerships; (b) Most of the respondents belonging to SME need support and assistance related to access to raw materials, access to capital, market access, and equipments.

Second, from the social dimension, we may suggest that: (a) more intensive facilitation of the Minister of Environment and Forestry are needed to improve through the strengthening of entrepreneurship (productive economic assistance and business meeting), access to capital and market; (b) Mentoring programs are needed to empower the local communities by focusing on enabling, creating community members' self-reliance, and increasing participatory planning; (c) The companion function needs more attention as its existence can provide benefits for the community in particular in three main tasks: community organising, capacity building, and documentation of social forestry programs; (d) From the aspect of regulation, it needs a legal umbrella so that community forest groups can contribute to local owned revenues (Kulon Progo); (e) The role of Ministry of Environment and Forestry in generating and socialising clear licensing procedures are needed in conducting tree thinning (Gunungkidul); (f) Strengthening of market access capacity on post-harvest coffee processing are required so that the value of selling coffee beans in farmers can be high and farmers have an alternative to sell coffee in the form of processed value added (Tanggamus).

Third, from the environmental dimension, our findings suggest: (a) the need for effective preventive action and the imposition of strict legal sanctions to provide a deterrent effect to illegal actors who open forest land; (b) The role of stakeholders, especially protective forest management unit (Kesatuan Pengelolaan Hutan Lindung or KPHL), forest police or Bintara Pembinaan Desa (Babinsa) is needed to secure the forest from land clearing; (b) it is necessary to apply appropriate technology to safeguard forests from wildlife disturbance and animal hunting; (c) Stakeholder involvement in community forest management assistance needs to be improved.

References


The mediation of frequent job
on the effect of job fit, job satisfaction, on performance

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Keywords
Job Fit, Job Satisfaction, Frequent Job, Performance.

Abstract
Public workers are likely to have different behavior and attitude at work. Academic staff at higher education institution is designed to serve non-academic activities. Moreover work achievement for public workers is likely to be more related to political issues. Hence it is important to explore the Mediation of Frequent Job on effect of Job Fit, Job Satisfaction, on Performance. University staffs are employed to this research. The findings show that Frequency Job mediates of the effect of Job Fit and Job Satisfaction on Performance. The implications and future research are discussed.

Introduction
Human resources (HR) play an important role in a business organization and non-profit institutions. The goal of human resource management is to maximize employees’ contributions to achieve optimal productivity and effectiveness, while simultaneously attaining individual objectives. In the modern times, the basic concept of human resource system assumes human resources to be the fundamental assets of an organization with an immense potential of achieving organizational goals (Bhat & Rainayee, 2017). Government staff in institutions is designed to provide services to the public. Hence, problems on recruitment is directly effected by personnel planning. It seems that recruitment process is likely not been based on needs but is often found employee placement is still based on orders. This shows that low efforts to realize the right man on the right place principle that in turn influence on their performance. Performance is determined by individual factors, such as capabilities and efforts, and also by factors beyond our immediate self-control, such as decisions taken by others, available resources, work systems and so on (Bacal, 2002; Darma, 2005). Individual performance is fundamentally influenced by expectations of reward, encouragement, ability, needs and nature, perception of task, internal and external rewards, and job satisfaction (Gibson et al., 1989; Rivai et al., 2005). Public workers performance is related on political issues (Ashraf, 2017; Prysmakova, 2016). It concerns with the appropriateness of how performance is valued within centralization and decentralization administration system. Although the efficiency of civil administration ranks highly on political agenda, comparative data and empirical information on their performance are surprisingly rare (Bhat & Rainayee, 2017).

Studies on public workers performance have been done in various perspectives (Chong & Cozzubo, 2017; Koopmans et al., 2011; Palma, Hinna, & Mangia, 2017; Shim & Faerman, 2015). Scholar propose different theory such as motivational theories (Norris, 2016), Reinforcement theory (Khan, 2005; Quinn & Thorne, 2014; Rudawska, 2008; Salisu, 2016), job characteristics (Bullock, Hansen, & Houston, 2018; Fallah, 2017; Kwon & Sohn, 2017), service theory to explain the public worker task performance (Gnusowski, Goncharuk, & Skąpska, 2017; Lawson, 2017). Empirically the issues of job-security, regular pay-checks and safe pensions are found to effect public workers performance (Alonso & Lewis, 2001; Norris, 2016; Shim & Faerman, 2015). Hence it is believed that there is a significant different of the issues of public and private workers’ performance.

Academic staff of higher education works on various pressure related to academic activities. They have to serve the academic member to reach high academic achievements. Hence it is believed that fit between workers and their job, their satisfaction to their job, and frequency of their work associated to their task are related to their work achievement (Bhat & Rainayee, 2017; Lam, Huo, & Chen, 2017; Alessandri, Consiglio, Luthans & Borgogni, 2018; Pisansky, Wholey, Cain, & Zhu, 2017; McGuigan, McGuigan, & Mallett, 2015; Bowling, Khazon, Meyer, & Burrus, 2015; Kim, Ra, Park, & Kwon, 2017). It is
believed that higher frequent of the task run, the effect of job fit and job satisfaction on job performance will be getting higher. Accordingly it is plausible to investigate the Mediation of Frequent Job on effect of Job Fit, Job Satisfaction, on Performance for academic staff of higher education.

Literature review

Public and Private Workers
Delivering task in public service is activities and service which is provided to government and citizen. Public workers are usually known as government employees which are closely to the public’s interest and motivations (Anderfuhren-Biget, Varone, & Giauque, 2014). They are hired by elected officials under government regulations.

The Nature of Job Fit on performance
Performance of public workers able to be explained by the fit between workers characteristics and their job. Recent evidence suggests that the service emphasis on the job may be more important to job choice (Wright, Hassan, & Christensen, 2017). It seems related to the job-security, regular pay-checks and safe pensions (Alonso & Lewis, 2001; Norris, 2016; Shim & Faerman, 2015). The factor that best explained the job performance of public employees was job Fit (Naff & Crum, 1999; Kristof-Brown, Zimmerman, & Johnson, 2005; Huang & Simha, 2017; Bhat & Rainayee, 2017). It is the most important predictor of the performance of public workers. It is one of the most popular areas of research in the general management and organizational behavior fields (Kristof, 1996).

Job fit is an important concept that involves toning the knowledge, skills and abilities of the individuals with the features of the job. This attitude will upshot their psychological attachment to their jobs and will make them demonstrate positive behaviours in addition to their task performance (Bhat & Rainayee, 2017). This domain of research captures the congruence between the characteristics of individuals (i.e., goals, skills, and values) and the characteristics of organizations (i.e., goals, values, resources, and culture). Congruence between individuals and organizations is achieved in two ways: supplementary or complementary. Supplementary congruence is achieved when the characteristics of individuals and organizations are similar to each other, whereas complementary congruence is achieved when the characteristics of individuals and organizations add something that is missing to make each other whole (Bright, 2007). Job fit is achieved when an individual’s compatibility with a specific job exists, that is, an individual possess the knowledge, skills and abilities which matches the requirements of his job. Job fit can be a reasonable predictor of job performance because individuals with high Job fit are found to have positive work outcomes. Accordingly the hypothesis proposed is:

Hypothesis 1: Job Fit has a positive effect on performance among public workers.

The Nature of Job Satisfaction on performance
Job satisfaction and job performance represent two of the most important and popular constructs investigated in organisational psychology. It is related to the cognitive and/or affective evaluation of ones job and the construct pointing the captures the set of behaviors that are relevant to the goals of the organisation or the organisational unit in which a person works. Empirically it is found that there is evidence of a positive, moderate cross-sectional relationship between them.

There is a reciprocal model of relationships. Satisfied workers show generally higher job performance over time than do unsatisfied workers, and job performance is, in turn, a significant contributor of an employee’s satisfaction with the job (Platis, Reklitis, & Zimeras, 2015; Buckman, Crawford, LePine, & Zhang, 2015; McGuigan, McGuigan, & Mallett, 2015; Alessandri, Borgogni, & Latham, 2017; Raj, Jain, Joseph, Bharath, Antra, & Thomas, 2017). One who feel satisfy on the job is likely to increase their effort to reach better work achievements. Within the specific cases, workers who enjoy their work tend to be able to work harder to achieve maximum results. They with better recognition and support from their leader will try to finish all the task assigned from their leader. It is expected that they with better compensation also have better effort to gain further achievement. Their psychological attachments stimulate their work behavior to reach higher values. Within the political work environment, better recognition from the leader is assumed to open opportunities to reach a better career, and longterm job safety. Thus the logic of those theoretical back.grounds thus in turn bring to bear the hypothesis proposed:
Hypothesis 2: Job Satisfaction has a positive effect on performance among public workers.

The Nature Frequent Job on performance

A routine work with well-defined tasks provides workers to uniformity in service quality because the process is easier to control. It expected that the routine-job then specific rules and standards could be established and effectively executed. Hence, in highly customized services, some aspects of service provision could be made into a routine. Conversely, in a stable and routine job with task certainty, workers only need to adhere to the service rule and menu to serve their consumer that in turn workers achieve a high job performance as defined by the institution (Hsieh & Hsieh, 2001). However others argue that repetitive or routine job restricts workers from task accessibilities (Pierce, Jussila, & Cummings, 2009). Repetitive task is associated with low arousal and increased feelings of constraint, repetitiveness, and unpleasantness (Tsai, 2016). Hence, repetitive task is likely to limit innovation to gather better job performance. However, most psychologist believe that repetitive work promote worker to increase their knowledge, skill, and attitude toward the better achievement of the job. It is likely to work at the on the job training which workers may evaluate their previous work result to open new knowledge on the work correction and improvement. “If you are feeling the pain of a repetitive task, figure out a way to fix it.” (Dimov, Bhattacharya, Lemasters, Atterbury, Greathouse, & Ollila-Glenn, 2000; Groysberg, Thomas, & Wagonfeld, 2011). Hence the hypothesis proposed is:

Hypothesis 3: Frequent Job has an effect on performance among public workers.

The Mediation of Frequent Job on effect of Job Fit, Job Satisfaction, on Performance

There are few studies investigate the role of frequent job to increase the effect of job fit and job satisfaction on public workers performance. Job fit refers to concept of the match between employees’ knowledge, skills, and abilities and the demands of their jobs. Public workers with greater degree of fit between their jobs leads to more positive work outcomes, whereas discrepancy theory suggests that workers who obtain desired amounts of job-related outcomes will demonstrate an increase in positive job related attitudes and behaviors. Hence they with underemployment issues refer to the differences abilities and their actual job requirements that in turn decrease the opportunities to reach a better task achievement. Workers which are higher feeling of job satisfaction have a better commitment to gain success at work. It is shown by full time workers rather than the part time workers (McKee-Ryan & Harvey, 2011). Perceived over qualification at work were negatively correlated with job satisfaction. Yet they perceived fit with their work were positively correlated with job satisfaction. Accordingly simultaneous psychological attachment of job-fit and job-satisfaction are found to strengthen the finding of better job performance (McKee-Ryan & Harvey, 2011; Khodaparast, 2012; Judge, Thoresen, Bono, & Patton, 2001; Iaffaldano, & Muchinsky, 1985; Silverthorne, 2004). However the mechanism of those effects needs to be investigated. Meta analysis of Iaffaldano & Muchinsky (1985) indicates that the correlation between job satisfaction and job performance found low. There were only modestly related to the magnitude of the satisfaction—performance correlation. It is moderated by job level (Petty, McGee, & Cavender, 1984). Whereas Meta-analysis of Kristof-Brown, Zimmerman, & Johnson (2005) indicates that job-fit shows various effects on job performance. Hence the frequent job is believed to strengthen the contribution of the simultaneous job-fit and job-satisfaction effect on job performance. To contribute to this literature and our understanding of the behavioral consequences, this study test the following hypothesis:

Hypothesis 4: Job Frequency mediates on effect of Job Fit, Job Satisfaction, on Performance among public workers
Instrument Validation

All of university staffs of Yogyakarta State University Indonesia are employed in this study. It is included 34.09% female and they represents from various unit (table 1).

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic</td>
<td>6.8%</td>
</tr>
<tr>
<td>Finance</td>
<td>65.9%</td>
</tr>
<tr>
<td>Library</td>
<td>13.6%</td>
</tr>
<tr>
<td>Supply and equipment</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

The 6 to 18 items of instruments represents the Job Fit, Job Satisfaction, frequent Job and Performance are developed based on job description of staff within their business unit. A 5-point rating scale was used to evaluate the level of constructs to measure fit, satisfaction, frequency and performance.

Validity is the extent to which a concept, conclusion or measurement is well-founded and corresponds accurately to the real world. The validity of a measurement tool is considered to be the degree to which the tool measures what it claims to measure; in this case, the validity is an equivalent to accuracy. In psychometrics, validity has a particular application known as test validity: "the degree to which evidence and theory support the interpretations of test scores. It is generally accepted that the concept of scientific validity addresses the nature of reality and as such is an epistemological and philosophical issue as well as a question of measurement. The use of the term in logic is narrower, relating to the truth of inferences made from premises. A test has content validity built into it by careful selection of which items to include. Items are chosen so that they comply with the test specification which is drawn up through a thorough examination of the subject domain. Foxcroft, Paterson, le Roux & Herbst (2004) note that by using a panel of experts to review the test specifications and the selection of items the content validity of a test can be improved. The experts will be able to review the items and comment on whether the items cover a representative sample of the behaviour domain. This study used expert validation process to take account the content validity of instruments.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>s.d</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job frequency</td>
<td>3.327</td>
<td>.46656</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>3.434</td>
<td>.47439</td>
<td>.247</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job fit</td>
<td>3.4909</td>
<td>.40468</td>
<td>.691**</td>
<td>.432**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Performance</td>
<td>3.5148</td>
<td>.47015</td>
<td>.681**</td>
<td>.313*</td>
<td>.712**</td>
<td></td>
</tr>
</tbody>
</table>

Value of cronbach on bold

Table 2 shows that the correlations value among construct are less than .85. Hence based on Fornell & Larcker (Fornell & Larcker, 2012), the convergent validity is accepted. Accordingly it indicates that the values shown represent that between variables do not overlap (diverge) each-others.

Result and Discussion

This study investigates the mediation of Frequent Job on effect of Job Fit, Job Satisfaction, on Performance among public workers. The result shows that the job satisfaction is significantly have an effect on job performance (β=,413**) rather than job-fit (β=,071). However it shows that frequent job partially mediate the effect of Job Fit (β=,071; β'=,.036) and Job Satisfaction (β=, 413**; β'=,.270) on Performance among public workers. It is indicate that frequent job strengthen the effect of Job Fit and Job Satisfaction on Performance. Public workers with fit on their job and feel satisfy with the job, when they do their task repetitively are able to generate higher work achievements. Frequent job can help workers to indentify the opportunities and treat to reach the goal and make the work effectivelly. Public workers which frequently run the task in certain job are able to increase their knowledge, skill, and attitude toward
the job as well as habituation activities. This research model contributes 35.5% to explain the job performance. Accordingly this result finds a robust model to explain job performance of public workers.

Table 3 Regression Result of Mediation of Job Frequency on the effect of Job Fit, Job Satisfaction, on Performance

<table>
<thead>
<tr>
<th>Antecedent</th>
<th>Step 1</th>
<th>Step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job fit</td>
<td>.071</td>
<td>.036</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>.413**</td>
<td>.270*</td>
</tr>
<tr>
<td>Job frequency</td>
<td></td>
<td>.616***</td>
</tr>
<tr>
<td>R²</td>
<td>.191</td>
<td>.546</td>
</tr>
<tr>
<td>ΔΔR²</td>
<td>.191**</td>
<td>.355***</td>
</tr>
</tbody>
</table>

**Limitation and Future Research**

Notwithstanding these contributions, this study has its limitations. Present study strengthened the previous point of views believed to the positive effect of public workers job frequency and job satisfaction on their performance. However this finding indicates to fail generating the model (p value is more than .05) for the effect the job fit on performance. This study allows us to rule out the relationship between public workers job frequency and job satisfaction and their performance. Various theories are proposed to explain the research model, that in turn various style of job fit is dynamically effect of public workers performance. However, diverse situations at public work environment may promote different effect of public workers job frequency, job satisfaction and performance relationship. Limitation discussion on control variable with appropriate theory is challenges to investigate the dynamic effect of public workers performance. Further different and interaction of Bureaucracy style may lead to various response on commitment and the public workers achievement. Hence longitudinal study is needed to strengthen the present findings and investigate the dynamic response of public worker in various regimes.

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Project management performance and project success: The moderation of national culture

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Keywords
Project management performance; Project success; PMPA framework; National culture; Uncertainty avoidance

Abstract
Project Success has not significantly improved despite the advancements in the field of Project Management. This raises query about the effectiveness of the Project Management and its tools. To avoid wastage of scarce resources, project management performance assessment is necessary as “survival of the fittest” best describes the today’s business environment. Pakistan has its own unique National Culture. This culture is specific to our own values and traditions. The self-administered questionnaires were used for collecting data from 384 employees working in different capacity at Project Based NGOs. The sampling technique used was snowball sampling and the software AMOS 22 was used for data analysis. This research tests the relationship between Project management performance and project success and moderating role of National Culture drawing from the empirical data. The findings showed that significant relationship exists between project management performance and project success. Two dimensions of national culture; Uncertainty avoidance and Masculinity significantly moderate the relationship between Project management performance and Project success. The result implies that organizations can increase their project success rate by paying greater attention to project management performance keeping in view the unique national culture that prevails in our society.
The dark-side of charisma and charismatic leadership

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Keywords
Charisma, leadership, manipulation, ethics, performance

Abstract
Charisma and charismatic style of leadership has been a topic of much debate and critique. Charismatic leaders can transform organizations by motivating members to higher levels of commitment and performance by inspiring them with an appealing vision that is highly discrepant to an unsatisfying status quo. However, there is also a “dark side” to charismatic leaders. They can increase risk levels to organizations and threaten the well-being of members. The personalized need for power, negative life themes, and narcissistic tendencies of personalized charismatic leaders can lead to unethical and destructive behavior. Charismatic leaders are perceived as heroes that are able to use their personal allure to lead others and charisma is considered to be used for honorable reasons. The paper challenges Weber’s approach of charisma, and, through the application of a methodological approach of a critical literature review and qualitative analysis of short case studies, the study proves that charisma is a quality that can be developed, taught and acquired through training like any other skill. As charisma regards relationships between people, and, charismatic leadership relationships between a leader and his followers, since it can be developed and acquired by ordinary, the paper shows that charisma can also be manipulated and abused, so charisma can be used for less-than-honorable reasons and thus the ‘dark side’ of charisma. This contradicts the prevailing definitions and positive connotations of charisma and point out the danger of a person learning how to be charismatic. The issue of compromise of morals and ethics by leaders, who use charisma as a tool, is explored in the paper, and, recommendations are provided of how the dark side of leadership can be avoided.

1. Introduction
Charisma is hard to define and since the term is rather intangible, there is no universal definition of it yet (Khurana, 2000). However, scholars have attempted to define charisma several times (Plutov, 2012). Most of the existing definitions agree on charisma being a trait that entices people to follow, as it is perceived as a magnetism, which attracts attention and fascination (Horcher, 2015; Neumeyer, 2015: 4). Max Weber, a 19th century sociologist from Germany, mostly influenced this view, which is accepted until today. According to the scientist, charisma is of divine origin (Weber, 1978: 241) and a ‘gift of grace’, which allows the leader to captivate others (Greer, 2005: 28). Hence, a charismatic person is perceived as extraordinary (Adair-Totef, 2005: 191). However, Weber avoids clarifying where charisma actually comes from (Epley, 2015: 9), which leads to the conclusion that charisma can actually be taught instead only being innate.

Charisma and charismatic style of leadership has been a topic of much debate and critique since the recent past. Charisma by its virtue is abstract and hence the prevailing definitions have turned out to be ambiguous and insufficient to completely encapsulate the true meaning of what charisma is. This paper aims to develop a critique around Weber’s definition of charisma where he describes it as of something that isn’t accessible to the ordinary and that one is born with it. The paper challenges Weber’s perspective of charisma and proves that charisma is a quality that can be developed, taught and acquired like any other skill with training (Antonakis, Fenley and Liechti, 2011). Or that sometimes charisma is more of a relationship between the leader and his followers, which makes him appear more charismatic (Takala, 2010). Further the paper comes to a logical end as to how charisma, because it can be developed and acquired by ordinary, can also be manipulated and abused. That there is a dark side of charisma and the compromise of morals and ethics by leaders, who use charisma as a tool, will be explored in the paper.
The paper uses the methodology of literature review for research and is a piece of inductive study, which is qualitative in nature. The limitations of this method of research are however subjected to selectivity bias and also due to time constraints.

Charisma as a virtue is analysed as per Weber’s definition of charisma where he says that it is a quality that is innate to an individual and not accessible to the ordinary. Various authors have defined charisma as some virtue which is ‘gift of grace’ and almost extraordinary (Adair-Toteff, 2005: 191). The so-called ‘divine origin’ of charisma is rather questionable and is further explored (Epley, 2015: 9). The paper further analyses as to how charisma can be acquired and developed like any other skill. Individuals can be made to appear more charismatic by a certain theoretically designed intervention (Antonakis, Fenley and Liechti, 2011). There are certain techniques to master the art of charisma and be perceived as more charismatic called the Charismatic Leadership Tactics (CLTs), which are discussed in detail with examples of leaders who make use of them.

Also, charisma rather than being an innate quality is rather a process, a process of developing a relationship between a leader and his followers that in turn defines the leader. The feeling of charisma is psychologically attached to belief of the followers and is not related to the leader as such. It can sometimes be in the eyes of the beholder, where due to a situation a person is perceived to be more charismatic, example of Nelson Mandela is used to prove so (Vught, 2013).

Logic would imply that if charisma is accessible to the ordinary and can be developed, it also can be abused and can pose to be dangerous. It can have a dark side to it too. There have been cases in history where great leaders have used charisma as a tool to get power with disregard for morals and ethics. Great leaders posing tremendous charisma who were successful in their endeavours weren’t necessarily ethical (Paschen and Dihsmaier, 2014: 16).

Thus this research attempts to challenge Weber’s definition of charisma in the aspect that it isn’t accessible to the ordinary. It proves using relevant research in the field that individuals can be trained to appear charismatic. That there is misuse and abuse of charisma by the leaders who seem to be charismatic by training, to get what they want by compromising ethics thus giving charisma a dark side, much to the surprise of Weber’s definition which believes it is to be of ‘divine origin’.

2 Methodology

This paper applies literature review and analysis of short case studies. Literature review is defined as “a systematic search of published work to find out what is already known about the intended research topic.” (Robinson & Reed, 1998: 58). It allows the identification of gaps and weaknesses in the prevailing literature (Bless, 2000: 20). Furthermore, it also helps in critiquing the existing findings in order to suggest further research.

Since the paper aims at a critical approach of the existing and prevailing definitions on charismatic style of leadership, the methodology of literature review was chosen so as to:

- To investigate how previous authors have defined and analysed key concepts.
- To give a sense of perspective to our work.
- Demonstrate critical analyses of existing works.

Furthermore, on the one hand the following literature review will make recent research findings become apparent (Webster et al., 2002: 15), on the other it will discover, whether further research concerning the topic is needed, as weaknesses and shortcomings of previous literature will become apparent. The review also helps to explore the particular research question more precisely (Denney et al., 2013: 219) in order to provide an overview of the current context of the explained and discussed topic (Ridley, 2012: 2).

There are several limitations of literature reviews as a research methodology. For instance, in order for a review to reach objectivity the authors will use different inclusion and exclusion criteria to screen potentially relevant studies. However, this process inevitably includes subjectivity in the screening process, especially when numerous researchers are working on the same study, as every author interprets the included criteria differently (Mallett et al., 2012: 449). As a result, conclusions might be misleading due to selection bias or subjectivity whilst consulting the discussed studies.
Additionally, relevant literature, information or studies might be unintentionally excluded from the review due to a lack of knowledge or other reasons, which include time or resource constraints. This means that a high number of relevant and pertinent studies might be missed (Mallett et al., 2012: 449). Lastly, in order for a literature review to reach reliable and pertinent conclusions, the review process is particularly time-consuming and resource intensive. That is because literature reviews focus on particular questions and are very specific. However, due to short timescales for delivery despite of a desire for breadth in research, literature reviews often struggle with time constraints, which might result in incomplete research findings (Mallett et al., 2012: 450).

3. Charisma & Charismatic Leadership

3.1 Prevailing definitions of Charisma according to Weber

Charisma is hard to define and since the term is rather intangible, there is no universal definition of it yet (Khurana, 2000). However, scholars have attempted to define charisma several times (Plutov, 2012). Most of the existing definitions agree on charisma being a trait that entices people to follow, as it is perceived as a magnetism, which attracts attention and fascination (Horcher, 2015; Neumeyer, 2015: 4). This view is mostly based on one of the first definitions of charisma, which was provided by Max Weber, a 19th century sociologist from Germany (Plutov, 2012). Until today, Weber’s definition of charisma is viewed as the groundwork for how we might think about and understand charisma or charismatic leadership, respectively (Epley, 2015: 8).

Weber defines charisma as

“a certain quality of an individual personality by virtue of which he is considered extraordinary and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are such, as are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a ‘leader’” (Weber, 1978: 241).

Charisma as a trait of a leader is therefore something irrational, personal and rather temporary. It is especially unusual, since the possessor of charisma is perceived as extraordinary (Adair-Toteff, 2005: 191). From this it follows, that a charismatic leader is someone who possesses exceptional qualities. The resulting power is legitimised and based on outstanding personal characteristics. As a result, followers accept the leader’s mission and directives for action and behave loyal and obedient (Conger et al., 1987: 637; Bouguerra, 2013). Furthermore, the leader is regarded as ‘The God-sent master’ with a ‘divine mission’ (Takala, 2009: 45). The followers validate the leader and the relationship between the leader and his governed is established through the followers belief in the extraordinary qualities of the leader (Hava et al., 2012: 14). Consequently, charisma is a ‘gift of grace’, which allows the leader to captivate others (Greer, 2005: 28).

It can be concluded, that a charismatic leader, who is god-sent, extraordinary and a gift of grace is first of all regarded as ‘good’; which is the reason why followers will believe in their particular leader. Hence, Weber was convinced that followers believe in an authority or leader, because they perceive him or her to be good, just or right (Epley, 2015: 8). How else could you expect a leader of divine origin to govern?

As mentioned above, there have been several attempts since Weber, which tried to define charismatic leadership more concretely, but to date no generally agreed upon definition exists (Greer, 2005: 28). However, “as extensive research in recent years has shown, charisma is the result of specific nonverbal behaviors, not an inherent or magical personal quality” (Cabane, 2012: 4).

These findings and suggestions are not particularly new, since Weber had already mentioned in his definition that charisma can also be impersonal and therefore might change from a “unique gift of grace” to “(a) transferable or (b) personally acquirable or (c) attached to the incumbent of an office or to an institutional structure regardless of the persons involved” (Weber, 1978: 1135). Scholars and researchers today take up on this and emphasize more and more on the fact that charisma is objective (Epley, 2015: 9). Consequently, this development suggests that against Weber’s phrasing, which describes charisma as “not accessible to the ordinary person” (Weber, 1978: 241), the occurrence of charisma is in fact less exceptional, than originally described by the sociologist. It can be concluded, that from this point of view, charisma itself remains an extraordinary trait, which is yet accessible to the ordinary person. Hence, charisma or the charismatic leader himself cannot be regarded as of divine origin or as god-sent anymore.
Instead, this means that any ordinary person can be equipped with particular traits needed in order to become a charismatic leader. Therefore, despite still being an exceptional and extraordinary trait, charisma is actually learnable and qualified for being taught (Lasko et al., 2002: 170).

Thus, the majority of charismatic personalities are actually able to work hard on their charisma in order to advance it. Over time, leaders like Steve Jobs have gradually improved their appearance and the public usually gets to know them on the peak of their charisma. Therefore, it is hard to believe, that charismatic leaders weren’t always as impressive (Cabane, 2012: 4f.). Weber who avoids clarifying where charisma, the gift, actually comes from actually indirectly undermines the possibility of charisma being taught. Epley (2015: 9) even states that the origin of charisma in Weber’s explanation seems somewhat elusive: “is it genetic, learned, or acquired by some other process?”. Weber furthermore explains that it might also come from certain mental or physical states induced by drugs or diseases (Epley, 2015: 9).

Summarized, Weber acknowledges the fact that charisma can be impersonal, transferable and personally acquirable. He furthermore gives no clear answer to the question where charisma comes from and even states that it can be induced by drugs or diseases. Hence, charisma loses its divine origin, which makes the charismatic person in the lead vulnerable in the sense that he is now unable to be a purely good, just or right authority. The fact that charisma can actually be taught, be it through a teacher or through mind-altering drugs or diseases, leaves room for abuse. This leads to the conclusion that since charisma can be taught, it can be taught incorrectly and furthermore develop a dark side. Therefore, Weber’s original definition of charisma is incomplete and does not cover each aspect or spectrum of what actually defines the term.

3.2 Charisma: Gift of the Gab or Taught/Acquired?

There has always been an extensive debate surrounding the possibilities of whether charisma is innate, i.e. whether a person is born with it or is it a quality that can be acquired or developed or taught. According to a research it is proven that individuals can be made to appear more charismatic by a theoretically designed intervention (Antonakis, Fenley and Liechti, 2011). The research also talks about the influencing tactics used by charismatic leaders referred to as the charismatic leadership tactics (CLTs) and that any individual if trained in the area of the CLTs can demonstrate the characteristics of being charismatic. The concept of CLT’s will further be elaborated in the paper. As a component of leadership, charisma has been subjected to much definitional confusion (Yukl, 1999).

But recent studies in this area has uncovered that charismatic leadership is learnable. About 65% of individuals who received training in the CLTs got above average ratings as leaders as compared to 35% who were not trained. The next section will deal with tactics in detail.

3.2.1 Charismatic Leadership Tactics (CLTs)

Training managers a particular set of charismatic leadership tactics has a positive impact in improving their charisma and thus their effectiveness as leaders. In the study, the researchers assigned a sample of managers from a big Swiss company to either of the two, a training course in charisma and no training. The training included lectures on principles of charismatic leadership, which also included watching scenes from the movies for e.g.- Dead Poets Society. The co-workers assessed the managers before and after the training, which continued for 3 months. The co-workers who were assessing the managers were unaware of the training (Antonakis, Fenley and Liechti, 2011).

In another study, the researchers video recorded the speeches of a group of students before and after the training. The speeches were then assessed and rated on charismatic content. It was observed that training improved the students’ charisma and their perceived effectiveness as leaders.

Thus, the question that arises is what skills were exactly being imparted? The researchers found an extensive list of Charismatic Leadership Tactics (CLTs). As discussed, the word charisma means ‘a special gift’. But if one uses the CLTs correctly, it can convince people to think that you have this gift (Antonakis, Fenley and Liechti, 2011).

The most important ones will be discussed below (Antonakis, Fenley and Liechti, 2012). The usage of stories and anecdotes: The best remembered parts of a speech are often personal stories. They help in connecting with and engaging the listeners. One way of using a story to motivate the
subordinates would be to make it an inspiring one in a crisis situation. Inspiring stories help in reassuring and boosting the morale of the team.

The display of moral conviction: When an individual says, “this is the right thing to do”. It often shows or at least gives an illusion of honesty and integrity as a leader.

Communicate confidence: The leader needs to explain as to why he is worth of having you as followers and not someone else.

The usage of metaphors: Leaders often use metaphors like “We brought our competitors to their knees”. Metaphors are often tools to show off how smart the leader is. Martin Luther King Jr. was a master in using metaphors. In his historic speech, “I have a dream” he compared the US constitution to a promissory note, thereby guaranteeing the unalienable rights of liberty, life, pursuit of happiness to the people and then noted that America gave its black citizens “Bad cheque”. Instantly the public realised what it meant to receive a bad cheque. The message was thus crystal clear and easy to recollect.

Stress on collective sentiments: This demonstrates to the audience that the leader is concerned about the welfare. Often seen as “We will be stronger” in speeches.

Body language: Specific gestures like putting your thumbs up, raising arms, inflating your chest communicates authority and gives an illusion of being more important.

Facial expressions: Nodding, smiling, and looking calm are the facial expressions, that the audiences unconsciously mimic and this makes them feel better in the presence of the leader.

Usage of rhetorical questions: Leaders often frame their sentences in a way that they make their vision appear as if they belong to the audience. E.g.- “Why should you expect this from me?”. Charismatic leaders use rhetorical questions to boost engagement. For example, the founder of the Body Shop Anita Roddick, made use of rhetorical questions to kick start a social responsibility movement which earned brownie points for the company- “How do you make business kinder? How do you embed it in the community? How do you make community a social purpose for business?” this tactic can be used to boost the morale of the employees as well by asking, “So where do you want to go from here?”

Keeping animated tone of voice: Leaders often use an animated tone to keep the audience captivated throughout their speech.

Setting high expectations for oneself and followers: Charismatic leaders bring out passion and inspire their followers by setting high goals. For example, Mahatma Gandhi’s almost impossible and moral aim of freeing India from the clutches of British Empire in a non-violent manner reinvigorated passion in the hearts of Indians. The key to achieving seemingly unrealistic goals is to also convey confidence in achieving them. It is not possible unless the leader gives in his heart and soul into the vision and achieving the strategic goal.

Contrasts: They aid in clarifying one’s position; this is done by putting it in front of the opposite thereby creating a dramatic effect. Reason and passion are merged together to give a propounding effect. Example would be John F. Kennedy’s “Ask not what your country can do for you—ask what you can do for your country”. Contrasts as a CLT is a simple tactic to master and use.

It was a belief that charismatic individuals are born in a certain way, that they are persuasive, extroverted, and naturally expressive. However, recent studies have proven that charisma is not all innate and that it is a learnable skill or it is rather a set of skills that have been put to practice since antiquity. Research in the laboratory as well as the field have indicated that any individual who is trained in “Charismatic leadership tactics” can evolve to be more trustworthy, influential, and leader like in the eyes of the followers. The believed that one cannot be an effective leader because one is not naturally charismatic doesn’t hold true. The managers who were having lowest initial charisma rankings in the studies were able to significantly bridge the gap between them and their peers to whom the CLTs came naturally. Thus, CLTs can transform an individual from a task-oriented leader to more charismatic in the eyes of his followers.

There is a more relevant study conducted recently by Frese, Bimel, and Schoenborn (2003), taught the aspects of CLTs to working managers. They concluded that many of the CLTs can be taught and manipulated for e.g. a laboratory experiment was conducted where some of the markers of charisma were manipulated for example communicating high expectations, using non-verbal influencing tactics.
Leaders who are charismatic are usually very skilled communicators, being able to connect with the followers on a deep emotional level. The use of CLTs can help a leader to be more verbally eloquent. At the same time a leader in order to be charismatic has to connect with his core character, being as honest as possible. For example, Ralph Waldo Emerson, founder of ‘The Transcendental Club’ had a great charismatic presence as he spoke from the heart, never giving up on his beliefs for adulteration. The charismatic style of leadership is used to bring about a difference in the sub conscious level, and satisfying employees expectation of a strong leadership. As more and more leaders look for the charismatic edge, it is important to understand that as a leader, the leadership style should be more of a balanced one. Charisma should be incorporated with those skills that place equal importance to the individual’s health and innermost heart felt desires. The fusion of emotional and spiritual being is paramount to the success of an individual as a leader (Biviano, 2000).

3.2.2 Charisma is a process

It is very recently observed in current theories of leadership that charismatic leadership is a process in which the leaders are seen as a member of the community rather than as a member in charge of his followers (Takala, 2010). It is rather a relationship between the leader and follower that defines a leader. The legitimacy of charismatic leader and as such charisma is psychologically linked to the belief of the followers and in fact not so much is attributed to the leader as such. Thus, charisma is not something that is superhuman or that transcends routine life. In fact, organizations have often shown proof that charisma and this style of leadership is often routinized and can also imparted.

There is because of this tight relationship between the charismatic leader and his followers that there exists manipulation and a dark side to it. Charismatic leadership is a style of leadership that is based on emotions. Weber in fact termed it as irrational. The leader-follower in the case of Osama Bin Laden was very tight and thus his charisma could convince his followers of his powers. In this case, the leader has power over the followers but the followers to exercise power on their leader and thus power becomes legitimated. The followers will only follow when their values are in sync with the leader’s. The relation is thus interactive in nature. Weber characterized charisma as ‘gift of grace’. However, it is seen that charisma is usually seen by followers who are in distress in a leader who is there in a situation at the right time. The illusion of charisma can be created by displaying extraordinary enthusiasm towards distressed followers in a way that they feel he is extraordinarily qualified. Charisma is thus a process between the leader and his followers rather than a gifted quality (Takala, 2010).

3.2.3 In the eyes of the beholder

Charismatic leadership has not got to do everything about just the person. Rather, it has to do something with the situation. One can think of the humble gardener played by Peter Sellers in the movie, ‘Being There’. He lands at the top position in American politics by sheer coincidence as he conveys to the public wisdoms about how the garden can change with seasons. The fellow politicians and the public fall for these traits of his and perceive him as the saviour of the nation. Thus, charisma is sometimes in the eyes of the beholder as shown by psychological research and not innate in a person as stated by Weber (Vught, 2013). This can be explained using a case in point of Nelson Mandela.

3.2.4 The case of Nelson Mandela

Most of the people in South Africa and world were convinced of the fact that racial discrimination was undesirable and needed to be abolished just when Mandela was released from the prison. Thus he became the poster boy for anti-racial discrimination struggle. To add to it was his tremendous esteem and his forgiving nature, which was just what the world was waiting for at that time in terms of a political change of sorts. Thus he was lucky in a way that he was in the right place at the right time and due to the situation was perceived as a charismatic leader, maybe in an ordinary situation he would have been perceived as an ordinary transactional leader (Vught, 2013).

Psychological research has stated that in a crisis situation people tend to gravitate towards wanting a charismatic leader but in a normal situation they prefer to have a task oriented leader (Choi and Yoon, 2005).
3.2.5 Being an outsider

Research indicates that outsiders are perceived to have more charisma. At a situation when people are looking for a change desperately, charismatic leadership becomes important in bringing about a change or a revolution. Charismatic appeal of Mandela was amplified as he was absent for about 27 years from the political scenario in South Africa and given the crisis, he fitted the bill perfectly being an outsider and having a clean reputation. People perceived him as charismatic and someone with the gift of the gab, as also defined by Weber when he defined charisma. However, what most people do not know was that since his childhood, Mandela received ample training in leadership and most lessons came from his adoptive father. The leader of the tribe in South Africa adopted Mandela. The tribal leader, his father, was very diplomatic and concerned about welfare of the countrymen. Mandela saw this as his father solved the problems of different people from all walks of life. Diplomacy was a quality he acquired through these experiences. Thus, when we stay that Mandela was a charismatic leader, one has to take into consideration his personality but also his upbringing and the desperation of the people who needed a leader in that crisis situation who were looking for someone like Nelson Mandela to be their saviour. Thus, charisma is not just an innate quality but the circumstances can also dictate it (Vught, 2013).

3.3 Charisma as a dangerous tool

In order to better understand this following chapter, it will start with a quick and succinct definition of leadership, charisma, morality and ethics. According to Paschen and Dihsmaier (2014), leadership is an inevitable and central phenomenon of our lives. It is a goal-oriented social relationship that means causing other people to follow in an intentional and regular manner, which requires the capability to incur “costs” for others or power (Paschen and Dihsmaier, 2014: 3-5). Furthermore, it is also important to note that not only “leadership is not necessarily good, nor does it necessarily cause good things to happen”, but also “ethical questions are important in leadership, still leadership takes place independently of ethics” (Paschen and Dihsmaier, 2014: 7). Adding to this, these authors also defend that “Charisma in itself is neither good nor bad”, reiterating that great leaders can be responsible by catastrophes or advancements for mankind (Paschen and Dihsmaier, 2014: 29). What we ought to discuss here is, therefore, that charisma being it a “not God-given” (Paschen and Dihsmaier, 2014: 30) characteristic can very well be used for unethical and tragic ends. Thus, meeting with the main argument of this chapter and paper: the abuse of charisma as a tool that culminates in its dark-side.

In pursuance of this, it is also relevant to introduce two very complex and different concepts: morality and ethics. For the purpose of the present paper, morality shall be regarded as norms that are accepted, shared and practiced in a society, thus governing behaviour at a specific frame of reference of time and context, meaning that, what can be “moral in one society can be regarded as immoral in another” (Paschen and Dihsmaier, 2014: 214). Ethics, on the other hand, shall be observed as “the contemplation of the principles that govern behaviour that goes beyond morality”; it is independent of any frames of reference; it searches for generally applicable principles of behaviour and introduces the “conscious self-restraint” concept that prevents a person from doing whatever they could (Paschen and Dihsmaier, 2014: 2014-215).

Building on these concepts, this paper explores further by presenting philosopher Immanuel Kant’s idea of the “universal Laws” based on categoric imperatives, or “unconditional moral laws that applies to all rational beings and is independent of any personal motive or desire” (The Free Dictionary). The universal laws are going to be quickly explored presently. "Act only according to that maxim whereby you can at the same time will that it should become a universal law without contradiction” (Kant, 1993: 30), this can be interpreted as if a person thinks they are acting upon something that is morally correct to them than it is morally correct to everyone in a similar situation (Sober, 2006). Defending again, how morality depends on a frame of context and that it is subjective.

“Act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end, but always at the same time as an end” (Kant, 1993: 36), meaning that we shouldn’t treat people as means to an end they did not consent to rationally (Sober, 2006). This second universal law exposes the fact that to use people as a means “is to involve them in a scheme of action to which they could not in principle consent to” (Anscombe, no year). Consent requires choice, and when a person is oblivious to the other’s motives of action it is breaking this law; for example
in cases of deception and coercion (Anscombe, no year). Moreover, one should respect each other’s ends in the fullest way, however “people’s wants are many, diverse and often incompatible” (Anscombe, no year). Given this, one can deduce that what is moral for one won’t be moral for everyone. The same way that because one considers their actions moral does not make them ethically correct.

What was previously explored is relevant to the present paper because of its connection to the charismatic leader. Charismatic leadership requires power, and part of charisma is the ability to inspire trust through suggestive power (Paschen and Dihsmaier, 2014: 35). “Charismatic leaders are able to sell themselves as saviours from precisely the “fears” that plague their followers at the given time and situation” (Paschen and Dihsmaier, 2014: 38), thus generating trust, becoming like a vicious circle of trust and power. This “charismatic relationship contract” (Paschen and Dihsmaier, 2014: 40) between the leader and the followers can only happen if there is trust, and this means that people are willing to surrender degrees of freedom giving themselves to the cause/common goal. Furthermore, “leadership without morality is a recipe for disaster” (Jacobsen, 2009: 30), meaning that if leaders, specially charismatic leaders, do not possess the sense of morality and abide the previous explained Kant’s moral laws there is a chance that that leadership will have catastrophic outcomes such as the case of Germany’s former leader Adolf Hitler. Hitler “was not exactly honest or over scrupulous in selecting and interpreting the facts” to justify his wrongful actions, and with his extreme interpretations he tried to legitimize morally and ethically questionable actions (Paschen and Dihsmaier, 2014: 106). Moreover, given that “charismatic leaders undergo a history of development that makes it easy to understand why they are then at some point able to form charismatic relationships” (Paschen and Dihsmaier, 2014: 50) and the fact that morality also depends on a specific frame of reference of time and context as well, explains why charismatic leaders were perceived as such in past but such may no longer be the case. Again, with a quick reference to Hitler, his propaganda in the past was based on then current events and socio-economic context, by making those promises to the people, the then chairman of the Nationalsozialistische Deutsche Arbeiterpartei won the democratic elections.

Although this paper has no intention of exploring such facts, it is pertinent to point out that Hitler was such a charismatic leader to the point where people would “erupt into a frenzy of nationalistic pride that bordered on hysteria”, shouting from the top of their lungs, feeling like they belonged to the leader “with body and soul” and only calming down with the reminder that Hitler counted on their obedience and loyalty (Heck, 2001: 23-24). Adding to this, there is also the fact that every single move the then chairman of the National Socialist German Workers’ Party did was within a democratic system that presented opposition and was, at that time, a multi-party system, culminating with his election, by the people, as Chancellor. Building on this abuse of charisma it is also relevant to point out the case of Jim Jones, an American cult leader, “who fuelled by his narcissistic personality, deceived and abused his trusting followers right up until their unfortunate mass suicide in the late 1970s” (2015). Much like Hitler, this leader too started by defending causes that during that specific time frame seemed moral and ethical. Jones “promoted racial equality in his church at a time when that wasn’t widely common, and he had this vision of a peaceful utopia” (2015). It can be deduced that the moral and ethics of the charismatic leader are extremely significant. On the one hand “if they are well-intentioned towards others they can elevate and transform an entire company” (Parrish, 2014) or country like the example of the Mandela case; on the other hand “if they are selfish and Machiavellian they can create cults” (Parrish, 2014) and tragic outcomes like the example of Jim Jones and Hitler.

However, it is also significant to notice that the dark side of charisma does not happen solely on national/international scales, it also happens in corporate and small businesses, with corruption and abuse of power exposed more and more often; for example, “corruption within Enron, WorldCom, Trans Rail and other organizations” (Jacobsen, 2009: 30).

It can be, therefore, concluded that “the greatest criminals in the history of mankind were, in a certain sense, successful leaders, even if their actions cannot be called ethical” (Paschen and Dihsmaier, 2014: 16), meaning that in order to get to a position of power where they could choose to do what they could and wanted, failing to follow Kant’s universal moral Laws, they relied on their charisma as a tool to get there. Thus abusing it by misusing it in an opposite view or set of interests of the people, in the case of a country; or, in the case of a company, opposite to its workers, managers and everyone involved.
4 Conclusion

Charisma is an intangible term that has been hard to define, and there is no universal definition to it. The most common line of thinking on charisma is that it’s a trait that entices people to follow, and its magnetic quality attracts attention and fascination. Weber’s definition of charisma is viewed as the groundwork for how we think and understand charisma and charismatic leadership.

Extensive research suggests that’s against Weber’s phrasing as “not accessible to the ordinary person”, which means that any ordinary person can be equipped with particular traits that can make him a charismatic leader.

The influencing tactics used by the charismatic leaders referred to as the charismatic leadership tactics (CLTs) can be used to train individuals to make them more charismatic. CLTs are the tactics that can be used to make any individual more trustworthy, influential and leader like in the eyes of the followers. Charismatic leadership has not got to do everything about just the person, but rather the situation also plays a pivotal role in the projection of a charismatic leader, for example- Nelson Mandela became the poster boy for anti-racial discrimination struggle, coupled with his tremendous self esteem and forgiving nature was exactly what the world was waiting for at that time.

However, it is vital to understand that leadership doesn’t always lead to good things. Great leaders can be responsible for catastrophic disasters. Ethical dimension is important in the context of leadership, especially in charismatic leadership since a part of charisma inspires trust in the followers.

Since we know that charisma is a learnable trait through the use of CLTs and other techniques, it can also be used by individuals to propagate their personal agendas. They can then turn out to be disastrous to the mankind, if unchecked. The greatest criminals in the mankind were in a way also very successful leaders, even if their actions were unethical. A man could use charisma as a tool to achieve his goals, and therefore it’s important to use it wisely. Of course, it has also to be considered that despite all of the adverse consequences of the dark side of charismatic leadership, not every negative charismatic leader is doomed to failure. There are many examples of narcissistic charismatic leaders who established political empires, founded prosperous companies, or initiated new religious sects and retained control of them throughout their lifetimes.

Charisma can be a relationship between the follower and the leader, and not just the virtue of the leader as opposed to the popular belief that a person just embodies it. How much of it is true? Do the circumstances play a role in affecting the charisma of an individual and is it a case of an ordinary individual being at the right place at the right time? Also, since charisma is a dangerous tool, how can it be contained?

References


Effectiveness of the role of internal audit function: A perception of external auditors

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Keywords
IAF, Corporate Governance, External Auditors, Board of Directors.

Abstract
Internal Audit Function (IAF) is considered as an important element of corporate governance mechanism. It can contribute to good corporate governance only if it operates effectively. There are many stakeholders of IAF like Board of Directors (BoD), firm’s management, external auditors etc. All these stakeholders have their different needs and also have different perception regarding IAF. In this study we tried to explore perception of external auditor regarding the role and effectiveness of IAF. We interviewed four external auditors to explore their perception regarding role and effectiveness of IAF. As per findings, role of IAF includes checking the compliance, evaluation of internal controls, risk management and up to some extent fraud risk management. Current role of the IAF is not so effective, we can make it effective by making IAF independent and strong and by the induction of the personnel with right qualification, skills set and relevant experience. If IAF is working in the organizations effectively external auditor can get help from its working and finding and it can reduce the time and efforts on external audit assignment.
Fraudulent financial statement based of fraud diamond theory: A study of the banking sector in Indonesia

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Keywords
Financial Target, Ineffective Mentoring, Rationalization, Capability, Fraudulent Financial Statement, Fraud Diamond

Abstract
The research aims purpose to analyze whether external pressure, financial stability, financial targets, ineffective mentoring, rationalization, and capability effect on fraudulent financial statements. This study took a banking company listed on the Indonesia Stock Exchange with a total sample of 87 banking companies in 2011-2016. Based on the results of research using regression analysis. Only external variables of pressure and financial targets have a positive effect on fraudulent financial statements. For financial variable stability and ability have a negative impact on fraudulent financial statements. While other variables such as ineffective assistance and rationalization do not affect fraudulent financial statements.
Dividend policy, agency cost, and bank performance in selected Sub-Saharan African countries: the role of market risk

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Keywords
Market Risk; Agency Cost; Sub-Saharan Africa; Impulse Response function; Variable Decomposition.

Abstract
We modelled dividend policy, agency cost and bank performance using market risk as an intervening variable. The study was conducted on 250 commercial banks from 30 selected Sub-Saharan African countries for the period 2006 to 2015. From our long run analysis, we found a long run relationship between dividend policy, agency cost, market risk and bank performance. The disequilibrium will take about 39.5% yearly speed of adjustment to return to a steady state. Also, we found from the two proxies of market risk that, interest rate risk posits negative effect, while foreign exchange risk posits a positive significant effect on the variations in SSA bank performance. Also, evidences from the impulse response function and variable decomposition show that all the variables in the series respond to shocks in performance (ROA) directly or indirectly during the investigated period for the examined SSA banks with dividend policy and agency cost been the most significant amongst them. We therefore recommend that the banking sector in SSA should focus more on endogenous factors and review some of their policies as these contribute more significantly to variations in their performance than exogenous factors.
Impact of Basel accord capital regulation on profitability of Pakistani commercial banks

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Keywords
Profitability, Capital regulation, Commercial banks

Abstract
This study examines the influence of Basel capital requirements on the profitability of Pakistani commercial banks from 2007-2016. By using the static and dynamic panel data techniques this study analyzes the impact of Basel II and III capital requirements on the financial performance of commercial banks of Pakistan. According to the findings of this study, Basel capital regulations have increased the profitability of banking sector of Pakistan. The results of this study also indicate that impact of capital regulation on profitability is different in Basel II and Basel III. Basel II capital regulations have increased the performance while Basel III has not affected the financial performance of Pakistani banks.
Restructuring the world economy through the activities of anti-graft agencies in curbing corruption and financial crimes: A case study of the metropolitan city of Enugu in Nigeria

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Keywords
Anti-graft Agencies, Corruption and Financial Crimes, EFCC and ICPC, Metropolitan city of Enugu, Restructuring the Global Economy.

Abstract
The fact that the global economy needs serious restructuring is not an over statement. As a matter of fact, there is need for the leaders of the world at large to have a forum whereby they would all meet to have an important robbing of minds together to consider various ways whereby this can be achieved. Corruption and financial crimes have eaten deep into the fabrics of the global economy to the extent that something has to be done to curb their nefarious effects and harm which they have already done to the global economy. This paper targets at examining the extent of the effectiveness of the activities of the anti-graft agencies in curbing corruption and financial crimes using the Metropolitan city of Enugu, Nigeria as a case study. Even though the Nigerian Government through the administration of the Obassanjo regime tried to achieve this feat by establishing anti-graft agencies, something more than that has to be done. The survey design was used to carry out this research. Data was collected using questionnaire and personal interviews. Data were analyzed using percentage frequency, while Chi-square-test statistic was used to test the hypothesis. The result revealed that the activities of the anti-graft agencies (among which are EFCC and ICPC) are not sufficiently effective in curbing corruption and financial crimes in Nigeria.

The study recommended that commensurate remuneration and motivational measures should be applied at every level of the workforce. Additionally, the study recommended that the anti-corruption agencies themselves should be corrupt-free before they can be used effectively to check corruption. They should work with honesty, sincerity, uprightness, great sense of responsibility and total commitment, to be able to achieve their target.

1. The Introduction
In the Global Economy, corruption and financial crimes are key issues. The global economy has so much been badly disrupted that it needs to be restructured. Corruption and financial crimes have greatly eaten deep into the fabrics of the global economy that there is need to act hastily to curb their retrogressive and destructive effects before the situation gets out of hands. Many government authorities in different parts of the world have tried in various ways to fight this deadly cankerworm to little or no positive results. The Nigerian government through the regime of the Obassanjo administration tried to fight this deadly cankerworm through establishing the anti-graft agencies, namely: Economic and Financial Crimes Commission (EFCC) and Independent and Corrupt Practices Commission (ICPC). Umar, el. al. (2016) as in Ojiakor, et al. (2017), pointed out very clearly the disruptive effect of this deadly monster called corruption by saying that the world indices of corruption and fraudulent practices have brought about collapse of public/government institutions and multi businesses. They further alluded that fighting fraudulent practices requires a dedicated investigation, dedication and prevention of corruption. Ojiakor, et. al. (2017) in their work also confirmed the fact that Federal Government of Nigeria established various anti-graft agencies so as to nip corruption in the bud. Among these anti-corruption agencies established with specific aims and objectives, all targeting towards total eradication of this deadly cankerworm are EFCC, ICPC, Nigeria Extractive Industries Transparency Initiatives (NAITI), and National Drug Law Enforcement Agency (NDLEA). Nevertheless, this research has brought to light some hidden means by
which the government could comfortably achieve eradication of corruption in spite of the activities of the anti-graft agencies.

1.2 statement of the problem

It is like the activities of the anti-graft agencies have more or less aided the proliferation of corrupt practices in the nation instead of aiding in fighting corruption, for which reason they were established. It is like Nigeria is already badly deep-necked into the menace called corruption. (Ojewere, 2013). The negative impact of corruption seems to be more in the Nigerian Economy. This is mainly because it seems like those in authority who are expected to curb the abnormally are badly deep-necked in the menace. (Ojewere, 2013 as in Ojiakor, 2017).

1.3 objectives of the study

The main objective of the study is to investigate the impact of the activities of the Nigerian anti-graft agencies in aiding the reconstruction of the global economy through curbing corruption and financial crimes in the Nigerian economy.

The specific objective of the Study is to examine the effectiveness of the activities of the anti-graft agencies in aiding the curbing of corruption and financial crimes in Nigeria, using the Metropolitan city of Enugu as a case study.

1.4 research question

To what is the effectiveness of the activities of the anti-graft-agencies in curbing corruption and financial crimes in Nigeria, using the Metropolitan city of Enugu as a case study?

1.5 research hypothesis

The activities of the anti-graft agencies are not effective in curbing corruption and financial crimes in Nigeria, using the Metropolitan city of Enugu, as a case study.

1.6 the scope of study

The area of coverage of this study has to do with the effectiveness of the activities of anti-graft agencies in curbing corruption and financial crimes in Nigeria, using the Metropolitan city of Enugu as a case study. The study also looks at corruption as having disrupted the structure of the global economy, to the extent that checking this nefarious cankerworm in the Nigerian economy will definitely amount to restructuring of the global economy. The geographical coverage is the Metropolitan city of Enugu in Nigeria. Most importantly, the study covers mostly the academia, making use of the perception of the accountants, lawyers, teachers and students through mostly oral interviews.

2) Literature review

2.1 conceptual review

2.1.1 the global economy

The global economy, according to the business dictionary is the world-wide economic activities between various countries that are considered intertwined and therefore can affect other countries positively or negatively. (http://businessdictionary.com/definition.globaleconomy.com/html/) The Cambridge dictionary defined the global economy as the system of trade and industry around the world that has developed as the result of globalization. Globalization can be defined as the ways in which economies have been developing together to operate as one system. Wikipedia, the free encyclopedia also defined Global Economy or World Economy as the economy of the world, which is regarded as the international exchange of goods and services that is expressed in monetary units. According to Wikipedia, beyond the minimum standard concerning value in production, use and exchange the definitions, representations, models and valuations of the world economy vary widely. It is inseparable from the geography and ecology of the Earth. (en.wikipedia.org/wiki/world/).

2.1.2 restructuring of the global economy

Global Economic Restructuring according to the "Women's Education in the Global Economy", by the Women of Color Resource Center in California, USA is a specific set of policies promoted by governments, corporations, financial institutions, and the economic elite to promote a particular model of economic development – that of global capitalism. They also said that this model promotes free trade,
production for the global market, cuts in social services, deregulation, privatization, etc. restructuring is more less a kind of structural adjustment and labor reallocation in the economy. Some studies revealed that recession is a major reason for restructuring. Corruption in different aspects of the economy cannot be excluded from contributing to economic recession. Restructuring of the economy gives rise to underperforming industries. (Figura and Wascher, 2008). It is pertinent to recognize that a lot of employees displaced in restructuring industries relocate to other sectors. Relocation of displaced workers has double effects. While this process of reallocation led to large increases in productivity (and a reduction in labor’s share) in industries shedding workers, it also resulted in prolonged periods of unemployment for displaced workers. Moreover, relocating workers suffered sizable reductions in earnings, consistent with substantial losses in their specific human capital.

2.1.3 fraud, corruption and financial crimes

Ojiakor, et al (2017), in their work titled Appraisal of the Activities of Anti-graft Agencies towards Curbing Corruption and Financial Crimes in Nigeria, defined Fraud as the deliberate, wrongful or criminal deception which is intended towards securing unfair or unlawful financial or personal gain, in order to deprive a victim of a legal right. Furthermore, they said that fraud can be defined as any intentional or purposeful act or omission which is intended to deceive some innocent people, which will eventually result in the victim suffering an unexpected loss, thereby resulting to the perpetrator achieving an unfair or unlawful gain, which is most often in monetary terms. Generally, fraud is a compound word which can be classified into three, namely: corruption, asset misappropriation and financial statement fraud. (Ojiakor, et al as in http://www.dictionary.com http://www.yourdictionary.com/fraud).

Corruption, according to Ojiakor, et al (2017) as in www.accountingtools.com/pay, is referred to as such schemes in which a fraudster intentionally uses his influence in some business transaction in such a way that he violates his duty to his employer so as to gain for himself or some other person, some unlawful benefit. Furthermore, they cited an example of a situation where an employee or some other employees collude with third parties to receive or even offer bribes, extort funds or even get involved in conflicts of interest of payroll fraud.

The International Compliance Association (ICA) pointed out that financial crime has increasingly become of concern to governments throughout the world over the last 30 years. This concern arises from a variety of issues because the impact of financial crime varies in different contexts said ICA. It is today widely recognized that the prevalence of economically motivated crime in many societies is a substantial threat to the development of economies and their stability.

ICA identified the groups of people who commit the various types of financial crimes as follows:
Organised criminals, including terrorist groups, are increasingly perpetrating large-scale frauds to fund their operations.
Corrupt heads of state may use their position and powers to loot the coffers of their (often impoverished) countries.
Business leaders or senior executives manipulate or misreport financial data in order to misrepresent a company’s true financial position.
Employees from the most senior to the most junior steal company funds and other assets.
From outside the company, fraud can be perpetrated by a customer, supplier, contractor or by a person with no connection to the organization.
Increasingly, the external fraudster is colluding with an employee to achieve bigger and better results more easily.

Finally, the successful individual criminal, serial or opportunist fraudsters in possession of their proceeds are a further group of people who have committed financial crime.

2.2 theoretical review

2.2.1 criminal opportunity theory

Hannon, (2002) and published online (2011 ) in his work titled Criminal Opportunity Theory and the Relationship between Poverty and Property Crime, explained that Criminal Opportunity Theory suggests that community economic deprivation has two countervailing effects on property crime. Firstly, that it causes strain and disorganization which may encourage some individuals to offend. Secondly, that
it simultaneously lessens opportunities to engage in property crime by reducing the supply of worthwhile targets in an area. Wikipedia, the free encyclopedia defined the Crime Opportunity Theory as a theory that suggests that offenders make rational choices and therefore, choose targets that offer a high reward with little effort and risk. It further revealed that the occurrence of a crime depends on two things. Firstly, the presence of at least one motivated offender who is ready or willing to engage in a crime. Secondly, the conditions of the environment in which that offender is situated which creates opportunities for crime. All crimes require opportunities but not every opportunity is followed by crime. It was also pointed out that a motivated offender is necessary for the commission of a crime but is definitely not enough.

2.2.2 routine activity theory

This is a theory which suggests that crime can occur when a motivated offender, a suitable target and the lack of capable guardian converge in the same place at the same time. This theory further explains that criminals choose or find their targets within context of their routine activities, such as travelling to and from work, or other activities such as shopping, and tend not to go too far out of their way to commit crimes. (Cohen and Felson (1979) as in National Institute of Justice (NIJ) (2009) Publication).

2.2.3 Reasons for lack of success in fighting corruption in Nigeria

1. Insincerity of government
2. Pre-bargaining and negotiation, highly placed officials caught of corrupt practices are made are made to part with some of their looted funds and are thereafter set free.
3. Low deterrent punitive measures for corrupt practices need to be strengthened.
4. Lack of virile political and social movements to tackle corruption. The mass of the people are to yet to be mobilized in the fight against corruption.
5. Lack of success to public information. A lot of secrecy still pervades government documents, and this underlines the need for the passage of the freedom of information bill presently before Nigeria’s national Assembly.
6. Insecurity of informants. There is a need to enact laws to protect informant. There is as well as reward them.
7. Low public participation in governance.
8. Corrupt electoral system.
10. Systemic disorder [www.bribenigeria.com].

3. Research methodology

3.1 research design and suppliers of relevant data.

The survey design was used in carrying out this research. The practicing teachers, students, professional accountants and practicing lawyers helped in no small measure in supplying the relevant data for this study. Face to face interviews were carried out with the respondents. Enough data were sourced which contributed immensely to aid analysis, hypothesis testing and discussion of findings.

3.2 test of hypothesis and analysis of data using chi-squared test

<table>
<thead>
<tr>
<th></th>
<th>Values</th>
<th>Assym.Sig. (2-sided)</th>
<th>a-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson’s Chi-square</td>
<td>6.464</td>
<td>0.167</td>
<td>0.05</td>
</tr>
<tr>
<td>Likelihood ratio</td>
<td>7.340</td>
<td>0.115</td>
<td></td>
</tr>
<tr>
<td>Linear-by-Linear association</td>
<td>5.530</td>
<td>0.019</td>
<td></td>
</tr>
<tr>
<td>Phi</td>
<td>0.254</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cramer’s V</td>
<td>0.254</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson’s R</td>
<td>0.236</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spearman correlation</td>
<td>0.247</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interpretation of Result

Decision Rule: If Assym.Sig < a-level (0.05), reject H₀ otherwise, accept H₀

With that data under study,
Asymp.Sig = 0.167  
\( a \)-level = 0.05  
In the analysis, Asym.Sig(0.012) < a (0.05)  
Reject Ho, and conclude that the activities of the anti-graft agencies are not effective in curbing corruption and financial crimes in Nigeria.

4. Findings/ results

The result of the Pearson’s Chi-square Test carried out on the hypothesis shows that the activities of the anti-graft agencies are not effective in curbing corruption and financial crimes in Nigeria. Using the Metropolitan city of Enugu as a case study in this research, the result of the activities of the anti-graft agencies has not contributed significantly to curbing of corruption and financial crimes in the nation. The restructuring of the economy of the nation and the world at large has not been achieved. There is the need to find out other more effective ways by which the national economy and the global economy can be restructured.

5. Discussions and conclusions

The findings of this study are in line with the findings of Bayo Oluphonda Report of September 4th, 2012. From the studies it was found out that the establishment of anti-graft agencies in Nigeria has not yielded significant contributions to curbing corruption and financial crimes in the nation called Nigeria. Consequently, the contribution of the activities of the anti-graft agencies has not yielded much in the economic growth and development of Nigeria. This case study of the Metropolitan city of Enugu in the nation Nigeria of the effectiveness of the activities of anti-graft agencies in Nigeria has gone a long way to show us that in actual fact that not much has been achieved towards the economic growth and development of the nation. This being the case, not much has been achieved towards restructuring the economy of Nigeria as a nation, as well as restructuring the economy of world at large. The restructuring of the world economy can be achieved by some other means as recommended by the study, since the economy of the world has been badly damaged by fraud, corruption and financial crimes resulting from poor governance, inadequate remuneration, poor employee incentives, and a host of other fraudulent practices, not only in Nigeria, but in the world at large.

6. Limitations and direction for future research

The major constraint in carrying out this research was the time frame allotted to its implementation. The call for this study was not brought to the knowledge of the concerned researchers on time. The researchers were therefore greatly constrained by this impediment. 
The directions for future research are as follows: 
To find out ways by which National training programmes can be used to eradicate poverty from among the people, to enable them get rid of poverty before poverty gets rid of them. This will go a long way in curbing corruption and financial crimes, and consequently aid in positively restructuring of the world economy. 
To find out means by which payment of adequate remuneration and as at when due, should be made a mandate and not an option by those in authority. This will help in no small measure in curbing corruption and financial crimes. Consequently, the restructuring of the world economy will be a target nearly almost achieved by the global authorities. 
The third suggestion for future research is should be what should be done to achieve zero tolerance for corrupt practices at all levels of governance. How the government, the anti-graft officials, and the citizens as a whole should be corrupt free is a food for thought. How do we go about achieving this? Bribery, corruption, fraud, financial crimes, nepotism, favouritism, marginalization, tribalism, examination malpractices and all such vices should be completely done away with in the global economy as much as possible. How do we go about achieving this? 
How do we go about establishing a forum whereby great minds should gather globally to rob minds as to how to achieve a global environment that will be corrupt-free and consequently achieve significant restructuring of the global economy?
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An examination of the relationship between size and growth of listed firms in the United Arab Emirates

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Keywords
Gibrat’s law, Growth, United Arab Emirates

Abstract
The purpose of this study is to examine the relationship between firm size and growth as shaped by the context of country-specific context of the United Arab Emirates (UAE). The UAE constitutes an emerging market, with smaller less developed stock exchanges than most Western countries, which may limit access to capital. Empirical results reveal a statistically significant and negative relationship between firm size and growth in the UAE across most industries, except for energy, telecommunications, and industrial manufacturing sectors. We conclude that size growth relationships are similar to those for Western countries in that smaller UAE firms tend to grow faster, with a few notable exceptions, an outcome which warrants further investigation.
Addressing infrastructural challenges to local economic development in Kwazulu-Natal province, South Africa: An investigation of the causes and impacts of projects’ overrun

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Key words
Local Economic Development, economic development, infrastructure development, socio-economic impacts, project overrun

Abstract
This article explored the causes of infrastructural project cost and schedule overruns as well as some of their impacts on the outcomes of local economic development (LED). It established the relevance and importance of infrastructure to LED and its outcomes.

A cross-sectional survey was used to solicit the opinion of a group of independent built environment professionals on the causes of project delay and its socio-economic impact. The results showed a combination of factors that borders on project management, technical skills and administrative procedures. It was also shown that some of the LED outcomes that should be derived from the execution of large projects in poor communities are lost to poor project performances in terms of cost and schedule overruns. The results also showed that the widespread use of consultants to oversee the implementation of government projects in order to ensure speedy and quality delivery is more often than not counter-productive.

Introduction
Local economic development (LED) is one of the most widely adopted contemporary economic development approach (Walo, 2016). It essentially a collaborative approach to exploiting the resources and potentials of a locality to boost its economic development (Leigh and Blakely, 2010, Walo, 2016) either by focus on poverty reduction (Nel and Rogerson, 2005), increasing the competitiveness of the locality (Sam, 2014) or via a combination of both (Rogerson, 2010).

Government being part of LED stakeholders has as part of its major role of in microeconomic development, the provision of quality, efficient, an appropriate physical infrastructure as part of a bouquet of general-purpose inputs to business activities (Porter, 2000, Evans, 2009) and it is usually a significant component of most governments’ economic intervention policies (Evans, 2009). This is because physical infrastructure development has been positively linked with many economic development outcomes (Sawada, 2015, Rives and Heaney, 1995). Thus the characteristic inadequacy of physical infrastructure in developing countries thus have significant implications for economic development. Meaning that anything that hinders infrastructural development vicariously hinders economic development (Bhattacharya et al., 2015).

Based on the foregoing background, we examine the causes of the endemic problems of delivery delay and poor budgetary performance issues that are endemic in South African government infrastructural projects delivery using a provincial case study in this paper. We started by exploring the relationship between infrastructural development and local economic development, then we looked extensively into the traditional causes of project delays and budget overruns as well as other infrastructural projects delivery challenges in order to identify the major contributory factors in the context studied. Thereafter, we documented the findings from an empirical work conducted among project managers and engineers working with an independent government institution that oversees government infrastructural projects.
Local Economic Development

Currently one of the major contemporary development approaches in the developing countries, the LED concept can be conceived as locally induced, bottom-up, and decentralised participatory approach to stimulation of the local economy drawing on locally available resources and local potentials (Walo, 2016). LED as a form of local or decentralised response to development as well as to economic challenges and crises (Nel and Rogerson, 2007) has evolved to become a global phenomenon. It is an initiative employed by governments to revive the dwindling response of states to local responsibilities as a result of the onslaught of globalization and economic crises (Bodhanya and Quazi, 2014).

Though what constitute LED varies across climes, the fundamental objective remains largely the same and is succinctly captured by Leigh and Blakely (2010) to include the establishment of a decent minimum standard of living that increases over time, reduction in inequality and promotion of sustainable resource use and production. These authors maintained that these outcome will be achieved via a process of both human and physical development. Generally in order to achieve LED outcomes, the overarching policy across nations and in South Africa specifically has been between operationalising LED as a form of state driven poverty alleviation intervention through direct job creation jobs directly through projects, or the facilitation of economic growth through improving the enabling environment or a mix of both (Heideman, 2011). While the pro-poor LED focus is dominant in rural and semi urban localities in South Africa, the enablement facilitation approach is the dominant in the urban cities (Rogerson, 2010). Consequently the pro poor or poverty alleviation approach is operationalised in form of set of municipal projects aimed at creating jobs (Rogerson, 2006, Bodhanya and Quazi, 2014).

Importance of Infrastructural development to LED Success

Regardless of how LED is defined or practiced in a country or locality, there is no denying the fact that government investment in infrastructure in a locality do positively impact economic development in such locality (Barberia and Biderman, 2010). While addressing the importance of infrastructure in economic development, Bodhanya (2014) explained that "assets and infrastructure are a basic foundation for economic growth, the absence of which means that there cannot be successful LED. Water, sanitation, electricity, transport and communications infrastructure together with associated service delivery to individuals, communities and firms are all components that are required for basic economic activity. The more sophisticated these components are, the more opportunities arise for higher level combinations and more advanced level enterprises. Ailing or deteriorating infrastructure are impediments to efficiency and adds costs to economic activity". Similar sentiment was expressed by Bodhanya and Hardman (2008).

The linkages and impacts of infrastructure to LED outcomes is multifaceted. Access to infrastructure have been noted to increase household income through the mediatory roles of both productivity and production improvement (Sawada, 2015). Similarly, it has a spectrum of indirect effects, such as changing consumption, saving, and investment decisions as well as facilitating accumulation of social capital (Aoyagi et al., 2014). Studies have also confirmed the positive impacts of different physical infrastructures on economic development outcomes; these include the impact of mobile phone network on consumer and producer welfare (Jensen, 2007), the effect of rail network in increasing income per unit of agricultural input (Donaldson, 2010), and positive effect of road network on gross domestic product (GDP) (Banerjee et al., 2012) to mention just a few.

All these underscores the importance of adequate provision and proper maintenance of physical infrastructures to LED on a general note (Rives and Heaney, 1995). However, South African historical peculiarities makes it investments in basic physical infrastructure a major prerequisite for development of many of the localities in the country (Rogerson and Nel, 2016). Thus, accordingly, infrastructure provision has remained one of the LED priority in urban cities where LED is about improving competitiveness and providing enabling environment for business activities. While service delivery related infrastructure remains primary goal of LED in the more rural areas (Rogerson, 2008).

Public Projects’ delay and Cost Overrun

Infrastructure projects’ schedule and cost overrun is a global concern that is more acute in developing economies and south Africa is no exception (Ismail et al. 2014). A typical example of infrastructure project delay and cost overrun in the South Africa is the construction of the stadia for FIFA
2010 world cup event. While 6 out of the 10 stadia were completed behind schedule, the entire project suffered massive cost overrun which amounts to about 267 million USD (which represents 40% above the initial provision) as confirmed by the then South African Minister of Finance in 2010 (Baloyi and Bekker, 2011). The major causes of these performance drawbacks was identified to be material cost inflation, delays in payments and design errors (Baloyi and Bekker, 2011). Ismail et al. (2014) argued that any factor that leads to schedule overrun or delay will logically lead to cost overrun; this is consistent with the correlational relationship embedded in the concept of triple constraints in project management which dictates that any change in any of the triad of schedule, cost and scope of a project will lead to a change in at least one of the other two (PMI, 2010).

The literature have documented numerous causes of these project overruns which include technical factors like design and quality issues, project management and planning issues, client induced factors like delayed payment, change request, relational factor like team members dispute or client contractor disputes, economic issues like inflation etc, contractors issues like inadequate staff complement, skill deficit etc (Ali et al. 2010; Alinaitwe, Apolot, and Tindiwensi, 2013; Baloyi and Bekker, 2011; Ismail et al., 2014; Kikwasi, 2013; Papke-Shields, Beise, & Quan, 2010; Priemus, Bosch-Rekveldt, and Giezen, 2013). It’s worth noting that all these factors works in different combinations on different projects to cause project overruns (Ismail et al., 2014). Murwira and Bekker (2017) categorised the various factors identified across the literature broadly into contractor related, client related and consultants’ related factors. One significant thing about this categorisation is that looking critically at the literature, we discovered that majority of the studies conducted into the causes of project overruns are usually conducted based on one of the three perspectives i.e. client, contractors or consultants’. The uniqueness of this study is that it was conducted from the perspective of a fourth entity which work collaboratively with the aforementioned three.

The construction of physical Infrastructures like roads, sewage and water systems, energy supply, etc is an integral part of economic growth which usually constitutes a very significant conduit of resources into and out of an economy, thus delays in construction often places a huge burden on the clients’ cash flow position (Subramani, Sruthi, and Kavitha, 2014). The South African government budget planning is based on cash flows and projected spending patterns. Poor spending often results in under-provisioning which is detrimental in infrastructure backlogs and associated economic benefits (Madue, 2007).

Methodology

Study design

The study was designed to be a cross-sectional quantitative study. Thus the data was collected using a self-administered survey questionnaire. The study was conducted within KwaZulu-Natal province in South Africa.

Target population and sample

The participants for this study comprised of a group of professional staff of a government owned independent entity that was created to help various government departments fast track infrastructural project delivery. They are mainly architects, quantity surveyors, civil engineers, mechanical engineers, electrical engineers and project managers. Though the entity in question has a national foot print, the study population involved the professional staff with current responsibility for at least one project within KwaZulu-Natal province. This amount to 156 personnel. Using the Barlett et al. (2001) formula, the sample size of 108 participants was selected.

Data collection and analysis

The questionnaire was developed based on previously identified causative factors and impacts of project overruns in the literature. The factors included were however carefully chosen with due consideration to the nature of the participant thus excluding factors like increasing cost of raw materials, staff turnover etc. that can only be addressed by contractors or consultants. The questions were further refined during the pilot study. The questions solicited the participants’ responses to certain statements which sought participants’ views using a five point Likert scale response format seeking their level of
agreement or disagreement with each question/proposition. The Cronbach Alpha coefficient was 0.72 which is within the acceptable range.

Considering the fact that Likert scale that is an ordinal scale and its associated data is usually not normally distributed, Chi square test of association was found suitable and thus employed (McHugh, 2013). However, as a result of incidence of some missing values, Fisher exact test was employed in lieu if T-test to determine the statistical significance of the associations (Gorard, 2013, McDonald, 2014). Frequency tables were also used to check preponderance of opinions where need be.

**Results**

Though project overruns in South Africa is well documented as mentioned earlier, we used two measures to solicit the opinions of the study participants. These are completion of projects on budget and completion on schedule. The survey results indicated that 72% of the respondents agreed that government projects are not being completed within budget while 84% also agreed that those projects are not being completed on time (see Table 1). This the results showed that the infrastructural projects within the KwaZulu-Natal province which is the study location are replete with cost overrun and project delays.

### Table 1: Frequency table for project performance measures.

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q13: Government projects are not being completed on time</td>
<td>22</td>
<td>37</td>
<td>12</td>
<td>6</td>
<td>5</td>
<td>82</td>
</tr>
<tr>
<td>% Response</td>
<td>27%</td>
<td>45%</td>
<td>15%</td>
<td>7%</td>
<td>6%</td>
<td>100%</td>
</tr>
<tr>
<td>Q14: Slow completion of government projects</td>
<td>37</td>
<td>32</td>
<td>7</td>
<td>5</td>
<td>1</td>
<td>82</td>
</tr>
<tr>
<td>% Response</td>
<td>45%</td>
<td>39%</td>
<td>9%</td>
<td>6%</td>
<td>1%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Chi square test of independence was used to investigate the major causes of the two poor projects’ performance indices. The null hypothesis for all the test runs tested assumed the independent factors bear no statistically significant association with dependent factors which are cost overrun and project delays, based on the fact that the default null hypothesis for the chi square test is independence of the factors (McHugh, 2013). A p-value less than 0.05 is taken to show significant association.

Four major causes of cost overrun were identified (see Table 2), these include delays associated with administrative processes during the project, deliberate costs inflation, use of inexperience staff and errors in design and documentation. On the other hand, we tested to see if the practice of basing consultants’ fee as a percentage of total project cost could have influenced them to deliberately allow costs to soar for their own indirect benefit but this did not bear a significant relationship to cost overrun. All the aforementioned factors were found to account for project (schedule) delays.

### Table 2: Major causes of cost and schedule overruns.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Factor</th>
<th>p-value</th>
<th>Inference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost overrun</td>
<td>Long scope change management and approval processes</td>
<td>0.283</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Cost overrun</td>
<td>Design errors, poor quality of documentation and estimation</td>
<td>0.959</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Cost overrun</td>
<td>Deployment of inexperience staff by consultants</td>
<td>0.323</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Cost overrun</td>
<td>Deliberate cost estimates inflation to cover potential shortfalls</td>
<td>0.472</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Cost overrun</td>
<td>Construction cost as the basis of total consultants fees chargeable</td>
<td>0.039</td>
<td>Not a causative factor</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Design errors, poor quality of documentation and estimation</td>
<td>0.240</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Deployment of inexperience staff by consultants</td>
<td>0.131</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Construction cost as the basis of total consultants fees chargeable</td>
<td>0.277</td>
<td>It’s a causative factor</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Deliberate cost estimates inflation to cover potential shortfalls</td>
<td>0.266</td>
<td>It’s a causative factor</td>
</tr>
</tbody>
</table>
The tests for social economic impacts of the poor project performance lead to lower level of direct and indirect jobs creation and lower level of skill transfers in the poor recipient communities compared to what could have accrued in both cases. However, despite the poorer than expected project’s performance, the results showed that participation in some of the projects still help to elevate some of the previous project employees to become startups (SEE Table 3).

Table 3: Socio-economic impacts of poor project performance

<table>
<thead>
<tr>
<th>Measure poor performance</th>
<th>Socio-economic impact</th>
<th>p-value</th>
<th>Inference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost overrun</td>
<td>Low/poor contribution of infrastructural project delivery to skill level in poor communities</td>
<td>0.588</td>
<td>Impacted</td>
</tr>
<tr>
<td>Cost overrun</td>
<td>Less than expected level of employment creation</td>
<td>0.399</td>
<td>Impacted</td>
</tr>
<tr>
<td>Cost overrun</td>
<td>Elevation of project employees to become start-ups</td>
<td>0.377</td>
<td>No Negative impact</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Low/poor contribution of infrastructural project delivery to skill level in poor communities</td>
<td>0.042</td>
<td>No negative impact</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Less than expected level of employment creation</td>
<td>0.323</td>
<td>impacted</td>
</tr>
<tr>
<td>Delivery delay</td>
<td>Elevation of project employees to become start-ups</td>
<td>0.036</td>
<td>No Negative impact</td>
</tr>
</tbody>
</table>

Discussion

Given the status of the project participants it will be noticed that majority of the causes identified for poor performance of projects are project management related. While others speak to the issues of skills and technical competence some are purely administrative. Worth noting is the identification of long approval processes which is characteristic of government bureaucracies.

The issues bothering on technical competence and skills availability is also worth noting, these should be taken together with the problems that arises from the deployment of inexperienced staff to government projects by consultants because that equally relates to skill shortage. A previous study within South Africa has noted that consultants sometimes add marginal or no value to the successful implementation of government projects (Ojugbele and Bodhanya, 2015). Ethical issue was also evident as deliberate inflation of estimated was one of the identified factors.

It was noted that budget or cost overrun limits the contribution of project delivery to skills development and employment creation in the poorer communities; this could be attributable to the fact that cost overrun sometimes lead to abandonment of projects without completion or because of its propensity to lead to rationing of staff. Though delivery delay did not really affect these socio economic outcomes adversely with the exception of employment creation level.

Implications of the study

The study present very insightful findings for LED. Though when infrastructures are ultimately delivered, they will still stimulate and enhance LED outcomes and economic activities especially in the poorer rural communities, but the study shows that a lot of other LED related benefits would have been lost to the poor project performance. Secondly it shows that even if delivery delay did not adversely affect some socio economic impacts like propelling of project employee to start their own business and low skill development within the host communities, prompt delivery could have added more value to those outcomes of LED.

The study findings also lend credence to the thinking that economic development burden cuts across all spheres of government as some if not most of the causes are not within the purview of the government departments in charge of LED to correct, but lies within the mandate of other departments especially those in charge of the different categories of infrastructure.

A close examination of the nature of the causes of the poor project performances also require that attention be paid to the issue of ethical conducts within government projects, and it our opinion that paying more attention to oversight functions on these projects directly by the relevant government departments instead of total reliance on consultants will make a significant difference in this repect.
Conclusion

Though the scope of the results is somewhat limited because of the nature of study participants, nevertheless it still remain very insightful. There is a need for a major rethinking of the widespread reliance on the use of consultants to implement government projects in the country. More effort is also required in the drive towards addressing skill shortage in the country as well as ethical practices within the professional cadres.

References


A review of rural-urban spatial modelling for developmental states: Comparing experiences in China, India and South Africa

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Urbanization, Rural-Urban Integration, Economic Agglomeration

Abstract
Research on the spatial distribution of economic systems spans a wide variety of disciplines – including economics, geography and urban planning. The interdisciplinary connectedness of these disciplines assists significantly in the understanding of overall patterns in economic growth, urbanisation and context-specific social issues. The recent economic gradient of developing countries has been synonymous with rapid economic growth and urbanisation. Although Brazil, China, India and South Africa, which form part of BRICS, experience relative levels of urbanisation, the challenges of rural-urban migration have been analogous. Empirical evidence suggests that rapid urbanisation does not necessarily mean development. Spatial planning models such as the Core and Periphery Model, Small Town Driving Model, Regional Urban-Rural Integration Model, and Urban Rural Network Model, have been experimented by different states in an attempt to curtail the effects of overpopulation in urban areas and to minimise the gap between urban and rural areas. However, during the industrialisation period, much of the successes of these models have been through nationally driven policies such as periodic five-year growth plans that shifted away from agriculture and which have been biased toward radical industrialisation. The contemporary discourse around decentralisation has, over the years, created room for a less concentrated and dogmatic approach to spatial planning. This has, in turn, however, led to much scrutiny of the viability of top-down and bottom-up approaches.

This paper interrogates existing models of planning and compares ways of redressing the increased disparity between core and periphery regions. The findings from the paper expose that the various integrative planning models that have been presented in the different cases, although slightly different, have a strong correlation and relevance to existing planning theory. Furthermore, experiences from the presented cases hint brazenly for more agglomerative and proactive approaches rather than the recurrent reactive approach to populace planning.

Introduction
The emergence of rapidly growing economies in the global fold has reshaped the global political landscape considerably. Of greater importance, is how long-term shifts in global trade and investment are reshaping the world economy and international politics. Chief amongst these developments is the emergence of rapidly growing economies. The decline of long-standing hegemonies through periodic global economic slowdowns has provided space for new regional centres of power such as BRICs (Kahn, 2011). China, India, Brazil and other rapidly growing economies with large populations, are experiencing expansive urbanisation – although at significantly different levels of growth (Acolin, Chattaqraj & Wachter, 2014). Due to the urban transition several challenges have emerged and have led to unsustainable development and inequalities that retard growth (Castells-Quintana & Royuela, 2015). South Africa is one of the most advanced economies in Africa. Its modern infrastructure, high export levels and mixed economy have been its competitive advantage relative to its regional neighbours. However, unlike its Asian and South American counterparts, who have experienced inequalities due to a rapidly growing population, South Africa harbours a segregationist spatial past as part of the legacy of apartheid. Spatial inequality and urban-rural disparities still define the social discourse – mainly due to apartheid master planning and land issues. All this considered, this paper critiques patterns of population
growth and urbanisation in China, India and South Africa – while attempting to find ways to address the increased disparity between core and periphery regions.

From just a “developing country”, China has unwaveringly imprinted its dominance on the world stage over the last five decades. China’s massive industrialisation and mass urbanisation have contributed to its awe-inspiring, hegemonic, international influence. Migration from rural to urban areas has led to China’s rise, since the encouragement of economic reforms in the early 1980s – including the move to a market economy and rapid economic growth policies (Gill & Kharas, 2007). Evidence suggests that the cause of urban migration is often based on income differences between rural and urban areas (Harris & Todaro, 1970). These undertakings have led to some positive spin offs for the Chinese economy – including rapid economic growth, liberalised trade, localised investment and a more liberal outlook for the social system. However, these spin offs do not spontaneously go down without consequences, and the growing Chinese economy has done very little to address the equally growing economic gaps, class inequalities, migrant/urban sprawl, and a host of other demographic issues that are confronted at the local level (Chen & Lu, 2016). According to the World Bank (2015), the strides that China has taken in its economic transformation have been visible in the movement of 260 million migrants from rural to urban areas in recent years. It is also estimated that urban China’s population will reach 1 billion by 2030; this follows a noticeable decline in agricultural jobs given the preference for more industry-orientated and high-paying jobs in the cities (Chen & Lu, 2016). The growing pattern of urban migration due to mass urban development through high quality infrastructure, reliable power and investment in technological innovation, leaves room for current and futuristic dialogue about rural-urban integration and prospective spatial planning for the future (Chen & Lu, 2016).

India (at a growth rate of 7.2%) is arguably the fastest growing economy in the world; this follows the 1991 economic reforms and other recent pro-growth policies its government has instituted. According to the International Monetary Fund (IMF), in 2017, India’s economy was the 6th largest by nominal Gross Domestic Product (GDP) and the third largest by purchasing power. However, India, despite a growing economy, still faces glaring inequality gaps, several health-related challenges, unrelenting poverty, and irrepressible corruption (King et al., 2011). It appears that adequate rural-urban integration planning for India’s population may be vital for the second most populated country in the world. Furthermore, a migrant influx to urban spaces, if not properly managed, may prove costly for its cities and urban areas. Considered to be one of the most advanced countries in Africa, given its advanced modern technology, infrastructure and a stable economy – South Africa has over the years set the tone for its continental counterparts. However, in recent years, economies such as Ghana, Ethiopia and Cote d’Ivoire have come to the fore and have been growing consistently ahead of South Africa. The effects of South Africa’s meltdown cannot, however, be singlehandedly attributed to one factor, and here’s why. The 2008 recession and then the international economic slowdown since 2012 have been contributing factors to the slow pace of the economy, although political instability decreased investor confidence after the 2017 downgrading by S & P (Standard & Poor, 2017) and Fischer and Moody’s. Moreover, the stagnancy in South Africa’s economic growth and urbanisation pattern has also, for a long time, done little to improve the inequality, poverty and unemployment experienced by the majority of the population. In addition to this, the slow process of land reform and growing spatial inequality have somewhat obstructed the whole developmental discourse (Ngucukaitobi, 2017).

The legacy of segregationist master planning by the apartheid regime has barely been tested by the current government. Twenty one years on, a programme consisting of three pillars – restitution, land redistribution and tenure security – has done very little since the inception of the White Paper on Land Policy, 1997 to address the spatial and economic inequality gap across South Africa (Turok, 2011). This is further seen in the unchanged disparities between rural and urban areas, the one-way migration patterns, and glaring income gaps between rural and urban dwellers (Turok, 2011). As a notable powerhouse in Africa, and as a newly recruited member of BRICS, South Africa may, sooner than anticipated, need to learn to control rapid growth and take spatial planning lessons from its counterparts such as China and India – which have experienced considerable challenges with the urbanisation and development discourse.
Aim and Objectives

This paper is an attempt at understanding the challenges posed in BRICS countries, in promoting economic development. The paper shows:

- How urbanisation affects the rate of economic development in BRICS countries
- How international spatial theory plays a role in national integrative policy.
- How integrative theory contributes to the urban-rural disparities and equitable urbanization.
- Some models to use in generating a solution to the issue – to create a balance in urban and rural development for sustainability at both ends.

Methodology

The research method adopted involves qualitative analysis of archival materials, publications of the BRICS Governments and its agencies, and other secondary data related to spatial planning and the United Nations-Habitat. In addition, primary data was obtained through participant-observation; the researcher purposively observed and recorded the state and quality of physical and social infrastructure, of urban spaces under consideration in the South African context. These research techniques were complemented by a review of literature on urban growth, development and spatial theory and integrative theory. The analysis of this body of data provides the evidence that justify the conclusion and recommendations.

Overview of urbanization and development in developing countries

Development has become easily intertwined with urbanisation, which is essentially the spatial connection of people, commerce and infrastructure advancements. According to the World Bank, in 2014, 54% of the global population lived in urban areas (World Bank, 2014). This, according to the World Bank, is expected to increase to 66% in 2050; furthermore, noteworthy is that, of the forecasted 6.3 billion target by 2050, the 2.4 billion increase from the current 3.9 billion is likely to be seen in Africa and Asia (World Bank, 2014).

The World Bank further suggests that the forecasted trends in urbanization in Africa and Asia will offer for the inclusion for pursuing upward mobility across rural and urban expanses, the accessing of better services, and enhancing the quality of life in these two regions (World Bank, 2014). Urban areas tend, on average, to offer higher standards of living than rural areas. However, more urbanisation does not automatically translate into more development – and not all urban dwellers can reap the potential benefits of urbanisation (Chen & Lu, 2016). Cities are generally attractive for different groups in society; capitalists idealise the opportunity of achieving greater profit and extending their clientele, while the working class seek opportunities in the already competitive job market. In addition, urbanisation is known to yield two conflicting results. On the one hand, it offers better opportunities for investors and migrant workers, including a better quality of life, improved infrastructure (e.g. transport, housing, service facilities), skills, innovation, economies of scale and productivity – while on the other hand the agglomeration of economies is likely to produce negative externalities (e.g. disease, demand for more infrastructure in limited spaces, congestion, augmented crime, spatial inequality, pollution and a variety of other environmental issues) (see Chen & Lu, 2016).

In light of the above, it seems that if migration is not handled properly, it will likely perpetuate further poverty and marginalisation for immigrants, and further contribute to the formation of much more complex slum/shantytown situations. In countries such as China, the process of rapid urbanisation has forced cities to adapt to elasticity, the rapid diaspora toward urban areas has gradually congested the city and has created precarious and unintended springiness to the growth of the city, and the consequence of this may be environmentally detrimental if proper planning is not approached enthusiastically (Chen & Lu, 2016). In attempts to curtail population congestion, planners and governments have gradually moved toward a more integrated system of planning that draws closer rural and urban spaces. Recently, Lewis’s Urban-Rural Integration Theory has been a favourable alternative for rural-urban linkages amongst most contemporary planners in developing states, as the need for rapid rural development mounts in order to control urban spill-over and sprawl from the city. Lesetedi, 2003 in (Ndabeni, 2013. p1) defines rural-urban linkages as the following:
“Rural-urban linkages can be defined as the structural social, economic, cultural, and political relationships maintained between individuals and groups in the urban environment and those in rural areas.”

However, this is not necessarily the most effective type of spatial planning for urban-rural integration – particularly because the nature and levels of urbanisation vary, and, sometimes, depending on the context, require more than one planning approach. According to Ndabeni (2013), when planning for rural-urban development it is vital that planners know the pertinent context specific push and pull factors that lead to urban-rural migration and vice versa. Figure 1 below highlights the basic reasons for shifts in migration according to Action Against Hunger (2012). In addition, Ndabeni (2013) mentions access to basic services, transportation convenience and better employment opportunities as key factors influencing rural-urban migration, she further includes high cost of living and unemployment as pertinent influencers to urban rural migration.

Figure 1: Push and Pull factors in migration
Source: Action Against Hunger (2012)

The next section thus focuses on the variance of integrative spatial approaches in the contemporary planning discourse. The section towards its conclusion, further notes how China, India and South Africa are dealing with urbanization rural-urban integrative modelling.

Rural-Urban Integration Models
Core-Periphery Theory
Conventional models for planning such as the 1963 Core-Periphery Model by John Friedmann and other contemporary planning models were largely inspired by Ebenezer Howard’s Garden City Model. These planning theories have been used by planners to identify the spatial distances from the core (Friedmann, 1966). The Core-Periphery Model works on many scales, from towns and cities – to a global scale. In context, peripheral implies that the nature of rural problems is caused by a lack of key resources and assets for economic development. According to Friedmann (1966), the Core-Periphery Model has (in its prime) managed to steer planners meritoriously – as the divide between agricultural town dynamics differed from industrial town dynamics due to the transition in epochs. The idea was essentially to make cities much more competitive globally, and the fixation on them added to the competitive nature of international trade. However, over the past few decades, the influx into urban areas seems to have been faster than was naturally anticipated by this theory, and it appears that many peripheral areas – instead of growing into cities – have been stagnant due to a lack of resources, planning and investment. Urban migrants have left small cities in order to get a better living in cities, while technological advances and infrastructure in the city have created a distinctive variance between rural and urban areas, with the city becoming more attractive but less accommodative. Furthermore, the nature of such complexities has created a significant gap in inequality among cities and smaller towns, and dual economies are extended rather than curtailed. From a developmental perspective, it is important to note this as a shortcoming of
such a theory, and, in addition, with rapid globalisation taking place, the Core-Periphery Theory may fundamentally depend on how governments decide to approach socio-economic issues at a local level.

Small Town Driving Model / Satellite City Theory

The small town driving model mentioned by Zhao (2009) is popularly associated with Ebenezer Howard’s Satellite theory, which is premised predominantly on towns that are built outside big cities. The Satellite theory originated from Howard’s Garden city theory, which maintained that around cities should exist smaller towns which resemble satellites around the planet. This bottom-up approach looks at the agglomeration of towns as pioneeers of development. The Small Town Driving Model favours and focuses on local development, but, more importantly, focuses on towns with a competitive advantage (Zhao, 2009). Towns with resources and scarce skills are likely to develop from this type of approach. These neighbouring towns rely chiefly on sector and industry agglomeration. The sharing of skills, knowledge and infrastructural flows in trade, is encouraged in such a set-up – meaning that growth is systematically shared throughout the cohort.

Regional Urban-Rural Integration Model

Contrary to the Core-Periphery and Small Town Driving Models, the Regional Urban-Rural Integration Model assumes that the whole region should play a collective role in the process of urbanisation. This model argues that towns should not be built to advance the city’s dominance (Zhao, 2009). However, the model further notes that cities should strategically set the tone for the region’s development planning, industry structure and arrangement of infrastructure – while smaller towns unintendedly benefit through trickle-down effects brought by the city’s interlinked coordination.

Urban-Rural Network Development Model / Urban-Rural Integration Theory

Much like the Small-Town Driving Model which focuses on creating town-town networks and the use of agglomeration economies, the Urban-Rural Network Development Model suggested by Chinese author Zhao (2009) borrows its roots from the work of German statistician Ernst Engel, as early as 1847- entitled, *the principles of communism* and later from Ebenezer Howard’s work entitled *Tomorrow: A peaceful path towards real reform*. These two theorists put forward the idea of urban and rural integration; however, emphasis was based on the agricultural and industrial parts of then Europe. The urban-rural integrative model equips the former with comprehensive and coordinated development of urban and rural areas, which means that the body of the main economic activities between urban and rural areas constitutes an orderly relational system and obtains unique functional effects of network organisation through this process. In planning for rural-urban development in this model, the following should be observed: trade of agricultural products, the use of savings, requisitioning of land, labour transfer, and environmental dividends. Accordingly, urban-rural integration means that key factor allocation must be changed from exclusively benefitting urban development through to benefitting a balanced development of both urban and rural areas (Zhao, 2009).

The four models mentioned above, abstractly appear to be somewhat intertwined and relatively flexible, as they are very open to collaboration and integration. These models share a common goal of regional competitiveness, while, on the other hand, merging the underdeveloped world with the fully developed world. It is therefore vital that planners and governments in developing states like China, Brazil, India and South Africa, find a way to marry the pro-poor and pro-growth planning agendas – before considering the execution of planning projects. An interesting approach that could be essential when planning urbanisation for these developing and other developing countries, could be the agglomeration of economies – much like the Small-Town Driving Model and the Urban-Rural Network Development Model.

Economic Agglomeration as a Plan

Agglomerate economic theory was first mentioned by German economist; Alfred Weber in 1909 in his publication *Industrial location theory*. Weber (1909) defined agglomerate economy as a benefit gained from production that occurs at the same place according to a certain scale. Empirical evidence supports the notion that increasing returns to measure constancy gives rise to ‘agglomeration economies’, which is what explains the concentration in urban economies. Haggblade, Peter and Reardon (2010) suggest that
Spatial economies are secondarily a result of agglomeration economics. They refer to urban centres as **growth poles, or nodes of productive activity** (similar to the Core-Periphery Model) that essentially generate their own economic gravitational fields.

According to this view, rural areas develop from increased productivity in urban areas and from the trickled down effects of a city’s agglomeration competency. Haggblade et al. (2010) further believe that agglomeration economies create space for a bigger market reach – for example, the more clients in a specified environment, the more likely firms will want to locate to those places. Therefore, the bigger the specific group in a location, the higher the skills and resource sharing, and the higher the possibility of other firms investing there. What differentiates the new economic geography from the works of *inter alia* Ebenezer Howard, Walter Christaller and John Friedmann, is how modern planning theory has been able to intuitively fuse economic modelling with spatial planning. Post-modern theory articulates and integrates previous work like central place theory, cumulative causation, labour and rent theory, and location theory. Agglomeration economies appear to be more meaningful in reconceptualising spatial planning through the use of scale economies, the spatial extent of the market, and the cost of distance. The concept of *agglomeration-led spatial planning* infuses economic theory with space theory, and further assumes that without the other, effective economic and spatial planning is compromised.

**The Case of China**

Although China has had a rapidly growing economy over the last three decades, the results of prolonged historical dualism in China’s economics have had a protracted effect on the urban-rural discourse. Historically, the 1950-1960 period for China signified an incremental surge in rural to urban migration, to fix this the national agenda invested in structural reforms such as agro-processing in rural areas by government and substantially reversed the trend to urban-rural migration during the 1970’s (Kojima, 1987; Tang, Wing-shing & Jenkins, 1990). According to Wang (1997), these two periods contributed significantly to China’s independence from the world economy and made China self-reliant region that had controlled and effective production and distribution systems between the farmlands and the city. These two stages signified the capability of the that the Chinese to unleash potential in both urban and rural spaces, the strong administrative transfer of funds from rural areas to develop city-oriented development assisted significant in creating regional local economies. The latest ‘open door’ stage by the Chinese, has integrated china into the world economy has diversified economic activities between rural and urban areas, creating a breakdown in the structure of rural and urban and former dualistic economies (Wang, 1997). Figure 2 is a depiction of the Changing Rural-Urban Relations in China during the three stages.

![Figure 2: Rural-Urban Relations in China; Stage 1-3. Source: Adapted from Wang (1997)](image_url)
The rapid increase in rural-urban and urban-rural migration over the years, including the remarkable success of economic reforms and relaxation of institutional controls of rural-urban migration and success of Township and Village Enterprises (TVEs) has been remedial to China’s densification problem (Xingqing, 2009). In addition, the recent adoption of a radical policy to promote rural-urban integration planning in China depicts further optimism by policy-makers in narrowing down spatial disparities (Chen & Lu, 2016). In 2003, the Chinese government implemented the coordinated urban and rural development programme in various cities that is dedicated to eradicating disparities between the two spheres. The use of such policy suggests that the effects of these spatial patterns will be incremental over time, and for the Chinese, these new policies give confidence that the widened urban-rural gap can be halted, and that balanced urban-rural development can be promoted. The increasing rural-urban interaction and integrated regional growth pattern in China is well illustrated by examples such as the Shenyang-Dalian urban corridor and the Suzhou Model (which are be discussed below), where the distinction between rural and urban is rapidly breaking down as economic, political, administration and social forces combine to generate a new urban and regional form (Wang, 1997; Jiang & Zhang, 2011).

Example of Shenyang-Dalian Urban Corridor

The Shenyang-Dalian urban (See Figure 3) corridor is a 30 km long transportation corridor located in the southern parts of Liaoning province in Manchuria. The Shenyang and Dalian corridor and includes a number of the city cores, suburban areas, as well as the surrounding rapidly urbanising rural areas (Wang 1997). According to Wang (1997, p4)

“Geometrically, this urban corridor is dominated by multipolar zones which run mainly along the major transportation lines. At the north of this region is the dominant pole of urban clusters including the large cities of Shenyang (with an urban population of over 4.6 million), Anshan and Fushun (both are over 1.3 million), Benxi (947,000) and Liaoyang (668,900). At the southern end is Dalian (2.5 million) which is the most important port city of Manchuria and acts as this region’s secondary metropolitan centre (SBS, 1996). New Dalian, a new city of a million people, has been planned about 30 kilometres northeast of Dalian city. Between Shenyang and Dalian is the port city of Yingkou (570,000) and the newly-developed economic development zone – Bayuquan is another port.”

Wang (1997) further maintains that the Shenyang-Dalian urban corridor covers less than a quarter of the whole province, but contains 50% of the provincial population. Furthermore, Wang (1997) adds that the corridor produces two thirds of the provincial GDP and gross agricultural and industrial output. The corridor appears to be the major centre for this region, and because of its coastal location- the Chinese government have prioritized it as an economic development zone and economic growth stimulus (Yeung & Hu, 1992). Due to the economic activity in this corridor, the government has committed to upgrading several rural settlements on the corridor in order to promote rural-urban linkages between Shenyang and Dalian (LSB, 1996). According to Mc Gee (1991) the coexistence of both agricultural and non-agricultural activities within one economic region are amongst the biggest utopia of spatial and economic planning. Therefore, the Shenyang-Dalian urban corridor has become epicentre agricultural and non-agricultural activities, with high levels of rural industrialisation, and increasing growth of non-agricultural occupations.
Example of Suzhou

Suzhou is considered as one of the areas with the highest levels of economic development and urbanisation in China and has been arranged as a trial area of an urban and rural integrated development programme by its government (Jiang & Zhang, 2011). Thus, the reform of Suzhou in urban and rural integrated development is not only an inherently context-specific demand, but also an obligation of national and regional development. The example of Suzhou - one of the fastest growing regions in China - points out how proactive spatial planning can transform a rural region.

Suzhou is an original beneficiary of the “South Jiangsu Model”, and has been an unparalleled example of rural-urban development. Since the inception of the 1980s economic reforms in China, Suzhou has taken substantial strides to alter its whole developmental discourse. There has been a further increase in economic activity in Suzhou’s rural economy, including the mapping of developed industry nodes, and this has shrunk the countryside and increased industrialised urbanisation (Jiang & Zhang, 2011). Using integrative statutory planning and a vibrant industry, has contributed to the Suzhou’s speedy development and sustainable urbanisation. The Town and Country Planning Act implemented by Suzhou’s government includes urban system planning, urban master planning, town master planning, and village planning. This legislation fuses diversified planning systems that revolve around socio-economic and environmental cautions, and, accordingly, the plan furthers urban-rural integration planning that is aimed at covering urban layout planning, industrial development planning, land-use planning, and urban-rural integration system innovation (Chen Junliang, 2009). The exchange in resources between the different worlds - including the supply of public goods and services such as infrastructure, compulsory education, health care and social insurance - will be catalytic if channelled decorously (Jiang & Zhang, 2011). In addition, urban-rural integration means that this amalgamation of two disparate spaces will require sufficient buy-in from policy-makers and local investors if the gap is to be shortened rapidly. Suzhou has, however, set the tone for most Chinese regions, and its progress will be a lesson for other Chinese provinces.

The Case of India

Urbanisation in India today is a complex and multifaceted discourse. Its rapid economic growth and spatial dynamics are synonymous with booming, unplanned and unsustainable megacities with unparalleled spatial disparities. Notably, with urbanisation levels just below 34% in 2016, India is...
considered to be the least urbanised country among the top ten economies of the world (World Bank, 2015).

An empirical study on the urbanisation of India’s cities and towns concluded with three significant findings on Indian urbanisation. Firstly, Cali (2008) notes that disparities between urban-rural have contributed significantly to the uneven economic and spatial development patterns of India. In addition, the study further noted a negative correlation between the population growth of India and urbanisation. Lastly, evidence has suggested that over the years there have been convergences in growth rates among all Indian towns – with more and more agglomerations gravitating toward the biggest cities (Cali, 2008). It seems that agglomeration contributes to creating economies of scale and sustainable development. However, notable disadvantages of such development include the potential for growing further inequality. That said, it is important to understand the nature and effect of urban agglomerations and their effect on a rapidly developing economy – before pursuing such an approach.

In reviewing India’s dynamism in terms of economic growth, Kotwal, Ramaswami and Wadhwa (2011) note that in India – unlike other developing economies where agricultural labour fell during their developmental phase – the share of agricultural employment has instead risen continuously in India. However, unlike India’s regional counterparts in Eastern Asia that focus on manufacturing as their main source of growth, India relies very much on the service industry (Chandrasekhar & Sharma, 2014). For this reason, India’s growth story appears to follow a very different storyline. While India has sustained an annual GDP growth rate of over 5% over the last decade, it has experienced substantial jobless growth – particularly in rural areas. This has raised some pertinent questions regarding India’s urbanisation, such as: “How urbanised is India, the size of its peripheral, the saturation of its cities?”; and “What rural-urban migration is implied for urbanisation, poverty and unemployment patterns across rural and urban India?”.

It was envisaged that the establishment of a 3-tier structure in 2005-2006 for decentralised planning in urban areas under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), by the government of India, would result in strengthened rural-urban linkages. According to Chandrasekhar and Sharma (2014) however, five years later not much has been done and the plan did not usher in a new era in urban planning or significantly strengthen rural-urban linkages. Migration, particularly net rural-urban migration, was expected to speed up in the 1990s with the inception of economic reforms and acceleration in economic growth, but this has not necessarily been the case. In some countries – notably China and Indonesia – migration and reclassification has accounted for 70-80% of urban growth in recent decades (United Nations, 2005). Furthermore, in India, it appears that urbanisation between urban-rural areas has been tricky. The over-crowding of urban areas has led to a derelict quality of life in Indian cities, while rural areas have seen less economic growth and spatial development given the increased migration to megacities (King, Rathi & Sudhira, 2011). Rural poverty-induced urbanisation has resulted in a shift of rural poverty to urban poverty, with the emergence of slums in all the major Indian cities – where the urban poor live in dismal conditions without basic amenities such as water, sanitation, safe shelter, and health facilities.

McKinsey Global Institute (2010) estimates that the population of urban India is likely to increase from 340 million in 2008 to 590 million in 2030. It further projects that the states of Punjab, Gujarat, Tamil Nadu, Karnataka, and Maharashtra, will be more than 50% urbanised. With this immense urbanisation anticipated in India, along with the continued urban migration of the rural poor – a decent life in the major cities will become untenable for many. King et al. (2011) further notes that a lack of integrated spatial planning looking into the development of infrastructure, basic amenities, educational and health needs in the rural areas, small towns, and cities – has led to “rural push” factors that push people from the rural areas, small towns, and cities into the large metropolitan cities. This is without the cities having adequate, functional infrastructure to help the population mitigate the impact of this urban explosion and to plan for the future. It is crucial to balance the demands of high growth on the one hand and to ensure sustainable growth on the other hand. In the assessment of King et al. (2011), it seems that, in the case of India, the urban agglomeration model has adequately not worked to integrate the rural and urban areas, and thus there is an imperative need for an alternative bottom-up approach that encourages a spatial and economic design of rural areas and smaller towns, that makes urbanisation sustainable. This requires
investment in inter-regional transport and telecommunications to facilitate the deflection of economic activities from the mega cities; it also requires fiscal decentralisation – so that smaller cities are connected to bigger cities and towns.

*Example of New Delhi and Gurgaon*

In terms of land use planning in India, the case of Gurgaon and Delhi is a good example of rural-urban linkages, due to investments in road networks along with government infrastructure, during the last ten to twelve years, Gurgaon has experienced and increase in population, land value and land use (Gupta, 2014). In addition, due to the exchange in mobility and effects of urbanization, commercialization and industrialization between Delhi and Gurgaon, according to Gupta (2014), in 2011, it was noted that the population of Gurgaon district had grown by 44.15% in since 1991. In 2011, the total population of Gurgaon was standing at 2.63 million in 2011, it is further estimated that it will grow up to 4.33 million and 5.83 million in 2021 and 2031 respectively (Gupta, 2014). The above case illustrates just how less developed secondary regions like Gurgaon can benefit from the trickledown effect they receive from being geographically closer bigger metropolitans such as New Delhi. The above example between Gurgaon and New Delhi quite distinctly depicts the example of how the metropolitan functions as a growth pole through the Regional Urban-Rural Integration Model as a means to advance developing towns and new cities.

*The Case of South Africa*

As a new member of BRICS, South Africa has a very good chance of benefitting from rapid growth – with potential to increase demands for export commodities through the recently established broad-based clientele across the globe. While South Africa has maintained reasonably sound trade equilibrium, it needs to do more to enhance skills and productivity competitiveness in areas of comparative advantage. Given that South Africa has the second largest economy in Africa, its inclusion in BRICS has further boosted its geopolitical significance. Its economy constitutes a third of economic activity in sub-Saharan Africa, and 80% of economic activity in the Southern African Development Community. The probable exchange of skills and knowledge among South Africa and other BRICS countries will potentially lead to more competitiveness in the job market, which may well help lift labour-intensive exports. In addition, with the visible decline in agriculture in recent years, it appears that there will be a visible decrease in incomes in rural areas – meaning that rural households will be forced to develop new and more innovative forms of livelihood strategies or even have potential migration to cities. The rapid industrialisation and urbanisation wave of other developing countries may well hit South African shores sooner than anticipated. Therefore, the need for adequate spatial planning for cities and town will soon be an imperative in order to ensure future sustainability.

The tricky part for South Africa’s futuristic planning however lies in addressing the effects of the pre-democratic land dispossession laws that still determine the livelihoods of many South Africans ~ 24 years after the end of apartheid. For example, policy such as the 1913 Land Act and the 1950 Group Areas Act were deliberately designed by Afrikaner colonialists and later the National Party to construct racial, economic and spatial inequality among South Africans. The Acts purposefully divided South Africa along racial lines; black South Africans, Indians and coloureds were forcibly moved and confined to less favourable areas and were stripped of land ownership – while white South Africans enjoyed the privilege of the apartheid system. The remnants of such obscure spatial planning left the post-apartheid government with the daunting task of linking spatial planning and infrastructure development between previously disadvantaged areas in rural areas and townships, with privileged urban areas. Interestingly, two decades after apartheid, according to the World Bank (2015), the Gini coefficient for South Africa was estimated at 0.63 % in 2015 – the highest in the world. Accordingly, South Africa lays claim to the most unequal cities in the world. In areas such as Cape Town and Johannesburg, racial and spatial disparity can still be seen in demarcation dynamics more than two decades after the end of apartheid. Socio-economic divisions are closely knitted between neighbouring locations such as Hout Bay and Imizamo Yethu.

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Township (see Figure 4); Sandton and Alexandra (see Figure 5); and Morningside & informal settlements on its edge (see Figure 6). These areas are stark examples of how spatial equity has evaded adequate redress in the democratic era.

Figure 4: Hout Bay and Imizamo Yethu Township (right) (Cape Town)
Source: http://unequalscenes.com/hout-bay-imizamo-yethu

Figure 5: Aerial view of Sandton and Alexandra (Johannesburg)
Source: http://unequalscenes.com/alexandra-sandton

Figure 6: Morningside and informal village (Durban)
Source: http://unequalscenes.com/durban-metro
There has, however, been some progress in the quest for spatial and economic equity between developed and less developed areas – particularly in terms of new transport systems and bulk infrastructure development in certain areas. This has been evident mainly between cities and townships and less with rural areas – which generally fall on the outskirts of the periphery. Strategic spatial planning in the post-apartheid era has attempted to promote more accommodative and integrated cities to redress the patterns of past inequality. Although some projects have been successful, the general consensus on the success rate of rural-urban integration has been that it has been rather dismal. This can be partly attributed to shortfall in respect of the land reform, the inadequate resources of local municipalities and deeply rooted corruption in government.

Johannesburg, Cape Town and Durban are South Africa’s economic capitals and have strong global and African links. What’s interesting though, is delayed discussion of the emergence of nearby contemporary secondary cities and towns as futuristic financial capitals. Accordingly, urban-rural migration is not always restricted to large urban centres. For example, in the Philippines, according to von Braun (2007), migration to peri-urban centres and small neighbouring towns is common as they offer urban-like opportunities in education and employment, and secondary cities or secondary urban centres in Latin America have recently attracted new investment and industries that would have previously been directed to large cities. As a consequence, these towns have also increased their role as migration destinations (Tacoli, 1998). Because of the core and periphery spatial divide created by apartheid, developed cities have maintained their status quos as hegemonies in the economy, and have left little room for emerging towns to develop – thus coercing a continual one-way pattern of migration to urban centres and contributing to a deficit in skilled labour in less-developed areas. Of late, as an attempt to lessen the spatial inequality gap, some local governments have mutually entered into memorandums of understanding with local investors and civil society through initiatives such as Public-Private partnerships (PPPs) – with the piloting of large-scale human settlement and mixed-use projects.

**Peri-Urban-Urban Integration in Johannesburg and Durban**

This bottom-up approach has proved relatively successful in some cases where the framework has been consultative and open among the various stakeholders – including the affected communities. Of note, however, is how the increase in city-driven developments in South Africa has, to a certain extent, addressed the basic issues of spatial inequality. In Johannesburg – particularly between Sandton and Alexandra where there is a constant flow of traffic with people commuting from Alexandra Township to urban Sandton – there has been experimentation with residential developments which mix low- and middle-income housing provided by the private and public sectors in these areas (COJ, 2009). While the Johannesburg Metro has experienced considerable growth on the urban edge, problems around spatial planning still loom in complexity, as the density of the city continuously grows (COJ, 2009). EThekwini Metro similarly to Johannesburg Metro also draws a comparable strategy of integrative development through consultative projects such as collaborations with reputable local stakeholders like Tongaat Hulett (a significant role-player in the agriculture and real estate sectors in the province of KwaZulu-Natal) that has joined forces in a number of mixed-use developmental projects with the eThekwini Metro. These include the construction of middle income housing, malls and transport infrastructure on the outskirts of peri-urban Durban – for example, Cornubia, Bridge City and uMhlanga Ridge Town (Charlton, 2009; Department of Housing, 2004; Sutherland, Robbins, Scott, & Sim, 2013). In less developed areas such as rural areas, however, development of this kind can be problematic. In fact, the formation of such partnerships can be a challenge, as issues of land ownership and tenure come into effect. In addition, rural local government further faces issues of being under-resourced financially, tender corruption, and also a lack of clear policy that endorses such opportunities. Empirical evidence on relations among local stakeholders in rural areas by Mdlalose (2015), suggests the multi-layered disconnect in communication between the traditional council and the respective local governments is an underlying but also pertinent factor to counter-progressive integrative planning, and also a level of distrust with regard to developmental projects. Such complexities in governance demonstrate how politics often gets in the way of development and appropriate spatial planning. Outside stakeholder dynamics, however, it appears that local government in rural towns focuses greatly on day-to-day functions – rather than on the long-term developmental agenda.
The biggest counter urbanisation challenge faced by rural towns is the scarcity of competitive space, and the fact that vast pockets of land are diversely owned that make it a challenge for planners to plan and for local government to attract foreign direct investment (FDI) (Todes, Kok, Wentzel, van Zyl & Cross, 2010). However, even though there have been a handful of successful initiatives in less than a handful of rural towns, most cases have been disappointing. In essence, South Africa’s land dynamics play a central role in determining South Africa’s spatial future; the above factors therefore, make it an added challenge for integrative approaches like the rural-urban integration theory used in parts of China to successfully work within South Africa’s current confines. The economic stagnation of most rural and peripheral areas can perhaps be attributed to weak financial capabilities of firms, ‘second best’ technologies, and a dependence on external knowledge sources. Incremental notions of innovation suggest that branch plant economies and low-technology regions can also be repositories of forms of practical know-how that provide localised competitive advantage (Malmberg & Maskell, 1997).

Conclusion

Urban agglomerations are very important to understand, because they give a detailed indication about area synchronisation (UNDP, 2014). Chen and Lu (2016) suggest that, when planning ahead for future urbanisation and urban-rural development, developing countries should aim at a policy that gives leeway to the spatial agglomeration effect and creates a type of process that allows for social harmony in the cities. In the same breath, Gill and Kharas (2007) further suggest that in countries such as China, cities are best positioned to push the regional urbanising and development agenda of the country, and that this can be done by observing some significant points; firstly by information sharing. According to Gill and Kharas (2007) having more input, producers will enjoy a larger supply of input to give play to a scale economy, and because of this the market demand will also be higher since input sharing by local venders will increase as they provide highly specialised products and services according to demand. Secondly, the process of learning, through spatial agglomeration helps accelerate the flow of knowledge among labour and business in different industries. In addition, Au and Henderson (2006) note that the scale effect mainly comes from diversified inputs in the process of population agglomeration. Lastly, Gill and Kharas (2007) include matching as a catalytic feature in spatial agglomerations, in a perfectly competitive market; enterprises, through input, can adequately locate the most skilled labour and employees within the designated space. In planning for city-propelled development and urbanisation in China, an important factor that may cause discord during rapid urbanisation, however, is the formation of a dualistic society caused by polarisation between hukou and non-hukou populations – which is attributed to the household registration system (Chen & Lu, 2016). For China to avoid hitches, discrimination-free public services and equal development opportunities must be encouraged. Furthermore, according to Ding and Zhao (2011), efficient gains would be significant if current SEZ (Special Economic Zones) are integrated with each other as well as with the city proper, if university towns are further developed to accommodate no more than a few colleges, and if CBDs are concentrated with high-value activities. Ding and Zhao (2011) however, insist that mixed land use may not be an appropriate policy instrument to promote smart growth in Chinese cities, because of the high degree of existing mixed land-use patterns.

In the African context, as noted in the beginning, South Africa’s joining BRICS will be a kick start in the right direction for the African economy. However, the planning approach used by the Indians and Chinese may need to be tweaked if there is to be any chance that it will work in South Africa. The idea of city-centred development may not necessarily work for African countries, and this is why, between urban and rural areas, the gaps are glaringly wider due to factors like colonial master planning and population size. In contrast to India and China which generally have dense urban and rural populations due to the their large populations, South Africa and many other developing countries, on the other hand, may find the idea of centre-periphery development challenging, and here’s why. First, the technological, infrastructural and educational gap between urban and rural areas is too large, and therefore the agglomeration effect for smaller populated developing countries may create an even wider gap across regions. Second, the gap between the city and rural areas is widened – not necessarily because of geographical distance, but, as there is no real exchange of resources, the one-way input like the flow of migration moves towards cities, and, interestingly, rural areas are left with no option but to be consumers of the city Todes et al. (2010). Therefore, balanced regional development by means of a rural-urban
integration model would be an interesting option for South Africa at present – even though this may sacrifice the pace of rapidly developing cities like Johannesburg, Durban and Cape Town. Moreover, as a short-term goal, robust local investments on the current major and secondary cities may be what South Africa needs, but at a longer term, when rural areas have reached a certain development level, the spatial agglomeration of local markets would also create competitiveness among urban and peri-urban areas and therefore burn the bridge between urban and rural areas. In essence, three principles of urban-rural integration planning should be taken into account: respecting public opinion, the protection of arable land, and intensive development. The benefits that are traceable to urbanization will continue to elude people and developing countries due to lack of vision, planning, good governance, transparency and accountability.

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Interest rate and investment decisions: The Nigerian scenario

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Key words
Interest rate, investment, monetary policy rate, maximum lending rate, savings rate.

Abstract
Interest rate policy is perhaps one of the most controversial policies in Nigeria and has drawn the attention of several scholars, thus, its contribution to the investment base of the economy remains unclear. This paper therefore, examined the impact of interest rate on investment in Nigeria between the period 1981 and 2015. Secondary data were collected from the Central Bank of Nigeria Statistical Bulletin 2016. The study estimated the Johansen Multivariate Co-integration model and Error Correction Model (ECM) to analyse the data. Results of the co-integration test shows the existence of a long-run relationship between the proxies for interest rate (MLR, MPR, SAVR) and investment proxied by Gross fixed Capital formation (GFCFG). The ECM result revealed that MLR and MPR have negative and statistically significant impact on investment in Nigeria. While SAVR has a positive impact on investment but its impact is not also statistically significant. The ECM also indicates that 40% disequilibrium that occurred in the previous year would be corrected in the current period. This paper concludes that high interest rate inhibits investment, thus, it is recommended amongst others, that monetary policy rate and lending rate be reduced to a single digit to make it attractive for investors to access funds. This would translate to economic growth in the country.
Gross domestic product deficiencies as indicator of sustainable development. The case of Mexico

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Key words
Gross Domestic Product, Mexican Republic, Model of Subjective Preferences, Sustainable Development.

Abstract
Since 1934, the Gross Domestic Product (GDP) has been considered as a valid indicator of progress, well-being and sustainable development. In economics, it has been the most relevant measuring indicator and the most widely used because international political-economic relations are based on it. In 2012, during the World Summit of Sustainable Development, Rio+20 the use of the GDP as a measure for development and prosperity was discussed and additional indicators for the GDP were proposed to measure natural wealth, social well-being and progress. The goal of this document is to prove deficiencies in using the GDP as the single indicator for sustainable development in Mexico. Different comparisons and analyses on sustainable development were performed in all states in the Mexican Republic.

The study was developed in two stages. In the first stage, only economic indicators were considered, analysing the contribution that each sector had on the GDP. On the second stage additional indicators related to all the dimensions of sustainable development; economic, social, environmental and institutional, were used.

The methodology is supported on the Diffuse Model of Subjective Preferences. The results show that in the case study, the GDP is not ideal as a single indicator of progress, well-being and sustainable development in an economy.

Introduction
Since 1934, the Gross Domestic Product (GDP) has been regarded as a valid indicator of progress, well-being and sustainable development; it has been the most relevant indicator to measure progress, the most widely used because political-economical international relations are based on it. Economic growth, measured through the GDP has been considered as the main goal of the political economy in a country since it is believed to increase employment and sustainable development in the regions. During the World Summit on Sustainable Development Rio+20 held in 2012, the use of the GDP as a measure for development and prosperity was discussed. Limitations were acknowledged as a measure for well-being and sustainable development, therefore complementary indicators were proposed to measure natural wealth, social well-being and progress. In this way countries could make decisions based on information that was closer to their reality as well as leverage the development of regions which in turn would allow them to move to an economy with stable levels of social well-being and sustainable development. Often, those involved in making important socioeconomic decisions are trapped in short term engagements. With studies supported in adequate management it is possible to make short and long terms objectives compatible, therefore moving towards a healthier economy with stable levels of social well-being and sustainable development.

The aim of this study is to prove deficiencies in using GDP as the single indicator of social development by analysing the case of all the states in the Mexican Republic. The process was carried out by comparing and analysing Sustainable Development in each state. The study was developed in two stages. In the first only economic indicators were used, analysing the contribution of each sector to the GDP, while in the second, additional indicators associated with all dimensions of Sustainable Development; economy, social, environmental and institutional, were used.
The supporting methodology was the Diffuse Model of Subjective Preferences. The results proved that the GDP was not suitable as a sole indicator for progress in an economy’s well-being and Sustainable Development.

The Gross Domestic Product
Since it was created, the GDP was used primarily as a tool for quantify an economy’s production. Simon Kuznets, creator of the unified American accounting System, was the developer of the GDP in 1934, which became, since then the most used indicator to measure development and economic growth (Rikfin, Kuznets, Torre-Marín, 2005). In a simplified form, the GDP can be defined as the monetary sum of goods and services that are produced in a year in a specific geographical area. Its importance relies on the fact that it measures the level of production, which is one of the objectives of economic theory. The higher the GDP, the higher the production of goods and services, and therefore, higher level of well-being, development and progress. This is the reason why economic growth (on the GDP) has been related to development (Torre-Marín. 2005).

In order to establish the GDP, only goods and services destined for consumption and valued at market price were considered. Since the GDP reflects the movements of the market, products and services that are out the market were left out of the estimation and likewise, it did not include in its estimate environmental damage that resulted from economic activities and did not offer an appropriate valuation of the situation of the inhabitants. Considering the increasing inequalities growth in GDP does not necessarily mean that the population is better in economic terms and even less in terms of quality of life (Endara, 2013).

Nevertheless, GDP is a standard indicator widely used to measure and compare economic performance based on its own significance and also due to the influence that it has other important indicators such as employment and public accounts. It is common that conclusions about social wellbeing are drawn from this indicator because traditionally the availability of goods and services is associated with a higher quality of life (Endara, 2013).

The deficiencies of the GDP as indicator of sustainable development
GDP is the most used indicator to measure the success and evolution of any given economy. It has also become the more generally accepted indicator to make international comparisons between national economies. Nevertheless, the idea of using GDP to measure the level of production and well-being at the same time has created certain controversy. In 1934, S. Kuznets suggested that a country’s well-being would hardly be inferred based on measuring of its production (Aguado, R., Martínez, J., 2011). Sustainable Development is another concept that has been related to the GDP, and has recently acquired relevance. It emerged in the nineteen-eighties because of voices alerting about the need to consider the planet’s growth limits in an environment in which imbalances and its unsustainable character and the negative effects on the environment from dominant economic development models would result, in the short run, in natural resources depletion of the physical environment (Pinto, I., Gil-Lafuente, A.M., 2013).

Due to consequences of economic growth created in both the environment and society, in 1987, the United Nations (UN) created the World Commission on Environment and Development (WCED), known as the Bruntland Commission. Its goal consisted on studying sustainable economic development, based on the first definition of sustainable development: “the development that secures the needs of the present generation, without compromising that future generations will be able to ensure theirs”. Later on, in the 2005 UN World Summit on the environment the existence of the pillars that supported sustainable development were confirmed: economic dimension, environmental dimension and institutional dimension (Pinto, I., 2015; Pinto, I., Gil-Lafuente, A.M., 2013; Aguado, R., Martínez, J. 2011).

The main development of Support and Sustainable Development indicators started in the early 80s in Canada and in some countries in Europe, but were launched widely in the Earth’s Summit to control the advance of the Agenda 21, the United Nation’s Conference on the Environment and Development (Rio de Janeiro, June 1992). The Commission of Sustainable Development (CSD-In Spanish CDS) was created to monitor progress on sustainable development (Quiroga., 2001, 2007). Immediately, the need to develop instruments to measure the progress towards sustainability became apparent, therefore, design and use of environmental sustainability and Sustainable Development became relevant.
Sustainable Development indicators can be described as a system of signals suitable to evaluate the progress of countries and regions towards Sustainable Development. The indicators are distinct tools that help in the design and evaluation of public policies, strengthening informed decisions and citizens’ participation to bolster countries towards the Sustainable Development (ONU. 2012; Quiroga. 2007).

In the World Summit for Sustainable Development in Rio+20 held on June 19, 2012, the presidents, heads of state and representatives renewed their commitment in favor of Sustainable Development and the promotion of an economic, social and environmentally supportive future for the planet and for the current and future generations. The use of the GDP as a measure of development and prosperity, was also discussed. Its limits as a way to measure well-being and sustainable development were acknowledged, therefore proposals were made to incorporate additional indicators to the GDP to measure the natural wealth, the social well-being and the progress, among others the sustainable development indicators (ONU, 2012).

The main criticism to measuring Sustainable Development throughout the GDP has been that the indicator does not allow to evaluate the development in a comprehensive manner. The GDP is a validate tool to evaluate economic development in terms of money, but does not yield information regarding the impact of social and public policies and therefore about the quality of life. That is why some alternatives have been developed to evaluate development from economic, social and environmental perspectives.

**Indicator Framework of the commission of sustainable development**

In the document “Indicators of Sustainable Development: Guidelines and Methodologies”, published by the UN in 2007, a third group of indicators for Sustainable Development were presented. Table 1 (ONU, 2007).

**Model of Subjective Preferences**

Numerous diffuse models have been developed through time. They have been applied in diverse areas, and can be divided in two groups: diffuse numerical models and non-numerical diffuse models. The Hamming Distance, developed by Richard Wesley Hamming in 1950; the theory of Expert Ones, introduced by Arnold Kaufmann in 1987, in the same year and the Model of Subjective Preference was proposed by R. Yager in 1988 are examples of the diffuse numerical models.

The Model of Subjective Preferences proposed an algorithm that organized physical or mental objects according to relevant characteristics. When it was possible to order a group of elements (objects) somehow, and this order of elements was found or established in another group according to a specific group of elements (different naturally, and normally) it was then possible to construct a scale with increasing and decreasing assessments. Optimized and sub-optimized were obtained without the need to use fundamental concepts (Gil-Aluja, J. 1999). This order was defined as: “a grading of the preferences of physical or mental objects based on objective and subjective appreciations of their characteristics or singularities”. One of the configurative elements of the order is given by the need to previously determine the characteristics, properties and/or singularities deserving appreciation. In practical terms, although not necessarily from a theoretical perspective, its number needs to be finite and susceptible to be numbered. These properties, characteristics and/or singularities will constitute the elements in a reference. Physical or mental objects subject to order in finite number in the practice, will be part of another referential group (Idem).

Once these two groups are established, the existence relationship between them is determined. Since the level of possession of all qualities or characteristics of the objects is not always expressed in an objective and precise way, the methodology of Subjective Preferences is used since it allows to store subjective and objective information simultaneously expressed in a precise and imprecise ways (Idem).

Table 1. Social Development Indicators CSD

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUB-TOPIC</th>
<th>INDICATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty</td>
<td>Income</td>
<td>Percentage of people living under poverty conditions</td>
</tr>
<tr>
<td></td>
<td>Inequality</td>
<td>Relationship of national income, from the highest to the lowest</td>
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<tr>
<td></td>
<td>Sanitary</td>
<td>People with availability to service of improved sanitary</td>
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<td></td>
<td>Purified water</td>
<td>Population with access to clean water</td>
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<td></td>
<td>Access to energy</td>
<td>Percentage of housing without electricity and energy</td>
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<td></td>
<td>Life conditions</td>
<td>Population who live in suburbs and slums</td>
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<tr>
<td>Government</td>
<td>Corruption</td>
<td>Percentage of the population that has beenhdricted someone</td>
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<tr>
<td></td>
<td>Crime</td>
<td>Number of accidents in each 100,000 people</td>
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<tr>
<td>Health</td>
<td>Mortality</td>
<td>Mortality rank under 5 years</td>
</tr>
<tr>
<td></td>
<td>Life span when they are born</td>
<td>Average life span when they are born</td>
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<tr>
<td></td>
<td>Provision of health</td>
<td>Percentage of the population with access to primary healthcare</td>
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<tr>
<td></td>
<td>Immunization</td>
<td>Immunization against diseases and infections for children</td>
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<tr>
<td></td>
<td>Nutritional condition for kids</td>
<td>Nutritional condition for kids</td>
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<tr>
<td></td>
<td>State of health, and risk</td>
<td>Average of mortality of the main diseases such as UIP, malaria and tuberculosis</td>
</tr>
<tr>
<td>Education</td>
<td>Level of education</td>
<td>Total average of inscriptions to the last grade school in elementary school</td>
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<tr>
<td></td>
<td>Total average of inscriptions in elementary school</td>
<td>Total average of inscriptions in elementary school</td>
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<tr>
<td>Demography</td>
<td>Population</td>
<td>Average growth of the population</td>
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<td></td>
<td>Relation of dependency</td>
<td>Relation of dependency</td>
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<tr>
<td>Natural disasters</td>
<td>Vulnerability to natural disasters</td>
<td>Percentage of the population living near risky areas for disaster</td>
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<tr>
<td>Atmosphere</td>
<td>Weather change</td>
<td>Emissions of carbon dioxide</td>
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<td></td>
<td>Reduction of the ozone layer</td>
<td>Consumption of substances which damage the ozone layer</td>
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<td></td>
<td>Air quality</td>
<td>Concentration of atmospheric pollution in urban areas</td>
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<td></td>
<td>Agriculture</td>
<td>Permanent area to grow and prepare land</td>
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<td></td>
<td>Woods</td>
<td>Proportion of land covered by forests</td>
</tr>
<tr>
<td>Oceans, seas, and coasts</td>
<td>Coastal area</td>
<td>Average of people living near the coast</td>
</tr>
<tr>
<td></td>
<td>Fishing</td>
<td>Proportion of fish quantity found in the secure biological limits</td>
</tr>
<tr>
<td></td>
<td>Marine environment</td>
<td>Proportion of the protected maritime area</td>
</tr>
<tr>
<td>Sweet water</td>
<td>Quantity of water</td>
<td>Proportion of total use of water</td>
</tr>
<tr>
<td></td>
<td>Quality of water</td>
<td>Frequent use of water for the economic activity</td>
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<tr>
<td>Biodiversity</td>
<td>Ecosystem</td>
<td>Quality of water</td>
</tr>
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<td></td>
<td>Species</td>
<td>Proportion of fish quantity found in the secure biological limits</td>
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<tr>
<td>Economic Development</td>
<td>Macroeconomic results</td>
<td>Average of people living near the coast</td>
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<tr>
<td></td>
<td>Public finance</td>
<td>Debt and relationship with GDP</td>
</tr>
<tr>
<td></td>
<td>Employment</td>
<td>Employment and relationship-population</td>
</tr>
<tr>
<td></td>
<td>Technology, information and communication</td>
<td>Use of internet per each 100 people</td>
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<tr>
<td></td>
<td>Investigation and development</td>
<td>Total indicator about R and D as a proportion of the GDP</td>
</tr>
<tr>
<td></td>
<td>Tourism</td>
<td>Contribution of the tourism to the GDP</td>
</tr>
<tr>
<td>Global economic development</td>
<td>Commerce</td>
<td>Definition in current account as percentage of the GDP</td>
</tr>
<tr>
<td></td>
<td>External finance</td>
<td>Official assistance to develop (ODA) given or received as percentage of the GNI</td>
</tr>
<tr>
<td></td>
<td>Consumption of materials</td>
<td>Consumption of materials in the economy</td>
</tr>
<tr>
<td></td>
<td>Use of energy</td>
<td>Annual consume of energy and per economic activity</td>
</tr>
<tr>
<td></td>
<td>Production of waste and process</td>
<td>Total intensity of the use of energy and per economic activity</td>
</tr>
<tr>
<td></td>
<td>Transportation</td>
<td>Treatment and elimination of waste</td>
</tr>
<tr>
<td></td>
<td>Distribution and way of people's transportation</td>
<td>Distribution and way of people's transportation</td>
</tr>
</tbody>
</table>

Source: Developed by authors with data from Sustainable Development guidelines and methodologies

Table 1. Social Development Indicators CSD

Analysis results: Economic Dimension

The case study that was presented analyses all the states of the Mexican Republic. Data was obtained from publications issued by the National Institute of Statistics and Geography (INEGI), which is an autonomous agency of the Mexican government, coordinating the National Statistical Information System and Geographic of the country.

The results of applying the methodology of Subjective Preferences Indicators are presented in the Economic Dimension. The model of Subjective Preferences includes the contribution of each economic sector in all the states of the Mexican Republic towards the GDP establishing a process of normalized
comparison that will later be affected vector that is representative of the normalized preferences of economic activities in each state. It is in this last vector that the subjective strand of the model rests; it is dependent on the existing priorities, and it is weighted in larger or smaller measure the relative importance of an economic activity over the rest. For further information about the development of methodology of Subjective Preferences in this group of indicators, see (Pinto, 2015).

Two finite groups were defined for the analysis, the group of objects and the group of characteristics that determined the decision. The 31 states and Mexico City were considered as the group of objects that make up the Mexican Republic while the group of indicators of the GDP established in basic values of each economic unit was used as the group of determinant characteristics of the decision. Both groups are analyzed in Table 2.

<table>
<thead>
<tr>
<th>Objects</th>
<th>Characteristics</th>
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<td>Electricity, water, gas supplies, consumers' final products</td>
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<td>Culture, sports and leisure services</td>
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<td>Social services, food and drink preparations</td>
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<td>Other services except government activities</td>
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<td>Government activities</td>
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</table>

Source: Developed by authors based on information from the INEGI [INEGI, 2014]

Table 2. Group of objects and characteristics

Data of the study. Graphic 1 concentrates the information of the Mexican Republic for each of the basic values indicators of the GDP for each economic unit (to analyze the full data set see: (Pinto, I., 2015).
Table 3 shows the final vector with the weight of sustainability for each state of the Mexican Republic is descending order.

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Table 3. Weighted Sustainability, Economic Dimension

Results Analysis in all Dimensions

The results from the use of the methodology of Subjective Preferences in all the dimensions of Sustainable Development: economic, social, environment and institutional are presented. For further information regarding the development of the Subjective Preferences methodology in this group of indicators, see (Pinto, I 2015).

1. The group of objects includes the 31 states of the Mexican Republic and Mexico City, while the group of determining characteristics of the decision includes indicators related with all the dimensions of the supportive development. Both groups are presented in the Table 4
2. Data presented is the same as shown in Graphic 1
3. Table 5 shows the final vector with the weighted sustainability for each state in the Mexican Republic. Results are ordered in a descendent pattern.
### Table 4. Group of objects and characteristics

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Table 5. Ranking of support, all the dimensions
Discussion of results

The analysis of results was performed by comparing the results obtained from Table 3 and those from Table 5. This information is presented in Tables 6 and 7. The position of the economic dimension based on their relative weight with regards to the position of the state, considering all the dimensions of Sustainable Development is presented.

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Table 6. Economic Dimension versus all the dimensions of Supportive Development

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<tr>
<td>R29</td>
<td>Tlaxcala</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>R3</td>
<td>Baja California Sur</td>
<td>30</td>
<td>22</td>
</tr>
<tr>
<td>R38</td>
<td>Nayarit</td>
<td>31</td>
<td>26</td>
</tr>
<tr>
<td>R6</td>
<td>Colima</td>
<td>32</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 7. Weighted Economic Dimension against all the Sustainable Development Dimensions
Certain states were specifically relevant for the analysis. The state which occupied the last position in the economic dimension was Colima, and the state which was placed last in all dimensions was Guerrero. Data from Table 7, column 3 show Colima in position 32, nevertheless further analysis shown in column 4 placed the state in the 7th position, climbing twenty-five positions. At the same time, in the economic dimension, Guerrero was in the 24th position, and in further analysis it was in the 32nd position, descending eight positions.

Table 8 shows the analysis of both states with respect to the 10 indicators that have more weight.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Colima %</th>
<th>Guerrero %</th>
</tr>
</thead>
<tbody>
<tr>
<td>C18: Coefficient of Gini</td>
<td>0.445</td>
<td>0.333</td>
</tr>
<tr>
<td>C14: Percentage of poor people</td>
<td>34.4</td>
<td>69.7</td>
</tr>
<tr>
<td>C15: Percentage of the vulnerable population per social lack</td>
<td>31.7</td>
<td>21.7</td>
</tr>
<tr>
<td>C1: Rank of total growth</td>
<td>1.8</td>
<td>0.9</td>
</tr>
<tr>
<td>C22: Rank of children mortality</td>
<td>12.2</td>
<td>16.4</td>
</tr>
<tr>
<td>C2: Global rank of fecundity</td>
<td>2.35</td>
<td>2.91</td>
</tr>
<tr>
<td>C16: Percentage of vulnerable population by income</td>
<td>6.3</td>
<td>2.3</td>
</tr>
<tr>
<td>C8: Percentage of total illiterate people</td>
<td>5.13</td>
<td>16.68</td>
</tr>
<tr>
<td>C17: Percentage with education outreach</td>
<td>18.8</td>
<td>26.8</td>
</tr>
<tr>
<td>C3: Fecundity rank in adolescents between 15 and 19 years old</td>
<td>44.53</td>
<td>69.18</td>
</tr>
</tbody>
</table>

Table 8. All dimensions Colima-Guerrero

From Table 8, it is possible to clearly observe that Colima has a higher Sustainable Development level than Guerrero in items C18, C14, C22, C2, C8, C17, and C3. The rankings associated to the state of Colima, and shown in Table 6 was 0.03299, while in the state of Guerrero it was 0.02543. This helps explain that the well-being of the population in Colima is considerably better than that in the state of Guerrero.

A relevant question arises: Why is the state of Colima ranked in the last position in the analysis of economic indicators? The answer is found in this study because only information related to the GDP was considered without including relevant issues such as the geographic size of the state or its population. In the model the higher the contribution in indicators with higher weight, the higher the sustainable development in the state. Additionally the GDP by itself is not an indicator that represent population well-being, therefore, other factors need to be considered such as the ones proposed during this analysis.

In the same way, the states of Chihuahua and Coahuila de Zaragoza were analyzed. In Table 7, Column 3 Chihuahua was located in the 6th position and in the last analysis, Column 4 of Table 7, it was found in the 28th position, falling twentytwo positions. On the other hand, in Table 7, Column 3, Coahuila de Zaragoza was located in the 10th position and in Column 4 of the Table 7 it occupied the 5th position, climbing five positions.

Table 9 shows the analysis of both states with respect of the ten indicators with more weight.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Chihuahua</th>
<th>Coahuila de Zaragoza</th>
</tr>
</thead>
<tbody>
<tr>
<td>C18: Coefficient of Gini</td>
<td>0.5</td>
<td>0.464</td>
</tr>
<tr>
<td>C14: Percentage of poor people</td>
<td>35.3</td>
<td>27.9</td>
</tr>
<tr>
<td>C15: Percentage of the vulnerable population per social lack</td>
<td>27.4</td>
<td>24.4</td>
</tr>
<tr>
<td>C1: Rank of total growth</td>
<td>1.1</td>
<td>1.8</td>
</tr>
<tr>
<td>C22: Rank of children mortality</td>
<td>14.7</td>
<td>9.5</td>
</tr>
<tr>
<td>C2: Global rank of fecundity</td>
<td>2.53</td>
<td>2.43</td>
</tr>
<tr>
<td>C16: Percentage of vulnerable population by income</td>
<td>10.7</td>
<td>12.7</td>
</tr>
<tr>
<td>C8: Percentage of total illiterate people</td>
<td>3.66</td>
<td>2.63</td>
</tr>
<tr>
<td>C17: Percentage with education outreach</td>
<td>16.1</td>
<td>12.5</td>
</tr>
<tr>
<td>C3: Fecundity rank in adolescents between 15 and 19 years old</td>
<td>72.47</td>
<td>72.67</td>
</tr>
</tbody>
</table>

Table 9. All the dimensions Chihuahua-Coahuila of Zaragoza
In Table 9 it can be observed that Coahuila de Zaragoza has a higher Sustainable Development ranking than Chihuahua in indicators C18, C14, C22, C2, C8 and C17. The evaluation associated to the state of Coahuila de Zaragoza and shown in Table 6 is about 0.03428 while in Chihuahua it is 0.02801. Therefore, the well-being of the population of Chihuahua is considerably higher than in the state of Chihuahua.

Conclusions
The analysis performed through the study of all the states in the Mexican Republic show that the Gross Domestic Product (GDP) alone is not an indicator that shows the sustainability of a region, on the contrary, it has been demonstrated that there are several deficiencies with this indicator, therefore it cannot be considered as a generator of progress, well-being and sustainable development. It is therefore required to consider additional indicators to support sustainable development in a region.

Bibliography


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Tesis para obtener el grado de Doctor en Planeación Estratégica y Dirección de Tecnología. Universidad Popular Autónoma del Estado de Puebla, México.


Managing growth of university-based entrepreneurial venture: A Case study from Thailand

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Keywords
Academic entrepreneurship, Entrepreneurial venture, Case study

Abstract
This study investigates the growth stage of an entrepreneurial venture born within Thai university. The aim of study is to explore the future growth strategy which is formulated by the entrepreneurial team and at the same time influenced by the institute’s administrators. Single case study approach was used to explore the growth of dental school’s internal venture aimed to produce low-cost pharmaceutical supplies. The interview data was matched with relevant entrepreneurship literatures to build theory from case study. The case evidence shows a clash in terms of growth strategy preferred by the parental organization and departmental-level entrepreneurial team who founded the venture. The dental school’s administrators expect their internal venture to be fully commercialized and spun-off according to typical academic entrepreneurship scheme. Differently, the entrepreneurial team prefers keeping the departmental venture inside to serve their socially entrepreneurial motivations with modest growth. These findings imply that further works from different schools of thought are needed to understand the growth of university-based entrepreneurial venture. At parental organization, the university’s management development scheme thus has to incorporate such differences to move its internal venture forward for sustainable growth.
Emotional bonds to the internal customer - A perspective from the relationship marketing. Case of a Private University, Mexico

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Keywords

Abstract
Constant changes, with which service organizations live, require the design of new strategies to compete and generate a market positioning. However, many times the outward watching eye focus all efforts on the external customer: new trends in business, innovation and competitiveness, so it is imperative that service companies do not forget to look into the organization, to the staff or the partner, i.e. to the internal customers. It is not only about training, professionalism and motivation, but about recognizing the factors that influence the creation of emotional bonds between personal and organizational values.

This is a non-experimental, quantitative, descriptive and simple transversal research that discusses the factors that create emotional bonds among academic and administrative staff of a private university in the state of Puebla, Mexico. Emotions, moods and emotional perception are the dimensions investigated.

The results demonstrate that the mood is the most important factor in creating emotional bonds among internal customers.

Introduction
At present, human resource management needs to go beyond quality and productivity, performance and innovation. While keeping these concepts, companies must find new ways to relate to their own staff. This study arises from the need to identify the factors that create emotional bonds between the internal customer and the University, and to recognize what the components that can strengthen a sense of belonging and commitment to the institution are, to design strategies that are linked to performance and achieve better results. The process of training staff in educational organizations should be aimed at enhancing the academic, individual and professional merit and job performance in terms of institutional purposes, which is achieved through the implementation of integrated and consistent programs that allow selecting, assigning and directing the development of human resources in a permanent and sustained manner (De Soto, 2006). Authors such as Gummesson (2002); Bordonaba and Redondo (2006); Barroso (2008) and Kotler and Armstrong (2011) talk about the goals of marketing relationship as a philosophy to establish fruitful relationships with market players, using key features such as personalization and communication to build commitment and trust.

On the topic of internal customer, there are different works that mention the importance of engaging the individual with the goals of the organization. Researchers like Peters, 2005; Hellriegel and Slocum, 2009; Salvador & Garcia, 2010; indicate the relevance of organizational commitment as a factor of inspiration and motivation, which identifies the employee and therefore focuses its efforts in reaching corporate goals, changing the term human resources for human capital. Furthermore, Alvarez, Mijares, Zambrano (2013) mention that internal customers are all individuals belonging to the organization who understand the value of service to meet customer needs. The sense of commitment is analyzed from the appreciation of the factors that create emotional bonds. Fredrickson (2001) notes the importance of emotional stimuli, caused by different situations and, therefore, reflected in the individual’s behavior, facial expressions, psychological changes and degree of knowledge. Ortony, Clore and Collins (1996) consider affect as a variable generating emotions. Lane, 2005; Andrade, Arce, De Francisco, Torrado and Garrido, 2013, report that the mood of an individual is related to emotional ties. Emotional intelligence
according to Mayer and Salovey (1999), is based on four elements: emotion regulation; understanding and analysis of emotions; facilitator emotion of thought and perception, evaluation and expression of emotions. Emotional perception is analyzed from three dimensions: the ability of individuals to recognize and identify their own feelings and those of others around them and the ability to take into account the feelings to reason problem solving and the ability to know the root causes of mood and future consequences of actions (Grewal & Solovey, 2005).

The overall objective of the research is to analyze the factors that create emotional links among academic and administrative staff (internal customers) from a private university in the state of Puebla, Mexico.

Litertature review

2.1 Relationship Marketing

Marketing is the set of activities designed to generate and facilitate exchange with the intention of meeting needs, human or organizational desires or activities, which must involve two or more people or organizations that require the satisfaction of desires (Staton, Etzel and Walter, 2004). According to Kotler and Armstrong (2011) Relationship Marketing is the result of the process of building links beyond a transaction. It can be perceived as a set of interactions and relationships where commitment and trust are key elements for the strategy to succeed. The exchange relationships that are generated, aim that they be long term, it is also necessary that organizations renew their potential creating strategies to generate a custom marketing, where a very close communication between the company and the customer exist (Gummesson, there 2002). Bordonaba and Redondo (2006) consider relationship marketing as an emerging discipline that focuses on building communication and customer relationships in ways that benefit the organization financially.

2.2 Internal Customer

Friedman, Hatch and Walker (2000) suggest that companies need to overcome the idea of human resources to move into the concept of human capital. Resource means something available, while the term capital refers to a valuable commodity that wins or loses value based on what is invested in it and the benefits of that investment can be measured (De Haro, 2003). For De Soto (2006) human resources are the factors that make for productive and competitive organizations, and therefore successful; so it is important to develop a human resource management to ensure the availability of well-trained, competent, updated and with right attitude towards work, committed to organizational identity. Hellriegel and Slocum (2009) define organizational commitment as the strength of an employee's participation in the organization and how he identifies with it. Some authors claim (Cottle, 2005, Peters, 2005) that a leader without passion of commitment to a cause, does not inspire much or get commitment from others because he/she needs the support of peers as an informal aspect of the sense of commitment.

Internal customers (Salvador & García 2010; Alvarez, Mijares & Zambrano, 2013) are all members of the company and they need to understand the value of the product or service offered by the organization and the primary importance they have to represent it. The identity of the organization travels the roads of internal relations and extends outward (Jiménez, 2009). Each level of relationship conveys messages and experiences that add to the definition the corporate image of each company and its identity (Parra, 2007, Salvador, 2008). Employees of the company are to be considered as partners in the company and must be empowered, understanding empowerment, as allowing employees to deliver outstanding service and to provide a quality service. Human capital, say García Hurtado & Leal (2008), has played an important role, managing to change the perception of man as a tangible resource, replaceable by a new concept where people are part of the organization and its value lies in the knowledge and skills they have.

2.3 Emotional bonds

Organizations are shifting their strategies to attract, build and maintain durable long-term relationships, where the focus is not only in transaction, but in the emotions experienced between the user and the business. The perception generated by services must conceive emotions from the moment information about the intangible asset is looked for, to its acquisition. Vecina (2006) explains that emotions are biologically based on a set of neural structures called the limbic system, including the hippocampus,
The cingulate gyrus, anterior thalamus and amygdala. Neural connections between these structures in the reptilian brain and the modern part of the brain, the neocortex, are many and direct, ensuring a communication very adaptive in evolutionary terms (Ledoux, 1996). Ortony, Clore and Collins (OCC) (1996) propose a general structure in which it is stated that there are three major classes of emotions, each of which stems from the three highlights of world events and their consequences; agents and their actions; and pure and simple objects.

Nussbaum (2001) states that emotions are caused by situations and events that, once evaluated, lead to the subsequent emotional experience. Fredrickson (2001) claims that emotions are response tendencies with high adaptive value that can manifest at physiological level, through facial expressions, physiological changes and level of knowledge. Moreover, studies of emotional ties speak from the point of view of moods. These authors (McNair, Lorr and Droppleman, 1992; LeUnes, 2000, Lane, 2005; Andrade, Arce, De Francisco, Torrado and Garrido, 2013) mention that the emotional bonds a person has, relate largely to mood. This model known as the Profile of Mood State (POMS) is a multidimensional concept of mood. Another area of research has focused emotional bonds (Geher, 2004, Fernández-Berrocal and Extremera, 2005; Solovey & Grewal, 2005) to study this issue from the point of view of emotional intelligence. The model of Mayer and Salovey (1999) is a restricted version which incorporates aspects such as adaptive use of emotions and their application in thinking in order to facilitate adaptation to the environment and solve problems.

Model and Hypotheses

3.1 Study Model

Self-developed model is proposed for the analysis of the factors that create emotional bonds among the internal customers of a private university in the state of Puebla, Mexico. This model is based on three existing: OCC model of emotions (Ortony, Clore and Collins, 1996), where the affections are analyzed; the POMS model, which analyzes mood (McNair, Lorr and Droppleman, 1992); and the model of emotional intelligence by Mayer and Salovey (1997), which analyzes emotional perception. The first one is based on the study of three kinds of emotions: a) Emotions based on consequences of actions (goals), b) emotions based on responsibility (Standards), and c) attraction based emotions, which relate with attitudes. The second model used was the Profile of Mood States (POMS) using 65 items broken down into six theoretical dimensions of mood (tension, depression, anger, vigor, fatigue, confusion and friendship (McNair, Lorr and Droppleman, 1992). The third model used was the Emotional Perception of Mayer and Salovey (1997), which analyzes this construct from the point of view of emotional regulation; understanding and analysis of emotions; the emotion as generator of thought; and emotional perception. The authors' model took up the elements of the models above (Table 1).

Table 1. Model of emotional bonds

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affections</td>
<td>You feel <strong>content</strong> of being in the University</td>
</tr>
<tr>
<td></td>
<td>You are <strong>satisfied</strong> to collaborate in UPAEP</td>
</tr>
<tr>
<td></td>
<td>You <strong>like</strong> the university environment</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>affection</strong> for the University</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>proud</strong> of the institution where work</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>admiration</strong> by your peers</td>
</tr>
<tr>
<td></td>
<td>You feel identified with UPAEP values</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>relief</strong> when you finish a project</td>
</tr>
<tr>
<td></td>
<td>It gives you <strong>safety</strong> to collaborate with UPAEP</td>
</tr>
<tr>
<td></td>
<td>The institution gives you <strong>hope</strong> of a personal and professional development</td>
</tr>
<tr>
<td></td>
<td>There are situations that occur in the University that make you feel <strong>humorous</strong></td>
</tr>
<tr>
<td></td>
<td>You <strong>love</strong> spending much time at the University</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>rested</strong> when you start a new period</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>you sure</strong> when a period ends</td>
</tr>
<tr>
<td></td>
<td>When you start a project. Do you start it <strong>filled with energy</strong>?</td>
</tr>
<tr>
<td></td>
<td>You feel <strong>lively</strong> when you participate in University events</td>
</tr>
<tr>
<td></td>
<td>You are <strong>helpful</strong> with your classmates</td>
</tr>
<tr>
<td></td>
<td>You consider yourself a <strong>friendly person</strong></td>
</tr>
<tr>
<td></td>
<td>You feel <strong>relaxed</strong> within the University</td>
</tr>
</tbody>
</table>

8th International Conference on Restructuring of the Global Economy, 9-10th July 2018, University of Oxford, UK
You feel calm when you are in the University’s activities
You consider your working life is entirely happy
You are a person who prefers team work
You like it to attend meetings or events within the University?

Whenever you have a chance, you do business with family and friends.
You consider yourself a person conscious of your emotions
You pay attention to the moods of others
You usually are surprised by what other people say or feel
You tend to closely analyze situations
You read people too much
You avoid attributing negative emotions to others
You realize when someone is teasing
You consider yourself a person who recognizes his/her own emotions
You feel that you are constantly the talk of others
You consider yourself a person who does not care about critics
We are proud of recognizing both your positive and negative emotions

3.2. Hypotheses
As indicated above, the following hypotheses were stated
H1 Affection is the most influential factor in the generation of emotional bonds by the internal client to the institution where he works.
H2 Emotional bonds that the internal client has for his workplace are significantly larger in the academic personnel than in administrative staff.

4. Methodology and Results
A non-experimental, quantitative, descriptive and simple transversal study was designed to evaluate the factors that create emotional bonds in the internal customer of Universidad Popular Autónoma del Estado de Puebla. From the data of employees provided by the Department of Human Capital, it was found that 2000 people are working in the institution in academic and administrative areas. The sample, with a 95% confidence interval and a 5% error estimate, was 280 respondents in this mode.

The data collection instrument was structured with 35 items measured on a Likert 5 scale, where 1 corresponds to the position never while position 5 corresponds to always they were distributed in three dimensions presenting model affections, mood and emotional perception, assessed by 10, 13 and 12 items respectively. The pilot test was conducted with 35 students in the humanities area, which allowed to state that the data collection instrument is reliable as the Cronbach's alpha for each of the dimensions is greater than 0.65 (Table 2).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0.920</td>
</tr>
<tr>
<td>Affection</td>
<td>0.897</td>
</tr>
<tr>
<td>Mood</td>
<td>0.891</td>
</tr>
<tr>
<td>Emotional perception</td>
<td>0.662</td>
</tr>
</tbody>
</table>

The instrument is valid because according to Vila, Aldás & Küster (2002) all correlations are significant and in turn are lower than the Cronbach's alpha of the corresponding dimension (Table 3).

<table>
<thead>
<tr>
<th>Affections</th>
<th>Mood</th>
<th>Emotional perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>.897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>.730**</td>
<td>.891</td>
<td></td>
</tr>
<tr>
<td>.321**</td>
<td>.338**</td>
<td>.662</td>
</tr>
</tbody>
</table>
** Correlation is significant at the 0.01 level (bilateral)

4.1 Data Analysis
4.1.1 Contingency tables analysis.
Cross-tabulations were as follows: Crosstabs between the work area and affects, moods, and emotional perception (Tables 4, 5 and 6).

The table below shows that in the affection and workspace dimensions, it is the administrative staff who identifies more with his workplace, especially in the satisfaction variable (100%) and relief
(100%); while academic staff cares (97.1%) and proud to (96.3%) belong to this educative institution. With respect to the Chi-square, which is intended to test the null hypothesis (Ho = variable X and Y are independent), it can be seen that all values are greater than 0.05 therefore the null hypothesis (Table 4) is confirmed.

Table 4. Contingency table between affects and workspace

<table>
<thead>
<tr>
<th>Afections</th>
<th>Faculty members</th>
<th>Administrative staff</th>
<th>Chi-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>94.9 %</td>
<td>98.6 %</td>
<td>4.220</td>
</tr>
<tr>
<td>Satisfied</td>
<td>94.8 %</td>
<td>100 %</td>
<td>8.235</td>
</tr>
<tr>
<td>Pleasure</td>
<td>91.2 %</td>
<td>95.2 %</td>
<td>3.949</td>
</tr>
<tr>
<td>Affection</td>
<td>97.1 %</td>
<td>100 %</td>
<td>4.471</td>
</tr>
<tr>
<td>Pride</td>
<td>96.3 %</td>
<td>98.7 %</td>
<td>3.996</td>
</tr>
<tr>
<td>Admiration</td>
<td>84.5 %</td>
<td>85.1 %</td>
<td>3.574</td>
</tr>
<tr>
<td>Identifies</td>
<td>93.4 %</td>
<td>98.6 %</td>
<td>8.013</td>
</tr>
<tr>
<td>Relief</td>
<td>95.5 %</td>
<td>100 %</td>
<td>7.451</td>
</tr>
<tr>
<td>Safety</td>
<td>94.1 %</td>
<td>95.2 %</td>
<td>5.519</td>
</tr>
<tr>
<td>Hope</td>
<td>89.0 %</td>
<td>90.6 %</td>
<td>4.610</td>
</tr>
</tbody>
</table>

In the contingency table between moods and workspace dimensions it can be seen again that the administrative staff considered to have better mood than academic staff, as is the case with helpful (99.3%) and friendly (97.3) variables; while the academic staff whose main moods full of energy (97.0) and being friendly (97.8). With respect to the Chi-square, it can be seen that all values thereof are greater than 0.05 therefore the null hypothesis (Table 5) is confirmed.

Table 5. Contingency table between moods and workspace

<table>
<thead>
<tr>
<th>Mood</th>
<th>Faculty members</th>
<th>Administrative staff</th>
<th>Chi-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humour</td>
<td>92.6 %</td>
<td>92.6 %</td>
<td>2.427</td>
</tr>
<tr>
<td>Charm</td>
<td>77.9 %</td>
<td>74.4 %</td>
<td>6.056</td>
</tr>
<tr>
<td>Rest</td>
<td>66.9 %</td>
<td>83.1 %</td>
<td>16.348</td>
</tr>
<tr>
<td>Safety</td>
<td>77.2 %</td>
<td>85.1 %</td>
<td>5.886</td>
</tr>
<tr>
<td>Full of energy</td>
<td>92.0 %</td>
<td>97.3 %</td>
<td>4.617</td>
</tr>
<tr>
<td>Lively</td>
<td>83.1 %</td>
<td>90.5 %</td>
<td>4.713</td>
</tr>
<tr>
<td>Helpful</td>
<td>94.1 %</td>
<td>99.3 %</td>
<td>9.640</td>
</tr>
<tr>
<td>Friendly</td>
<td>97.8 %</td>
<td>97.3 %</td>
<td>4.373</td>
</tr>
<tr>
<td>Relaxed</td>
<td>84.6 %</td>
<td>90.6 %</td>
<td>6.080</td>
</tr>
<tr>
<td>Calm</td>
<td>86.1 %</td>
<td>91.9 %</td>
<td>6.902</td>
</tr>
<tr>
<td>Happy</td>
<td>89.7 %</td>
<td>87.8 %</td>
<td>3.155</td>
</tr>
<tr>
<td>Team work</td>
<td>83.1 %</td>
<td>89.9 %</td>
<td>12.456</td>
</tr>
<tr>
<td>Attend</td>
<td>80.9 %</td>
<td>87.9 %</td>
<td>9.147</td>
</tr>
</tbody>
</table>

The following contingency table is between perception and emotional workspace dimensions. It detects that emotional perception in both areas is very similar. They consider that they are aware of their own emotions (97.3%, 97%) and pay attention to the emotions of their peers (88.6%, 91.2%); while they do not give importance to be the talk of the others (22.3%, 32.4%); and are not interested in doing business with friends and family. For the Chi-square values greater than 0.05 are also detected therefore the null hypothesis (Table 6) is confirmed.

Table 6. Contingency table between emotional perception and work area

<table>
<thead>
<tr>
<th>Emotional perception</th>
<th>Faculty members</th>
<th>Administrative staff</th>
<th>Chi-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity to make business</td>
<td>51.4 %</td>
<td>46.6 %</td>
<td>4.828</td>
</tr>
<tr>
<td>Conscious of emotions</td>
<td>97.0 %</td>
<td>97.3 %</td>
<td>3.308</td>
</tr>
<tr>
<td>Attention to others’ emotions</td>
<td>91.2 %</td>
<td>88.6%</td>
<td>13.615</td>
</tr>
<tr>
<td>Surprise</td>
<td>63.3 %</td>
<td>66.2 %</td>
<td>5.765</td>
</tr>
<tr>
<td>Analyze</td>
<td>78.7 %</td>
<td>70.3 %</td>
<td>3.345</td>
</tr>
<tr>
<td>Read others too much</td>
<td>55.8 %</td>
<td>55.4 %</td>
<td>4.312</td>
</tr>
<tr>
<td>Ascribe</td>
<td>75.7 %</td>
<td>77.1 %</td>
<td>16.359</td>
</tr>
<tr>
<td>Tease</td>
<td>76.5 %</td>
<td>81.8 %</td>
<td>4.176</td>
</tr>
<tr>
<td>Recognizes</td>
<td>89.0 %</td>
<td>81.0 %</td>
<td>5.275</td>
</tr>
<tr>
<td>Be the talk of others</td>
<td>32.4 %</td>
<td>22.3 %</td>
<td>6.904</td>
</tr>
<tr>
<td>Importance to critics</td>
<td>62.5 %</td>
<td>67.6 %</td>
<td>5.303</td>
</tr>
<tr>
<td>Proud to recognize emotions</td>
<td>85.3 %</td>
<td>94.6 %</td>
<td>9.317</td>
</tr>
</tbody>
</table>
4.1.2 Factor Analysis

Interdependence technique known as factor was used. This technique allowed determining the factors with the greatest impact, ie, what the dimensions perceived by employees of Universidad Popular Autónoma del Estado de Puebla (UPAEP) as the most important in the formation of emotional ties to the workplace are. The principal components method was used, which shows that the total variance of the data is 69.7% and that six factors explain the emotional bonds. According to the measure of Kaiser-Meyer-Olkin (KMO) it can be said that the factor model used is appropriate since the KMO index is 0.856 (0.856 > = .50), indicating that this is a good factor model, since the variables are not correlated and that no factor is included in the other. Table 7 shows that the most important factor is job security, it is where the variable of the affection dimension are found, but the dimension that has the largest number of significant variables is mood.

Table 7. Factors

<table>
<thead>
<tr>
<th>ITEM</th>
<th>FACTOR 1</th>
<th>FACTOR 2</th>
<th>FACTOR 3</th>
<th>FACTOR 4</th>
<th>FACTOR 5</th>
<th>FACTOR 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Admiration</td>
<td>.311</td>
<td>.001</td>
<td>.008</td>
<td>.385</td>
<td>.102</td>
<td>-.039</td>
</tr>
<tr>
<td>9. Safety</td>
<td>.496</td>
<td>.182</td>
<td>.028</td>
<td>.012</td>
<td>.004</td>
<td>.014</td>
</tr>
<tr>
<td>10. Hope</td>
<td>.519</td>
<td>.168</td>
<td>-.152</td>
<td>.001</td>
<td>.122</td>
<td>-.005</td>
</tr>
<tr>
<td>13. Rest</td>
<td>.113</td>
<td>.900</td>
<td>-.047</td>
<td>.174</td>
<td>-.031</td>
<td>.028</td>
</tr>
<tr>
<td>14. Safety</td>
<td>.313</td>
<td>.635</td>
<td>.066</td>
<td>-.069</td>
<td>.008</td>
<td>.037</td>
</tr>
<tr>
<td>16. Lively</td>
<td>.216</td>
<td>.486</td>
<td>.023</td>
<td>.381</td>
<td>.037</td>
<td>-.003</td>
</tr>
<tr>
<td>28. Analyze</td>
<td>.085</td>
<td>-.038</td>
<td>.526</td>
<td>.070</td>
<td>-.137</td>
<td>.212</td>
</tr>
<tr>
<td>32. Recognize</td>
<td>.067</td>
<td>.088</td>
<td>.794</td>
<td>.090</td>
<td>.123</td>
<td>-.015</td>
</tr>
<tr>
<td>22. Team</td>
<td>.248</td>
<td>.135</td>
<td>.095</td>
<td>.638</td>
<td>-.093</td>
<td>.119</td>
</tr>
<tr>
<td>23. Attend</td>
<td>.168</td>
<td>.354</td>
<td>.171</td>
<td>.588</td>
<td>.215</td>
<td>-.150</td>
</tr>
<tr>
<td>30. Avoid</td>
<td>.064</td>
<td>-.025</td>
<td>.124</td>
<td>.002</td>
<td>1.032</td>
<td>-.133</td>
</tr>
<tr>
<td>29. Read others</td>
<td>.035</td>
<td>-.057</td>
<td>-.119</td>
<td>.207</td>
<td>.139</td>
<td>.910</td>
</tr>
<tr>
<td>31. Tease</td>
<td>-.012</td>
<td>.096</td>
<td>.246</td>
<td>-.117</td>
<td>.033</td>
<td>.621</td>
</tr>
<tr>
<td>27. Surprise</td>
<td>.196</td>
<td>.054</td>
<td>.114</td>
<td>.013</td>
<td>.007</td>
<td>.952</td>
</tr>
<tr>
<td>24. Business</td>
<td>.065</td>
<td>.172</td>
<td>.066</td>
<td>.046</td>
<td>.177</td>
<td>1.324</td>
</tr>
<tr>
<td>33. Be the talk of others</td>
<td>-.186</td>
<td>.010</td>
<td>-.095</td>
<td>-.012</td>
<td>.043</td>
<td>1.211</td>
</tr>
<tr>
<td>34. Importance</td>
<td>.014</td>
<td>-.066</td>
<td>-.020</td>
<td>-.094</td>
<td>.000</td>
<td>1.003</td>
</tr>
</tbody>
</table>

5. Conclusions

The working environment in universities is composed of several factors that are directly and indirectly involved in the behavior of the internal client and which is reflected in the productivity with which they perform their duties. Building emotional bonds between the employee and the institution involves everyone, ie, administrative staff and faculty at all levels, since the experiences they have with other partners, such as teamwork, creates emotional bonds that permeate beyond a working relationship, and found other elements that influence the feelings of the partner towards their workplace.

The model proposed in this research study reviewed these emotional bonds through the dimensions affects, moods and emotional perception. After performing the statistical analysis of the contingency tables it can be concluded that emotional bonds are deeper in the administrative area than those generated in the academic area. Factor analysis confirms that the mood is the dimension that has the highest factor load, so the research hypothesis H1, which stated that the affection is the most influential factor in the internal customer in the generation emotional bonds is rejected. It is also concluded that the administrative staff are those with greater emotional bonds than academic staff, therefore, H2 is also rejected.
5.1 Managerial Implications

The internal customer of educational institutions becomes the living image of the work environment, which is an important element to achieve, identifying the positioning and value proposition in the competitive environment. Employees need to feel safe and motivated in a work environment, which is reflected in the productivity. There are other factors to which attention must be paid, such as the ability of both partners to recognize their emotions and those of others, so that the relationship with co-workers be more empathetic. Identifying participation in work projects or university events and the enthusiasm with which they are attended, shows the affection and mood in which the internal customer is in those moments and are indicators that the areas of human talent or human capital must consider.

Universities must balance their efforts between internal and external customers, key and strategic components to increase the identification of a distinctive culture outwards.

5.2 Limitations and Future Research

This research only takes into account the academic and administrative staff of a private university in the state of Puebla, Mexico. Future research will aim to generate Relational Marketing strategies that go beyond loyalty or fidelization and will become elements of identification with the institution; they will also, promote the organization in various scenarios, creating a culture that will promote actions of well-being and the well-doing for the members of the organization.

References


The dynamic behavioural evolvements in consumer purchase life-cycle: Exploration and exploitation in yogurt market

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Keywords
Consumer behavioural evolvement, yogurt market, store scanner data, consumer purchase life-cycle

Abstract
For the purpose of learning, consumers are either sampling different brands to extend their market knowledge (i.e. exploring) or continuously purchasing a subset of their preferred brands to avoid risks (i.e. exploiting). This research aims to explore how consumers’ purchase behaviours evolve in their purchase life-cycles in a yogurt market. It investigates 707 consumers with their associated 132,233 transactional records ranging from Year 2004 to 2007 in the Pittsfield yogurt market in the US. The investigated consumers’ dynamic choice behaviours in response to promotions are quantified using the behavioural measurements developed by Luo et al. (2015), which are then used for conducting clustering analysis. Four types of purchase behaviours including “Promotion-averse Exploiters”, “Promotion-averse Explorers”, “Opportunistic Exploiters”, and “Opportunistic Explorers” are identified every year from Year 2004 to 2007. Due to the lack of market knowledge, the initial status of consumers is likely to be either “Opportunistic Exploiters” or “Promotion-averse Exploiters”. With the increase of market knowledge in consumer purchase life-cycle, consumers in yogurt market are suggested to evolve from exploiters to brand loyal via explorers even though most of the consumers are not likely to significantly change their purchase behaviours within a short period of time. In their purchase decision making, consumers make trade-offs between the extension of market knowledge and the maximization of immediate purchase value. The dynamic behavioural evolvement routes of “Opportunistic Exploiters” and “Promotion-averse Exploiters” differ as the extension of market knowledge and the maximization of immediate purchase value play different roles in the purchase decision making of these two types of consumers.

We discuss the implications of these findings in terms of managerial recommendations regarding promotion activities for retailers to increase the rates of response to promotions and offer suggestions for future research.

Acknowledgement
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1. Introduction
The US is among the top 11 yogurt-consuming countries (Durankiev, 2015) and its yogurt market is a highly competitive, expanding market (Statista, 2016). According to a survey conducted from 2014 to 2015, 56.38% of US households eat or drink yogurt in their daily lives (Experian, 2016). Facing such a big market with high potential, many brands of yogurt have been introduced to capture the business opportunities via competing for consumers in the market. The introduction of new brands and the presence of a large number of brands make consumers perceive that the product market is full of uncertainties and risks (Erdem and Keane, 1996). For the purpose of learning, consumers are either sampling different brands to extend their market knowledge (i.e. exploring) or continuously purchasing a subset of their preferred brands to avoid risks (i.e. exploiting) (Luo et al., 2015).

Prior research suggests that consumers’ exploration and exploitation behaviours are motivated by the available promotional mix (Alvarez and Casielles, 2005; Bucklin et al., 1998). In order to stimulate
sales, win new consumers, increase expenditures by existing customers, develop the store image, and gain competitive advantages via influencing consumers’ purchase decisions, retailers flexibly use tools of the promotional mix (Keegan and Green, 2008). However, the application of marketing weapons may not always enable marketers to reach their expected performances in sales due to a low response rate to promotions (Gilbert and Jackaria, 2002). Consumers are inclined to accept promotions that are attractive to them, rather than those that bother them. Understanding consumers for the purpose of providing tailored promotions is the key to making attractive promotions.

Under uncertainties, consumers’ past experiences in brand selection, possibly associated with promotional mix elements, affect their current choices due to the change of their information set from market learning (Erđem and Keane, 1996; Heilman et al., 2000; Luo et al., 2015; Yang et al., 2015). This decision-making problem is a typical dynamic choice problem in the marketing literature (Yang et al., 2015). The purpose of this research is to facilitate the understanding of consumers’ dynamic choice problem in their purchase life-cycles. It aims to find out how consumers behave in purchase decision making with the increase in market experiences over time in yogurt market. The findings enable marketers to predict their consumers’ purchase behaviours and therefore tailor their marketing strategies for enhancing the attractiveness of promotions.

In the next section, we review some theoretical literatures about brand selection behaviours for addressing how prior purchases can influence consumers’ purchase behaviours in consumer purchase life-cycles. We then present our behavioural measurements and data analysis processes. Before concluding with managerial implications, limitations, and plans for future research, we report and discuss our results about behavioural evolutions.

2. Literature review

In purchases, consumers determine a strategy for sequential selection from more than one brand in a product category by balancing exploration and exploitation to either optimize the total expected utility over all their selections or maximize the immediate utility in one purchase (Erđem and Keane, 1996; Mahajan and Teneketzis, 2008; March, 1991). Exploration refers to the pursuit of new knowledge and information via searching and taking risks to try new products or brands (Gupta et al., 2006; Lavie et al., 2010; March, 1991). Exploitation refers to the learning and development of existing knowledge via local searches, experiential refinement, and the selection and implementation of existing routines (Lavie et al., 2010; March, 1991). Exploration and exploitation activities are determined and carried out on the basis of the existing experiences and knowledge about a product category gained from prior purchases (Gupta et al., 2006; Heilman et al., 2000). Both exploration and exploitation in brand selection are believed to be associated with learning and innovation.

Consumers made their purchase decisions in a reactive environment (Farias and Megiddo, 2005). Their experiences and knowledge about a product category and the market change in the product category influence their decision-making and evaluation process (Heilman et al., 2000; Odin, et al., 2001). Their past choices and purchase experiences can significantly affect their current and future purchases. Thus, the experiences and knowledge gained from exploration and exploitation activities are essential in predicting consumers’ brand selection behaviours (Heilman et al., 2000).

In the purchase life-cycle, consumers make choices according to their experiences obtained from exploration and exploitation activities and their proneness to the promotional mix in the market (Che et al., 2015; Luo et al., 2015; Teunter, 2002). In purchase decision making, consumers make trade-offs between the product attributes and the price paid for the product (Gázquez-Abad and Sánchez-Pérez, 2009). They optimize their rewards by balancing learning from their existing knowledge and trying alternatives to increase their category knowledge, which is known as the exploration and exploitation trade-off in reinforcement learning (Vermorel and Mohri, 2005).

Researchers have reached an agreed conclusion that purchase and brand usage history influences the reactions of consumers to promotional mix even though different researchers have different views about these effects (Bridges et al., 2006; Heilman et al., 2000; Hsieh and Chang, 2004). According to prior research, we conclude that a consumer with rich market knowledge and experiences may be either vulnerable to the presence of the promotional mix or reluctant to adapt their purchase decisions in response to the promotional mix (Bridges et al., 2006; Chakrabortty et al., 2013; Che et al., 2015; Heilman et
Even though there are no conclusive findings about the relationship between market experiences and promotion proneness, prior research reached an agreed conclusion that the relationship between information searching and market experiences presents as an inverted U-shape (Heilman et al., 2000; Moorthy et al., 1997). With the increase in market knowledge and experiences, the amount of information searching gradually increases to a maximum before decreasing toward a minimum (Heilman et al., 2000).

In order to find out how consumers’ purchase behaviours evolve with the increase of their purchase experiences in their purchase life-cycles, this research compares consumers’ promotion proneness and their dynamic choice behaviours over years. Following the literature review, we describe an approach for quantifying promotion proneness and dynamic choice behaviours in the method section.

3. Research methodology
3.1 Data processing
Consumers’ promotion proneness and dynamic choice behaviours were quantified using the behavioural measurements outlined by Luo et al. (2015), namely, the Prevalence of Promotion and the Value of Information from Purchases. Each purchase was scored according to whether it was a promoted or non-promoted item, and its information value relative to the known purchase history was measured. From this, we calculated measures of promotion proneness and dynamic choice behaviour respectively for each consumer (see Luo et al., 2015, for full details). This was done separately for each year and dataset.

3.2 Dataset for analysis
The IRI marketing dataset was used for analysis in this research. The panel dataset and store dataset in yogurt market ranging from 2004 to 2007 were combined for processing. For the measurement of promotion proneness and value of information from purchases, the sufficient transaction records are required for each consumer. In this study, consumers who had at least six purchase records in each of year 2004-2007 were selected. In the final dataset, 707 consumers with their associated 132,233 transactional records from 2004 to 2007 formed the final dataset for processing in the Pittsfield yogurt market.

For the purpose of model development and validation, the 707 selected consumers were randomly divided into two groups to the ratio of 6:4. In total, 421 consumers with 17,182 transactional records for yogurt in 2004 were selected to create ‘learning dataset 2004’. To identify the behavioural evolutions in the consumer purchase life-cycle, ‘learning dataset 2005’, ‘learning dataset 2006’, and ‘learning dataset 2007’ were created via selecting the purchase records of these 421 consumers in 2005, 2006, and 2007, respectively. ‘Learning dataset 2005’, ‘learning dataset 2006’ and ‘learning dataset 2007’ consisted of 20,542 transactions, 20,348 transactions, and 19,324 transactions, respectively.


3.3 Customer segmentation
We used the Prevalence of Promotion and the Value of Information from Purchases to segment the Pittsfield yogurt consumers into behaviourally distinct groups. With the support of SAS Enterprise Miner (SAS Institute Inc., 2009), we segmented yogurt consumers into four behavioural segments using the data from the learning dataset 2004. Since the data in this dataset clump together, we used a full replacement algorithm to generate initial cluster seeds that were very well-separated (Collica, 2011; see also He, 2006, and SAS Institute Inc., 2011, for a summary of this procedure) and the final segments were generated within a small number of iterations. Yogurt consumers in learning and validation datasets were subsequently allocated to the clusters based on the shortest Euclidean distance to the clusters’ centers. This was done separately for each of the four years 2004-2007.

4. Results and discussion
4.1 Behavioural segments
The results of behavioural segmentations are displayed in Figure 1.
Red segment Consumers in the ‘Red’ segment had high values in both the Prevalence of Promotion and the Value of Information from Purchases. These consumers had a medium amount of market knowledge compared to the overall set of consumers in the market. Therefore, they were able to differentiate some brands available in the yogurt market to obtain a high value of information from their purchases. In general, we would expect these consumers to be inclined to take advantage of promotions to explore the yogurt market via trying alternatives. In this research, these consumers are labelled as ‘Opportunistic Explorers’.

Blue segment Consumers in the ‘Blue’ segment also had high values in the Prevalence of Promotion in purchases. However, they had low values in the Value of Information from Purchases. The analysis results show that those consumers had either very limited market knowledge or a very high volume of market knowledge. Motivated by the low Value of Information from Purchases due to the lack of market knowledge, these consumers would be expected to be inclined to consistently purchase a subset of their familiar big brands or their preferred brands (Heilman et al., 2000). On the contrary, motivated by the low Value of Information from Purchases due to a high level of market knowledge, these consumers would be expected to be loyal to their preferred brands. In this study, the consumers in the ‘Blue’ segment are labelled as ‘Opportunistic Exploiters’.

Green segment Consumers in the ‘Green’ segment had low values in the Prevalence of Promotion and high values in the Value of Information from Purchases. These consumers had a medium level of market knowledge, which allowed them to obtain a high value of information from their purchases. Motivated by the high Value of Information from Purchases from Purchases, these consumers would be expected to be inclined to extend their market knowledge via trying alternative brands, regardless of promotions. In this study, these consumers are labelled as ‘Promotion-averse Explorers’.

Magenta segment Consumers in the ‘Magenta’ segment had low values in both the Prevalence of Promotion and the Value of Information from Purchases. These consumers appeared to have much lower market knowledge compared to the overall set of consumers in the market. The lack of market knowledge made these consumers unable to obtain a high value of information from their purchases. In general, we would expect these consumers to be inclined to consistently purchase a subset of their familiar big brands or their preferred brands, regardless of promotions. In this study, consumers in the ‘Magenta’ segment are labelled as ‘Promotion-averse Exploiters’.

The characteristics of consumers in each behavioural segment in the yogurt market are summarized in Table 1.
Segment | Prevalence of Promotion | Value of Information from Purchases | Typical behaviours and associated purposes
--- | --- | --- | ---
Opportunistic Explorers | High | High | Make use of promotions to extend market knowledge
Opportunistic Exploiters | High | Low | Make use of promotions to repeatedly buy familiar or preferred brands to minimize risks from trying alternatives
Promotion-averse Explorers | Low | High | Trying different brands to extend market knowledge, regardless of promotions
Promotion-averse Exploiters | Low | Low | Purchase familiar big brands or preferred brands regardless of promotions to avoid risks from trying alternatives

Table 1: Behavioural segments

4.2 Dynamic behavioural evolutions in consumer purchase life-cycles

With the increase in market experiences and knowledge from purchases, the number of explorers (i.e. Opportunistic Explorers and Promotion-averse Explorers) gradually increased to a maximum over a period of time. On the contrary, the number of exploiters (i.e. Opportunistic Exploiters and Promotion-averse Exploiters) gradually decreased to a minimum. These findings suggest that the initial status of consumers were exploiters and these exploiters gradually evolved to be explorers with the increase in market experiences and knowledge. The number of explorers then decreased from a maximum after a period of making purchases to extend market knowledge. The number of exploiters then increased from a minimum after a period of purchases. These findings indicate that these explorers evolved to be exploiters after a certain period of exploration. The final purchase status of consumers in the Pittsfield yogurt market was explorers. Consumers at the end of their purchase life-cycles are suggested to be loyal to a subset of their preferred brands in the yogurt market.

As can be seen in Figure 2, the transitional probabilities of ‘11’, ‘22’, ‘33’, and ‘44’ were higher than those of the rest of the behavioural evolvement types. This suggests that most consumers were not likely to significantly change their purchase behaviours in a short period of time. The differences in transitional probabilities of behavioural evolvement types indicate that consumers’ purchase behaviours were likely to evolve in predictable routes that consist of the behavioural evolvement types with high transitional probabilities.

![The comparison of transitional probability across behavioural evolvement stages](image)

Figure 2: Comparison of the transitional probabilities of behavioural evolvement types over the years in the yogurt market (1: Opportunistic Explorers; 2: Opportunistic Exploiters; 3: Promotion-averse Explorers; and 4: Promotion-averse Exploiters)

Comparing the transitional probabilities of each behavioural evolvement type across four consecutive years, we identified two dynamic behavioural evolvement routes from exploiters to brand-loyal consumers via explorers in the yogurt market, which are showed in Figure 3.
Opportunistic Exploiters to brand-loyal consumers via explorers As can be seen in Figure 2, the transitional probabilities of the evolutions from Opportunistic Exploiters to Opportunistic Explorers and Promotion-averse Explorers presented a decreased trend over years. This indicates that the likelihood of the evolvement from Opportunistic Exploiters to explorers decreased over years. These Opportunistic Exploiters were thus likely to directly enter an exploration stage after they had been in the yogurt market for a period of time. On the contrary, the transitional probabilities of the behavioural evolutions from Opportunistic Exploiters to Opportunistic Explorers and Promotion-averse Explorers presented an increased trend across years. This indicates that the likelihood of the evolvement from Opportunistic Exploiters to exploiters increased over years. Consumers were thus likely to enter an exploitation stage at the end of their purchase life-cycles. The left chart in Figure 3 demonstrates the behavioural evolvement route of Opportunistic Exploiters in their purchase life-cycles.

Opportunistic Exploiters in the yogurt market were inclined to take advantage of promotions to purchase familiar big brands. With the accumulation of market knowledge from occasionally sampling familiar big brands, which improved their capability in differentiating among brands, these Opportunistic Exploiters entered the exploration stage. Figure 2 shows that the transitional probability of the evolvement from Opportunistic Exploiters to Opportunistic Explorers was higher than that of the evolvement from Opportunistic Exploiters to Promotion-averse Explorers. This indicates that Opportunistic Exploiters were more likely to evolve to be Opportunistic Explorers than to be Promotion-averse Explorers in their exploration stage. This finding suggests and confirms that the maximization of immediate purchase value via taking advantage of promotions played a critical role in the brand selection decision making of these Opportunistic Exploiters. To clarify the behavioural evolvement routes in Figure 3, the typical behavioural evolvement approaches are presented in Figure 4.
The behavioural evolutions from Opportunistic Exploiters to Opportunistic Explorers were associated with a significantly increased Value of Information from Purchases. This indicates that these Opportunistic Exploiters were motivated by the significantly increased information value to extend their market knowledge in the evolvement process. The importance of the extension of market knowledge in decision making is therefore suggested to increase in the evolvement process to Opportunistic Explorers. In this evolvement process, these Opportunistic Exploiters gradually became inclined to take advantage of promotions to extend their market knowledge.

The transitional probability of the evolvement from Opportunistic Explorers to Promotion-averse Explorers was high and increased across years. This indicates that Opportunistic Explorers gradually evolved to be Promotion-averse Explorers with a further increase in market knowledge in the exploration stage. In the evolvement process, the value of the Prevalence of Promotion significantly decreased. This suggests that the importance of the maximization of immediate purchase value decreased in the decision making of these Opportunistic Explorers in the evolvement process. The values changes in the Value of Information from Purchases in this evolvement indicate that these Opportunistic Explorers further extended their market knowledge via trying alternative brands. The behavioural evolvement approaches of this behavioural evolvement type suggest that these Opportunistic Explorers gradually became inclined to extend their market knowledge over time, regardless of the availability of promotions. In the behavioural evolvement process, the extension of market knowledge thus gradually dominated the maximization of immediate purchase value in influencing the brand selection decisions in relation to promotions for these Opportunistic Explorers.

With a further increase in market experiences and knowledge over time, the transitional probability of the evolvement from Promotion-averse Explorers to explorers decreased but that of the evolvement from Promotion-averse Explorers to exploiters increased. This indicates that these Promotion-averse Explorers gradually evolved to be exploiters. In the evolvement, the Value of Information from Purchases decreased, while the market knowledge of these Promotion-averse Explorers remained stable. This suggests that the decreased Value of Information from Purchases was due to consistent purchases of a subset of preferred brands in the dynamic yogurt market, rather than the further extension of market knowledge via exploration. These Promotion-averse Explorers became inclined to be loyal to their preferred brands and less likely to take risks to further extend their market knowledge. The importance of the extension of market knowledge gradually decreased in the decision making of these Promotion-averse Explorers in this evolvement. These Promotion-averse Explorers therefore proceeded to the exploitation stage at the end of their purchase life-cycles.

In the exploitation stage, Promotion-averse Exploiters and Opportunistic Exploiters evolved between each other. The evolvement from Promotion-averse Exploiters to Opportunistic Exploiters was associated with the increased value in the Prevalence of Promotion. This indicates that these Promotion-averse Exploiters took advantage of promotions to purchase preferred brands. This suggests that Promotion-averse Exploiters were likely to evolve to be Opportunistic Exploiters when promotions of their preferred brands were available. The decreased Prevalence of Promotion in the evolvement from Opportunistic Exploiters to Promotion-averse Exploiters indicates that these Opportunistic Exploiters consistently purchased preferred brands, regardless of promotions. This suggests that the evolvement from Opportunistic Exploiters to Promotion-averse Exploiters was because promotions of their preferred brands were not available. In the exploitation stage, whether the preferred brands were on promotion determined the responsiveness of these exploiters to promotions. In general, the avoidance of risks from exploration played a dominant role in the decision making of these exploiters. The maximization of immediate purchase value thus overtook the extension of market knowledge in influencing the decision making of consumers in the exploitation stage. The left chart in Figure 5 demonstrates these trade-offs occurred in dynamic behavioural evolvement process from Opportunistic Exploiters.
Figure 5: Trade-offs between the extension of market knowledge and the maximization of immediate purchase value in the dynamic behavioural evolvement process

Promotion-averse Exploiters to brand-loyal consumers via explorers: Figure 2 shows that the transitional probability of the evolvement from Promotion-averse Exploiters to Promotion-averse Explorers and Opportunistic Explorers decreased over years. This indicates that the likelihood of the evolvement from Promotion-averse Exploiters to explorers presented a decreased trend with an increase in purchase experiences over years. This suggests that these Promotion-averse Exploiters were likely to directly proceed to an exploration stage after a certain period of purchasing familiar big brands. On the contrary, the transitional probability from Promotion-averse Exploiters to explorers presented an increased trend over years. The increased likelihood of the evolvement from Promotion-averse Exploiters to explorers with an increase in purchase experiences suggests that these Promotion-averse Exploiters were likely to enter the exploitation stage at the end of their purchase life-cycles. The right chart in Figure 3 demonstrates the identified dynamic behavioural evolvement route of Promotion-averse Exploiters in their purchase life-cycles.

Promotion-averse Exploiters were more likely to maximize their immediate purchase value than to extend their market knowledge. This suggests that the importance of the maximization of immediate purchase value was higher than that of the extension of market knowledge in their purchase decision making. These Promotion-averse Exploiters were inclined to consistently purchase a subset of preferred big brands, regardless of promotions. Their accumulated market experiences from occasionally sampling big brands motivated them to enter the exploration stage.

Figure 2 shows that the transitional probability of the evolvement from Promotion-averse Exploiters to Promotion-averse Explorers was higher than that of the evolvement from Promotion-averse Exploiters to Opportunistic Explorers. This indicates that these Promotion-averse Exploiters were more likely to evolve to be Promotion-averse Explorers than to be Opportunistic Explorers when they initially entered the exploration stage. As can be seen in Figure 4, the behavioural evolvement from Promotion-averse Explorers to Promotion-averse Explorers was associated with a significantly increased Value of Information from Purchases and a slightly changed Prevalence of Promotion. This indicates that these Promotion-averse Exploiters were motivated by the increased information value to extend their market knowledge in the evolvement process, regardless of promotions. This finding suggests that the extension of market knowledge gradually overtook and dominated the maximization of immediate purchase value in influencing the decision making of the Promotion-averse Explorers who had evolved from Promotion-averse Exploiters.

The high transitional probability of the evolvement from Promotion-averse Explorers to Opportunistic Explorers indicates that these Promotion-averse Explorers gradually evolved to be Opportunistic Explorers with the increase in market experiences over time. In the evolvement process, the value of the Prevalence of Promotion significantly increased. This indicates that these Promotion-averse Explorers became more responsive to promotions in the evolvement process.
maximizing immediate purchase value increased in influencing the purchase decision making of these Promotion-averse Explorers. In this behavioural evolvement process, the high values in the Value of Information from Purchases either increased or decreased with the increase in market knowledge. The findings indicate that these Promotion-averse Explorers became more inclined to take advantage of promotions to try alternative brands for further extending their market knowledge in the evolvement process. The extension of market knowledge and the maximization of immediate purchase value are thus suggested to co-determine the purchase decision making of the newly evolved Opportunistic Explorers.

As for those Opportunistic Explorers who had evolved from Promotion-averse Explorers, the value in the Value of Information from Purchases decreased with the further extension of market knowledge. The importance of the extension of market knowledge in their purchase decision making thus decreased with a further increase in market knowledge. The maximization of immediate purchase value gradually overtook and dominated the extension of market knowledge in influencing the brand selection decisions of these Opportunistic Explorers with the increase in market knowledge over time.

The transitional probability of the evolvement from Opportunistic Explorers to exploiters was very low. This indicates that these Opportunistic Explorers were not likely to directly evolve to be exploiters. The transitional probability of the evolvement from Opportunistic Explorers to Promotion-averse Explorers increased over years. This indicates that these Opportunistic Explorers were likely to evolve to be Promotion-averse Explorers at the end of the exploration stage. In this evolvement, the value of the Prevalence of Promotion was significantly decreased. This suggests that the importance of the maximization of immediate purchase value in influencing the purchase decision making of these Opportunistic Explorers decreased in the behavioural evolvement process. The Value of Information from Purchases was slightly decreased in the behavioural evolvement process. However, for most of these Opportunistic Explorers, the decreased Value of Information from Purchases was associated with the same number of brands being explored by these consumers across the two years from 2006 to 2007. For some of these consumers, the decreased Value of Information from Purchases was associated with the increased number of brands explored by them from 2006 to 2007. These findings suggest that the slightly decreased Value of Information from Purchases in the behavioural evolvement process was mainly because these Opportunistic Explorers consistently purchased a subset of preferred brands across these two years in the dynamic yogurt market. The importance of the extension of market knowledge thus further decreased in the purchase decision making of these Opportunistic Explorers in the evolvement process. Differing from the Promotion-averse Explorers in the evolvement route of Opportunistic Explorers, these Promotion-averse Explorers at the end of the exploration stage in this evolvement route were inclined to be loyal to their preferred brands, regardless of the availability of promotions.

The transitional probability of the evolvement from Promotion-averse Explorers to exploiters significantly increased at the end of the consumer purchase life-cycle. In the meantime, the transitional probability of the evolvement from Promotion-averse Explorers to Opportunistic Explorers decreased. These findings suggest that these Promotion-averse Explorers evolved to be exploiters and proceeded to the exploitation stage. The exploitation stage in this route was the same as the exploitation stage in the evolvement route starting from Opportunistic Explorers. The maximization of immediate purchase value played a more important role than the extension of market knowledge did in influencing the brand selection of those consumers who were loyal to their preferred brands in purchases. The right chart in Figure 5 visualizes these trade-offs occurred in the dynamic behavioural evolvement process from Promotion-averse Explorers.

5. Conclusions and recommendations

This research segments consumers into four segments as ‘Promotion-averse Explorers’, ‘Promotion-averse Explorers’, ‘Opportunistic Explorers’, and ‘Opportunistic Explorers’ in terms of their promotion proneness and dynamic choice behaviours. To motivate Promotion-averse Explorers and Opportunistic Explorers to make purchases, marketers are suggested to inform these explorers about new brands using advertisements or points of display. To accelerate the purchases of Promotion-averse Explorers and Opportunistic Explorers, marketers are suggested to provide these exploiters with promotions on their preferred brands. As for these exploiters with limited market knowledge, marketers are also suggested to motivate them by providing promotions of big brands.
In this research, the behavioural evolvement routes in consumer purchase life-cycles are identified. The understanding of the dynamic behavioural evolvements in the consumer purchase lifecycle could allow marketers to understand and predict the trade-offs between the maximization of immediate purchase value and the extension of market knowledge in consumer decision making based on consumers’ past purchase experiences. However, it might be impossible for a retailer to obtain transactional records of all consumers in a product market to quantify their past purchase experiences. Therefore, it might difficult for retailers to correctly predict their existing and, particularly, potential consumers’ purchase behaviours. For the purpose of targeting and positioning, profiling behavioural segments using widely accessible behavioural data is essential and suggested to be done in future research.

References


Integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand

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Keywords
Integrated marketing communication model, Brand loyalty, Japanese cars, Thailand

Abstract
Thailand automobile market had experienced positive growth for several years due to worldwide economic growth. The proposed policies present great opportunities for Japanese car companies who have such technologies and willing to invest in an emerging markets region. This research aimed to find the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand. The quantitative data were collected by questionnaire survey to 480 Japanese car customers in Thailand. The sampling method used the simple random sampling at the department of Land transport, Bangkok, Thailand. The descriptive statistics applied in this research consist of mean average, percentage and frequency, whereas inferential statistics consisted of confirmatory factor analysis, path analysis and Structural Equation Modeling.

The study found that the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand consisted of car factors, customer psychological factors, integrated marketing communication tools, and brand loyalty. The constructed model developed by this research is consistent with the empirical data and shown the ability to predict value perception to acceptable degree with a multiple correlations squares ($R^2$) of 87%, GFI = 0.96, AGFI = 0.93, Chi-Square = 114.91, df = 94, P-Value = 0.089, and RMSEA = 0.022. These finding were achieved through better understanding and addressing the Japanese car producer on integrated marketing communication model for creating brand loyalty in Thailand. The practical implication model has been suggested in this paper.

Introduction
Thailand automobile industry is one of the key major players in the industrial sector in ASEAN country and contributes heavily to the nation’s economy. Recently, year 2017, Thailand automotive industry was the largest in Southeast Asia and largest the 12th in the world. Most of the vehicles built in Thailand are developed and licensed by producers, mainly Japanese, Europe and American (Thai Automotive industry association, 2017). The industry employs more than 300,000 people and generator on average percent of the national gross domestic product (GDP) and create a number of service and support out fits, from plastic to steel making, repair and maintenance to engine software design (Ernst & and Young, 2017). In 2017 the automobile industry shares a large part of the country’s export in come with annual capacity of 1.8 million units, which is half the destined for export (Ministry of Commerce Thailand, 2017), while the total import value of automobile and related parts accounted for 3 percent of the total national import value of 156,990 million baht (Ministry of Commerce Thailand MOC, 2017). Table 1 show the passenger car by unit’s sales market share and growth of passenger car by units in 1017.

<table>
<thead>
<tr>
<th>Maker/Brand</th>
<th>Growth (units) 2017</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>399,551</td>
<td>30.0%</td>
</tr>
<tr>
<td>Honda</td>
<td>160,350</td>
<td>14.8%</td>
</tr>
<tr>
<td>Isuzu</td>
<td>127,765</td>
<td>15.9%</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>97,747</td>
<td>8.3%</td>
</tr>
<tr>
<td>Nissan</td>
<td>99,909</td>
<td>8.7%</td>
</tr>
<tr>
<td>Ford</td>
<td>56,156</td>
<td>6.5%</td>
</tr>
<tr>
<td>Mazda</td>
<td>51,355</td>
<td>6.0%</td>
</tr>
<tr>
<td>Suzuki</td>
<td>25,011</td>
<td>3.0%</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>18,771</td>
<td>2.7%</td>
</tr>
<tr>
<td>Mercedes Benz</td>
<td>14,334</td>
<td>1.7%</td>
</tr>
<tr>
<td>Others</td>
<td>48,712</td>
<td>6.2%</td>
</tr>
<tr>
<td>total</td>
<td>871,644</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1: Passenger Car unit sold Thailand by Maker/Brand and Growth year 2017 and Market Share (Ministry of Commerce Thailand, 2017)
The sales figure in table 1 clearly shows the domination of Japanese Car manufacturers in Thailand passenger car market. The information indicated that the top five brand passenger car maker were Japanese car follow by European and other Asian automobile companies in Thailand for the years 2017. The figure clearly shows that automobile factories from Japan are able to utilize their production capacities much better than the other. The five car brands consisted of Toyota, Isuzu, Honda, Mitsubishi, and Nissan already purchased brand reputation and customer’s base in Thailand. Thus they are the main significance for this study because the success in creating brand loyalty for Japanese Car. As Kotler and Keller (2016) & Shiffman & Kanuk, (2015) stated that the element to classify those product or services of the cooperate to the brand loyalty are product factors, customer’s psychological factors, integrated marketing communication tool, Then, this study will be focused linked to brand loyalty to the car business in Thailand.

Based on the statement presented above, this research aims to find the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand by answering what are the components of the car factors, Thai customer’s psychological factors, the integrated marketing communication tools, and the brand loyalty of Japanese cars in Thailand? Do the car factors, Thai customer’s psychological factors and the integrated marketing communication tools have any effects on the brand loyalty of Japanese cars in Thailand? Finally what is the effective integrated marketing communication model to create brand loyalty for Japanese ear brands in Thailand.

Objectives of the Research
The objective of the research is to find the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand.

Contributions to the Research
This research aims to investigate the integrated marketing communication tools that will enable the Japanese car business in Thailand to improve their brand loyalty. The major contributions of this will go to the Japanese car investors as well as attracting the new investors to invest in Thailand. Customers of Japanese cars will benefit from the research due to the improvement of the brand loyalty building programs of the Japanese car companies which will lead to optimum customer satisfaction. The finding will also be beneficial to researchers and the public as they can use the research results as a guideline for future research.

Literature Review and research Conceptual Framework
This research has conduct the theory and previous research that e relevant to the variables of car factors, consist of car factors (country of origin, quality, price, and brand reputation), psychological factors (motivation, attitude, and personality), the integrated marketing communication tools (public relations, sponsorship, advertising, direct marketing, sales promotion, exhibitions, personal selling, and CRM), and brand loyalty (satisfaction, image, repeat purchase, and word-of-mouth) as following.

As Shiffman & Kanuk, (2015) define consumer behavior as the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products, services, and ideas. While Kotler and Keller (2016) said that the successful marketers are who carefully cultivate satisfaction and loyalty. Hence consumer purchases are influenced strongly by psychology characteristics motivation personality and attitude (Kotler and Armstrong, 2016). The important question of marketers is how consumers respond to various marketing efforts the company might use IMC tool such as public relations, sponsorship, advertising, direct marketing, sales promotion, exhibitions, personal selling, and CRM. The company that really understands how consumers will respond to different quality of product, country of origin, prices, and brand reputation has a great advantage over its competitors (Belch, 2004). This can extended to create the customer relationship management (CRM) and built brand loyalty from the brand image satisfaction customer repeat purchase and at the end, the customer will action to do word of mouth as Kotler and Keller (2016) stated that the successful marketers are who carefully cultivate satisfaction and loyalty.

Siphiwe P, M. (2014). The research title “Contribution of CRM Strategies in Enhancing Customer Loyalty”. The study was undertaken to evaluate the contribution of CRM strategies in enhancing customer loyalty in the motor industry in Zimbabwe. The motor industry is facing intense competition
both locally and internationally. The paper analyses trust and commitment as antecedents of customer loyalty, the benefits of database marketing and key account management, categories of loyalty, as well as challenges affecting the effective implementation of database marketing and key account management. The research design was descriptive and exploratory. A sample size of 297 respondents was used. The major finding was that trust and commitment have a role to play as they led to customer loyalty. It was therefore concluded that CRM contributes significantly towards customer loyalty in the motor industry, thus it was recommended that the motor industry could make optimum use of information technology in order to fully implement CRM strategies.

Emel, K. Y. (2014). His Studied on “A Review on Dimensions of Service Quality Models”. The objective is to measuring service quality and service quality dimensions. This study focused on the service quality models. The methodology of this study was to review the existing service quality models in chronologic order. The dimensions of the models were examined and three main groups that consist of service quality dimensions were obtained. They were associated with the three elements of services marketing mix (7P) such as physical environment, people, and process. It was advised that practitioners should pay attention the services marketing tools and 7P to increase the quality of their services offered.

Albert V. C, (2015), studied on The National Safety Council (NSC) estimated that over 35,000 people died in U.S. traffic accidents. About 3.8 million traffic crash injuries requiring medical attention occurred in 2013, and the number of deaths was about the same over the last 5 years. The NSC found that product recalls, car repairs, injuries, and deaths were due to unsafe product designs or inferior product quality. These statistics underscore the challenge of producing quality vehicles while satisfying customers. Data were collected from a random sample \( (N = 77) \) of U.S. automobile users and analyzed via simple and multiple linear regression, which showed a significant statistical relationship between product quality and customer satisfaction. However, neither the product safety nor product cost helped mediate the relationship between product quality and customer satisfaction. Building high-quality cars leads to fewer injuries and deaths associated with vehicular accidents, thus promoting positive social change for both U.S. automobile buyers and sellers.

Karol J, and June-S, C. (2015). Studied on “Analysis of archetypal characteristics of social customer relationship management Social Customer Relationship Management (SCRM) is a relatively new concept in contemporary marketing studies. Although its general understanding seems to be rather intuitive and simple within business managerial environments, as the sole name of it induces the usage of Social Media (SM) and data that it contains and constantly produces in company’s Customer Relationship Management (CRM) strategies, scholars still struggle to create its holistic definition or even one unified description and a general list of characteristics. In this paper, we discuss and find deficiencies and incoherencies among researched works and detecting a group of characteristics archetypal to contemporary SCRM.

Prateek, Nitin and Anoop (2017). They studied title “An empirical approach to consumer buying behavior in Indian automobile sector”. The study purpose of this paper is to understand the relationship between advertisement effectiveness and consumer buying behavior for major automobile companies of central India. Research design has adopted a judicious mix of qualitative by focus group and Delphi technique) and quantitative used structured questionnaire survey. Research findings found that for automobile sector, effective advertisements have a positive impact on consumer buying behavior. It suggests that customer’s attitude can be shaped favorably through effective advertising. Automobile companies must arrange special training sessions and learning programs for their sales force to ensure supportive customer purchasing behavior.

Loureiro et al (2017). studied on the effect of corporate brand reputation on brand attachment and brand loyalty: Automobile sector”. The study aims to analyze the effect of corporate brand reputation on brand attachment and brand loyalty considering the automotive sector and the brands Tesla, Toyota, and Volvo in Portugal. A sample of 327 participants, members of car brand communities, collaborates in a survey. Overall findings reveal that the perception of corporate brand reputation is more effective on enhancing brand loyalty than brand attachment. However, the effect could depend on the car brand strategy. The researcher claim that customer citizen helping others is one of the most important corporate attributes perceived by customers of the three brands.
Estelle, V. T. (2017). His studied on “A mediated model of relationship quality factors affecting behavioral intention at a luxury motor vehicle dealership”. The aim of this study is to determine whether customer satisfaction, trust and commitment as relationship quality factors can be valuable to a luxury motor vehicle dealership in generating favorable behavioral intentions concerning post-purchase service and repair offerings. A descriptive research design was followed, and self-administered questionnaires were fielded among customers of the luxury motor vehicle dealership. A total of 301 questionnaires were returned and the interrelationships between the constructs were examined using structural equation modelling. Research findings found that, it was discovered that customers who trust the dealership may be more committed, and commitment may strengthen the relationship between customer satisfaction and a favorable behavioral intention towards the dealership.

From the related theories; such as, consumer behavior theory, attitude theory, and concepts; such as, integrated marketing communication concept, customer relationship management concept, brand loyalty concept, quality concept, country of origin effect concept, price concept, brand concept and previous researches, specifically for brand loyalty, car factors, psychological factors, integrated marketing communication tools, the research conceptual framework has been constructed as displayed in Figure 1.

![Figure 1: Research conceptual framework entitled "Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand"]

The Components of Variables

This research is the study of the casual effect among 4 latent variables, two of them are independent variables, and the rest are intervening and dependent variables. As show in figure 1 the independent variables consist of car factors of; country of origin, quality, price, and brand reputation. Psychological factors are; motivation, attitude, and personality. The intervening variable is the integrated marketing communication tools of public relations, sponsorship, advertising, direct marketing, sales promotion, exhibitions, personal selling, and CRM. The dependent variable is brand loyalty of satisfaction, image, repeat purchase, and word-of-mouth.

Research Hypotheses

Regarding the literatures from many resources in marketing field such as Belch (2004), Shiffman & Kanuk, (2015), Kotler and Armstrong (2016), Kotler and Keller (2016), Karol and June (2015), Loureiro et al (2017), Estelle (2017) and Prateek and Anoop (2017). Theories, concepts and findings are very relevant and supported this research hypothesis. The two main research hypotheses were set up from the integrated of their findings as following.

Research hypothesis one (H1): There are direct and indirect effects between car factors, integrated marketing communication tools, and integrated marketing communication tools.

H1b: There are direct effects between car factors and brand loyalty.

H1c: There are indirect effects between car factors and brand loyalty through integrated marketing communication tools.
Research hypothesis two (H2): There are direct and indirect effects between customer's psychological factors, integrated marketing communication tools, and brand loyalty.

H2a: There are direct effects between customer's psychological factors and integrated marketing communication tools.

H2b: There are direct effects between customer's psychological factors and brand loyalty.

H2c: There are indirect effects between customer's psychological factors and brand loyalty through integrated marketing communication tools.

Research Design

The research design in the study use quantitative research methodology, the detail of procedures necessary for obtaining information needed for the research are outlined as population, sample, sampling method, research tool, data collection, and statistical and data analysis are as following.

Quantitative Research

The objective of the quantitative research was to analyze the variables those were appropriate for generating loyalty and to find the effective integrated marketing communication model affecting the loyalty of Thai consumers to Japanese cars in Thailand. The previous chapter introduced the literature reviews those related to all latent and observed variables. In this chapter, the population and sample, sampling method, research tools and the process of questionnaire construction, data collection, data collection, and data analysis method are explained.

Population and Sample

According to the Department of Land Transport, more than 70% of Japanese car sales are in Bangkok. Then the survey was done in Bangkok. The population in this study has focusing on the group of car buyers of top five Japanese brands; Toyota, Isuzu, Honda, Mitsubishi, and Nissan in the year 2017 which were 657,315 car owners. These five brands has obtained the total passenger car unit sold in 2017 as shown in table 1, in previous paragraph. The purpose for selecting the year above because the car buyers have had experiences with the current integrated marketing communication tools, loyalty building campaign, and latest products. The sample was calculated by proportion to size, regarding to meet the minimum requirement for the use of structural equation modeling (SEM), in this research which was 20 times of the studies variables. In this research, the sums of observed and latent variables were 23; then the sample size must have at least 460 samples, as showed in table2 (Hair et al, 2010)

<table>
<thead>
<tr>
<th>Brand</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>239,551</td>
<td>168</td>
</tr>
<tr>
<td>Isuzu</td>
<td>160,559</td>
<td>112</td>
</tr>
<tr>
<td>Honda</td>
<td>127,768</td>
<td>89</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>69,737</td>
<td>49</td>
</tr>
<tr>
<td>Nissan</td>
<td>59,709</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>657,315</td>
<td>460</td>
</tr>
</tbody>
</table>

Table 2 Population and Simple of Japanese Passenger car Owners in 2017

Research Tools

The questionnaire designed consisted of 68 questions, which divided into five parts started with personal factors, and consequently followed by car factors, customer’ psychological factors, IMC tools, and brand loyalty. The testing of validity by an Item Objective Congruence (IOC) was done by three academician experts for the purpose of determining the content validity, which every item have validity more than 0.66. Follow by, tried out the questionnaire step with a test sampling of 30 samples of similar homogeneity to the selected population. A Cronbach Alpha Coefficient has been tested to determine the overall reliability as 0.95 in this study.

Data Collection

The data collection was conducted during the period of January 2018- April 2018 at the department of Land transport, Bangkok, Thailand. The Systematic simple random sampling was applied for the data collection. The Sampling was done brand by brand with same method while the owners of the car drive
The questionnaire was handed and collected each case with 40 minutes. For goodness, the researcher gives one bottle of drinking water to the respondents.

**Statistical and Data Analysis**

The research “Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand” was analyzed by the descriptive statistics consists of mean average, percentage and frequency, whereas inferential statistics consisted of confirmatory factor analysis, path analysis and Structural Equation Modeling.

**Conclusion and Discussion**

The discussion and conclusion was divided into three parts which consisted of 1) the Results of the factor loading of car factors, customer’s psychological factors, integrated marketing communication tools, and brand loyalty 2) Part 2: Hypotheses testing results and 3) the Results of the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand, detail of each as following.

**Part 1: Results of the factor loading of car factors, customer’s psychological factors, integrated marketing communication tools, and brand loyalty**

This section displays the Model for Creating Brand Loyalty to Japanese Cars in Thailand, the factor loading values ranging from the most important to the least important factor in regards with the method of completely standardized solution of the model of the Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand. In car factors, highest factor loading is quality with the value of 0.79, follow by brand reputation with 0.71, country of origin 0.57 and price with 0.56 respectively. In the customer’s psychological factors Personality has the highest factor loading in with the value of 0.84, follow by attitude with 0.73, and motivation with 0.67 respectively. The new ranking order from most important variable to the least important is personality, attitude and motivation.

Integrated marketing communication tools; public relations has the highest factor loading value of 0.87, follow by personal selling with 0.85, advertising with 0.83, sponsorships with 0.77, direct marketing with 0.74, exhibition and trade show with 0.65, customer relationship management with 0.59, and sales promotion with 0.50 respectively. The new ranking order from most important variable to the least important is public relations, personal selling, advertising, sponsorships, direct marketing, exhibition and trade show, customer relationship management, and sales promotion. In the brand loyalty, the highest factor loading value is satisfaction with the value of 0.76, follow by word of mouth with 0.71, repeat purchase with 0.70, and image with 0.62 respectively. The new ranking order from most important variable to the least important is satisfaction, word of mouth, repeat purchase and image.

The values of factor loadings for all variables in "Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand " in completely standardized solution method shows the statistical value ranking in order of importance of all variables concerned in the constructed model in relation to each other. The new ranking in order is illustrated in Figure 2.
Part2: Hypotheses testing results

This section indicate the analysis of directions of the direct and indirect effects among the latent variables of car factors, customer's psychological factors, integrated marketing communication tools, and brand loyalty, the conclusion of the hypotheses testing is showed in table 3 and table 4.

<table>
<thead>
<tr>
<th>Variables</th>
<th>IMC (IMCTOL)</th>
<th>LOYALTY (BRALOY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car factors (CARFAC)</td>
<td>0.53***</td>
<td>0.54***</td>
</tr>
<tr>
<td>Customer's psychological factors (PSYFAC)</td>
<td>0.33**</td>
<td>0.32**</td>
</tr>
<tr>
<td>IMC Tools (IMCTOL)</td>
<td>0.33**</td>
<td>0.32**</td>
</tr>
<tr>
<td>Chi-Square = 114.91, df = 94, P = 0.00, AGFI = 0.98, GFI = 0.95, RMR = 0.037, RMSEA = 0.020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3 Results of the Path Analysis

The conclusion, the hypotheses testing of the research "Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand", car factors have direct positive effect on integrated marketing communication tools as well as brand loyalty and have indirect positive effects on bf and loyalty through integrated marketing communication tools. Customer's psychological factors do not have direct effects on integrated marketing communication tools as well as do not have indirect effects on brand loyalty through integrated marketing communication tools but have direct positive effects on brand loyalty. The conclusion of the hypotheses testing is showed in table 4.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>supported</th>
<th>rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Research hypothesis one (H1): There are direct and indirect effects between car factors, integrated marketing communication tools, and brand loyalty.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 H1a: There are direct effects between car factors and integrated marketing communication tools</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1.2 H1b: There are direct effects between car factors and brand loyalty.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>1.3 H1c: There are indirect effects between car factors and brand loyalty through integrated marketing communication tools</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2. Research hypothesis two (H2): There are direct and indirect effects between customer's psychological factors, integrated marketing communication tools, and brand loyalty.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 H2a: There are no direct effects between customer's psychological factors and integrated marketing communication tools</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.2 H2b: There are direct effects between customer's psychological factors and brand loyalty</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2.3 H2c: There are no indirect effects between customer's psychological factors and brand loyalty through integrated marketing communication tools</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 Conclusion of the hypotheses testing

Part3: the Results of the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand
This part showed result of the analysis of Goodness of Fit for the Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese cars in Thailand. The initial scales resulted in a Chi-Square of 1 14.93, degrees of freedom of 96, Chi-Square/df = 1.187, P = 0.091, a Goodness of Fit Index (GFI) of 0.98, Adjusted Goodness of Fit Index (AGFI) of 0.95, and Root Mean Square Residual (RMR) of 0.015 indicating a good fit of model. The Root Mean Square Error of Approximation (RMSEA) of 0.020 and Critical N (CN) of 532.16 also support this conclusion. A Goodness of Fit Index (GFI) represents the overall degree of fit that predicted by the proposed model ranging in value from 0 (poor fit) to 10 (perfect fit). Higher values indicate better fit. The Adjusted Goodness of Fit Index (AGFI) is an extension of the GFI which recommends the acceptance level at the value greater than or equal to 0.90 (Hair et al, 2010). Initial scales for proposed model provide AGFI of 0.95 that is higher than the recommended acceptance level of 0.90. This statistic shows support that the results of this study fit to the proposed model. Table 5 shows all the relevant statistical measurement values indicating that the constructed model fit to the empirical factual data. From the statistic has presented, the research drawn out the integrated marketing communication model for creating brand loyalty to Japanese cars in Thailand as showed in the figure 3

According to the analysis of the model which consists of four latent variables of car factors, customer’s psychological factors, integrated marketing communication tools, and brand loyalty display results as follows: Car factors consist of four observed variables: country of origin has a factor loading of 0.57; quality has a factor loading of 0.79; price has a factor loading of 0.56; and brand reputation has a factor loading of 0.71 at the significance level 0.01. The results indicate that country of origin, quality, price, and brand reputation have positive relationships with car factors in the same direction. Customer’s psychological factors consist of three observed variables: personality has a factor loading of 0.84 attitude has a factor loading of 0.73 motivation has a factor loading of 0.67 and at the significance level 0.01. The results indicate that personality, attitude and motivation have positive relationships with the customer’s psychological factors in the same direction. Integrated marketing communication tools consist of eight observed variables: public relations, personal selling, advertising, sponsorships, direct marketing, exhibition and trade show, CRM, and sale promotion has a factor loading of 0.87, 0.85, 0.83, 0.77, 0.74, 0.65, 0.59, and 0.50 respectively at the significance level 0.01. The results indicate that public relations, sponsorships, advertising, direct marketing, sales promotions, exhibition and trade show, personal selling, and customer relationship management have positive relationships with integrated marketing communication tools in the same direction.

Brand loyalty consists of four observed variables: satisfaction, word of mouth, repeat purchase and image has factor loading 0.76, 0.71, 0.70, and 0.62 respectively at the significance level 0.01. The results indicate that, the factor loading estimated value shows the direct and indirect effect value of all variables and hypothesis testing of each latent variable which will test how the empirical data fit with the constructed model.

<table>
<thead>
<tr>
<th>Goodness of Fit Measure</th>
<th>Acceptable Level</th>
<th>Reference</th>
<th>Statistic</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td></td>
<td></td>
<td>114.91</td>
<td>Accepted</td>
</tr>
<tr>
<td>P-Value</td>
<td>P&gt;0.05</td>
<td>Carmines and Melver (1981)</td>
<td>91</td>
<td>Accepted</td>
</tr>
<tr>
<td>CMIN/df</td>
<td>CMIN/df&lt;3</td>
<td></td>
<td>1.187</td>
<td>Accepted</td>
</tr>
<tr>
<td>Goodness of Fit (GFI)</td>
<td>GFI&gt;0.90</td>
<td>Hu and Bender (1999)</td>
<td>0.98</td>
<td>Accepted</td>
</tr>
<tr>
<td>Adjusted Goodness of Fit (AGFI)</td>
<td>AGFI close to 0.90</td>
<td>Hair et al. (2006)</td>
<td>0.95</td>
<td>Accepted</td>
</tr>
<tr>
<td>Root Mean Square Residual (RMR)</td>
<td>RMR &lt;0.08</td>
<td>Schmackerand Lomax (1996)</td>
<td>0.015</td>
<td>Accepted</td>
</tr>
<tr>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>RMSEA&lt;0.05</td>
<td>Hair et al. (2006)</td>
<td>0.020</td>
<td>Accepted</td>
</tr>
<tr>
<td>Critical N (CN)</td>
<td>CN&gt;200</td>
<td>Diamantopoulos and Sigauw (2000)</td>
<td>531.15</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Table 5 the relevant statistical
The analysis of the model reveals that car factors have direct positive effects with integrated marketing communication tools (0.53) as well as brand loyalty (0.54) and also have indirect positive effects with the brand loyalty through integrated marketing communication tools (0.17). The analysis arrives to the conclusion that the higher level of car factors and integrated marketing communication tools will result in higher level of brand loyalty. The analysis of the model states that customer’s psychological factors do not have direct effects with integrated marketing communication tools and do not have indirect effect with brand loyalty through integrated marketing communication tools but have direct and positive effects with brand loyalty. The analysis arrives to the conclusion that the higher level of customer’s psychological factors will result in higher level of brand only as shown in Factor Loading Estimated Value of Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand in figure 3.

Figure 3 Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand (Sawmong, S, 2018)

The importance result of Integrated Marketing Communication Model for Creating Brand Loyalty to Japanese Cars in Thailand found that car factors have direct and indirect effects on integrated marketing communication tools, and brand loyalty. This integrated marketing communication programs have been concurrent with Schiffman and Kanuk (2015) Kotler & Keller (2016) define consumer behavior as the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products, services, and ideas and The important question of marketers is how consumers respond to various marketing efforts the company might use IMC tool such as public relations, sponsorship, advertising, direct marketing, sales promotion, exhibitions, personal selling, and CRM. The company that really understands how consumers will respond to different quality of product, country of origin, prices, and brand reputation has a great advantage over its competitors (Belch, 2004). Also, brand loyalty in dimension of image satisfaction repeat purchase and word of mouth, the finding have concurrent with Estelle (2017) the strength of the car factors linked to brand loyalty. Automobile corporations operate in an industry that possesses substantial profit potentials and each customer is worth more than only the sales price for a car stated that Integrated Marketing Communication Tools (IMC tools) are one of the best arsenals that have been proven to be effective in creating customer loyalty. Each tool may serve different strategic purposes which together resulting in establishing and enhancing brand loyalty. On the other hand, the finding found that there are no direct effects between customer’s psychological factors and integrated marketing communication tools (H2a) and there are no indirect effects between customer’s psychological factors and brand loyalty through integrated marketing communication tools (H2c). The findings from this research show Thai customer psychology pay low attention to IMC Tools. The meaning of this situation can explain those Japanese companies must work harder to create strategy to be actively

Research limitations and direction further research
In order to extend the understanding of consumer behavior, a qualitative research to Japanese car customers concerning integrated marketing communication tools that will affect their psychological factors resulting in enhancing their brand loyalty is recommended.

The comparison study on government policy concerning import tax rate with new emerging Asian countries are recommended because it has direct association with the cost structure and pricing policy of the company. People in the country that have low car import tax rate are free to choose and enjoy with the quality of the car than the one in the country that have high import tax rate. This is one of the barriers for creating brand loyalty in high-ended car market.

References
Customer satisfaction in sharing economy
the case of ridesharing service in Alexandria, Egypt

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Key words
Access-based consumption, Collaborative consumption, Collaborative economy, Gig economy, On-demand economy, Ridesharing Service.

Abstract
The phenomenon of the shared economy is still quite new. The concept of collaborative consumption is associated with this phenomenon. It can be understood as a socio-economic ecosystem built around the sharing of human, physical and intellectual resources. Consequently, reduce the extent to which assets are underutilized. Sharing economy is an internet-based business model that involves people exchanging their resources and skills on a peer-to-peer (P2P) basis rather than using traditional businesses. Examples include ride share services such as Uber or Careem instead of a taxi. The study explores the factors influencing customer satisfaction in the context of sharing economy, focusing on the case of ridesharing service in Alexandria. This case is analyzed from a consumer perspective in contribution to fill the gap in understanding the sharing economy. A quantitative survey approach is applied using structured questionnaire to identify outcome of customer value as well as determinants of customer satisfaction. Results of regression analysis and Structural Equation Modelling (SEM) conducted revealed that there is a significant effect of all research variables, except for Cost Savings. The study provides concrete insights into current satisfaction with the Ridesharing service provided in Alexandria City. Eventually, it would help to develop a regulatory approach to ridesharing and enshrines basic safety and consumer protection requirements.

1. Introduction
The sharing economy converges around activities facilitated through digital platforms that enable peer-to-peer access to goods and services (Richardson, 2015). It has set economic and socially relevant dynamics while altering existing markets. For example, the ride-sharing market, led by Uber, has changed the taxi market. In the sharing economy, transactions occur via digital platforms operated by organizations and can be considered as the main infrastructure. These digital platforms mediate transactions by matching the supply side with the demand side (Mair and Reischauer, 2017). The P2P market covered by the study can be described as platforms for sharing or hiring a ride from/with other people, which offer ride-sharing services. Collaborative consumption is of large scale, involves millions of users and makes up a profitable trend that many businesses invest in. Furthermore, it is a competitive business model and presents a challenge to conventional service providers that need to be analyzed (Möhlmann, 2015).

The concept of collaborative consumption is explained by (Botsman, 2010) as an “economic model of sharing, swapping, trading or renting products and services, enabling access over ownership. It is reinventing not just what we consume, but how we consume.”

As ride sharing becomes important service nowadays within the security circumstances present in Egypt, the research is designed to explore the dimensions achieving customer satisfaction regarding the service under study. It aims also at evaluating the explored dimensions so as to be able to know to what extent they are applied within the ridesharing services, as well as knowing the effect of such dimensions on customers being satisfied with such service. Accordingly, the researcher will be able to develop a framework of the explored factors to cope with the desired level of customer satisfaction. In addition, the
research examines the effect of demographics and personal profiles of respondents so as to evaluate to which level customer satisfaction may change according to their profiles.

Therefore, this research is examining the effect of customer values dimensions and their impact on customer satisfaction. The research is divided into several sections. The next section is a review of literature. The third section presents the research methodology, while the fourth section revealed the study results. Finally, the conclusion and recommendations are shown in the fifth section.

2. Literature Review

In this section, a review of literature identified the customer values as: Cost Savings, Knowledge, Service Quality, Customer Satisfaction, Security and Reliability, and Technological factors. These research variables are discussed in details. Regarding Cost Savings, it refers to spending less money than was planned. The general point of view is that it includes two categories: hard savings and soft savings. A third category, cost avoidance, is often discussed though. Hard savings is by nature quantitative, since “tangible” information is required for its measurement. A cost reduction is measured by comparing the negotiated price with a price referential, or with the last price paid. Hard savings are related to all buyers’ actions that directly impact the bottom line, such as reductions in price or in transaction costs. (Nollet et al., 2008). many recent research contributions argue that the satisfaction of car sharing customers would be influenced by cost savings, including the initial cost of investing in a transportation option. (Bardhi and Eckhardt, 2012) stress economic concerns to be a major reason in many cases when practicing collaborative consumption.

Cost avoidance is the reduction or the elimination of a future cost. Promoting access over Ownership in sharing economy (Bockman,2013) argues that Expensive and luxury goods suddenly become affordable for new customer groups that were not able to afford them before. Some authors consider that cost avoidance is not a saving at all: “whilst it can involve significant procurement activity to negate inflationary pressure for instance, it does not contribute to the financial accounts.”. However, most researchers agree to measure cost avoidance, but not to integrate it into savings measurement (Nollet et al., 2008).

When considering Knowledge as another customer value, it had been found that knowledge is a valuable, rare, inimitable, and non-substitutable resource (Tseng, 2016). Knowledge is “not a self-contained substance waiting to be discovered and collected. Knowledge is created by people in their interactions with each other and the environment. Hence, a company requires a “process in which a firm creates its future by changing itself and its environment through knowledge creation” (Stary, 2104).

Considering Service quality as the third customer value, it had been found that service quality had been widely discussed in the services marketing literature. It is commonly acknowledged as an antecedent of customer satisfaction and loyalty. A comprehensive framework was provided linking service quality, customer satisfaction, customer retention, and company profitability. This relationship chain assumes that customer satisfaction is improved by enhancing service quality, and customer satisfaction drives customer loyalty and company profitability. A few studies have empirically investigated and supported this link (Prentice, 2013).

Service quality has been referred to as an abstract and elusive construct because of the unique characteristics of services, namely, intangibility, heterogeneity, inseparability and perishability. Due to the unique features, service quality is often assessed by customers’ perceptions of the firm’s service. Research based on these perceptions has developed scales to measure service quality, notably, SERVQUAL. The instrument has been designed “to be applicable across a broad spectrum of services” and has been frequently cited in the services marketing and management literature (Prentice, 2013).

In transportation, one of the contributing factors in customer satisfaction is personal security. While personal security is a rising issue in public transportation, it is becoming a matter of great concern and debate in ride-sharing services. The chance of undergoing assault, violence, harassment or attack has become a critical factor in traveler’s decision making. Any anticipation of negative behavior can affect all characteristics of travel options, which may include the mode, time of day; route to be taken etc. and it also force a person to not travel at all (Chaudhry et al., 2018).
Technology is the most impactful feature driving the sharing economy. The emergence of mobile technology has helped to create hyper-efficient marketplaces (Nov, Naarman, & Ye, 2010) that allow us to share anything with the rest of the world. The Internet, in combination with mobile services, made it cheaper and easier to aggregate supply and demand where needed. For instance, smartphones, GPS-mapping and satellite placing can help find the next nearby apartment to rent or car to hire. Social networks and user recommendation systems help to establish trust (Hsu, Ju, Yen, & Chang, 2007); intelligent internet account and payment systems provide easy invoicing.

Finally, Customer Satisfaction is customers’ respond to what they expect and what they experienced from a product/process. Service and performance influence Customer Satisfaction, with performance being a result of activities from a work plan. Service quality is influenced by perceived service and expected service. If the perceived service is less than the expected service, the customer will not be satisfied; but, on the other hand, if the perceived service is more than the expected service, the customer will be satisfied. There are five dimensions that build Customer Satisfaction, namely reliability, responsiveness, assurance, empathy and tangibles (Herman, 2014).

3. Research Methodology

This section is designed to present the research methodology to apply the empirical study of this research and be able to come up with the results and findings for this research. The research methodology is a number of methods that systematically solve the research problem. Research methodology describes the research methods as well as the logic behind these methods. It depicts which path is followed in order to reach the research aims. In this research, descriptive research methodology is adopted in order to evaluate the customer value in sharing economy.

In this research, the quantitative approach also is used to evaluate the customer value in sharing economy. Questionnaires are used as the tool of collecting quantitative data, where the unit of analysis for this research is the customers of ridesharing services. This is an infinite population. Since our sampling design is probability, the type of probability sampling that fit with this research is the stratified random sampling in which all elements in the population are considered and each element has an equal chance of being chosen as the subjects. Its great advantage is that it has a high generalizability of findings (Sekaran, 2016).

The Sampling frame for any probability sample is a complete list of all the cases in the population from which sample will be drawn (Saunders et al., 2009). As it is difficult to get comprehensive list of all ridesharing services customers in Egypt, a simple random sampling method is used. As, Egypt is a big country having thousands of firms so, it is almost impossible to count the exact number of them. So, the total population (N) i.e. the number of customers using ridesharing services in Egypt is considered infinite while calculating sample size for this research. The research adopted the strategy of having a sample size of 400 according to the sample size corresponding to the 95% confidence level (Saunders et al., 2009).

The current research purpose is to explore the main dimensions that cope with customer satisfaction for the ridesharing services. It also measures the impact of the research variables explored on customer satisfaction. Therefore, the current research framework could be expressed using the Figure 1, where the research variables are considered as Cost Saving, Service Quality, Technological Factors, Security and Reliability, Awareness and Customer Satisfaction.

Accordingly, the research hypotheses are stated as follows:

H1: cost saving has a positive effect on the satisfaction with a sharing option
H2: Awareness and knowledge have a positive effect on the satisfaction with a sharing option
H3: Service quality has a positive effect on the satisfaction with a sharing option
H4: Security & reliability has a positive effect on the satisfaction with a sharing option
H5: Technological factors have a positive effect on the satisfaction with a sharing option.
4. Empirical Study and Findings

As ridesharing becomes one of the arising and important services, with wide variety of customers in several cities of Egypt, customer satisfaction arises as a critical aspect of the ridesharing services. Thus, customer satisfaction antecedents were reviewed through literature to able to determine the factors that affect customer satisfaction of the ridesharing services. As per reviewing the literature, it was found that there are many factors that affect customer satisfaction and they vary according to the type of service provided as well as the culture of the geographical location that the service is allocated in it. Accordingly, a mixed research-based approach was followed between qualitative and quantitative methods. The qualitative method was beneficial to be able to explore the main antecedents of customer satisfaction for ridesharing services in Egypt. In addition, the quantitative method is followed to determine which of the selected factors are significantly affecting the customer satisfaction of ridesharing service and to develop a framework for customer satisfaction that cope with the required level of the service.

The descriptive statistics is a tool in which it explains and gives a distinct understanding of the features of certain data set, by giving short summaries about samples and how to measure the data. The three major types of descriptive analysis are frequency, measures the central tendency such as averages, and measure of variability such as standard deviation. Measures of variability describe the level of how different the scores are from the mean. Measures of central tendency suggest unique value that generally represents the entire scores set.

Frequency statistics sum how many times each variable is repeated; for instance, the number of employed and unemployed among the sample. In the following section, means, standard deviations and frequency statistics will be conducted on both; demographic data and the research variables. Table 1 shows the frequency tables for the research variables, where it could be observed that responses vary between strongly disagree and strongly agree, which means that not all responses are in the zone of agreement. In other words, the sample under study faces a problem in perceiving the sharing application as the respondents’ reactions were not all in the agreement zone thus, in this study testing of hypothesis will be observed to identify which variables direct customers to be in the disagreement zone.
Table 1: Descriptive Analysis for the Research Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Cost Saving</td>
<td>502</td>
<td>3.5737</td>
<td>0.99577</td>
<td>36</td>
</tr>
<tr>
<td>Awareness &amp; Knowledge</td>
<td>502</td>
<td>3.4960</td>
<td>0.76015</td>
<td>4</td>
</tr>
<tr>
<td>Service Quality</td>
<td>502</td>
<td>3.5179</td>
<td>0.94704</td>
<td>3</td>
</tr>
<tr>
<td>Security &amp; Reliability</td>
<td>502</td>
<td>3.5797</td>
<td>0.82901</td>
<td>10</td>
</tr>
<tr>
<td>Technological Factors</td>
<td>502</td>
<td>3.9861</td>
<td>0.76722</td>
<td>7</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>502</td>
<td>4.1215</td>
<td>0.75236</td>
<td>1</td>
</tr>
</tbody>
</table>

Testing the First Hypothesis: Relationship between Cost Saving and Customer Satisfaction

Table 2 shows the regression model for the effect of Cost Saving Dimensions on Customer Satisfaction, as the corresponding P-values are more than 0.05. Also, R Square is 0.000 which means that Cost Saving does not explain any of the variation in Customer Satisfaction.

Table 2: Regression Model of Cost Saving on Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.150</td>
<td>.125</td>
<td>33.113</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Cost Savings</td>
<td>-.008</td>
<td>.034</td>
<td>-.011</td>
<td>-.238</td>
</tr>
</tbody>
</table>

Therefore, the first hypothesis that there is a significant relationship between Cost Saving and Customer Satisfaction is rejected.

Testing the Second Hypothesis: Relationship between Awareness and Knowledge and Customer Satisfaction

Table 3 shows the regression model for the effect of Awareness & Knowledge on Customer Satisfaction, as the corresponding P-values are less than 0.05 and the regression coefficients are greater than zero. Also, R Square is 0.059 which means that the variable of Awareness & Knowledge explains 5.9% of the variation in Customer Satisfaction.

Table 3: Regression Model of Awareness & knowledge and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.279</td>
<td>.154</td>
</tr>
<tr>
<td></td>
<td>Awareness &amp; Knowledge</td>
<td>.241</td>
<td>.043</td>
</tr>
</tbody>
</table>

Therefore, the second hypothesis that there is a significant relationship between Awareness and Knowledge and Customer Satisfaction is supported.

Testing the Third Hypothesis: Relationship between Service Quality & Customer Satisfaction

Table 4 shows the regression model for the effect of Service Quality on Customer Satisfaction, as the corresponding P-value is less than 0.05 and the regression coefficient is greater than zero. Also, R Square is 0.150 which means that the variable of Service Quality explains 15% of the variation in Customer Satisfaction.

Table 4: Regression Model of Service Quality & Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.420</td>
<td>.153</td>
</tr>
</tbody>
</table>
Table 4: Regression Model of Service Quality Dimensions on Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.038</td>
<td>.119</td>
<td>25.464</td>
<td>.150</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.308</td>
<td>.033</td>
<td>.388</td>
<td>9.406</td>
</tr>
</tbody>
</table>

Therefore, the third hypothesis that there is a significant relationship between Service Quality and Customer Satisfaction is supported.

Testing the Fourth Hypothesis: Relationship between Security and Reliability and Customer Satisfaction

Table 5 shows the regression model for the effect of Service & Reliability on Customer Satisfaction, as the corresponding P-value is less than 0.05 and the regression coefficient is greater than zero. Also, R Square is 0.086 which means that the variable of Service & Reliability explains 8.6% of the variation in Customer Satisfaction.

Table 5: Regression Model of Security & Reliability on Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.169</td>
<td>.143</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Security and Reliability</td>
<td>.266</td>
<td>.039</td>
<td>.293</td>
</tr>
</tbody>
</table>

Therefore, the fourth hypothesis that there is a significant relationship between Security and Reliability and Customer Satisfaction is supported.

Testing the Fifth Hypothesis: Relationship between Technological factors and Customer Satisfaction

Table 6 shows the regression model for the effect of Service & Reliability on Customer Satisfaction, as the corresponding P-value is less than 0.05 and the regression coefficient is greater than zero. Also, R Square is 0.052 which means that the variable of Service & Reliability explains 5.2% of the variation in Customer Satisfaction.

Table 6: Regression Model of Technological Factors on Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.231</td>
<td>.173</td>
<td>18.643</td>
</tr>
<tr>
<td></td>
<td>Technological Factors</td>
<td>.223</td>
<td>.043</td>
<td>.228</td>
</tr>
</tbody>
</table>

Therefore, the fifth hypothesis that there is a significant relationship between Technological Factors and Customer Satisfaction is rejected.

Multiple Regression model on Customer Satisfaction

Awareness & Knowledge along with Technological factors are all positive and significant as the P-value is less than 0.05 and their coefficients are greater than zero. Cost Savings is insignificant because the P-value is greater than 0.05. The variation of all significant independent variables can explain 25.5% of the variation of the dependent model; Customer Satisfaction. The following equation expresses the relationship:

\[
SAT = 1.490 + 0.006 CS + 0.148 AN + 0.261 SQ + 0.180 SR + 0.133 TF
\]
Table 7: Multiple Regression Model on Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.490</td>
<td>.245</td>
<td>6.094</td>
</tr>
<tr>
<td></td>
<td>Cost Saving</td>
<td>.006</td>
<td>.030</td>
<td>.088</td>
</tr>
<tr>
<td></td>
<td>Awareness &amp; Knowledge</td>
<td>.148</td>
<td>.040</td>
<td>.149</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.261</td>
<td>.032</td>
<td>.328</td>
</tr>
<tr>
<td></td>
<td>Security &amp; Reliability</td>
<td>.180</td>
<td>.037</td>
<td>.198</td>
</tr>
<tr>
<td></td>
<td>Technological Factor</td>
<td>.133</td>
<td>.039</td>
<td>.136</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Satisfaction

Table 8 shows that Cost Saving should be excluded from the model to reach the best results. It shows also that Service Quality, Security and Reliability, Awareness, and Technological Factors should all included in the multiple regression model as all has significant effect on Customer Satisfaction. R-squared of the final model is 0.252 which means that 25.2% of the variations in the dependent variable; Customer Satisfaction can be explained by the included independent variables all together. The following equation expresses the best relationship:

$$SAT = 1.512 + 0.260 SQ + 0.180 SR + 0.148 AN + 0.134 TFS$$

Table 8: Step Wise Multiple Regression Model on Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.038</td>
<td>.119</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.308</td>
<td>.033</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>2.334</td>
<td>.163</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.282</td>
<td>.032</td>
</tr>
<tr>
<td></td>
<td>Security &amp; Reliability</td>
<td>.223</td>
<td>.036</td>
</tr>
<tr>
<td>3</td>
<td>(Constant)</td>
<td>1.909</td>
<td>.192</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.270</td>
<td>.032</td>
</tr>
<tr>
<td></td>
<td>Security &amp; Reliability</td>
<td>.196</td>
<td>.037</td>
</tr>
<tr>
<td></td>
<td>Awareness &amp; Knowledge</td>
<td>.161</td>
<td>.040</td>
</tr>
<tr>
<td>4</td>
<td>(Constant)</td>
<td>1.512</td>
<td>.222</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.260</td>
<td>.031</td>
</tr>
<tr>
<td></td>
<td>Security &amp; Reliability</td>
<td>.180</td>
<td>.056</td>
</tr>
<tr>
<td></td>
<td>Awareness &amp; Knowledge</td>
<td>.148</td>
<td>.039</td>
</tr>
<tr>
<td></td>
<td>Technological Factors</td>
<td>.134</td>
<td>.039</td>
</tr>
</tbody>
</table>

Table 9 shows the SEM model for the effect of Cost Saving, Awareness Knowledge, Service Quality, Security Reliability, and Technological Facts on Customer Satisfaction. It was observed that there is a significant effect of Awareness Knowledge, Service Quality, Security Reliability, and Technological Facts on Customer Satisfaction, with estimates of 0.221, 0.361, and 0.300 respectively and P-values of 0.000. While there is insignificant influence of Cost Saving, as p-values are greater than 0.05. Also, the R Square is 0.603, which means that Awareness Knowledge, Service Quality, Security Reliability, and Technological Facts explain 60.3% of the variation in Customer Satisfaction.
Table 9: SEM Model for the Customer Satisfaction and its Antecedents

<table>
<thead>
<tr>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction ← Cost saving</td>
<td>.000</td>
<td>.994</td>
</tr>
<tr>
<td>Customer satisfaction ← Awareness / Knowledge</td>
<td>.221</td>
<td>***</td>
</tr>
<tr>
<td>Customer satisfaction ← Service quality</td>
<td>.361</td>
<td>***</td>
</tr>
<tr>
<td>Customer satisfaction ← Security / reliability</td>
<td>.300</td>
<td>***</td>
</tr>
<tr>
<td>Customer satisfaction ← Technological factors</td>
<td>.176</td>
<td>***</td>
</tr>
</tbody>
</table>

It should be highlighted that model fit indices were tested as a preliminary step of conducting the SEM model. Table 9 was obtained where it was found that the minimum discrepancy or chi-square divided by the degrees of freedom (CMIN/DF) was 2.096; the probability of getting as larger discrepancy as occurred with the present sample (p-value) was 0.000; goodness of fit (GFI) was 0.920; adjusted goodness of fit index (AGFI) was 0.900 - that evaluate the fit of the model versus the number of estimate coefficients or the degrees of freedom needed to achieve that level of fit; the Bentler-Bonett normed fit index (NFI) was 0.889 and the Tucker-Lewis index or Bentler-Bonett non-normed fit index (TLI) was 0.929 - which assess the incremental fit of the model compared to a null model; the comparative fit index (CFI) was 0.938.

Also, the root mean square residual (RMR) was 0.093 - which shows the amount by which the sample variances and covariances differ from their estimates obtained under the assumption that the model is correct; the root mean square of approximation (RMSEA) was 0.047 - which is an informative criteria in covariance structure modelling and measures the amount of error present when attempting to estimate the population; and (PCLOSE) was 0.819 - which gives a test of exact fit (Gaskin, 2012; Hair, 2010). Table 10 1shows these indicators value in Model and the recommended values for them. The indices shown in the table means that the data fit the model quiet well, with the exception of p-value for the model that may be caused by larger sample size.

Table 10: Fit Indices and Thresholds for Customer Satisfaction Model

<table>
<thead>
<tr>
<th>Measure</th>
<th>Results</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square/df</td>
<td>2.096</td>
<td>&lt; 2 excellent; &lt; 3 good; &lt; 5 sometimes permissible</td>
</tr>
<tr>
<td>P-value</td>
<td>0.000</td>
<td>&gt; 0.05</td>
</tr>
<tr>
<td>GFI</td>
<td>0.920</td>
<td>&gt; 0.80</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.900</td>
<td>&gt; 0.80</td>
</tr>
<tr>
<td>NFI</td>
<td>0.889</td>
<td>&gt; 0.80</td>
</tr>
<tr>
<td>TLI</td>
<td>0.929</td>
<td>&gt; 0.80</td>
</tr>
<tr>
<td>CFI</td>
<td>0.938</td>
<td>&gt; 0.95 great; &gt; 0.90 traditional; &gt; 0.80 sometimes permissible</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.047</td>
<td>&lt; 0.05 good; 0.05-0.10 moderate; &gt; 0.10 bad</td>
</tr>
<tr>
<td>PCLOSE</td>
<td>0.819</td>
<td>&gt; 0.05</td>
</tr>
</tbody>
</table>

The SEM model conducted for the effect of Cost Saving, Awareness Knowledge, Service Quality, Security Reliability, and Technological Facts on Customer Satisfaction in Figure 2.
5. Conclusion

The study provides concrete insights into current satisfaction with the Ridesharing service provided in Alexandria City. Eventually, it would help to develop a regulatory approach to ridesharing and enshrines basic safety and consumer protection requirements. Results of regression analysis and SEM conducted revealed that there is a significant effect of all research variables, except for Cost Savings.

6. References:


The structural equation model of variables influencing Chinese tourists consumer’s purchase intentions of black-bone chicken snack products in Thailand

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Key words
Chinese Tourists Consumer, Black-Bone Chicken Snack Products, Purchase Intentions.

Abstract
The purpose of this research was to study the Structural Equation Model (SEM) of variables influencing Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken (BBC) Snack Products in Thailand. Black-Bone Chicken is the rare chicken breed which is completely black inside with dry production, packed in a vacuum bag, developed by Kai-Au-Mong Researcher Team and now was widely known as the Thai Food Industrial especially in products value for healthy. However, there was a lack of research concerning the marketing and consumer aspects. The research methodology uses both quantitative and qualitative methods. The instruments used in this research were both interview and questionnaire. The 5-point Likert scale questionnaire was used for the population and sample are Chinese Tourists Consumer, who intend to purchase Black-Bone Chicken Snack Products and using the sample 620 respondents by the SPSS program was used to analyze the statistics and LISREL version 9.2 was used for confirmatory analysis. Causal analysis and analysis of structural equations from all sample data.

The results revealed that all five factors influenced consumers’ purchase intention that (1) Product Knowledge positively influenced the Perceived Value, Perceived Risk and affected Purchase Intentions. (2) Perceived Quality positively influenced the Perceived value, Perceived Taste, Trust and affected Purchase Intentions. (3) Perceived the Taste positively influenced the Perceived Value and affected Purchase Intentions. (4) Perceived Risk positively influenced the Perceived Value and affected Purchase Intentions. (5) Trust positively influenced Perceived Value and affected Purchase Intentions. (6) Perceived Value positively affected Purchase Intentions. The study found that direct effects and indirect effects of BBC Snack Products on Perceived Value and Purchase Intentions at the 0.05 level of significance, Factors at high level are consumer expectations. Findings provided by this study will be helpful for marketers and others relevant to this business for improving theirs related marketing activities. The survey was acceptable as all hypothesis.

1. Introduction
Black-bone chicken is a poultry popular among Chinese people for a long time. Because it is believed. If taken through traditional cooking methods will help nourish the health. Because of the nature of the Black Ribbon, black pigmentation of the Black Ribbon (Wisuth, 2007), the black color of the Black Ribbon is caused by the melanin in the connective tissue. The specific cell is The melanocytes (Smyth, 1990) are extremely popular, partly derived from the Chinese medical research. It appears that black appears in the meat. And bones are the result of the work of melanin, which is found to act as an antioxidant and related to the immune function and when eating black chicken will help reduce the incidence of cancer, heart disease, etc., Black meat also contains antioxidants called carnosine more than white chicken (PhysOrg, 2006). Carnosine is a polypeptide composed of two amino acids were Beta-alanine and Lhistidine (Wikipedia, 2009), Affected to Anti-Aging, Alzheimer’s Disease, Arterial Plaque, Cancer, Heart Disease, Autism (Rosick, 2006). Black crows are now popular among health-conscious people. Country And abroad (Panuvat, 2014)

Black-bone chicken have been processed to be popular foods in the group of healthy people, fresh chicken, chicken soup extract, dietary supplements and snack foods. In this research, we will study only
new products that are snack foods for Healthy, Healthy snacking is a great way to combat hunger in between meals at home or take on-the-go. as Figure 1  

Figure 1 : Processed products from Black- Bone Chicken Snack ” (Samart Deebhijarn, 2018)  

It will be sold and distributed under the trademark “BBC - Black Bone Chicken Snack” in Thailand with the population of Chinese Tourists in Thailand around 10,262,889 people (Tourism Authority of Thailand, 2017). Purchase Intentions of Black -Bone Chicken Snack Products (BBC) in Thailand, Year 2018 , At the moment’s competitive and changing business environment that the power of retailers and the customers’ demand level is continuously growing, expanding long-term relationship with customers is vital and necessary for the success and survival of producers. Previous studies have shown that price is an important variable, but other variables such as product and service quality are important in the process of customers’ purchase decision (Giovanis et al., 2013). Customers in this era are targeted by mass media and they change the consumers’ way of thinking through emotions, needs, wants and demands. Market researchers and organizations spent billions of dollars on consumer research to identify important factors that influence on consumer decisions. The analysis of consumer behavior is effective in detecting the orientation of consumers’ behavior. (Thapa, 2011).  

According to BBC, a new product with innovative marketing that focuses on health-conscious customers. Therefore, the first step is to identify the factors affecting on customers purchase intention. Due to the lack of research in this area, there is a necessity to address this issue seriously. Consequently, the main purpose of this study is to investigate factors affecting on the purchase intention of Black-Bone Chicken Snack Products. So, several studies have been conducted about marketing issues by researchers. The results of studies about customers’ satisfaction and brand awareness showed that while few brands became successful but the majority of them are indistinctive and suffer from brand loyalty reduction (Jalali et al., 2011). Previous studies of marketing mention that the main factor in the success of firms and the creation of competitive advantage is the increase of perceived value, perceived quality and customer satisfaction (Ranjbarian et al., 2012). Also, creating valuable products and inducing the desired brand image are recognized as the basic requirements of customers’ behavioral intention (Herman et al., 2006). Consequently, the main purpose of this study is to investigate factors affecting on the purchase intention of BBC customers. The customers pay more money to particular brand against similar products (Erics, et al., 2012). Previous studies show that repeated purchases of customers due to long-term loyalty leads to profitability and growth of companies (Molla & Licker, 2001). As mentioned above, resulting in a large number of Thai-entrepreneurs to compete in this business, the entrepreneurs need to develop quality products and services, including the use technologies of resources, more appropriately.(Porter E., 2008) in order to meet the needs of consumers demand for quality goods and quickly distribution of goods and services, efficiently (Shiffman & Kanuk, 2007) to meet the needs of consumers needed a marketing tool to help.(Kotler, 2004) such as the promotion , public relations and direct marketing , etc. In order to convince and persuade the target audience will need a way to manage an organization to function effectively. (Kotler & Armstrong, 2009) and the advantages of doing business in the future. Therefore, Thai-entrepreneurs of BBC must be have ability to compete with competitors in this business. This research is a search important variable to compete this business in the Thailand.
2. Research objective

1. To develop a relationship linear structure of variable Perceived Value, Perceived Risk, Perceived the Taste, Trust, Perceived Quality and Products Knowledge to influencing Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products in Thailand.

2. To ensure concordance of the relative linear structure of the variables affecting the Purchase Intention in Black-Bone Chicken Snack Products with empirical data.

3. To study Direct effect, Indirect effect and Total effect of variables that affect to Purchase Intentions of Black-Bone Chicken Snack Products in Thailand.

3. Scope of Research

The scope of content, to studied the Perceived Value to influencing the purchase intention of Black-Bone Chicken Snack Products of Chinese’s customers in Bangkok Metropolitan Region, Thailand, which consisted of variable Products Knowledge, Perceived Quality, Perceived the Taste, Perceived Risk, Trust and Perceived Value to influencing Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products in Thailand and a sampling of Chinese Tourists from the population of 10,262,889 people (Tourism Authority of Thailand, 2017) by systematic simple random sampling and an interview with the relevant authorities and questionnaires to collect data. The time to do research from Jan’2018 to Apr’2018, including 4 month period.

4. Theoretical background and Literature review

Marketing needs to be consider as a critical issue of companies whether they’re big or small, for-profit or not-for-profit, domestic or global. Now the marketing mixed is defined as set of controllable marketing tools that a company uses to create a desired response in the targeted market. (Kotler P., Armstrong, Wong, & Saunders, 2008). A descriptive research design was used because it was deemed as being suitable to quantitative research on consumer behavior and how it affects consumers’ purchase intentions (Zikmund & Babin, 2010). its relationship with purchase intentions, contributed to the content validity of this study (Beneke et al., 2013). The important factor in consumer decision-making to buy are as variable bellow:

Product knowledge is an important factor in consumer decision-making. It can influence how consumers accessing the products (Rao & Monroe, 1988). The knowledge can be expressed in the form of subjective knowledge, which is the knowledge derived from the experience of each person and can be measured from the label knowledge. A positive relationship has been reported between knowledge and dietary health preventive behaviour (Petrovici & Ritson, 2006) as well as between knowledge and positive beliefs towards health-related behavior. (Swanson, 2006). Consumer knowledge is a crucial constructs in consumer behavior and it affects information searching (Brucks, 1985; Rao & Sieben, 1992) and information processing [Alba & Hutchinson, 1987; Bettman & Park, 1980; Rao & Monroe, 1988; Nunnally & Bernstein, 1994). Consumers make choices after they acquire information and recall different information based on different patterns of decision making. They make decisions based on the information in their memories (Lynch et al 1988).

Perceived quality is customer perception of general quality or superiority of one product or service - with attention to the purpose of that product or service- in comparison to other alternatives (keller, 2008). Perceived quality can be defined as the customer perception of general quality or superiority of one product or service in the light of its expected goal case in comparison to other alternatives. Product quality is a key factor in assessing purchase intention. It is a continuous process of improvement that the continuous changes increase product performance and consequently the satisfaction of customers’ needs. Quality should be improved every moment (Tariq et al., 2013). Perceived Quality Value is determined by the decision consumers are superior. (Zeithaml, 1988) The quality of food has a great influence on the relationship between consumers and restaurants. It is also important to improve consumer satisfaction and consumer perception. Loyalty to The restaurant (Andaleeb, 2006), Su, Swanson & Chen (2016) stated that quality of service Is the perception of consumers about the service of the shop is not much quality. This will be relevant to the overall quality assessment.

Perceived the products taste is an important factor such as good taste, good smell and delicious in consumer decision-making to buy. (Woravat, 2017)
Perceived Risk: (Marakanon & Panjakajornsak, 2016) studied the influence of perceived quality. Recognize customer risk and trust that affect customer loyalty and the integration of standardization that affect service quality. (Kasiri, 2017)

Trust: (Morgan & Hunt, 1994) states that trust is mutual trust, which includes trust and honesty, intention to challenge the exchange between the two parties. The confidence derived from the consumers’ trust is expected to be a combination of specific attitudes about the brand, including perceived performance and competence (Li, Zou, Kashyap & Yang, 2008).

Perceived Value: Price Among the numerous consumer perceptual variables, the price-related factors appear to be the most common determinants of store brands’ purchase decisions (Jin & Suh, 2005). The perceived price is conceptualized as the subjective interpretation of the product’s monetary value, considering the product as cheap or expensive (Dickson & Sawyer, 1985); and Diallo (2012) defined the store brand perceived price as the overall representation. According to Khraim (2011, as cited in Aker, 1991), the price has a significant impact on brand loyalty which in turn effects on customers purchase intention.

Packaging in its new role acts as the representative of manufacturer and through this position it can be used as the carrier of advertising messages, purchase motivational tool, this aspect can have significant momentarily effects on customers’ purchases intention due to the fact that customers are affected by appearance aspects of product especially its packaging in unplanned purchases. Rahimnia et al. (2012), According to Khraim (2011), packaging has a significant impact on brand loyalty which in turn effects on customers purchase intention. Similarly, the study of Kawa et al. (2013) showed a significant impact of packaging on customer's purchase intention.

Advertising is a subset of promotion mix that is as 4p (Product, price, place and promotion) in marketing mix. Advertising as one of the strategies of promotion, is an important tool in creating awareness in the minds of potential customers in order to make decision to buy the product. Manufacturers create an emotional link with customers through advertising. As a result, it is more likely that these kinds of customers create an emotional link with the ads of that brand. (Latif and Abideen, 2011).

Purchase intention is the main factor in our research question, thus we need to dig deeper into the theory behind. Researchers have proposed a relationship of dependence between purchase intention and attitudes. (Spears & Singh, 2004). Purchase intentions have been widely used as a predictor of subsequent purchase in the literature. In this study, purchase intentions refer to the consumers’ intentions to purchase BBC.

5. Conceptual Framework and Hypotheses Development
This research to studied the Products Knowledge, Perceived Quality, Perceived the Taste, Perceived Risk, Trust and Perceived Value to influencing Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products in Thailand, the researchers have to applied and define the concept of the research variables component and assumptions of research has shown Fig. 2.
Figure 2: Framework Research Elements of Variables (Products Knowledge, Perceived Quality, Perceived Taste, Perceived Risk, Trust, Perceived Value, Purchase Intentions) and Hypothesis.

The above explanations can be applied as hypotheses of this study as the hypothesis of this study consists of six main hypotheses and eight secondary hypothesis as follows:

**H1:** Products Knowledge influencing, both directly and indirectly to Purchase Intentions in Black-Bone Chicken Snack Products as following this;
- **H1a:** Products Knowledge has Direct effect to Purchase Intentions in BBC products.
- **H1b:** Products Knowledge has Direct effect to Perceived Value in BBC products.
- **H1c:** Products Knowledge has Direct effect to Perceived Risk in BBC products.

**H2:** Perceived Quality influencing both directly and indirectly to Purchase Intentions in Black-Bone Chicken Snack Products as following this;
- **H2a:** Perceived Quality has Direct effect to Purchase Intentions in BBC products.
- **H2b:** Perceived Quality has Direct effect to Perceived Value in BBC products.
- **H2c:** Perceived Quality has Direct effect to Trust in BBC products.
- **H2d:** Perceived Quality has Direct effect to Perceived the Taste in BBC products.

**H3:** Perceived the Taste influencing both directly and indirectly to Purchase Intentions in Black-Bone Chicken Snack Products as following this;
- **H3a:** Perceived the Taste has Direct effect to Purchase Intentions in BBC products.
- **H3b:** Perceived the Taste has Direct effect to Perceived Value in BBC products.

**H4:** Perceived Risk influencing both directly and indirectly to Purchase Intentions in Black-Bone Chicken Snack Products as following this;
- **H4a:** Perceived Risk has Direct effect to Purchase Intentions in BBC products.
- **H4b:** Perceived Risk has Direct effect to Perceived Value in BBC products.

**H5:** Trust influencing both directly and indirectly to Purchase Intentions in Black-Bone Chicken Snack Products as following this;
- **H5a:** Trust has Direct effect to Purchase Intentions in BBC products.
- **H5b:** Trust has Direct effect to Perceived Value in BBC products.

**H6:** Perceived Value has Direct effect to Purchase Intentions in BBC products.
6. Research Design and Methodology:

The research is the Mixed Methods between Qualitative and Quantitative research. Quantifiable data was obtained through a structured questionnaire from Chinese Tourist’s Consumer are 620 sampling by systematic simple random sampling, during January - April 2018.

The research designs of the current study are divided into six variables such as Products Knowledge, Perceived Quality, Perceived the Taste, Perceived Risk, Trust and Perceived Value and Purchase Intention. The instrument used for data collection are three types. 1) Interview 2) Questionnaire and 3) Data recorded of higher education. The questionnaires have been for the quality of validity by 5 experts by using the techniques of Item Objective Congruence (IOC) and selected the questions IOC value over 0.60 and try-out a similar sample group of 30 people, then bring to the quality reliability using the formula alpha coefficient (Cronbach, 1990) with value over 0.966, which is over 0.80 (Kanlaya Wanitbuncha, 2011). The statistical of data analysis from the survey variables description statistics analysis and inferential statistics analysis. The confirmatory factor analysis included Path Analysis and Structural Equation Model (SEM).

7. Research Results

The results of this research studies included three parts as following;

1). Research findings of the Products Knowledge, Perceived Quality, Perceived the Taste, Perceived Risk, Trust and Perceived Value to influencing Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products in Thailand respectively, see Fig.3

2). The analysis of the causal influence, both directly and indirectly of Products Knowledge, Perceived Quality, Perceived the Taste, Perceived Risk, Trust and Perceived Value to influencing Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products in Thailand. Inspection results of hypothesis to compliance with H1a, Products Knowledge has Direct effect to Purchase Intentions in BBC products and compliance with hypothesis H1b, Products Knowledge has Direct effect to Perceived Value in BBC products and compliance with hypothesis H1c, Products Knowledge has Direct effect to Perceived Risk in BBC products and compliance with hypothesis H2a, Perceived Quality has Direct effect to Purchase Intentions in BBC products and compliance with hypothesis H2b, Perceived Quality has Direct effect to Perceived Value in BBC products and compliance with hypothesis H2c, Perceived Quality has Direct effect to Trust in BBC products and compliance with hypothesis H2d, Perceived Quality has Direct effect to Perceived the Taste in BBC products and compliance with hypothesis H3a, Perceived the Taste has Direct effect to Purchase Intentions in BBC products and compliance with hypothesis H3b, Perceived the Taste has Direct effect to Perceived Value in BBC products and compliance with hypothesis H4a, Perceived Risk has Direct effect to Purchase Intentions in BBC products and compliance with hypothesis H4b, Perceived Risk has Direct effect to Perceived Value in BBC products and compliance with hypothesis H5a, Trust has Direct effect to Purchase Intentions in BBC products and compliance with hypothesis H5b, Trust has Direct effect to Perceived Value in BBC products and compliance with hypothesis H6, Perceived Value has Direct effect to Purchase Intentions in BBC products. And the model of Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products have the Coefficient of determination (R²) value 0.622 show that the variables in the model, which includes Products Knowledge, Perceived Quality, Perceived the Taste, Perceived Risk, Trust and Perceived Value, Percent 62.2 as Table 1 and Fig. 3
Table 1 Statistic of Influence analysis.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cause variable</td>
<td>TE</td>
<td>IE</td>
<td>DE</td>
<td>TE</td>
</tr>
<tr>
<td>Pro. Knowledge</td>
<td>0.454**</td>
<td>0.218*</td>
<td>0.236*</td>
<td>0.218*</td>
</tr>
<tr>
<td>Per. Quality</td>
<td>0.771**</td>
<td>0.426*</td>
<td>0.345**</td>
<td>0.744**</td>
</tr>
<tr>
<td>Trust</td>
<td>0.634**</td>
<td>0.386**</td>
<td>0.248*</td>
<td>0.386**</td>
</tr>
<tr>
<td>Per. Risk</td>
<td>0.393**</td>
<td>0.225*</td>
<td>0.168</td>
<td>0.225*</td>
</tr>
<tr>
<td>Per. Taste</td>
<td>0.550**</td>
<td>0.318**</td>
<td>0.232*</td>
<td>0.318**</td>
</tr>
<tr>
<td>Per. Value</td>
<td>0.526**</td>
<td>-</td>
<td>0.526**</td>
<td>-</td>
</tr>
</tbody>
</table>

$x^2$(Chi-Square) = 212.061, df = 140, P-value = 0.001, GFI = 0.98, AGFI = 0.96, IFI = 0.97, TLI = 0.98, CFI = 0.98, RMR = 0.026, RMSEA = 0.018

The result of the consistency check in the overall model of the structural equation. It was found that the values were statistically significant, with values $x^2$/df, = 1.514, P-value =0.001, GFI =0.98 , AGFI = 0.96, IFI = 0.97, TLI = 0.98, CFI = 0.98, RMR = 0.026, RMSEA = 0.018. The results of the other statistic tests indicated that they meet the criteria. Therefore, it is concluded that the modified model is consistent with the empirical data. It can be used to describe relationships between variables as Table 2

Table 2 Factor loading for Purchase Intentions.

<table>
<thead>
<tr>
<th>Fit index</th>
<th>Value</th>
<th>Acceptance area</th>
<th>Acceptability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square fit (P-value)</td>
<td>0.001</td>
<td>Less better</td>
<td>+</td>
</tr>
<tr>
<td>CMIN/df (related $x^2$)</td>
<td>1.51</td>
<td>&lt;5.0</td>
<td>+</td>
</tr>
<tr>
<td>GFI</td>
<td>0.98</td>
<td>&gt;0.9</td>
<td>+</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.96</td>
<td>&gt;0.9</td>
<td>+</td>
</tr>
<tr>
<td>IFI</td>
<td>0.97</td>
<td>&gt;0.9</td>
<td>+</td>
</tr>
<tr>
<td>TLI</td>
<td>0.98</td>
<td>&gt;0.9</td>
<td>+</td>
</tr>
<tr>
<td>CFI</td>
<td>0.98</td>
<td>&gt;0.9</td>
<td>+</td>
</tr>
<tr>
<td>RMR</td>
<td>0.026</td>
<td>&lt;0.05</td>
<td>+</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.018</td>
<td>&lt;0.05</td>
<td>+</td>
</tr>
</tbody>
</table>

3). Research findings of the model of factors affecting the Purchase Intentions of Black-Bone Chicken Snack Products in Thailand. The findings show that figure 2, as the Purchase Intentions the observed variables included Intend to buy, Consider to buy, Expect to buy, Plan to buy and Easy to eat are consist 5 components as the component 1 such as Products Knowledge, the observed variables included Subjective Knowledge, Label Knowledge, Actual Knowledge and Self-Perceived Knowledge respectively, the component 2 such as Perceived Quality the observed variables included Product Quality, Product Reliability, Healthy Food Products and Comparison to others respectively, the component 3 such as Perceived the Taste, the observed variables included Good Taste, Delicious and Good Smell respectively, the component 4 such as Perceived Risk, the observed variables included Food Standard and Food Safety respectively, the component 5 such as Trust, the observed variables included Label Food Products, Sellers have expertise, Products Accepted, Confidence in Safety and Do business honestly respectively, the component 6 such as Perceived Value, the observed variables included Price, Packaging, Advertising and Good Reputation respectively. The researchers presented the results by weighting the order from highest to lowest and the influence of variables as Figure 2, Fit Model by LISREL version 9.2 and Figure 3, Factors Affecting the Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken Snack Products in Thailand, as Table 3 results of the testing of hypotheses.
The result of the consistency check in the overall model of the structural equation. It was found that the values were statistically significant, with values $\chi^2/df = 1.514$, $P$-value =0.001, GFI =0.98 , AGFI = 0.96, IFI = 0.97, TLI = 0.98, CFI = 0.98, RMR = 0.026, RMSEA = 0.018, The results of the other statistic tests indicated that they meet the criteria. Therefore, it is concluded that the modified model is consistent with the empirical data. It can be used to describe relationships between variables as Table 3

8. Results and Discussion

The validity of the model to measure the index to read the data analysis. Using confirmatory factor analysis is followed by a second order analysis model LISREL. The Model that is consistent with empirical data very well. Consideration of the Chi-Square ($\chi^2$) = 212.06, Degree of Freedom (df) = 140, $P$-value = 0.001, which is the more probable .05 shows that not reject the null hypothesis that the theoretical model assumptions consistent with empirical data and goodness of fit index (GFI) = 0.98 , adjusted goodness of fit index: (AGFI) = 0.96 , Comparative Fit Index (CFI) = 0.97 , Tucker Lewis Index (TLI) = 0.98 which valuable approach close to one(1), standardized root mean squared residual (RMR) = 0.026, root mean square error of approximation (RMSEA) = 0.018 which valuable approach close to Zero(0). The above statistics reflect that the model is based on the concept of index reading research developed are consistent with empirical data. Considering the weight of the variables in the model that all variables are statistically significant. ($P < .001$), the details of results shown in Table 1, 2, 3 and Figure 3.
Discussing the findings of this the debate on the conclusions of the research. It can be divided into the following major topics.

1. The Results of confirmatory factor analysis model to measure the variables of Products Knowledge, by the weight of standard components from the most to the least included Subjective Knowledge, Label Knowledge, Actual Knowledge and Self-Perceived Knowledge respectively, causing a positive attitude in the consumption of BBC can affect a Chinese Tourists Consumer’s health, Consistent with research of PhysOrg (2006) Black meat also contains antioxidants called carnosine more than white chicken and Carnosine is a polypeptide composed of two amino acids were Beta-alanine and Lhistidine (Wikipedia, 2009) and compliance with Rosick (2006), affected to Anti-Aging, Alzheimer's Disease, Arterial Plaque, Cancer, Heart Disease, Autism and Black crows are now popular among health-conscious people. Country And abroad (Panuvat, 2014) and compliance with Petrović & Ritsón (2006), A positive relationship has been reported between knowledge and dietary health preventive behavior as well as between knowledge and positive of BBC are beliefs towards health-related behavior. (Swanson, 2006).

2. The Results of confirmatory factor analysis model to measure the variables of Perceived Quality, by the weight of standard components from the most to the least included Product Quality, Product Reliability, Healthy Food Products and Comparison to others respectively, consistent with the research of (keller, 2008), the customer perception of general quality or superiority of one product or service - with attention to the purpose of that product or service- in comparison to other alternatives and compliance with Tariq et al.,(2013), Quality should be improved every moment and Perceived Quality Value is determined by the decision consumers are superior. (Zeithaml, 1988) and compliance with Andaleeb (2006), The quality of food has a great influence on the relationship between consumers and restaurants. It is also important to improve consumer satisfaction and consumer perception. Loyalty to The restaurant and Su, Swanson & Chen (2016) stated that quality of service Is the perception of consumers about healthy food such as BBC Healthy Snack.

3. The Results of confirmatory factor analysis model to measure the variables of Perceived the Taste, by the weight of standard components from the most to the least included Good Taste, Delicious and Good Smell respectively and compliance with Woravat (2017) the products taste is an important factor such as good taste, good smell and delicious in consumer decision-making to buy.

4. The Results of confirmatory factor analysis model to measure the variables of Perceived Risk, by the weight of standard components from the most to the least included Food Standard and Food Safety respectively, consistent with the research of Marakanon & Panjakajornsak (2016) studied the influence of perceived quality Recognize customer risk and trust that affect customer loyalty and compliance with Kasiri (2017) the integration of standardization that affect service quality.

5. The Results of confirmatory factor analysis model to measure the variables of Trust, by the weight of standard components from the most to the least included Label Food Products, Sellers have expertise, Products Accepted, Confidence in Safety and Do business honestly respectively, consistent with the research of Morgan & Hunt (1994) states that trust is mutual trust, which includes trust and honesty, intention to challenge the exchange between the two parties and compliance with Li, Zou, Kashyap & Yang (2008).The confidence derived from the consumers’ trust is expected to be a combination of specific attitudes about the brand, including perceived performance and competence.

6. The Results of confirmatory factor analysis model to measure the variables of Perceived Value, by the weight of standard components from the most to the least included Price, Packaging, Advertising and Good Reputation respectively, consistent with the research of Jin & Suh (2005), the price-related factors appear to be the most common determinants of store brands’ purchase decisions and compliance with Dickson & Sawyer (1985) and Diallo (2012), the perceived price is conceptualized as the subjective interpretation of the product’s monetary value, considering the product as cheap or expensive and purchase motivational tool, this aspect can have significant momentary effects on customers’ purchases intention due to the fact that customers are affected by appearance aspects of product especially its packaging in unplanned purchases (Rahmniya et al.,2012) and compliance with Khraim (2011) as cited in Aker (1991), the price has a significant impact on brand loyalty which in turn effects on customers purchase intention and advertising as one of the strategies of promotion, is an important tool in creating awareness in the minds of potential customers in order to make decision to buy the product.
Manufacturers create an emotional link with customers through advertising. As a result, it is more likely that these kinds of customers create an emotional link with the ads of that brand, Latif and Abideen (2011).

7) The Results of confirmatory factor analysis model to measure the variables of Purchase Intentions, by the weight of standard components from the most to the least included Intend to buy, Consider to buy, Expect to buy, Plan to buy and Easy to eat respectively, consistent with the research of Spears & Singh (2004), the main factor in our research question, thus we need to dig deeper into the theory behind and researchers have proposed a relationship of dependence between purchase intention and attitudes. Purchase intentions have been widely used as a predictor of subsequent purchase in the literature. In this study, purchase intentions refer to Chinese Tourists Consumer’s Purchase Intentions of Black-Bone Chicken (BBC) Snack Products in Thailand.

9. Suggestion
The suggestion of this research, the administration should pay more attention to announcement Products Knowledge such as Subjective Knowledge, Label Knowledge, Actual Knowledge and Healthy Food Products for all. This will yield success in the consumer buying decision and choose the Healthy Food Products at the confidence high level in the future.

10. Acknowledgement
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Reference


Understanding consumer choice in the hospitality and tourism industry: An electrical engineering control system approach

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Key words
Consumer choice, Control System, Electrical Engineering

Abstract
In this conceptual paper, we show how an electrical engineering control system may be used to help explain consumer choice behavior in the hospitality and tourism industry. Key concepts of electrical engineering control systems are explained as they might apply to simple (refrigerator thermostat) and complex multidimensional (aircraft autopilot systems) control systems. This understanding is used to understand consumer choice behavior in the industry. For example, we might consider the reference signal to be a person’s set of desired attributes in a hotel. We sense the environment through our usual five senses enhanced, in today's world through technology, which, if not an exact match with our desires, creates an error or a dissonance, which may lead to some corrective action like choosing a different tourism alternative. This change leads to a modified input through our sensors, and then a modified comparator signal. If the error is zero or within acceptable limits, we are satisfied and are not motivated to change any more. If not, we continuously adjust our actions until we are reasonably satisfied.

It is quite common for a hotel to ask for ratings on a set of predetermined factors. This paper does not deny the value of such an exercise, but posits that such ratings are not sufficient to get a complete picture. Rather, we need to determine the appropriate reference, sensor, and error signals. The reference signal is the set of desired attributes. The sensor signal might reasonably be reflected in the ratings on the typical rating form that the customer completes at the end of the experience. The error signal is the discrepancy between the reference signal and the sensor signal – and the control system model proposes that it is that discrepancy or error signal which will be the primary driver of the action signal.

1) Introduction
In this conceptual paper, we show how an electrical engineering control system model may be used to help explain consumer choice behavior in the hospitality and tourism industry.

Let us first better understand an electrical engineering control system. A very simple form of a control system is the heating and cooling system in a car. The user sets a desired temperature. The system monitors the actual temperature, compares it with the desired temperature, and then decides what action to take – turn on the heater, turn on the air-conditioner, or do nothing. In any case, the monitoring continues and at some later time, the same decision process occurs. The net result of this control system is to keep the temperature as close to the desired level as possible, probably within a few degrees here or there.

Now, let us introduce some engineering terminology. The desired temperature is what an engineer might call a reference signal. A reference signal is set from outside of the system – meaning, it is imposed from outside the immediate system being studied – and is not the result of anything your car heating/cooling system does. In the extension to human behavior, the reference signal may simply be the result of a higher order level of self-imposed values or beliefs; this concept will be explored later in the paper.

There is the sensor, which senses the input from the outside environment. A comparator is what compares the two – the desired and the actual temperature. That comparison generates what is called an error signal – which may be a simple mathematical function like one minus the other, or a more complex non-linear one. The error signal then goes through a control function which in turn drives an action signal.
which may turn on the air-conditioner or the heater. That changes the environment, which causes the input signal to change, which is then monitored by the sensor. And, so the loop is complete.

This is an example of just a unidimensional signal – it is monitoring and changing only one variable – temperature. A more complex control system like an aircraft’s autopilot system continuously monitors and changes a multidimensional signal: speed, altitude, attitude, etc.

To bring this model to bear on consumer choice behavior in the hospitality and tourism industry, we might consider the reference signal to be a person’s set of desired attributes in a product. In this case, these desired attributes are typically the result of a higher order reference signal such as self-imposed values or beliefs. We sense the environment through our usual five senses enhanced, in today’s world through technology, which, if not an exact match with our desires, creates an error or a dissonance, which may lead to some corrective action like choosing a different tourism location or alternative. This change leads to a modified input through our sensors, and then a modified comparator signal. If the error is zero or within acceptable limits, we are satisfied and are not motivated to change any more. If not, we continuously adjust our actions until we are reasonably satisfied.

It is quite common for units in the hospitality or tourism industry to ask a customer (after the purchase experience) to rate the unit or entity on a set of predetermined factors. It is believed that these ratings lead to self-improvement of the entity, which leads to re-purchase behavior or loyalty on the part of the customer. The conceptual approach proposed in this paper does not deny the value of such an exercise, but posits that such ratings are not sufficient to get a complete picture of the customer’s thinking. The control system approach or model would suggest that simply asking a (potential) consumer to rate a hospitality or tourism location or option will not suffice in understanding or predicting behavior. For a more complete understanding, we need to determine the appropriate reference, sensor, and error signals.

The reference signal is the set of desired attributes. The sensor signal might reasonably be reflected in the ratings on the typical rating form that the customer completes at the end of the experience, because that is what s/he perceives the experience to be. The error signal is the discrepancy between the reference signal and the sensor signal – and the control system model proposes that it is that discrepancy or error signal which will be the primary driver of the action signal, i.e. post-purchase satisfaction and behavior such as re-purchase behavior or loyalty on the part of the customer.

2) Literature review

Unsurprisingly, because of the innovative nature of this application of electrical engineering control systems to the hospitality and tourism industry, there has not been much research published in this area. In fact, there are very few references to the use of electrical engineering control systems in the study of human behavior. And, even at a stretch, these are, in the main, anchored in the literature of psychology and social psychology, and are very dated. Nonetheless, and with the caveats mentioned above, they are relevant to this approach and are reported here.

The concept of a control system, however, is not restricted to electrical engineering. As far back as the early 1980s, there were several studies done in the psychology and social psychology literature that referred to the reference value, and the inclination of the individual to modify behavior or actions that move them closer to that reference value or avoid actions that would move them further away from the reference value (Carver and Scheier, 1982, 1990, 1998; Higgins, 1987, 1989a, 1989b).

Two references by the same author that go even further back than the aforementioned studies specifically use electrical engineering concepts to study human behavior. Sethna (1977) reports on the use of an electrical engineering control system approach in refining multi-attribute attitude models to better explain consumer behavior. Significant improvements in R² result by using the error signal construct. Sethna (1978) demonstrates how an electrical circuit analogue could explain market behavior, and tied that to the timing of advertising. While the 1978 paper uses electrical circuits, however, it is not strictly speaking a control system approach, in that concepts of a reference signal and error signal are not a significant part of the paper.

Without using electrical engineering control systems, Boldero and Francis (2002) refer to similar concepts in psychology and social psychology literature. They distinguish between using a reference as a goal and a standard: “When a reference value functions as a standard, it represents the desired state for the self in the present. As a result, a discrepancy between the current self and the reference value
represents a negative psychological state. Consequently, when this discrepancy becomes accessible negative emotions are experienced, the intensity of which is related to the magnitude of the discrepancy. These emotions motivate attempts to reduce this discrepancy. ... In contrast, when a reference value functions as a goal, it represents ‘a future consequence ... that is desirable to the individual who seeks to obtain it.’”

Consistent with the finding by Sethna (1977) that the use of the error signal leads to better empirical results, in a study of 23 university students in an introductory Army ROTC program, Reich and Rosenberg (2004) found that “self-discrepancy” (which is a similar concept as the error signal) best predicted ROTC cadets’ intention to continue in their program.

Lewin, Dembo, Festinger, and Sears (1944) have provided a rather thorough treatment of Level of Aspiration Theory. For convenience of discussion, they have considered a simple example of a person shooting at a target. He “has scored 6 in shooting at the target with ring 10 in the center. He decides the next time to try for 8. He attains 5, is disappointed, and decides next time to try for 6 once more.” In the context of this example, Lewin et al distinguish the following main points on an advancing time scale:

1. “The past performance … (‘he has scored 6’).
2. Setting of the level of aspiration … (“try for 8”).
3. The execution of action, e.g., the new performance (‘attains 5’).
4. The reaction to the level of attainment, such as feeling of success or failure (‘disappointment’), leaving the activity altogether, or continuing with the new level of aspiration (‘try again for 6’).”

Lewin et al define the "ideal goal" in this context as a desire to hit center. However, he may set an "action goal" as 6 because 10 is too difficult. They state that “setting the action goal as 6 in the second trial does not mean that the individual has given up his ideal goal. … the action goal is a part of the entire goal structure of the individual.” Further, Lewin et al define "attainment discrepancy" as the difference between the level of aspiration and the level of performance (called “attainment discrepancy”). They state that the direction and size of the attainment discrepancy are two of the major factors for the psychological feeling of success or failure.

Here, we can draw parallels between the work of Lewin et al and the present piece of research. The discussion on the functioning of the control system and the description of the Reference Signal shows how a difference between the reference signal ("level of aspiration") and the perception of an event or an object such as a hotel or a venue ("level of performance") leads to an error signal ("attainment discrepancy"), which in turn leads to feelings of satisfaction ("success") or dissatisfaction ("failure") which further effects future actions or behavior. Lewin et al discuss the problem of determining the level of aspiration and the ideal goal, pointing out that the verbal expression is the best method, though imperfect. Festinger's (1942) and Jucknat's (1937) analyses of experimental data show that the stronger the success, the greater is the percentage of raising the level of aspiration, and the stronger the failure, the greater the percentage of lowering the level of aspiration. These findings are consistent with the hypothesis that the individual finds a large error signal ("attainment discrepancy") uncomfortable, and if future performance or brand trials fail to match up to the reference signal, the individual may modify the latter.

Siegel (1957) has discussed the role of a person’s level of aspiration in decision-making and the integration of level of aspiration theory with decision theory. He proposes that, if various alternatives are available to an individual, s/he will choose from among those alternatives, towards each of which s/he has a subjective probability of attainment (Pi) and a utility (Ui) so as to maximize subjective expected utility, SEU. That is, the individual will choose so as to

“Maximize SEU = \sum_i \ P_i \times \ U_i”

where \( U_i \) is a function of the level of aspiration, and consistent with Festinger’s work, will attempt to seek success and avoid failure. The control-systems approach of this piece of research yields a decision rule which is similar to that given above. It hypothesizes that, if various brands are available to a consumer, s/he will choose from those brands so as to minimize the Error Signal, where the Error Signal = f (Reference Signal, Perception, Satisfaction).
However, in one sense, the control system model assumes a satisficing rather than a maximizing consumer, in that the individual chooses that brand or hotel or venue which generates an acceptably low error. Below this low “threshold” level, the actual magnitude of the error signal may or may not be a significant factor in brand choice.

The satisficing assumption of people is the one used by Starbuck (1963) in his work on Level of Aspiration Theory and Economic Behavior. Thus, Level of Aspiration Theory can be integrated into the framework of the control-systems model and can provide not only a useful theoretical backing to this work, but can also provide some pointers for practical applications, such as the personality factor findings in segmentation strategy.

3) Explanation of the model

Background

A widely accepted and commonly used model of Behavior, both in the Psychological and Marketing literature, is the simple input-output model. The model proposed here is an Electrical Engineering Control System model incorporating feedback effects and a comparator function.

It is proposed that this control system model has utility in explaining already known behavioral phenomena, and can provide a better explanation of these effects. The model that has been widely used to explain behavior is shown in Figure 1.

![Figure 1: The Stimulus-Response with Feedback Model](image1)

The closed-loop concept, which this model theorizes, treats behavior as part of the cause of that same behavior so that cause and effect can be traced all the way around a closed loop. When any phenomenon in this closed loop persists in time, cause and effect lose their distinctness and one must treat the closed loop as a whole rather than sequentially. This is where feedback enters the picture. All behavior involves feedback whether it is a spinal reflex or self-actualization. If we neglect it, we are neglecting a very fundamental aspect of behavior. This is why it is tremendously important in our understanding of behavior to consider it explicitly.

An electrical engineering control system model

Let us consider a closed-loop representation of behavior of other more complex forms than that of Figure 1. Such a model is shown simply in Figure 2, which introduces the important concept of a Reference Signal which provides the reference frame by which the stimulus is judged.

![Figure 2: A Simple Control System Model](image2)
Let us now consider how this works. The Sensor in the system (eyes, ears, hands, etc.) senses the environmental physical variables or Input (this may be heat or cold, a product on a supermarket shelf, or the atmosphere in a hotel room or on a cruise ship). This physical information is conveyed to the internal processing system which gives rise to a Sensor Signal inside the system, which is an internal analog of the external state of affairs. This step may be instantaneous without a conscious effort to structure it or think about it. The internal variables get organized into some function which is the system's perception of it. This Sensor Signal is compared with a Reference Signal, which is a set of desired attributes. The discrepancy is noted in the form of an Error Signal which activates the Control Function (another conscious or unconscious thinking process by which the system decides what to do about the Error Signal). This activates the Action function (a limb movement, a comment to a spouse which may be “This place is great; let’s come back every year” or “Boy; this is the last time we’ll ever come here!” or a physical movement away from the hotel) – or, the action may a resultant attitude which later causes an action and so produces an observable effect in the environment. One way or another, there is some impact on the Output (sometimes called output signal or output quantity).

This Output, by definition being one that affects environmental variables (being at the same hotel or a new hotel next year), provides a feedback link to the Input Quantity which is sensed by the Sensor Function. In general, the Input is also subject to effects independent of the system's outputs.

The System (between the two dashed lines) is organized so as to maintain the sensor signal at all times nearly equal to the reference signal, which itself could be constant or changing over time. In order to do this, it produces whatever output is necessary to prevent disturbances from affecting the sensor signal materially. Thus, in the simplest form, the output quantity (response) becomes a function of the disturbance (stimulus). This gives us the Stimulus-Response model with which we are familiar (Fig. 1). Thus, we note that the familiar Stimulus-Response model is simply a special case of a more complex electrical engineering control system!

An important point that strikes us on looking at the model is that it is not so much the input quantity that affects the control system as the sensor function, which is, in common terminology, the perception of the physical variables. Here we clearly the vital point in social psychology or in consumer behavior -- that little or no effect will be had on the system by manipulating the environmental variables unless due attention is paid to the internal functioning of the system itself; unless we know how the system under consideration perceives the environmental inputs (i.e. what the internal representation or the sensor function is).

Another significant point is that, if all we are doing is measuring the sensor (the perception, as most evaluation forms do), we are missing out on the explanatory or predictive power of the error signal – the extent to which the perception fits the reference signal.
Functioning of the model

Let us go on to see what other aspects of behavior this closed-loop model will explain. We know that the system is organized so as to minimize the error signal (i.e. a discrepancy or error reducing system). Therefore, it will tend to make the error signal stay as close to zero as possible. If we regard the Comparator to be a simple difference function, we can represent the functioning of the comparator symbolically as:

\[ \text{Reference Signal} - \text{Sensor Signal} = \text{Error Signal} \]

Note that each of these signals could be a single attribute one (such as temperature of the hotel room) or a multi-attribute one (such as temperature, cleanliness, décor, bathroom toiletries, price of room, etc.).

If the Error Signal is (in the perfect or almost perfect case) \( \approx 0 \)

Then, the Sensor Signal will be \( \approx \) the Reference Signal

Thus, we are assuming that the system tends to strive for zero discrepancy. This implies that the individual wants no dissonance and therefore tends to minimize it. This has, in general, shown to be true (Festinger, 1957). In a particular situation, we can have an individual who can cope with a certain amount of stress (dissonance) and so will not try to force the error signal to zero, but to some internally determined level (E). This does not affect the generalizability of this model. Such a phenomenon can easily be taken into account by putting a non-zero quantity on the right-hand side of the above equation. The results which follow are still true because even in this case the reference signal will turn out to be related to the sensor signal through the new equation:

\[ \text{Reference Signal} - \text{Sensor Signal} = \text{Minimally acceptable level, E, of the Error Signal} \]

4) Discussion: Implications of the Electrical Engineering Control System Model

Now, what happens if the two are not equal, or if the Error Signal is much greater than the minimally acceptable level? What happens, for example, if a hotel guest has a luxury room which has every possible creature comfort, but a daily swim is very important to the guest, and the pool is a curvy one not suited to lap swimming, or there are a lot of kids splashing around which makes lap swimming almost impossible, or the pool hours are not compatible with the guest’s planned schedule of meetings?

The system can work in one of many ways, some of which are listed below:

1) It can change its perception about the environmental variables. Therefore, the Sensor function will change so as to bring the sensor signal in consonance with the reference signal. The subject may say, “Oh well, if I start my laps at this point on the curvy pool and swim to that point, it will be sort of like swimming laps” and/or “I can get in my swim before any of the kids are up, so I can swim laps without disturbing anyone else.”

2) Since the sensor signal is, after all, a function of the physical variables (via the feedback loop), it could move to change the physical variables themselves. That is, the system, through the Action function, can produce the appropriate output quantity which acts via the feedback link to change the input quantity. In our example, the customer may check out of that hotel and check in at one that does have a pool conducive to lap swimming, or make a vow never to return to this hotel again. This action is noticed in the phenomena of Motivation for Search and that of brand-switching, to give but two examples from the Marketing literature.

3) The system could affect the input quantity in a way other than by acting directly on it. The customer could affect the input quantity by accepting those inputs which tend to make the sensor signal consonant with the reference signal or avoiding those which tend to make the sensor signal dissonant with the reference signal. For example, the customer may swim laps at a neighboring sports club (with or without the hotel’s fiscal or other support);

4) There is one other alternative left to the system in such a situation. It could change the \textit{reference} signal so that it becomes consonant with the sensor signal. Rather than live with the pain of a large error signal throughout the stay in this hotel, the serious swimmer guest may decide that the daily swim is not such a critically important goal after all. The guest may work out at the hotel...
gym instead (something that is not easy for a swimmer who travels with swimming attire and swim goggles but not running shoes and clothes suitable for a treadmill!).

So far, we have not discussed the origin of this reference signal. The strong desire to swim every morning is not determined inside the system. It is part of the value system which is self-imposed “from above.” It may be analogous to a purpose or goal that governs this operation. With this information that the reference signal is a higher-order goal, we see that to change this is far more difficult than to produce an appropriate output, or to avoid or accept an input, or even to modify perceptions about some environmental inputs. Thus, this alternative is least likely to be used by a system under stress (dissonance). To the desk clerk, the guest is simply being unreasonable, but to the guest the daily lap swim is indeed a higher order goal which cannot be easily changed.

Pask (1961) provided an illustration of an “adaptive control system” involving a simple hierarchy of an executive, who Pask refers to as an “overall controller,” who has to do his work while being interrupted by several callers. So that he may be able to get his work done, he hires a receptionist, who is called a “sub controller” (incidentally, these gender classifications are in Pask’s original example). The successful receptionist will be able to make the selection from among the callers each time period, as to the right person to allow to meet with the executive, and how to deal with those who are rejected – at least for that appointment time period. The executive (overall controller) does not need to know the details of how the receptionist (sub controller) deals with the callers and makes the selection of the person who gets to see the executive. He is only concerned with the result. If he is satisfied with the receptionist’s selections, the system is working well. If the receptionist makes the wrong selections from among the callers, the executive will be dissatisfied and may adapt to that environment via a variety of approaches; for example, training her, counseling her, or after a some number of iterations depending upon his managerial approach, firing her). However, the executive does have an important selection process of his own: he needs to select the correct receptionist to hire. If he does not select the right person for the job, and the job does not get done, he can try again to hire another receptionist. If that one is not successful and the job still doesn’t get done after some number of iterations, he runs the risk of getting fired himself. Thus, there can be any number of levels in a control system. In each level, we have examples (though different ones) of adaptive control. At the top of the hierarchy we have a master controller to whom one or more “sub-controllers” are subordinate. When the output from a sub-controller varies significantly from desirable limits, an alternative sub-controller may be switched in by the master controller. Given that a variety of sub-controllers is available or that the sub-controller can be adjusted, the system as a whole will adapt to the demands of its environment.

Pask’s example above is similar to that used in the section on the Reference Signal in our electrical engineering model. It provides support for the concept of a hierarchy of the customer / visitor’s goals and recognizes that a higher order goal or reference signal may function as a “master controller” in a control system.

This model has presented a useful way of looking at the theory of behavior and the observation and measurement of it. As yet, however, the discussion could not be complete without explaining the origin of the Reference Signal which we have dealt with above.

To give another example, let us consider the behavior of a consumer in a supermarket, trying to look for a particular brand of a product on the shelves. If it is there, she buys it every time she shops. If it is not, then she searches the shelf where it is usually kept. Next, she looks at nearby shelves. After a while she gives up and goes to another store where she finds and buys that particular brand. An observer would conclude that she is brand-loyal, that the repeated purchase of that particular brand is the consumer’s "controlled quality." She will "behave" or cause output (search around, go to another store) in such a way as to keep that quantity under control in spite of the disturbances (not finding the brand at its usual place, the store being out of stock).

Therefore, she is attempting to keep the error signal (the difference between the reference signal and the sensor signal is having that brand) equal to, or close to, zero. Thus we see that her reference signal says, "Always Buy Brand X." Now we ask where this reference signal comes from. Let us assume, just for convenience, that her reason for brand loyalty is risk reduction. Why does she want to reduce risk? Because she is afraid of the economic loss involved if it is not at least as good as Brand X. And so on. We
could continue asking why, but let us stop arbitrarily at this stage. She wants to reduce risk. Let us not be concerned about the "why" for the moment. Let us accept it as something she regards as another "controlled quantity." Let us rather ask: How will she keep this under control? How will she reduce risk? One answer, very commonly found, is by being brand-loyal to Brand X.

Therefore, we see that the reference signal we talked of earlier, "Always buy Brand X" (in other words, “Be brand-loyal to X”) has come from a higher-order control system which regards this as merely the output required to keep its own controlled quantity (risk-reduction) in control. Further, we note that if Brand X is no longer being produced to achieve her goal of risk reduction she would have to buy a different brand until she was convinced that it was what she wanted and therefore her (lower-order) reference signal would change to “Always buy Brand Y.” This establishes the hierarchy of the control systems. Clearly, if the output of one is the reference of the other, the former is the higher-order control system. Going down a level is equivalent to asking "how?" and going up a level is equivalent to asking "why?" We could keep going up, looking for higher-order goals until we might reach the goal of self-actualization, but in a given situation we would not need to go higher than one level if we are studying a particular example of behavior.

We would only have to realize that the reference signal comes from a higher-order control system. This discussion has enabled us to find in our model a place for the concept of "goals or purposes and hierarchies among goals." This leads us to another implication concerning the study of behavior. Earlier, we noted that one way a system could adjust to a discrepancy between the reference signal and the sensor signal would be to modify the reference signal itself. This would involve more effort than dealing with the discrepancy in another alternative way of those mentioned earlier, because they all deal with the lower-order control system and not the higher-order one. Pinquart, Silbereisen, and Wiesner (2004) found in discrepancy-reducing processes, that "increases in goal attainment were associated with increased self-esteem whereas reductions of aspirations were not systematically associated with self-esteem change” and further that younger people and adolescents were more likely to use pursue their goals tenaciously rather than adjust them. While this may be part of a maturing process, it may not be so; as a caveat, we note that the adolescents of 2004 are the customers of today.

Therefore, in order to influence a person or group of persons, the provider of the service in the hospitality and tourism industry must make efforts to ensure: (1) that the reward is something that the customer really wants or needs, given his or her existing reference signal or goal, and (2) that the best way the customer can attain the reward is by doing what the provider wants the guest to do (i.e. come to my hotel rather than the other alternatives). This may sound like a tall order, but failure to satisfy these criteria may well lead to a lost customer.

Before we complete the discussion of the Reference Signal and its implications for consumer choice in the Hospitality and Tourism industry, we must note that the model is not intended to be a static one. The reference signal is not always a constant entity. It may change over time, and this is an additional reason to collect information (at least once every 4-5 years) on the Reference Signal along with the Sensor Signal. Collecting data on a person’s perceptions of the hotel room or the cruise, gets at the Sensor Signal but not the Reference Signal. Thus, with the current survey and feedback instruments we have, we cannot compute the Error Signal, which is the driver of behavior.

Following this line of reasoning, it would be appropriate to consider feedback and survey mechanisms and instruments that attempt to capture customers’ expectations in addition their performance ratings. For example, on the typical feedback form, the guest may be asked to rate the following dimensions:

Cleanliness of:
1. Bathroom
2. Hallway
3. Lobby
4. Drapes
5. Carpet
6. Linens
7. Room (overall)
One of the conclusions of the Electrical Engineering Control System Model is the perceptions or ratings on each of these dimensions (Sensor Signal), while interesting, are not at all sufficient to understand customer behavior. A major finding of this approach is the realization – and conceptual basis – that low scores on any of these 26 dimensions are not created equal in terms of their impact on future behavior! We cannot know the salience of each of these dimensions unless we ask about the guest’s Reference Signal.

For example, for a guest who uses only room service and who is a teetotaler, high or low scores on the vast majority of restaurant dimensions such as restaurant décor, banquets or catering, service in restaurant, wine selection, and alcohol selection are meaningless in understanding whether he or she enjoyed the stay and whether he or she would return. The same applies to the serious swimmer mentioned earlier for the workout room – pool hours would be more of a driver of behavior. And a game console has no significance for some guests, and even some of the cleanliness dimensions may be far more relevant than some others. Until we know the guest’s Reference Signal, the (Sensor Signal) ratings on a form are not of much use.

How can we reasonably implement the findings of this model? By collecting guests’ Reference Signal data from guests on each of these dimensions. Fortunately, while it is particularly important for those who are repeat customers (the heavy user segment), it is also easier to do so from their “loyalty” number contact information. At the very least, we can collect Reference Signal data once every 4-5 years from loyal guests on each of these dimensions because we have access to their e-mail addresses. Then, because Reference Signal data do not change frequently (since it is a higher order concept related to a person’s value systems), all that we would need to do after each visit is monitor the performance rating (Sensor Signal) data. Then, we can compute an Error Signal for each dimension based on the last visit’s Sensor Signal data compared with the existing Reference Signal data. So, the data collection process is not significantly more onerous than currently exists (only one more questionnaire every 4-5 years), and indeed, frequent customers may actually feel pleased to be asked for their Reference Signal dimensions and scores because they would know that what is important to them is important to the facility owner.

Used in ways mentioned above in the Implications and Discussion section, the electrical engineering control system approach may make invaluable contributions to understanding consumer choice in the hospitality and tourism industry.
5) Limitations and directions for future research

This paper has all the limitations of being a conceptual paper, without empirical evidence to support a set of hypotheses. Its contribution is in the incorporation of electrical engineering control systems concepts in understanding of human behavior. Directions for future research would clearly include the development of testable hypotheses and tests of these hypotheses based on data.

References


The impact of strategic marketing on the performance of micro small & medium enterprises-An Indian scenario

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Keywords
Innovations in Marketing, Management Model, Manufacturing Firms, MSME, Strategic Marketing (SM).

Abstract
Strategic marketing (SM) is a strategy aimed at achieving excellence in business organizations. SM deals with the pricing, selling and distribution of a product. Top management in Indian organizations recognize the importance of SM, paradoxically devote little time and effort to it. In recent years, innovations in technology have enabled businesses to predict the future with reasonable accuracy. With this, they can exploit the potential of the emerging scenarios and gain a competitive advantage in the industry. Consequently, it is important to evaluate the appropriateness of SM for achieving performance. This research attempts to investigate how SM influences the performance of organizations and reveals scope for research with respect to Indian MSMEs in the post-liberalized scenario. A set of constructs describing SM and performance were identified. A research framework depicting the relationship between them was developed and a set of hypotheses were formulated. A detailed questionnaire with Likert rating scale was developed to collect primary data and was administered to Senior Managers to measure the perception of top management regarding SM and performance of their organization.

The study consists of two stages-a pilot study and the main study. In the pilot study stage, data were collected from a few organizations and the validity and reliability of the questionnaire were estimated along with its overall acceptability. The reliability was then estimated using Cronbach alpha and validity by the multi-trait-multimethod matrix. The main study helps devise strategies to improve the performance of MSMEs in India.

1. Introduction
MSMEs are the engines of growth of any country’s economy. They are an essential source of a country’s jobs, create entrepreneurial spirit and jobs in a country and are crucial for fostering competitiveness and employment. Indian MSMEs are a vital part of our economy. The present data related to Indian MSMEs is that the sector’s contribution is around 45% of the total industrial output, 40% of exports and create around 1.3 million jobs every year. They are the second highest sector in employment after the agricultural sector as per the Development Commissioner of Micro, Small and Medium Enterprises. It is also one of the most promising sectors that have huge potential for development in the future.

Strategic marketing is a strategy aimed at achieving excellence in organizations. Strategic Marketing deals with the pricing, selling and distribution of a product. Using this strategy, a business unit can improve its market share for current products through market saturation and penetration or develop new products for existing markets (R. Srinivasan, 2014). Strategy primarily involves issues that have long-term implications. It provides a 360-degree plan of how the organization should work to gain more business opportunities which could provide them with a competitive advantage. Since the quality of the products produced has come to a saturation level, strategy marketing is of utmost importance to the companies to improve their businesses and compete on a global scale.

1.1 Definition of MSMEs
The acronym MSME stands for Micro, Small and Medium Enterprises. There is a difference in the definition of MSMEs across the globe and across the industries in different sectors. According to the
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Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as follows,

1. Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act, 1951). The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.

2. Service Enterprises: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

<table>
<thead>
<tr>
<th>MANUFACTURING SECTOR</th>
<th>Investment in plant &amp; machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>less than Rs 25 lakhs</td>
</tr>
<tr>
<td>Small</td>
<td>over Rs 25 lakhs but not exceeding Rs 5 Crores</td>
</tr>
<tr>
<td>Medium</td>
<td>over Rs 5 Crores but less than Rs 10 Crores</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SERVICE SECTOR</th>
<th>Investment in plant &amp; machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>less than Rs 10 lakhs</td>
</tr>
<tr>
<td>Small</td>
<td>over Rs 10 lakhs but not exceeding Rs 2 crores</td>
</tr>
<tr>
<td>Medium</td>
<td>over Rs 2 crores but not exceeding Rs 5 crores</td>
</tr>
</tbody>
</table>

With the recent pronouncement of the MSMED Act, 2006, the Indian government has explicitly recognized the dynamic role to be played by the MSMEs in an increasingly globalized world.

1.2 Importance of Strategy Marketing in Improving Performance

MSMEs are diverse in terms of size, products and services offered, turnover and technology adoption. Given the fragmented nature of the sector, challenges differ from one enterprise to the next, driven by differences in size, location, nature of product/service. Despite their diversity, all three types of micro and small businesses share many of the same emerging challenges that limit their ability to compete with larger and more-established players in the market. In the light of the ongoing liberalization process, Planning for strategic marketing assumes greater importance due to rapidly changing markets and their increasing complexity. Strategy primarily deals with issues of long-term implications Kotler (2003). In recent years, business organizations have gained the power to predict the future with reasonable accuracy using various performance management systems and harnessing the tremendous increases in computing power and communication technology. With this, they can exploit the potential of the emerging scenarios and gain a competitive advantage. Many organizations and industry associations are also thinking in the lines that strategic marketing is the order of the day and the focus of SM by the organizations is to shift towards ‘achieving excellence through strategies’.

2. A Brief Review of Literature

Although studies have suggested the importance of Strategy in improving the performance of MSMEs (Yen and Chew, 2011). Most Indian MSMEs are either unaware or reluctant to focus on Strategic Marketing. Initial literature survey indicates that not much study has been carried out in the area of SM as far as Indian organizations are concerned; post the economic liberalization i.e. after 1991. From 1991 onwards due to economic liberalization, foreign direct investment was allowed, and a number of multinational organizations invested in India. These organizations created a stiff competition to Indian organizations by providing superior quality products with a variety, all at a competitive price to Indian customers. As the market competition increased, providing quality products and services alone was not sufficient, but in addition, it was required to provide products with a touch of newness to attract customers. This demanded innovation in product, process, technology, system and in almost all areas of an organization. Klomp and Van Leeuwen (1999) show that firms which perform R&D on a permanent basis have a significantly higher innovation output than firms not performing R&D on a continuous basis. These necessitated talking of strategies and performance together and derive benefits. In this context, it is required to investigate how these two are related. Though research studies could be traced regarding the relationship of these two with respect to organizations outside India, such studies could not be traced with respect to Indian context. There is also a research gap in measuring the impact of SM in improving
the performance of an organization.

3. Research

In the modern complex business world, strategies have become the basis for creating and sustaining competitiveness. Strategic marketing can help organizations to achieve the perceived quality as expected by customer from the offered quality. Consequently, it is important to evaluate the appropriateness of SM for achieving performance. This research attempts to investigate how SM is influencing the performance of organizations. Considering this, the following specific objectives were formulated for the research.

3.1 Research Objectives

Studies with respect to Indian organizations in MSME sector are scarce and there exists a scope for doing studies with respect to organizations in India. For doing research in this area, certain specific objectives were identified as given below.

- Develop measures of Strategic Marketing(SM) and performance and formulate a research framework for studying the relationship between them.
- Study the relationship existing between SM and performance within organizations and the impact of SM on its performance by developing an appropriate measuring instrument.
- Make appropriate suggestions on the need for adoption of SM as a management model in the future, by Indian MSMEs particularly if they want to achieve a high performance.

3.2 Research Design

A set of well-defined constructs of SM and performance were identified and used to develop a research framework to find out the relationship. Four constructs have been identified for Strategic Marketing keeping in mind that the four constructs put together cover almost all the areas where Strategic Marketing can have an impact on the organization (Kotler and Keller, 2008). Similarly, five constructs were identified for innovation performance such that it covers almost all types of innovation that a manufacturing organization can adopt. The constructs of Strategic Marketing and innovation are identified as the variables. Each variable is defined by a set of statements or attributes that can be measured using a measuring instrument. Table 1 gives us a detailed view of the framework used for the research and answers all the possible doubts and questions that may arise to the readers.

<table>
<thead>
<tr>
<th>Questions for Research Design Decisions</th>
<th>Answers to the proposed research</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the study about?</td>
<td>Strategic Marketing and innovation Performance</td>
</tr>
<tr>
<td>Why is the study being made?</td>
<td>Innovation, the need of the hour for organizations</td>
</tr>
<tr>
<td>Where will the study be carried out?</td>
<td>Manufacturing Organizations</td>
</tr>
<tr>
<td>What type of data required?</td>
<td>Primary data</td>
</tr>
<tr>
<td>Where can the required data be found?</td>
<td>Organizations falling under Small and Medium category</td>
</tr>
<tr>
<td>What periods will the study include?</td>
<td>Post liberalization in India (after 1991) cross-sectional at one point of time</td>
</tr>
<tr>
<td>What will be the sample design?</td>
<td>Non-probability sampling</td>
</tr>
<tr>
<td>What are the techniques of data Collection?</td>
<td>Questionnaire</td>
</tr>
<tr>
<td>How will the data be analyzed?</td>
<td>Multivariate statistical techniques</td>
</tr>
<tr>
<td>Style of the report?</td>
<td>Ex Post facto research report</td>
</tr>
</tbody>
</table>

Table 1: Research Framework Questions and Answers
4. Data collection and Analysis

4.1 Primary Data Collection

The research requires the collection of primary data from organizations. Primary data is the data specially collected in a research for the first time and thus happen to be original in character. In this research, Questionnaire was used to collect primary data as used for data collection in survey research for large samples. A measuring instrument in the form of a detailed questionnaire was developed with Likert Scale Rating. The Likert type summated scale is regarded as the most useful in a situation wherein it is possible to compare the respondents score with a distribution of scores from some well-defined group (Krishnaswamy, K N, et al., 2006). The scores on the Likert scale can be correlated to other measures without any concern for the absolute value of what is favourable and what is unfavourable. (Kothari, 2006). The questionnaire is targeted towards senior top management who are holding key responsibilities in the overall management of the organization with additional responsibilities in strategic marketing, or who are well informed about the strategic marketing systems of the manufacturing organization. Table 2 shows the details of the number of items for each variable considered during the questionnaire development.

<table>
<thead>
<tr>
<th>Strategic Marketing Variables</th>
<th>Items</th>
<th>Innovation Variables</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price (X1)</td>
<td>12</td>
<td>Technological Innovation(Y1)</td>
<td>10</td>
</tr>
<tr>
<td>Product (X2)</td>
<td>12</td>
<td>Product innovation (Y2)</td>
<td>10</td>
</tr>
<tr>
<td>Promotion (X3)</td>
<td>12</td>
<td>Process Innovation (Y3)</td>
<td>10</td>
</tr>
<tr>
<td>Place (X4)</td>
<td>12</td>
<td>System Innovation (Y4)</td>
<td>10</td>
</tr>
<tr>
<td>Innovation Management (Y5)</td>
<td>10</td>
<td>Innovation Management</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>48</td>
<td></td>
<td>50</td>
</tr>
</tbody>
</table>

Table 2: Number of items for each variable

4.2 Sampling Design

In the current research, we have used a non-probability sampling. The identification and selection of the organizations for the collection of data play a very important role in the outcome of the research. From the database of MSME Development Institute, Bangalore and Peenya Industries Association, Bangalore. 150 organizations were identified for collecting primary data. As far as possible, the collection of information has been carried out by personal visits and discussions to improve the general response rate and to eliminate false responses. In other words, data collection was done with utmost importance to gather credible primary data.

4.3 Formulation of Hypothesis

The objective of the current research is to test the hypothesis regarding the relationship of Strategic Marketing (SM) and Innovation performance. The models with its hypothesis were formulated keeping in mind of the exact outcomes required from the research.

Model 1: Relationship of Technological Innovation to SM

Ho: The various variables of SM performance do not have any impact on Technological Innovation performance of the organization
Ha: At least one variable of SM performance has an impact on Technological Innovation performance of the organization

Model 2: Relationship of Product Innovation to SM

Ho: The various variables of SM performance do not have any impact on Product Innovation performance of the organization
Ha: At least one variable of SM performance has got an impact on Product Innovation performance of the organization
Model 3: Relationship of Process Innovation to SM

Ho: The various variables of SM performance do not have any impact on Process Innovation performance of the organization
Ha: At least one variable of SM performance has an impact on Process Innovation performance of the organization

Model 4: Relationship of System Innovation to SM

Ho: The various variables of SM performance do not have any impact on System Innovation performance of the organization
Ha: At least one variable of SM performance has an impact on System Innovation performance of the organization

Model 5: Relationship of Innovation Management to SM

Ho: The various variables of SM performance do not have any impact on innovation management performance of the organization
Ha: At least one variable of SM performance has an impact on Innovation management performance of the organization

4.4 Data Analysis Methodology

4.4.1 Pilot Study

Pilot Study was done to test the applicability of the questionnaire used and to measure the reliability and Validity of the measuring instrument used in the research. Initially, the feedback obtained from around 10-15 randomly selected organizations was analyzed for the pilot study. The Reliability of the questionnaire was measured by Cronbach alpha and validity was measured by Multitrait-Multimethod Matrix. Cronbach alpha method ensured reliability as it yielded the lowest value of 0.620 and the highest being 0.965. The validity of measuring instrument was ensured since the average intercorrelation between the scores of the same construct was the largest correlation in the matrix (Krishnaswamy, K N, et al., 2006).

4.3.2 Main Study

The Primary Data consists of feedback through the questionnaire developed from all the organizations identified for data collection. The main research study obtained feedback from 91 organizations out of 150 achieving a good response rate of 60.6%. All the 91 firms responded completely, which was used for the main data analysis. Table 3 gives us the exact response rate from organizations contacted for the research.

<table>
<thead>
<tr>
<th></th>
<th>Micro</th>
<th>Small scale</th>
<th>Medium scale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of organizations Contacted</td>
<td>15</td>
<td>75</td>
<td>70</td>
<td>150</td>
</tr>
<tr>
<td>Number of organizations Responded</td>
<td>04</td>
<td>38</td>
<td>49</td>
<td>91</td>
</tr>
<tr>
<td>Response rate Percentage</td>
<td>26.66%</td>
<td>50.66%</td>
<td>70.0%</td>
<td>60.66%</td>
</tr>
</tbody>
</table>

Table 3: Response rate

For Multiple Regression, this sample of observations very well meets the guideline for the minimum ratio of observations to independent variables (5:1) (Joseph F. Hair, et al, 2007). With 91 organizations, this ratio becomes around 22:1 with 4 independent variables. The next data in Data analysis is Data reduction which is the transformation of information into corrected, ordered and simplified form. It was done by Confirmatory factor analysis (Joseph F. Hair, et al., 2007) using SPSS and items with a value of less than 0.5 were ignored. Summated score was calculated for all the four constructs of SM and Five constructs of Innovation performance defined in the research.
Score for the construct = (Sum of the response values for the statements) / (Number of statements)
The data is then transcribed to the data summary spreadsheet for further statistical analysis.

4.3.3 Multiple Regression techniques

Multiple regression provides a means of objectively assessing the degree and character of the relationship between dependent and independent variables. Linearity, constant variance (homoscedasticity) and normality are the three assumptions that were addressed for all the individual variables. The model building process now proceeds to the estimation of the regression model and assessing the overall model fit. The confirmatory regression model is adopted wherein we have specified the independent variables to be included in the regression equation. Here, the theory is the guiding factor in evaluating the regression model (Joseph F. Hair, et al, 2007). This approach is especially appropriate in situations for validation purposes. The other approach of regression, a stepwise regression is also adopted for a cross verification in the interpretation stage of the regression model, mainly to capture the strengths of both these approaches. The outliers and influential cases were identified, and regression was executed after removing them.

<table>
<thead>
<tr>
<th>Assumptions and Conditions</th>
<th>Regression models</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Ratio of cases to IV &gt; 5</td>
<td>21.0</td>
</tr>
<tr>
<td>ANOVA significance &lt; 0.05</td>
<td>0.000</td>
</tr>
<tr>
<td>Absence of non-linear patterns</td>
<td>OK</td>
</tr>
<tr>
<td>Residual normality ((p &gt; 0.05))</td>
<td>0.3254</td>
</tr>
<tr>
<td>Homoscedasticity ((p &gt; 0.05))</td>
<td>0.0770</td>
</tr>
<tr>
<td>Multicollinearity (VIF &lt; 10)</td>
<td>2.136</td>
</tr>
<tr>
<td>Autocorrelation (DW = 2.0)</td>
<td>2.061</td>
</tr>
<tr>
<td>(R^2 &gt; 0.5)</td>
<td>0.571</td>
</tr>
<tr>
<td>Model Adequacy</td>
<td>OK</td>
</tr>
</tbody>
</table>

**Table 4**: Summary of assumptions of regression analysis

From the table, there is an overall model fit and the models could be interpreted based on the coefficients. Interpretation of the regression variate was done by evaluating the estimated regression coefficients for their explanation of the dependent variable. The estimated regression coefficients termed the \(B\) coefficients represent both the type of relationship (positive or negative) and the strength of the relationship between independent and dependent variables in the regression variate.

5. Results

The amount of variance explained by all models (\(R^2\)) range from nearly 50.4% to 64.1% (Table 4). These \(R^2\) values are quite substantial enough to prove that SM has a significant impact on improving the performance of an organization. Out of the four variables of Strategic Marketing(SM) considered for measuring its impact on innovation performance as many as three variables viz. Product (\(X_2\)), Promotion (\(X_3\)), and Place (\(X_4\)) are quite significant and are having a strong impact on the innovation performance of the organization (Table 5). Regarding another variable of SM i.e. Price (\(X_1\)), is not significant even though its coefficient is positive. Sufficient evidence is not there to support its impact on innovation performance.
6. Conclusion

A detailed insight into the various variables involved in Strategic marketing (SM) and innovation performance within an organization were obtained through this work. This research was done mainly to identify the impact of SM on improving the performance of MSMEs in the Indian context. Out of the four variables of SM considered, as many as three variables—Product, Promotion and Place are having a significant impact in one way or the other way on the overall performance of the organization. The relationship established between SM and innovation performance clearly indicates that SM in general has a strong impact on the innovation performance of an organization. Hence, achieving SM performance can lead to achieve innovation performance also within an organization. The research exhibits the important role played by the Place, which is an element of SM for the improved performance of an organization. It emphasizes the need to strengthen the location-focused activities like launching new products in a suitable place or introducing new Business ideas, its deployment and its monitoring. Growth oriented organizations should lay a lot of emphasis on location. Although significant evidence for the contribution of the SM variable Price towards innovation performance is not seen, this does not necessarily mean that this variable is not at all contributing to the innovation performance but contribute with a very weak significance. Some of the common ideas of SM and innovation well revealed by this research consists of, the need for considering Product, Promotion and Location focussed activities to be taken for achieving competitive advantage. This work would help MSMEs in India to realize the importance and adopt Strategy Marketing and provide its top management with a framework for developing strategies for improving innovation performance through SM.

7. References

The policy of reasonable import substitution on the agro-industrial complex example

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Keywords
Economic sanctions, reasonable import substitution policy, agro-industrial complex, competitiveness

Abstract

As a result of Russia imposing sanctions on the import of food products, the volume of production by domestic agricultural organizations has vastly increased. Significant growth is observed in the crop production, which grew by 42% from 2014 to 2016. Production of livestock products increased by 17% from 2014 to 2016. In 2016 Russia came out on top in terms of wheat exports.

Despite the positive trends, it is necessary to focus on the concept of reasonable import substitution, which will not damage either consumers or the Russian companies’ competitiveness in the world market. It is also necessary to establish a process of interaction between domestic enterprises and universities in order to solve business problems and develop innovations. Achieving the declared results of the import substitution policy consists of conducting proper monitoring. As part of the work, we proposed an index that covers not only the ongoing process of substitution of imported goods by Russia, but also the impact of changes in domestic products prices as well as the investment part.

Acknowledgement

The text of the report was prepared under the research project on the state task for the Financial University for 2017 (approved by the Deputy Prime Minister of the Russian Federation on March 7, 2017 No. 1508p-P17) on the topic "Economic sanctions against Russia: ways to minimize damage and overcome autarky" (VTK-GZ-23-17)

1. Russian agro-industrial complex in the conditions of economic sanctions

1.1. Main agricultural indicators

Russian response to Western sanctions has become an incentive for the domestic agro-industrial complex development. Significant growth is observed in the crop production, which increased by 42% from 2014 to 2016, from 2233 billion rubles up to 3171 billion rubles. (picture 1). The production of livestock products increased by 17% from 2014 to 2016, from 2,097 billion rubles up to 2456 billion rubles. Despite the positive results, it should be noted that agricultural products have markedly risen in price since 2014 as a result of Russia imposing sanctions on the import of food products. Such an increase leaves a mark on the data given.

Fig. 1. Agricultural products from 2014 to 2016 (billion rubles)
Compiled by the authors according to Rosstat data
The volumes of basic food products import significantly decreased from 2014 to 2016: from 5,638 thousand tons to 4,232 thousand tons in absolute terms or by 25% (Figure 2). The main decrease was in such categories as fresh and frozen meat (without poultry meat) - 39% by 2016 compared to 2014, poultry - 51% by 2016, fresh and frozen fish - 45%, fresh or chilled potatoes - 59%. Despite the introduction of restrictions, some food products showed growth: import of condensed milk and cream increased by 19% by 2016 compared to the indicator of 2014, cereals - by 10% by 2016, vegetable oils - 18%.

Russia took the first place in terms of wheat exports in 2016, which amounted to 25 million tons [Russia became the world leader ..., 2017]. This indicator is 14% higher than the results of 2015 [Russia became the world leader ..., 2017]. It should be noted that grain exports from Russia increased from 31182 thousand tons to 34545 thousand tons by 2016.

In the numbers of livestock and poultry there are also positive trends. The greatest growth was in the number of pigs - 12% by 2016 compared to 2014 (from 19546 thousand head to 22027 thousand heads by 2016) (Figure 3). The livestock of sheep and goats remained practically unchanged, the number of cows decreased from 8531 thousand head to 8263 thousand heads by 2016.

It is possible to explain such a sharp decrease in the number of cows if we divide the number of livestock and poultry by farm categories. Significant reduction is observed in the population: according to the cows, the decline was about 8% (from 4006 thousand head to 3716 thousand head.), For pigs - 10% (Figure 3). In other categories of animals, the population also recorded a decrease in livestock by 2016 compared to 2014. This tendency is explained by the growing costs of keeping and purchasing animals, which is connected with the ruble devaluation and inflation.

Sheep and goats are overwhelmingly concentrated among the population and farms, while poultry and pigs are breed in agricultural organizations.
Financial state of enterprises engaged in agriculture

As a result of the Russian sanctions introduction to western food products import, domestic agricultural producers began to attract large amounts of external financing in absolute terms. Unpaid debt grew by 19% by 2016 (from 1638 billion rubles to 1952 billion rubles); the amount of overdue debt is a small fraction of the total debt; a downward trend is observed in this indicator (Figure 4).

Obviously, Russian enterprises have found themselves in a privileged position, as long as agricultural products supply in the domestic market has significantly declined. It can be assumed that the rise in prices of food products which began after the introduction of sanctions against Russia, is connected not only with the ruble devaluation, but also with the monopolistic-like position of Russian companies.
Sharp growth in profits and the break-even organizations share can be explained by a decrease in competition.

The impact of the embargo imposed on agricultural products imports from Western countries can be compared with the tariffs effect (Figure 5). Prior to the ban, the price of imported products was $P_w$, but after Russian anti-sanctions coming into force the number of market participants is declining as the volumes of goods sold. Domestic enterprises occupy the newly formed niche, and production grows from level a to level b. The volume of imports will decrease from the level (d - a) to (c - b). As a result, the price for end-users essentially grows to the level of $P_t$. The key difference between the sanctions introduction and the introduction of tariffs is that the government does not receive revenues from this policy. However, the losses of consumers are significant, they are equal to $A + B + C + D$, which significantly exceeds the manufacturers' gain ($A$). Thus, the loss of efficiency is $C + B + D$ and consists of losses in production and consumption.

**Fig. 5. Influence of imposed sanctions on food products prices**


It should be noted that the rise in prices could take place due to the fact that companies simply could not immediately compensate the existing shortage of food products. At the same time, in order to allocate the food prices have risen due to the imports restriction, it is necessary to conduct a separate analysis of the percentage of materials and resources purchased abroad in the cost of domestic agricultural products.

The agro-industrial complex is difficult to attribute to sectors where it is possible to steadily manage its risks. This is so due to the fact that there are many external factors that directly affect the production volumes of agricultural organizations, for instance, climatic and weather conditions.

But, in our opinion, domestic producers can use the current situation to expand their own production (which will be promoted by the export-aimed strategy), as well as increasing the competitiveness of the Russian agro-industrial complex.

### 2. Increasing the domestic companies competitiveness through a reasonable import substitution policy

Import substitution has always been an object of close study for Russian economists. At the present time, when Russian and anti-Russian sanctions are introduced, the problem of import substitution becomes the most urgent one. In the message of the Russian Federation President Vladimir Putin at the end of 2014, the following was said: 

"... reasonable import substitution is our long-term priority regardless of external circumstances. ... import substitution programs should work to create in Russia a vast share of production companies that can be competitive not only domestically but and on international markets.

A - producers’ benefit  
A+B+C+D - consumers’ losses  
B+D+C - loss of production efficiency

"[President's Address to the Federal Assembly, 2014]. Importance of import substitution policy is mentioned in other addresses of the President:

- "We need to use that situation, which rises because of the sanctions, in order to enter new frontiers of development. ... import substitution - ... I hope that this will lead to the development of high-tech sectors of the economy of larger topics than it was before." [Direct Line with Vladimir Putin, 2015];
- "I propose to launch a large-scale system program for the development of the economy of a new technological generation, the so-called digital economy. In its implementation, we will rely on Russian companies, scientific, research and engineering centers of the country." [Message of the President to the Federal Assembly, 2016].

It is necessary to differentiate the process of import substitution, which can occur during development and modernization of domestic production, which results that products supplant imports according to market mechanisms and import substitution policy, which aims to stimulate the process of ousting foreign goods under the protectionist policy. Here are a few definitions of the import substitution process:

- “This is an increase in the production and consumption of domestic goods while reducing the consumption of imported goods (in physical terms).” [Kadochnikov P., Sinelnikov-Murylev S., Chetverikov S., 2003, P. 43]
- “Increasing the production of local products, while reducing consumption of imported goods (only for goods, the replacement of which is possible and economically feasible).” [Ershova I., Ershov A., 2016, P. 621]

Proceeding from the above definitions it is clear that import substitution, in a narrow sense, means the growth of production of domestic goods and a decrease in the consumption of imported products.

An important specification is given in the definition of I. Ershova and A. Ershov, which consists in the following: the replacement of imported goods should not adversely affect consumers. [Ershova I., Ershov A., 2016, P. 621] In our understanding this means that consumers should not suffer

1) the deterioration of the quality of products and / or
2) price increase.

Compliance with these conditions, in our opinion, is necessary in the implementation of a policy of reasonable import substitution.

In the broader sense, import substitution is understood not only by replacing imported goods and services with domestic finished products and similar services, but also to replace "imported raw materials, equipment, intangible assets, technologies, licenses" [Ershova I., Ershov A., 2016, P. 621]. According to this paper, we will consider import substitution in both narrow and broad senses.

In studies that analyze the impact of import substitution policies based on protectionism on the development of countries, there is a negative effect on the economic situation (especially for the long term). The policy of import substitution in Mexico in the second half of the 20th century brought certain benefits (employment growth, increase in the share of machine and automotive industry in GDP) in the short term, but it also stimulated a decrease in the competitiveness of domestic products in the international market [Aspra LA, 1977, P 118]. The lack of competition with foreign companies led to the fact that Mexican firms began to inefficiently use their resources - according to the estimates of economist M. Sirkuin - industrial production in Mexico in 1965 was 16% lower due to inefficient use of factors of production [Aspra LA, 1977, P. 118]. In the end, the government of Mexico had to abandon this policy, since the costs associated with its implementation became extremely high.

Another example is Chile, where the policy of import substitution by the government in the 1930s was the result of a global crisis. For the purposes of policy realisation and monitoring, special institutions have been established, including the Chilean Development Corporation (Corporacion de Fomento de la Produccion - CORFO), which was responsible for the development of the import substitution strategy and its implementation [Silva E., 2007, P. 73]. Under the leadership of CORFO, not only subsidies were provided for certain industries, but also the creation of state enterprises, as well as joint ventures with private companies for the development of "electricity, transport, metallurgy, pulp and paper mills" [Silva
E., 2007, P. 73]. At the same time, a policy of protectionism was pursued through raising tariffs and manipulating the exchange rate of the national currency.

The implementation of the policy required significant financial resources, which were attracted from the World Bank and the Inter-American Development Bank. Attracting loans did not contribute to stable economic growth, since it, obviously, needed to be returned. This again confirms the high costs of carrying out the policy of import substitution. The result of the policy was: high social costs (due to high inflation), inefficient allocation of resources (as in the case of Mexico), attraction of IMF loans to stabilize the economy. By 1950, "the problem of the balance of payments deficit in the country has become chronic." [Silva E., 2007, P. 75].

An important point to pay attention to is the damage that has been done to other industries from the import substitution policy. In his work, Eduardo Silva notes that there was discrimination in the agro-industrial and mining sectors, as they had to pay a higher price for machinery and equipment and foreign currency than under the free trade regime. As a result of non-competitiveness of food products and current conditions, "agricultural production remained stagnant, and it grew at an average rate of just under 1.5% between 1933 and 1955" [Silva E., 2007, P. 73]. In our opinion, the analysis of the impact of import substitution policy on industries that are not part of the subsidy program is an important stage in the strategy development as it may negatively affect them.

An interesting example was Rhodesia, against which Great Britain imposed trade sanctions in 1965 (later the UN, the USA and other countries joined the policy of sanctions) [Strack H.R., 1988, P. 26]. Despite a significant decline in exports (30%) and imports (39%) in 1966 compared to 1965, which were restored only to the 1970s, the author notes the benefits received by the target country from the imposition of sanctions. The diversification of industrial production, which led to greater independence of Rhodesia from imports (the index of industrial output increased by 88% by 1975 compared to 1965), the country also became practically independent of food imports due to the development of the agro-industrial complex [Strack HR, 1988, P 26-27].

In our opinion, the peculiarity of the case under consideration lies in the fact that the Government of Rhodesia did not have to finance the policy of import substitution; as a result of the imposition of sanctions, trade barriers were created that stimulated the development of domestic production in the country. Even despite the current trade sanctions, which were extremely stringent, Rhodesia exports exceeded the volumes of 1965 by 1972 [Strack HR, 1988, P. 26] - this indicates that the competitiveness of domestic companies did not decrease as a result of barriers created from outside.

Proceeding from the conclusions drawn by the researchers dealing with the problems connected to the policy of import substitution, we believe that import substitution should take place under the strategy aimed at increasing the competitiveness of domestic industries in a natural way, without establishing trade barriers. In other words, the replacement of imported goods with domestic products must correspond to the process of increasing the competitiveness of Russian industry, it should not be an end in itself.

Devaluation of the national currency is one of the most important aspects of a successful policy, as under the influence of the income effect and the substitution effect, consumption of domestic products is growing [Kadochnikov P. et al., 2003, p. 74]. According to P.Kadochnikov and his colleagues, who analyzed the monthly data from January 1994 to September 2002, "strengthening the real exchange rate by 1% leads to the replacement of domestic goods with imports by 0.765% on average in the economy and to 0.96% in the food industry " [Kadochnikov P. et al., 2003, p. 74]. In the food industry, the percentage of replacement of domestic goods with imports was higher than the average for the economy, which means that the demand for the price of the agricultural market is more elastic than in other industries. It can also tell that in the considered period the quality of Russian food products was worse than foreign food.

Among the main obstacles to the successful implementation of import substitution policies aimed at increasing competitiveness there can be identified [Yuriev, VM et al., 2015, p. 21]:

- Restricting the access to credit resources for companies;
- Low level of enterprises awareness about the government programs and support measures;
- Lack of infrastructure for effective promotion of domestic products to foreign markets;
• Low level of development and introduction of innovative technologies;
• Lack of highly skilled employees.

Since both import substitution and export promotion policies are rules dictated from above, the state needs to focus not so much on the volumes of products produced by domestic companies instead of imports but on qualitative changes in the economy as a whole. This implies, among other things, creating new and improving existing institutions, increasing innovation activity, and reducing barriers to market entry for Russian companies.

3. Trends and forecasts of the domestic agro-industrial complex

The policy of import substitution needs detailed elaboration in order its implementation is to stimulate the creation of enterprises that can compete in the international market, rather than lead to monopolization or oligopolization of production. Negative aspects of import substitution, which was common in Latin America in the XX century, were considered in detail by many scientists. Table 1 shows the annual growth rates of labor productivity, capital intensity and total factor productivity [Rodrigues M., 2010, p. 176]. Despite the growth in labor productivity and the capital intensity of production in Latin America, which were higher during the policy of import substitution than the US, the rate of growth of total factor productivity, which reflects technological development, was below the level of the United States and the whole world. Proceeding from this, the following conclusion should be made: the replacement of domestic imported products through the introduction of restrictive measures can lead to increased productivity of Russian companies due to a reduction in supply in the market, but this does not mean the development of innovations and technologies.

Table 1. Average annual growth rates of labor productivity, capital intensity and total factor productivity from 1960 to 1985

<table>
<thead>
<tr>
<th></th>
<th>Y/L %</th>
<th>K/Y %</th>
<th>TFP %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>1.33</td>
<td>1.39</td>
<td>0.51</td>
</tr>
<tr>
<td>East Asia</td>
<td>4.74</td>
<td>1.63</td>
<td>2.83</td>
</tr>
<tr>
<td>The developed countries</td>
<td>2.40</td>
<td>0.61</td>
<td>1.50</td>
</tr>
<tr>
<td>World</td>
<td>2.24</td>
<td>1.08</td>
<td>1.24</td>
</tr>
<tr>
<td>USA</td>
<td>1.30</td>
<td>0.56</td>
<td>0.74</td>
</tr>
</tbody>
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Y / L - production per capita; K / Y - the share of used physical capital in the volume of production; TFP – the total factor productivity calculated from the formula \( Y = A K^\alpha L^{1-\alpha} \), where \( \alpha = 0.3 \).

Source: Rodrigues M. Import substitution and economic growth, 2010

One of the main obstacles that impedes the growth of innovative activity in the Russian agro-industrial complex can be called "weak interaction between business, education and science" [Forecast of scientific and technological development ..., 2017, p. 41]. We believe that the best solution, which will promote the development of links between business and science, is the solution of existing challenges of enterprises together with scientists through grants and consulting services.

Other factors that will contribute to the development of the agro-industrial complex include modernization of the infrastructure of agricultural companies, improvement of the investment climate and institutional environment, as well as personnel training systems [Forecast of scientific and technological development ..., 2017]. According to the estimates of the NRU HSE, the share of the Russian agro-industrial complex in the structure of world exports can increase from 1.3% to 4% by 2030 in the implementation of the Global Breakthrough scenario, which implies a technological leap, or up to 1.5% if this is not done. In any case, both options include the formation of the necessary institutional conditions by 2020 and a favorable external environment.

Control over the achievements of Russian companies in the field of import substitution is an essential element in the development of domestic production. The analysis revealed that the main objective of the policy pursued is not much the dominance of Russian firms in the domestic market, but
rather the increase of innovative activity and the improvement of the life quality of citizens. To monitor the implementation of the program, we propose to use the index, which was developed by us. This is based on the measure of import substitution considered in the article of George Fain [Fane G., 1973].

\[
Ind_t = \left( \frac{X_t}{Z_t} - \frac{X_{t-1}}{Z_{t-1}} \right) \times 0.2 - \frac{(P_t - P_{t-1})}{P_t} \times 0.3 + \frac{(I_t - I_{t-1})}{I_t} \times 0.5
\]

, where \(X\) is the volume of domestic production (thousand tons), \(Z\) is the volume of consumption of all products, including imports (thousand tons), \(P\) is product prices (rubles), \(I\) is investment (rubles), \(t\) is the period.

Index - Ind covers the ongoing process of substitution of imported goods by Russia, the impact of price changes (with a negative sign), as well as the investment component. The coefficient 0.2 reduces the positive contribution of the growth in the volume of production of domestic goods in the total volume of consumption, as long as the decline in imports occurs because of the sanctions imposed by Russia, and not as a result of increasing competitiveness of Russian companies; the higher the price of products from year to year, the more significant the negative impact of the import substitution program on consumers; the investment component plays a key role in the development of innovations, so the share in the index is 0.5. The index can be used both to assess the reasonable import substitution of individual products, and for the agro-industrial complex as a whole.

Using Rosstat's data (domestic production volumes, imports and investments were taken for the agricultural sector as a whole, the cost of a minimum set of food was taken for prices), we calculated the value of the index for 2015 and 2016, which was -0.028 and 0.095, respectively. The improvement is due to increased investment in the agro-industrial sector, as well as a smaller change in food prices in 2016 compared with 2015, the share of domestic products in total consumption increased.

The main goal of the Russian policy of import substitution is to stimulate innovation in order to fully realize Russian comparative advantages. This applies not only to the agro-industrial sector, but also to other sectors of the economy. At the same time, it is necessary to monitor the processes taking place in the domestic market so that the reduction of competition does not lead to monopolization or oligopolisation of certain segments of agriculture, nor does it cause cartel collusion.

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The impact of microfinance on sustainable growth of micro, small and medium enterprises (msmes) - An empirical study on Egypt

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Financial Growth, Green Finance, Microfinance, Social Growth, Sustainability, Sustainable Growth.

Abstract
This paper aims to evaluate the perception and expectations of entrepreneurs or MSMEs managers regarding the sustainability compliance and performance of the banking sector in Egypt, as it becomes essential in assessing multi-dimensional sustainable business growth. Therefore, through this evaluation this research aims to assess business growth of MSMEs according to the three performance dimensions of the triple bottom line (TBL) sustainable growth (financial, social and environmental) as well as assessing the impact of microfinance programs on sustainable growth of MSMEs. Accordingly, data were collected through structured and semi-structured interviews and questionnaires with Egyptian entrepreneurs and MSMEs' managers and employees responsible for the banking transactions in MSMEs to analyze the impact of reformed microfinance programs offered by Egyptian banks under the supervision of the central bank of Egypt (CBE) on the MSMEs multidimensional sustainable growth. For the purpose of data analysis, the structural equation modeling (SEM) was applied to figure out the research hypotheses. Microfinance programs contributed in explaining 22.1% of the variation in financial sustainable growth with the highest significant effect. The impact on the social sustainability comes in the second rank, as microfinance contributed in explaining 19.6% of the variation in social sustainable growth. Also, microfinance features have significant effect on environmental sustainability in terms of acceptability and awareness with 42.5%.

1. Introduction
The role of microfinance in developing economies has significantly grabbed attention of both policy makers and the academic researchers in recent years; however many questions about microfinance and its impact remain unanswered in particular the impact of microfinance on the sustainable growth of micro, small, and medium enterprises (MSMEs) in developing nations, this issue is very relevant since the growth of entrepreneurship is a priority on the policy makers agenda towards a comprehensive sustainable economic growth that promotes sustainability from its different aspects; financial sustainability, environmental sustainability and social sustainability for enhancement of the whole society wellbeing.

The Egyptian recent economic reform strategies that promises sustainable long-term development plan to combat poverty and promote economic growth in fast movements and actions; create both opportunities and challenges to entrepreneurs and microfinance institutions. Micro-entrepreneurs' opportunities are increasing every day in developing economies through the governments' encouragement to create a powerful base of successful entrepreneurs who are able to sustain themselves and their families instead of waiting employment and those entrepreneurs are challenged to maintain sustainability of their society and environment beside their financial sustainability. Microfinance institutions (MFIs) also face wide challenges to maintain their financial sustainability without compromising the opportunity to reach out the promising innovative entrepreneurs within the poor societies.
In January 2016, the central bank of Egypt (CBE) introduced the microfinance reform initiative to increase funds directed to MSMEs to 200 billion Egyptian pounds over the following four years at a subsidized interest rate of 5% knowing that the inflation rate at this time was 10.098% and the discount rate was 11.25%. In return the participating banks will be permitted to reduce their level of required reserve held at the central bank of Egypt to help banks maintain financial sustainability. These measures were reinforced by the Egyptian government to improve the financial services outreach and fill the financial gap existed in the Egyptian economy and to prevent the concentration of funding to single sector at the expense of others and fulfill diversity in loan portfolios at banks operating in Egyptian market. Since the launch of the Microfinance reform initiative, a total of 49 billion Egyptian pounds were injected to finance MSMEs till June 2017.

Integrating the concepts of business growth and sustainable development in a new concept of “sustainable business growth”, sustainable growth rate was assessed as “the maximum pace at which a company can grow revenue without depleting its financial resources”. This definition can also be extended to a broader range of performance objectives, including not only financial and economic resources but also social and environmental capital (Figge et al., 2002).

Sustainable business growth as a company’s appropriate pace of growth that increases its financial, social and environmental capital – or at least one of these – without decreasing any of these capital stocks. Although some research has been done on business growth, the interface of business growth and sustainability has been barely addressed. It has been recently demonstrated that sustainability should be embedded at a strategic level to sustain long-term organizational performance, if this is done, it helps firms to overcome challenges such as the ones encountered by growing firms (Armstrong, 2013).

One of the factors that proved to really attain sustainable growth is the microfinance programs and activities (Doshi, 2013). Nowadays, microfinance is considered as an ingredient in helping to eliminate or at least reduce poverty along with other actions such as creating property-rights institutions, involving the base of the pyramid in the market place and providing public work opportunity (Ashta and Fall, 2012).

It was found that the microfinance programs differ in nature according to different banking systems (Rahman and Dean, 2013), which may differ in their nature and impact on MSMEs. The microfinance programs are considered as very important to the micro-businesses startup. In Egypt, the revolutions and the economic and political status since year 2011; had a dramatic impact which in turn affects what the government could provide in its microfinance programs and activities. The relationship between microfinance and sustainable growth of MSMEs had been proven in several previous studies in literature but it was not discussed in Egypt in the recent period after being exposed to several revolutions since year 2011. Thus, this research comes to focus on the impact of microfinance on sustainable growth of MSMEs in Egypt.

The aim of this paper is to assess multi-dimensional business growth (financial – social – environmental) via evaluating perceptions and expectations of entrepreneurs or MSMEs managers regarding the microfinance programs and performance of the banking sector towards the sustainable growth of MSMEs, as well as analyzing the entrepreneurs' opinions, points of view and other gathered data to assess the role of banks regarding sustainability growth and development. Thus, this study is intended to provide micro level evidence for the current performance and future potential of sustainability and social responsibility development practices in banking industry. Therefore, this research comes to explore and investigate the impact of microfinance programs on the sustainable growth of MSMEs to assess the multi-dimensional business growth via evaluating perceptions and expectations of entrepreneurs or MSMEs managers and related employees regarding the microfinance programs.

This paper is organized so that the following section is discussing the review of literature regarding the features of microfinance programs, as well as different dimensions of sustainable growth and their relationship with the features of microfinance programs. The third section is discussing the research framework and hypotheses under study. The fourth section displays the results and findings, while the fifth section is presenting the research discussion and conclusion.

2. Literature Review

The concept of growth both; fascinates and frightens managers. Whether a start-up or a multinational giant, public sector or private sector, almost every company has growth on its agenda.
Micro, Small and medium-sized enterprises (MSMEs) are crucial for growth of economies. Also, implementing growth in a sustainable way remains a challenge. By “sustainable”, it is meant maintaining stable long-term financial, social and environmental performance. In the long term, the growth of these companies usually requires internationalization, which however presents challenges for MSMEs due to their lack of resources and marketing knowledge needed in order to internationalize successfully. Therefore, this section will present the previous studies related to the microfinance programs and their impact on sustainable growth, as well as the impact of microfinance features on MSMEs sustainability. In addition, the assessment of the role of business location especially for micro enterprises located in remote areas and their ability to access financial banking services or they can be reached only through NGOs. As well as the business sector role in in the relationship between both; microfinance programs and their features on one side and the sustainable growth of MSMEs on the other side.

2.1 Micro-Finance of Micro, Small and Medium Enterprises (MSMEs)

Microfinance has its roots in theoretical views and paradigms on who the poor are and how to assist them out of poverty. Therefore, contextual appreciation of the meaning of poverty helps clarify the philosophy behind the principles which underpinned early development of microfinance activities. The World Bank described poverty as pronounced deprivation in well-being. However, Sen (1987) defined poverty as deficiency due to lack of resources, both material and nonmaterial, e.g. income, housing, health, education, knowledge and culture.

Moreover, Haynes (2008) added that poverty requires a threshold to measure it. Quite often poverty leads to social exclusion, which refers to the inability to participate in society due to lack of resources that are normally available to the general population (Toindepi, 2016). Therefore, the process of lifting the poor out of conditions of poverty involves transforming the economic capacity of those poor individuals. Thus, as Hulme and Mosley (1997) put it, the principle of microfinance focuses on equipping the poor people to take an active role economically in their lives through financial and technical support that encourage enterprise development.

The term “microfinance” in its modern usage has the roots from the 1970s owing to successful pilot microcredit lending programs. Evidence shows that modern microfinance is subscribed to lending activities (Smec and Svobodová, 2009). Theoretically, the potential role of microfinance in aiding economic development through entrepreneurship and employment creation and consequently help improve the overall well-being of masses of poor individuals around the world is beyond questioning (Hulme and Arun, 2009). In practice, however, microfinance have become a financial sector characterized by, uncertainty and ambiguity in whether its primary focus should be poverty alleviation, program profitability or both (Duvendack et al., 2011).

There is substantial evidence that small firms have less access to formal sources of external finance (Beck and Demirguc-Kunt, 2008; Kuntchev et al., 2012) for developing economies. Beck et al. (2006) found that younger and smaller firms report higher financing obstacles, while Beck et al. (2007) concluded that small firms use less external finance, especially official banking finance. In terms of small sized businesses, it is very difficult to generalize about capital structure issues because of the differing size of small businesses, nature of the firm, the external environment and context diversity. In particular, smaller firms are numerous and make a significant contribution to economies, but, as indicated above, are more constrained in raising external finance.

Microfinance approaches are influenced by the underlying motivations and philosophies of different players (Gueyié and Fischer, 2009; Morduch, 2000; Mcguire and Conroy, 2000), whether to focus on social or economic performance or both with others adding the environmental dimension as well, making it difficult to establish a universal best practice model for microfinance. The overall agreed microfinance best practice includes social, economic and environmental considerations covering sustainability, product innovation and services, pricing and product costing and clientele targeting and outreach as key underpinnings of best practice models (Barnes and Sebstad, 2000). Furthermore, best practice should achieve international standards of sound financial performance, program transparency through reliable reporting systems and minimize environmental impact while effectively promoting wide social impact on the poor (Duvendack et al., 2011).
2.2 Relationship between Microfinance Programs and MSMEs Sustainable Growth

The mobilized communities of the Arab-Islamic world and MENA region are progressively calling for their ‘green’ rights under the impact of NGOs, opposition political parties, social movements for indigenous, civil and human rights, and so on. The contributing nature of these new social relations states that all global commons (e.g., land, water, food, education, culture, etc.) should be placed at the core of an empowerment procedure according to which individuals and social groups have the full right to demand the identification of the unchallengeable core of the commons themselves. Guided by this self-governing autonomous system, the common good goes past the sum of individual goods and each citizen is thus requested to visualize and comprehend alternate patterns of ecological and human development.

Eco-communities are preparing for this essential process that involves, as an example, environmental and labor movements and organizations. Nevertheless, some evolving Value-based Social Movements (VSMs) are already considerably aiding the rising tide of social mobilization for sustainability. Furthermore, nothing precludes that eco-Islamic beliefs and values could obtain public legitimation or impose on socio-ecological activism in the MENA region. Regardless, the intentional democratic practices and the comprehensive policy-making and policy-delivery systems that are usually supported by social movements for sustainability may raise chances of long-term victory in environmental policy-making (Vincenti et al., 2016).

Incorporating sustainability into business practice presents many challenges, not least for the resource restrained MSMEs. It was argued that a network perspective has lots to propose in smoothing the transition on the way to a network level culture of sustainable business practices. Moreover, it was suggested that the malleable and entrepreneurial nature of small enterprises and their utilization of the network can offer important vision into the essential conditions for societal change. Jämä et al. (2011) supplied theoretical insights into sustainable small enterprises utilization of networks. First, they presented empirical evidence about the small enterprises’ sustainability reflecting to enterprises’ networks. Second, the sustainable small enterprises networking activities were linked to development in the network. Furthermore, these inferences relate largely to learning in the network and prompting learning in the suppliers’ businesses. Their findings propose that networks can assist as an avenue for change and that social capital and network learning can improve this change.

Ciasullo and Troisi (2013) used a case study to illustrate how a small – medium enterprises and naturally micro enterprises undertake a sustainable responsibility corporate strategy approach, analyzed how it generates strategic integrated sustainable value and how corporate sustainability (CS) dynamics reflect on improving intangible assets. Particularly, it was shown that the firm’s corporate strategy originates from a system of implanted ownership values and beliefs, directed to entrepreneurial development, environmental safeguarding and social value formation for the region. Moreover, a personal value system, codified through a clear definition of vision and mission in terms of basic strategies reinforces trust, dialogue, stakeholder involvement, skills and knowledge development; in short responsible citizenship. The firm’s conventional links with the territory augments a brand of market value developed on strategies sustained by structural, human and relational capital. The firm’s employing CS strategies has shaped a system of eco-innovation: a continuing process of R&D and product-process innovation and by joining environmental awareness and product differentiation, high quality and innovation standards has positioned the firms under study as leaders in the green industry.

Most development policies in the developing countries have concentrated on inducing assets and giving access to these types of capital to the poor. The social capital plays a main role in aiding households to benefit from human capital resources that become accessible in the form of new cultivation practices and knowledge concerning technologies. It is claimed that social capital plays a critical role in smoothing adoption, and defeating constraints of absence of financial, human and natural capital (Abul Hassan, 2014).

3. Research Methodology

This section discusses the research method that was applied in carrying out the study. This study is an exploratory in nature that employs quantitative methods to fulfill the objective of this investigation. Therefore, the research is designed and the sample is selected according to the research framework and the research hypotheses.
3.1 Identification of Variables

Table 1 shows the identification of the research variables and how each variable was measured and adopted. The research variables were identified according to the studies of Salem (2013), Obadeyi (2015), Unit (2015), Akao and Managi (2006) and Abdali (2011), as follows:

<table>
<thead>
<tr>
<th>Research Variables</th>
<th>Measurement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance program - Acceptability</td>
<td>1. My company is supported with good and helpful microfinance development programs</td>
</tr>
<tr>
<td>(Salem, 2013; Obadeyi, 2015)</td>
<td>that help in in improving entity position.</td>
</tr>
<tr>
<td></td>
<td>2. The microfinance requirements and procedures are easy to fulfill and attainable</td>
</tr>
<tr>
<td></td>
<td>for my company.</td>
</tr>
<tr>
<td></td>
<td>3. The government announcements initiatives in supporting microfinance development</td>
</tr>
<tr>
<td></td>
<td>programs are implemented by banks in reality according to my company experience.</td>
</tr>
<tr>
<td>Microfinance program - Availability</td>
<td>1. Regulations for microfinance programs facilitate a variety of channels for</td>
</tr>
<tr>
<td>(Unit, 2015)</td>
<td>distribution.</td>
</tr>
<tr>
<td></td>
<td>2. Microfinance development programs are available to all entities with equitable</td>
</tr>
<tr>
<td></td>
<td>conditions.</td>
</tr>
<tr>
<td></td>
<td>3. Regulations allow a wide range of actors to serve as agents and enable all</td>
</tr>
<tr>
<td></td>
<td>providers of financial services to have agents.</td>
</tr>
<tr>
<td>Microfinance program - Affordability</td>
<td>1. Account-opening requirements for savings products are proportionate.</td>
</tr>
<tr>
<td>(Unit, 2015)</td>
<td>2. Microfinance development programs are provided with low interest-rates</td>
</tr>
<tr>
<td></td>
<td>3. There is a trade-off between low interest-rates and quality of service provided</td>
</tr>
<tr>
<td></td>
<td>by microfinance programs providers.</td>
</tr>
<tr>
<td>Microfinance program - Awareness</td>
<td>1. Microfinance is a social investment by nature.</td>
</tr>
<tr>
<td>(Salem, 2013)</td>
<td>2. There is a trade-off between financial and social performance in microfinance</td>
</tr>
<tr>
<td></td>
<td>programs applied to my company</td>
</tr>
<tr>
<td></td>
<td>3. My company chose its microfinance program after a good understanding of all</td>
</tr>
<tr>
<td></td>
<td>programs available and their implications.</td>
</tr>
<tr>
<td>Sustainable Growth- Financial Growth</td>
<td>1. Outcomes in my company are based on the achievement of broad financial goals.</td>
</tr>
<tr>
<td></td>
<td>3. Operation policy of my company promotes cooperative conditions.</td>
</tr>
<tr>
<td></td>
<td>4. My Company works on maximizing the amount of goods and/or services produced</td>
</tr>
<tr>
<td></td>
<td>rendered</td>
</tr>
<tr>
<td></td>
<td>5. My company works on maximizing the efficient use of natural resource flows</td>
</tr>
<tr>
<td>Sustainable Growth- Social Growth</td>
<td>1. Competitiveness in my company is based on capabilities like; skills and innovation.</td>
</tr>
<tr>
<td>(Abdali, 2011)</td>
<td>2. My company promotes investment in people and supports training and development</td>
</tr>
<tr>
<td></td>
<td>programs for its employees.</td>
</tr>
<tr>
<td></td>
<td>3. My company identifies and prioritizes key human resource issues and problems.</td>
</tr>
<tr>
<td></td>
<td>4. My company share innovative and best practices in skills development</td>
</tr>
<tr>
<td></td>
<td>5. My company promotes social conditions and good working conditions for employees.</td>
</tr>
<tr>
<td>Sustainable Growth- Environmental Growth</td>
<td>1. There is active recycling program that my company applies for waste.</td>
</tr>
<tr>
<td>(Akao &amp; Managi, 2006)</td>
<td>2. My company has no harmful effects on the environment by the production sector</td>
</tr>
<tr>
<td></td>
<td>3. The waste of my company production negatively affects the environment.</td>
</tr>
<tr>
<td></td>
<td>4. The dependence on materials extracted from nature is minimal</td>
</tr>
<tr>
<td></td>
<td>5. Pollution in my company is considered from both sides; production and consumption.</td>
</tr>
</tbody>
</table>

Table 6: Research Variables and Measurement Scale

3.2 Sampling

All micro, small, and medium enterprises (MSMEs) working in Egypt as per the central bank of Egypt definition amendment in December, 2015 are considered the population of the study. The sample was selected using the clustered sampling technique from different cities of Egypt. Entrepreneurs were contacted via emails and phone calls, with a targeted number of 800 companies. A number of 432
companies responded with a response rate of 54%, while the valid responses of 402 responses were only considered after deleting responses with missing cells.

3.3 Data Collection
The first step in data collection was organizing focus groups consisting of entrepreneurs and banking professionals to verify the tested variables, sustainable growth dimensions and statements to be used in questionnaires. A number of 3 groups, each including 5 experts. The second step was to carry out a pilot test involving 50 respondents to evaluate the completeness, precision, accuracy and clarity of the questionnaires. This ensured the reliability of the data collection instruments used. After the amendment of the final questionnaire, the researcher explained the purpose of the research and sought permission from the institution to carry out the actual research.

Then, data were collected through the structured questionnaires directed to entrepreneurs in Egyptian market and MSMEs' managers and employees responsible for the banking transactions in MSMEs to investigate the sustainable growth dimensions impacted in relation to the microfinance programs provided by Egyptian banks under the supervision of the central bank of Egypt (CBE).

The respondents were requested for their time prior to sending the actual questionnaire. The final questionnaires were distributed to the respondents. This enhanced the accelerated data collection. Each completed questionnaire was treated as a unique case and a sequential number given to each. The collected data were reviewed and entered into SPSS – version 24 – and AMOS – version 23 – to enable the carrying out of the analysis.

3.4 Research Approach
According to Armstrong and Kotler (2009), "Primary data consists of information collected for the specific purpose at hand". The research design used is conclusive with descriptive purpose, as the goal of the research is to describe the impact of microfinance programs on sustainable growth of MSMEs in Egypt. Descriptive research of this type may be required in relation to one point in time. This is called a cross-sectional study which involves the research being undertaken to explore what occurs at that particular point in time. The cross-sectional investigation is the most commonly used descriptive research proposed in research, as a lot of research studies are intended to obtain a picture of economic situation at one spot in time (Wilson, 2006).

The deductive approach in this study works from the general to the specific, also from theoretical assumptions to answering questions of the study surrounding a specific phenomenon, using a theoretical framework including: (1) Definitions of the concepts or variables in the model; (2) Developing a conceptual model providing a descriptive representation of the theory (Sakaran and Bougie 2010).

The research framework could be addressed using Figure 1:

![Figure 1: Research Framework](image)

According to the above-mentioned framework, the research hypotheses could be addressed as follows:

H1: There is a significant relationship between Microfinance Programs features and MSMEs Financial Growth.

H1a: There is a significant relationship between Acceptability and MSMEs financial Growth

H1b: There is a significant relationship between Availability and MSMEs financial Growth

H1c: There is a significant relationship between Affordability and MSMEs financial Growth
H2: There is a significant relationship between Microfinance Programs features and MSMEs Social Growth.
H2a: There is a significant relationship between Acceptability and MSMEs Social Growth
H2b: There is a significant relationship between Availability and MSMEs Social Growth
H2c: There is a significant relationship between Affordability and MSMEs Social Growth

H3: There is a significant relationship between Microfinance Programs features and MSMEs Environmental Growth.
H3a: There is a significant relationship between Acceptability and MSMEs Environmental Growth
H3b: There is a significant relationship between Availability and MSMEs Environmental Growth
H3c: There is a significant relationship between Affordability and MSMEs Environmental Growth

The following section presents the main findings using the structural equation modeling (SEM), conducted between the research variables after checking the validity and reliability of the research variables and confirming that all values of KMO, AVE and factor loadings are within their acceptable levels of 0.5, 50% and 0.4 respectively. Also, Cronbach’s alpha was found to be above 0.7.

4. Results and Findings

This section displays the results and findings of this research using the structural equation modeling (SEM). Table 1 shows the SEM analysis of the impact of Microfinance features; Acceptability, Availability, Affordability and Awareness on Financial Growth. The model fit indices; CMIN/df = 1.265, GFI = 0.961, CFI = 0.985, AGFI= 0.947, and RMSEA = 0.026 are all within their acceptable levels.

It could be observed that there is a positive significant impact of Microfinance features; Acceptability, Availability, Affordability, and Awareness on MSMEs' financial Growth, as the estimates are 0.179, 0.209, 0.231, and 0.177 respectively, as well as P-values are all less than 0.05. Also, the R square is 0.221, which means that the model explains 22.1% of the variation in Financial Growth.

<table>
<thead>
<tr>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Growth ← Acceptability</td>
<td>.179</td>
<td>.007</td>
</tr>
<tr>
<td>Financial Growth ← Availability</td>
<td>.209</td>
<td>***</td>
</tr>
<tr>
<td>Financial Growth ← Affordability</td>
<td>.231</td>
<td>.002</td>
</tr>
<tr>
<td>Financial Growth ← Awareness</td>
<td>.177</td>
<td>***</td>
</tr>
</tbody>
</table>

Table 7: SEM Analysis of Microfinance Activities on Financial growth

This means that the first hypothesis that there is a significant relationship between Microfinance program features and Financial Growth is fully supported.

Figure 2 shows the SEM model conducted for the effect of microfinance activities on financial growth, as follows:
Table 2 shows the SEM analysis of the impact of Microfinance features; Acceptability, Availability, Affordability and Awareness on MSMEs' Social Growth. The model fit indices; CMIN/df = 1.452, GFI = 0.956, CFI = 0.976, AGFI= 0.939, and RMSEA = 0.034 are all within their acceptable levels. It could be observed that there is a positive significant impact of Microfinance features; Acceptability, Availability, Affordability, and Awareness on Social Growth, as the estimates are 0.218, 0.187, 0.269, and 0.202 respectively, as well as P-values are all less than 0.05. Also, the R square is 0.196, which means that the model explains 19.6% of the variation in Social Growth.

Table 8: SEM for the Effect of Microfinance on Social Growth

This means that the second hypothesis that there is a significant relationship between Microfinance program features and Social Growth is fully supported.

Figure 3 shows the SEM model conducted for the effect of microfinance activities on social growth, as follows:

![SEM Model for the Effect of Microfinance on Social Growth](image_url)

Table 3 shows the SEM analysis of the impact of Microfinance features; Acceptability, Availability, Affordability and Awareness on Environmental Growth. The model fit indices; CMIN/df = 1.077, GFI = 0.971, CFI = 0.996, AGFI= 0.959, and RMSEA = 0.014 are all within their acceptable levels. It could be observed that there is insignificant impact of Microfinance features; Availability, Affordability on Environmental Growth, as the estimates are 0.015, and 0.083 respectively, as well as P-values are all greater than 0.05; while, there is a significant effect of Acceptance, and Awareness on Environmental Growth, as the estimates are 0.315, 0.617 respectively, as well as P-values are all less than 0.05. Also, the R square is 0.425, which means that the model explains 42.5% of the variation in Environmental Growth.

![SEM Model for the Effect of Microfinance on Environmental Growth](image_url)

Table 3: SEM for the Effect of Microfinance on Environmental Growth

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>P-value</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Growth</td>
<td>Acceptability</td>
<td>.218</td>
<td>***</td>
</tr>
<tr>
<td>Social Growth</td>
<td>Availability</td>
<td>.187</td>
<td>***</td>
</tr>
<tr>
<td>Social Growth</td>
<td>Affordability</td>
<td>.269</td>
<td>***</td>
</tr>
<tr>
<td>Social Growth</td>
<td>Awareness</td>
<td>.202</td>
<td>***</td>
</tr>
</tbody>
</table>

Table 8: SEM for the Effect of Microfinance on Financial growth

This means that the second hypothesis that there is a significant relationship between Microfinance program features and Social Growth is fully supported.
This means that the third hypothesis that there is a significant relationship between Microfinance program features and Environmental Growth is partially supported.

Figure 4 shows the SEM model conducted for the effect of microfinance activities on environmental growth, as follows:

![Figure 4: SEM for the Effect of Microfinance on Environmental Growth](image)

5. Discussion and Conclusion

This paper attempts to study the effect of microfinance activities on the sustainable growth of MSMEs. Microfinance features were observed to include Acceptability, Availability, Affordability and Awareness. On the other hand, sustainable growth of MSMEs includes financial, Social and Environmental Growth. It was observed that there is a positive significant impact of the four features of Microfinance Activities; Availability, Affordability, and Awareness on financial Growth, with R square of 0.221, which means that the model explains 22.1% of the variation in financial Growth.

Further, it was observed that there is a positive significant impact of Microfinance Activities; Acceptability, Availability, Affordability, and Awareness on Social Growth, with R square is 0.196, which means that the model explains 19.6% of the variation in Social Growth. Finally, it was noticed that there is an insignificant impact of Microfinance Availability and Affordability; on the other hand, there is a significant impact of Acceptability and awareness on Environmental Growth, with R-Square of 0.425, which means that the model explains 42.5% of the variation in Environmental Growth.

The above findings show that the impact of microfinance features varies according to the dimension of sustainable growth that the company may focus on. The impact is the highest when considering the financial sustainability as microfinance features contribute in explaining 22.1% of the variation in financial sustainability. The impact on the social sustainability comes in the second rank, as microfinance features contribute in explaining 19.6% of the variation in social sustainability. On the other hand, microfinance features have significant effect on environmental sustainability in terms of acceptability and awareness.

This study provides the first in-depth understanding of the role of microfinance features on sustainable growth of MSMEs in Egypt. This study provides useful research-based findings for relevant policy development in Egypt which might also be relevant for other developing economies. The results obtained implies that decision makers should consider the effect of microfinance features on sustainable growth in both forms of financial and social sustainability, as it contributes in the overall business growth of the country.

The empirical results suggest that decision makers should keep an eye on attracting MSMEs to microfinance programs through improving their financial growth first, as it shows the first priority for entrepreneurs to be enhanced. The financial sustainable growth will be followed by social sustainable growth in impact and expectations. Also, microfinance programs should be developed to include points...
and issues of environmental growth in their system, especially for the affordability and availability features.

6. Research limitations
The limitations to this research were mainly the difficulty to reach out the micro businesses and households in remote areas due to several obstacles from which; infrastructure and difficulty to reach extremely poor and remote areas that are reached out only through NGOs and not banks therefore data about this sector is irrelevant to the study. The illiteracy, absence of awareness and poor quality of education resulted in difficulty in understanding and completing so many questionnaires. The reformed microfinance program was launched in December 2015 and call for action plan was announced on Jan 2016; therefore, the time interval is very limited to observe all the impacts of microfinance on sustainable growth of MSMEs.

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The place of international criminal court in the global fight against terrorism in Africa: An Overview

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Keywords
Africa, Insurgency, International Criminal Court, Terrorism.

Abstract
The International Criminal Court (ICC) has been a major driver of peaceful coexistence and just global society. However, its roles in curtailing the spread and increased activity of insurgencies in African by bringing to book the perpetrators of the inhumane deeds is worrisome and raises incessant questions over its functions as part of the ‘world police’. Also, the continuous escalation and burgeoning activities of the insurgents group has left the dispensation of justice and deterrence of the ICC in doubts.

This study investigates the ability of the ICC to curb the continuous spread of the insurgent groups like the Al-Shabaab dominant in Somalia and Kenya, Al-Qaeda in the Maghreb and Boko Haram in Nigeria through its legitimate and implied roles in the realization of world peace. A qualitative research methodology is adopted to carry out the study using credible sourced secondary data that are descriptively analysed. The study reveals that factors, such as state autonomy, political leaders’ immunity, lack of enforcement agents amongst others, weakens ICC’s capacity for positive impact in promoting global peace and justice. Therefore, we recommend that clauses that can strengthen ICC and present it as transnational superstructure should be inserted in the law that set it up.

1. Introduction
Globally, terrorism has been seen to be a major factor that accounts for high devastation and tragic circumstances resulting in loss of lives and properties in the society. This is as a result of perennial terrorism incidents which became prominent when the world woke to the bombing of the World Trade Center in the United States of America (popularly referred to as 9/11) and the activities of the Al-Shabab insurgents in Somalia, Al Qaeda in the Islamic Maghreb (AQIM) in Niger, Talibans in Pakistan, Hamas in the Gaza strip, Boko Haram in North-Eastern Nigeria and very recently, the ISIS insurgency in Northern Iraq and Syria. Terrorism has raise its ugly head and being proliferated in Africa, hence, continuous activities of terrorists, tales of woes, horror, and devastation are its concomitants. As a result, other states such as Ireland, Spain, Turkey, and Colombia which have also felt the consequences of terrorism have been engaged in combating various terrorist groups within their various states (The Institute for Economics and Peace, 2016).

Consequently, extremism in Africa becomes dominant, and not a new phenomenon as the existence is daily witnessed in the continent. Meanwhile, the war on terrorism in Africa did not begin on September 11, 2001 but it began in Sudan in the 1990s, where Osama bin Laden operated and organized an attack against Egyptian President Hosni Mubarak. Consequently, the United States deployed a contingent of troops to Africa with the establishment of combined joint task force in Djibouti. In the same vein, European military command facilitated some training and support operations for the military in Africa.

Accordingly, the network operations of terrorist groups have shown that no single country can address the threat of menace called terrorism alone. Nor can this threat be resolved solely through military power; rather it requires a comprehensive approach including continual exchange of ideas and engagement with the international community. At the United Nations Security Council High-Level
Meeting on the Threat of Terrorism to Global Peace and Security in September 2014, world leaders observed that the world must act instantly to stop the troubling new phenomenon of terrorists and foreign fighters attacking and trying to hold parts of sovereign nations. Accordingly, going by the trend of terrorist activities around the globe, it suggests that the international community needs to do more to support countries that are leading the fight against insurgent groups. This appears expedient in order to address issues of transnational funding and supply of weapons to terrorists operating in the regions. In this regard, can one argue that International Criminal Court (ICC) is being positioned to take up this all-important role today?

However, studies over the years have shown that terrorist acts constitute a crime to humanity and hence it can be prosecuted as crimes against humanity. The expansion of terrorist behavior and the crime against humanity from the extremist insurgencies groups have led to the establishment of institutions which were to raise the bar of justice in a society that is affected with the consequences of crimes and conflicts (Hamza, 2010).

Although the establishment of the International Criminal Court which became operative on July 1, 2002 does not have jurisdictions over crime of terror but solely on crimes of genocide, war crimes and crimes against humanity, states are still saddled with the responsibility for the trial of crime of internal terror even when such crimes remain unpunished. Meanwhile, the United Nations Security Council in its Resolution, referred to “criminal acts against civilians, committed with the intent to cause death or serious bodily injury, or taking of hostages, with the purpose to provoke a state of terror in the general public. Yet terrorism has the following elements: the use (or threat) of violence, political objectives and the intention of sowing fear in a target population as a means of achieving these political objectives that reflect part of roles within the ambit of ICC. This paper, therefore, aim to ferret out the prospect and challenges of ICC in fighting and prosecuting crimes that are related to terrorism.

This paper is divided into six different segments which encompasses the introduction and background to the study, the framework used for bringing the research into theoretical perspective, a conceptual analysis of terrorism in Africa, the roles of the ICC from a general outlook, an interrogative analysis of the place of ICC within the context of terrorism in Africa and finally the conclusion and recommendations of the research.

2. Theoretical Framework

This study adopts the role theory as framework for its analysis. Role theory affords different perspective for studying diverse social issues (Biddle, 1986). Its multi-field capacity and capability informed the choice for this work. The theory came into existence in 1920s and 1930s and gained prominence in Sociological discourse through the work of George Herbert, Jacob Moreto, Talcott Parsons and Linton (Elif, 2015).

Role theory is concerned with the triad concept of “Patterned and characteristics social behaviour, parts of identities that are assured by social participants, and scripts or expectations for behaviours that are understood by all and adhere to by performance (Biddle, 1986)”. From this submission, the theory offers insight on features and trends of social interactions, actors and their presumed roles in the society with expected pattern of behaviour envisaged by actors and observers. It seems the three are interwoven or interrelatedly connected, however, it bridges individual roles dictated by social and social interaction in different parts and social structure. Moreover, Role theory is underpinned with four basic assumptions vis-a-vis role taking, role consensus, role compliance and role conflict (Packer, M; Wickham, M;, 2012). Role taking depicts acceptance of role conferred on individuals or organization while role consensus admits agreement by actors on expected roles and their relational interaction. The role compliance underscores predefinition of behaviour that either individual or organization must adhere to while role conflict emphasizes the tendency for conflict between expected roles of actors (individuals, countries or organizations).

In addition, (Biddle, 1986) identifies five discriminated perspectives: functional role theory that focuses on characteristic behaviour of a person occupying a position; symbolic interactionist which stresses revolution of roles via social interactions; structural role theory that pays attention to social structural constitution; organizational role theory interested in the roles formal organization performs and cognitive role theory that places premium on social relationships existing between role expectation and
behaviour. In the real sense, the diverse perspectives advance by different scholars, though presents non-consensus regarding conceptualization and application of role theory, offers possible analytical framework for the theory. Therefore, it justifies its multiple disciplinary applicability strength.

Nonetheless, as noted, role theories origin is traceable to sociological and psychological studies but can be employed to unite theories of state socialization in international relations (Thies & Marijke, 2012). As such, it can be utilized as an extension to offer plausible explanation of International Criminal Court’s role in the fight against terrorism in Africa. Firstly, members countries’ signatory to the ICC has a shared understanding of expectation of its roles as global legal institution assigned to adjudicate between states and individuals or state and state. Thus, it defines state’s perception of character behaviour of the ICC in the course of their relationship. Secondly, the four basic assumptions of role taking, role consensus, role compliance and role conflict elucidate and underline likely determinants of memorandum of understanding on which agreement to accept ICC’s organizational membership by individual states are based, and in turn shape their perception and expectations of the latter from the former.

Interestingly, role theory argues that to change behaviours, roles are necessary to change (Elif, 2015). Therefore, it takes a change of ICC’s roles for its behaviour to follow suit. Moreover, the discriminated perspectives give additional dimension to the understanding of ICC’s role in combating insurgency in Africa. Different perspectives harbour at least an insight on role theory’s applicability to relationship between ICC and member states. For instance, functional role theory helps to capture ICC’s behavioural pattern while structural theory exposes the likelihood of ICC’s performance of her role on its member country’s perception and relevance to the larger society.

3. The Role of the International Criminal Court

The International Criminal Court was created by the Rome Statute of the International Criminal Court. The Rome Statute came into operation in July 2002. It is governed by the Rome Statute as the first permanent international court which is treaty based. Up to date, out of 122 state parties to the Rome Statute, 34 of them are African states. Article 1of the Rome Statute of the International Criminal Court states that the ICC has the power to exercise its jurisdiction over persons for the most serious crimes of international concern. The functions and powers of the ICC to prosecute come into play when state parties cannot or are unwilling to prosecute accused persons. The ICC has jurisdiction only in relation to crimes that were committed after its inception in 2002. Article 13 provides for the ICC’s exercise of jurisdiction which includes the following: a state party referring a situation to the prosecutor, referral of a situation by the Security Council, and where the prosecutor initiates an investigation on his own initiative.

The International Criminal Court is designed to prosecute, and bring to justice those responsible for the worst crimes, including genocide, crimes against humanity, and war crimes, committed anywhere in the world (Hebel, 2018). The ICC is an independent international organization with 122 members, separate from the United Nations system (Q&A:International Criminal Court, 2011). It is the court of last resort, based out of Hague, Netherlands, and is only used when national authorities cannot or will not prosecute. The uniqueness of its purpose, structure, jurisdiction, and significance make its understanding essential to those studying public justice. The main court of the ICC is in the Netherlands, but proceedings from the ICC may occur elsewhere in the world.

The court is divided into four sections, Presidency, Judicial Divisions, Office of the Prosecutor, and the Registry (Q&A:International Criminal Court, 2011). The Presidency is responsible for the overall administration of the court, except for the Office of the Prosecutor. It consists of three judges elected to three-year terms. The Judicial Divisions consists of eighteen judges organized into the Pre-trial division, Trial Division, and Appeals Division; The Office of the Prosecutor is responsible for receiving referrals and any documented information on crimes within jurisdiction of the court, for examining them and for conducting investigations, and prosecutions before the court; and lastly, the Registry is responsible for the non-judicial aspects of the administration and servicing of the court (Q&A:International Criminal Court, 2011). The Registrar is elected by judges and serve five-year terms. As stated, the International Criminal Court handles crimes against humanity, war crimes, crimes of aggression, and genocide (Hebel, 2018). While crimes of this nature have gone on for centuries, the court has no retrospective jurisdiction. It only deals with crimes after July 1st, 2002, when the 1988 Rome Statue came into force. However, there are several steps that must be
completed before ICC can get involved in a matter. These steps revolve around the concept of jurisdiction, defined by as the power of a court to decide a dispute.

Moreover, generally, a court’s jurisdiction can be further classified according to four subcomponents: geographical jurisdiction, hierarchical jurisdiction, subject matter jurisdiction, and personal jurisdiction (Scharf, 2014). First, before the ICC can act, its jurisdiction must be accepted by the Territorial State or The State of Nationality of the Accused. Next, the crime must be recognized by the ICC as something it handles. The ICC has automatic jurisdiction only for crimes committed on the territory of a state which signed the treaty, by a citizen of such a state, or upon presentment of a case by the United Nations Security Council. The ICC shall not admit any case that is being investigated or prosecuted within that country. That is like the concept of double jeopardy. If the person has already been tried for the same conduct, the case is not sufficient enough to justify further action (Hebel, 2018). Next, is the Preliminary Ruling on the ‘Initiation of a Case’. The ICC Prosecutor must notify all states with jurisdiction of any investigations started (Schabas, 2010). Afterward, the prosecutor begins his investigation. Also, the prosecutor must make a reasonable decision if a crime is within the jurisdiction of the court, the case is or would be admissible under article 17 having considered the severity of the crime/interests of victims (Scharf, 2014). After the investigation, the pre-trial chamber decides upon the issuance of orders and warrants requested by the prosecutor for purposes of investigation. Lastly, there is a conformation of charges before the trial. The court secures the arrest and try suspects by relying on national police services to make arrests. It is worthy of note that ICC outlook for conviction is well-organized and easy to understand. The primary punishment is imprisonment with the possibility of parole, because they believe that people can be rehabilitated. The death penalty is not an option in the ICC, because most people who commit such crimes see the death penalty as the easy way out (Schabas, 2010).

Moreover, as it stands, the main purpose of the ICC is to seek justice for countries and people who cannot fight the crimes occurring in their countries. Whether the ICC is living up to this billing or expectation is still subject to excessive scrutiny.

4. Terrorism and Terrorist Acts in African States

This section takes a summarised and closer look at terrorist groups with their operational tactics in Africa. Though, there are some kinds of these groups in Africa, this study focuses on Boko Haram in Nigeria, al-Shabab in Somalia and Kenya, and Al-Qaeda in Maghreb in Mali. We undertake this review with a view to elucidating the extent of their activities.

The experience of terrorist and terrorism in Africa and helpless conditions the ordinary citizens are subjected to require an appraisal of mode of operations of the ICC, an international criminal court. While terrorist in Somalia and Kenya (al Shabab) have eliminated thousands of people, Boko Haram in Nigeria had killed and is still killing people in the most horrendous manners. Moreover, none of the terrorist members apprehended in Nigeria have been made to face severe penalty (Sani, 2012). Aside terrorist acts carried out by al-Shabab, it also involved in sea pirate and other organised crimes against humanity. Al-Qaeda in Maghreb in like manner, not only loot and robbed people of their properties, they also commit heinous crime against human dignity such as raping and kidnapping, yet none was apprehended to face charges for crime against humanity. While the state flagrantly displayed lack of political will to prosecute and sentence terrorist suspects because of retaliatory or reprisal attacks tendency, the government seems to surreptitiously cover up their atrocities from public domain including inhuman treatment of state security operatives under the disguise of fighting terrorism and terrorist groups.

From the foregoing, it is obvious that terrorist activities in sub-Sahara Africa is beyond state capacity control and terminal power. Hence, external allied forces intervention in form of assistance seems to be ineluctably required. Thus, ICC as a multilateral institution with core mandate to deter war of terror needs to arise for a rescue mission in the most appropriate manner in tandem with its constituted power.

5. International Criminal Court and Terrorism in Africa: An Interrogation

Having advanced that terrorism is a global phenomenon with transnational consequences, it is expedient to appraise ICC contributions to its fight, more importantly, in Africa with high level of presence of terrorist acts and citizens’ high level of vulnerability. Though, it is noted that ICC is disempowered from investigating crimes already taken up by the states, but those unattended to or
improperly tackled by states are left without consideration in the statute. This became worrisome when terrorist assault was huge with catastrophic and harrowing experience on the nationals of member countries of ICC. It implies the populace, for whose purpose and interest the institution was established, are indirectly deprived of its core benefits.

However, while Nigeria and Kenya battling with Boko-haram and Al-Shabab terror groups respectively are member of ICC (ICC, 2018), Somalia is not which makes her an outlier of the beneficiary of ICC role. In this context, Nigeria and Kenya experience for example, seems to require probing in relationship with ICC role in both countries’ efforts at curtailing insurrection. This is informed, in addition, by the expected roles of ICC on which their shared understanding motivates the decision of membership. In the light of this circumstance, what are the contributions traceable to ICC in their fight against the Boko haram and Al-Shabaab terrorist monster? The seemingly unrelenting actions of the terrorist groups for almost two decades with largely unsuccessful effort by the Nigerian and Kenyan Government to decimate them further raises this concern and questioning.

In Nigeria, Boko haram reported attack by the media in 2013 alone totaled 90 (Enojo, 2016). Sadly, lives lost to serial of Boko haram assault can be estimated around 200,000,000. With these happenings in a country not under civil war, or during peace time so to say, how can one rationalize non-interference of the statute caveat as basis for ICC handicapping because of the country ongoing prosecution of arrested culprits. This suggests a declining value for human lives and welfares in the face of rising death tolls, refugees and increasing number of the internally displaced persons with implications for social, economic, psychological and even political spheres of the populace living standard. Situations as this is suffice for ICC to review her statute such that will forego or set aside non-interference restraint when lives lost has risen above a considerable number. In fact, a set standard should be made to be prescribed as genocide which will enable the crime to be situated within ICC coverage and such inserted as amended version of ICC statue.

Furthermore, Al-Shabab in Kenya has made not far-from Nigeria experience negative impact on the nationals, especially residents in the north-eastern region of the country. Killings via suicide bombing, community attack and other means appear to continue unchecked by the government. ICC, as observed, has not been able to prosecute any of the terrorist members in the country. To worsen ICC incapacitation, the incumbent president, Jomo Kenyatta, formally threatened to withdraw the state membership. This, in our opinion resonates the challenge of the state sovereignty and political immunity of some state political leaders that must be respected as entrenched in the National Constitution on ICC and most multilateral organizations. Although the president was being tried for war against humanity before assuming office, his office privilege was seized as escape route out of prosecution and likely prevalence of justice. In response, ICC formally dropped the charges against Kenyatta (Q&A:International Criminal Court, 2011) probably because of similar threat by some African countries to follow suit, but without mincing words, we argue that it is a drawback to ICC capacity for performance of her role of prying crime against humanity and genocide in the wake of threats to global peace. On this note, revision of ICC statute to accommodate disregard for immunity conferred by state on political leaders or carryout the trial after expiration of office term is imminent and expedient. Hopefully, if this clause is also inserted in as part of amendment to ICC statue, she will be positioned better for meaningful contributions to promotion of global peace and justice.

6. Conclusion and Recommendations

This paper takes an insightful look at ICC roles vis-à-vis combating terrorism in Africa, especially in Nigeria and Kenya. It found out that ICC appears to be handicapped going by the clause in the statute establishing her, which disallow non-interference into any conflicts or crisis being handled by the state and need to wait for petition from affected citizen even where state is non-active. These challenges are complicated with state sovereignty and the immunity clause enjoyed by some political leaders as stipulated in their countries constitutions.

From the identified challenges, we argue as recommendation that ICC statute should be reviewed to give allowance for intervention into any state ridden with terrorist assault with considerable level of lost of lives, human displacement and refugees. It is our belief that this will display high level of responsiveness and value for human lives by ICC if the amendment is inserted.
Also, immunity clause should be circumvented by amendment of the ICC statute. Expectedly, it will instill discipline on political leaders in Africa and other countries as well. We strongly hold the view that when these measures are backed up with actions, ICC roles will be re-defined to accommodate dynamics of crime against humanity and preparedness to tackle such head-on.

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Agribusiness competitiveness for advancing inclusive growth in Bangladesh: In search of strategic imperatives

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Key Words
Agribusiness competitiveness, Bangladesh, inclusive growth, market system, strategic imperatives, value chain

Abstract
Inclusive growth requires an inclusive market ecosystem, which, according to these authors, promotes an increased, equitable, and responsible participation of all market actors, particularly of small and economically-challenged individual market players and MSMEs along the value chains that help reduce poverty and asymmetric distribution of created value. In a country where more than 40% people are related to agriculture, a sector that generates around 15% of the country’s GDP, sustainable agribusiness competitiveness is a natural way to promote inclusive growth. Bangladesh, recently graduated from a least developed to a developing country, has an outstanding opportunity to work on agribusiness competitiveness and inclusive growth. However, despite reasonable success over the past couple of decades, Bangladesh’s agriculture and agribusiness ecosystem is far from ideal. Study of its agricultural value chains reveals inefficiency and incompetency in different segments, indicating significant scope for upgrading. Based on the authors’ decade-long experience in dozens of action research and interventions involving agribusiness competitiveness and market system development, this paper presents potentials for upgrading agricultural value chains and improving agribusiness ecosystem. In so doing, the paper relies on Triple Triangle Framework (TTF) and value chain approach, and uses a horticulture value chain as the reference case.

The paper identifies three major strategic imperatives: (i) responding to the priorities of agro-enterprises, particularly by developing human resources, promoting decent workplace, improving access to finance, information and market, and by igniting an entrepreneurial culture, (ii) impacting the market ecosystem in order to improve the behavior of market actors and incentivize desired market actions, and (iii) creating and sustaining an enabling business environment with supportive policies, institutions and infrastructure so as to facilitate innovation and technology transfer and promote agro-SMEs’ participation in global value chains. Market system development strategists, policy makers and researchers are expected to benefit from this work.
Commercial Mortgage Loan in the system of private ownership

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Keywords
small and medium business, property relations, law and economy, commercial mortgage, leasing, rent

Abstract
One of the problems of small business today is the necessity for the productions sphere entrepreneurs to buy real estate premises. Commercial premises are very expensive and the deficit of immediately available funds causes an objective necessity in commercial mortgage. That is why there is a keen interest towards this topic. One of the strategic goals of the institutional modernization of modern Russian economy is to create an effective mechanism of the development of the commercial mortgage institution. As a result there appear institutional models that reveal institutional character and unique features of contractual relations (leasing, mortgage, rent) as an alternative to purchase and sale. Revealed specific inner problems allow to work out the ways to solve them.

1. Introduction
In the developed countries small business is viewed as an “engine” of economics as it quickly adapts to changes and thus is very flexible in nature. This flexibility allows small business to find and occupy free niches in the market. Moreover, small and middle businesses offer working places and provide employment for the majority of population. A thorough study of the works of national and foreign scientists in the area of small business development (V.A. Rube [9], D.V. Kolpakidi [5], N.V. Gagarinova [4], A. Ayansola Olutunji [13], K. Gundolf, O. Meier, A. Missioner [14], R. R. Sharma, V. Lindsay, N. Everton [15], etc.) let the author to single out main tendencies in all the researches and they may be summarized as the following: the necessity of government support is evident.

After the events in 2014, which were followed by sanctions and then countersanctions, Russian authorities again paid their attention to small and middle businesses (hereinafter SMB) and once again set the task to create comfortable conditions for their development. It seems necessary to mention here that in the modern history of our country one can distinguish relatively three periods which show difference in development tendencies of small businesses. According to the Federal Statistics figures which are reflected in Figure 1 [6], the period between 1991 and 1993 is characterized by the explosion of the amount of small businesses, as well as in the span from 2007 to 2013. But the period between these two “splashes” is rather stable.

![Figure 1. Dynamics of small businesses growth in Russia as of the end of the year, ea. The source: compiled by the author according to the Rosstat data.](image)

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Besides general growth of small businesses and their dynamics, author’s attention in this article is concentrated on the industrial structure of these businesses. This structure is shown in Figure 2 and can be viewed as an indirect evidence of SMB industrial focus in Russia.

From the data given above we can conclude that the majority of small businesses are aimed at distributive sector but not at industrial sector or innovations sector. Thus one may notice the discrepancy between the desire of the Russian authorities to involve small business into the sphere of import phase-out and innovative technologies, and extremely low interest of the SMB to perform in the material sphere. The author of this article believes that the way out of this controversial situation is the change of status quo in the system of private ownership where special attention should be given to the premises used in industrial processes.

2. Understanding the term “property” and the role of property in business

Premises can be subdivided into residential property, nonresidential property and land. Under the category “residential property” fall all types of premises (buildings) which are used for permanent housing with mandatory public registration. All other types of premises shall be deemed to be nonresidential and can be used in industrial sphere to gain profit. In this article we are not going to speak about land as it is not the object of our study here.
Following the statistics of the construction industry (the industry that creates premises), one can notice that different changes to buildings, constructions and objects of residential or cultural premises are registered with the aim of statistical service. With accordance to “All-Russian Classifier of Fixed Assets” all nonresidential buildings can be divided into industrial, agrarian, commercial, administrative, educational, health care buildings, etc. Surfing the sites of constructors, developers, real estate agents or even banks one may say that commercial premises, office buildings, industrial constructions or storage premises are offered for sale or rent. Thus, we can claim that for one and the same type of nonresidential premises used in the process of creating amenities or rendering services there can be used a great number of terms or labels. Strange as it may seem, but more often than not these terms do not coincide with the demand for commercial property. But in our case one should establish an organization in which the property administrating and to some extent its management is supported by the statistical data [16] presented in Figure 3.

The development of the commercial property market in modern Russia depends on several factors. From one side, it’s dynamics of the construction activity and gross output – and they can be viewed as supply and demand for square and cubic meters. From the other hand, institutional terms of commercial property use and legal ownership. Let us mention here that big business is not involved in market as they usually use commercial property (construction and putting into commission) as an object for investment. The management of the company initiates, organizes and realizes the process, i.e. the company is a customer as well as a consumer of all the production areas. At the same time, SMB doesn’t have such financial and organizational capabilities. And this, in its turn, leads to the situation when small and middle businesses create a demand for already constructed commercial property.

Let us have a closer look into the dynamics of supply and demand at the commercial property market. Liberalization and structural reconstruction of Russian economy at the beginning of the 90s of the previous century led to legislative changes and legalization of entrepreneurship. There appeared the possibility to purchase and sell the property or to exchange rights to it. Rapid growth of small businesses in the sphere of retailment and services led to the explosion in the demand for commercial property. But the offer (construction of new property objects) was constantly decreasing at that time. This claim is supported by the statistical data [16] presented in Figure 3.
The amount of work done in the field “Construction Industry” in %

**Figure 3.** The index of the amount of work completed in the construction sphere in Russian Federation.

The source: compiled by the author according to the Rosstat data

Thus, we may come to a conclusion that up to the middle of the noughties the commercial property market could have been characterized as a “seller market”. The lack in production areas and commercial facilities gave rise to two main tendencies that were very common in the 90s:

* purchasing of the apartments on the ground floors (with the possibility to construct a separate entrance and a shop window) and conversing them into non-residential property. This led to street retail development in the sphere of retailing and services;

* rapid growth of open-air markets, stalls and other unsteady forms of business which potentially are interested in housing themselves in “steady” premises.

3. Commercial property market in Russia today: shifting from “seller market” to “buyers market”

The demand for commercial property gave an impulse to the construction of non-residential premises which businesses could rent and this can be proved by the statistical data [17] in Figure 4.

As a result of the processes described above commercial property market gradually was changing from “seller market” to “purchasing market”. Empty areas that have appeared in the office centers and shopping centers in the last years can be considered an indirect proof to it. In particular, according to Russian Business Channel [8] the amount of empty areas in business and shopping centers in Moscow should have reached 10-15.5% by the end of 2016. The experts of Knight Frank [16] are sure that the explanation lies in a big amount of new construction activities. Almost 70% of empty areas can be found in shopping centers that were open in 2014. Similar trend is observed in many other cities of Russia. Structural changes that occur in the industrial sector of SMB can be explained by several factors. Form one hand, it is excessive amount of commercial property, which is sometimes quite expensive, and certain
requirements of lessors (property owners) to lessees (renters). On the other hand, it is the decrease of consumer demand in retailing sector and in the sector of everyday services. The shift from agency business towards production activities require certain conditions which allow to draw into economic circulation not only office areas or shopping premises but industrial and storage premises as well. In retail business the most effective way to draw the property into economic circulation is renting, in contrast to that, the best way for manufacturing business is the ownership.

4. Institutional conditions for drawing the property into business activities

At this point let us consider some institutional conditions which accompany the process of industrial premises use or ownership. In the most general sense the procedure of the ownership transfer (creation and termination of the ownership over property) looks as following:

1. So, there is a need for property (economic interest) – need to purchase (sell, etc.) the property
2. Expression of will (either to buy or to sell the property): one-way, two-way agreements, etc.
3. Exchange of ownership and signing of a contract

From the legal point of view the right for ownership (right to thing) is the right that gives legal power over a thing. There are certain kinds of the right to thing:
- ownership;
- special property.

The way of business behavior allows two ways of drawing property into business circulation: either ownership or renting. It is known that the right for property in Romano-Germanic law system “reads into the contract” three powers (an owner triad): ownership, use and administration. Any company gets this right in case of purchase/sale of property. It can be done instantaneously or by installments (by means of loans: leasing or mortgage). Renting gives the right to use the property (on a fee basis) but not to dispose it. Thus, it is an “incomplete” form: the owner retains the right to dispose the property and the right of ownership but use is transferred to the renter. The choice of the way of drawing commercial property into economic circulation has its positive and negative sides. If you need stability and foreseeability then the most preferable variant is the ownership. At the same time renting is an advantage if you don’t want to invest instantly huge sums of money into the property. In this case renting allows saving time and money. Owners of the property also have to maintain their premises and keep them in a proper condition. One may say that it can be viewed as a disadvantage. But at the same time, the owners have the right to use their property a security to promote investment. Table 1 shows a systematized approach to the assessment of the way of drawing property into business activities.

| Type of | Purpose of use | Initial | The right of | The Owner | Term | Type of contract | The moment of accrual of the right |
|---------|----------------|---------|ownership| Triad (O – ownership, U – use, A – administration) |      |                |                                      |
| Rent    | Any            | No      | No      | O, A      | 1 day – 50 years | Rent contract | No                                    |
| Purchase| Any            | Yes     | Yes     | O, U, A   | Unlimited      | Contract of purchase | Immediately   |
| Leasing | financial      | No      | Yes     | O, U, A   | Up to 3 years  | Lease agreement+ purchase and sale agreement | After full pay out of the lease |
|         | operating      | No      | No      | O, U      | Up to 3 years  | Lease agreement   | No                                    |
| Mortgage| Any            | Yes (15-30%) of the cost | Yes | O, U, A   | 5-15 years | Mortgage agreement+ purchase and sale agreement | Immediately but the borrower is bound to pay out the loan |

Table 1. Comparative characteristic of the variants of drawing commercial property in business activities.
Let us have a closer look at renting as it is the easiest way to draw the property into business activities. In comparison to purchasing, leasing and mortgage it is the relatively cheap. In economic practice it is very widely used, but it doesn’t invoke change of ownership and thus it will never let the renter to change their status into the owner. Many start-ups use renting and never purchase any property in their future business activities. Here, one of the positive moments is the ability to change the location of a company without any essential expenses, just by renting another property. But, from the other point of view, all the money spent on paying rent with time will become equivalent to the real cost of the same property.

Now we’ll pass over to purchasing, leasing and mortgage. In this case one should be sure that they have enough money to buy a unit of property. If financial abilities of the entrepreneur allow buying some property then the most preferable variant is to sign a purchase and sale agreement. If a business faces the lack of personal finances then it’s possible to benefit from leasing or mortgage. In this case it is necessary to sing two agreements simultaneously: lease agreement (or mortgage) and purchase and sale agreement. In both cases the buyer will become eventually the owner of the property. In case of purchasing or mortgage the estate of freehold is passed to the buyer immediately; in case with leasing – only after a full pay-out. Thus, both cases are characterized by positive as well as negative effects. In accordance with purchase and sale agreement a vendor of property agrees to transfer the property into the ownership of purchaser, whereas the purchaser agrees to take it and pay for it a certain sum of money. Such practice is characterized by two main features:

1) The right of ownership is transferred from the vendor to the purchaser immediately after official state registration;
2) The purchaser should pay the vendor of the property a certain sum of money determined by the agreement.

It should be mentioned as well that the vendor of the property has the right to sell it with one-time payment, by installments, on a deferred basis (at the moment of signing the contract). The time limit of a full pay out is not regulated by the current law [7]. The main advantage of purchasing the commercial property is the fact that it enables the buyer to use and dispose the unit of property according to their own choice. However, purchasing the property always leads to the increase of a company tax base; moreover, the money spent on purchasing is the money that could have been used as operating assets, which, in its turn, may lead to the necessity of commodity loans or other kinds of loans. So, the decision whether to purchase a unit of property or not is dictated by financial stability of the company.

Theoretically, property can be purchased on terms of leasing. Leasing is possible only in the entrepreneurial sector. The object of lease – commercial property in our case – is recognized by the lessor and only after the expiration of a lease period the right of ownership is transferred to a leaseholder. The benefit of leasing is the absence of a big downpayment. In case of leasing, the leaseholder may choose a convenient scheme of payment and lease companies seem to be more secure borrowers for banks than individual entrepreneurs. But property leasing is not very popular in Russia as it requires complicated legal procedures and is characterized by high risks.

Mortgage is known to be a certain kind of loan that allows purchasing of any kind of property. It is important to mention that any kind of property for an entrepreneur is not just the object of disposal but an asset and a source of profit. Besides the aspects mentioned in the table above (Table 1), mortgage loans differ from leasing in risks: an entrepreneur doesn’t depend on the risks of the leasing company, in case of bankruptcy the property will remain with the leaseholder, the loan-period is essentially longer and the interest rates are lower. As the experts say, it is possible to choose between mortgage and leasing if we know the current position of the company and the exact object for leasing. Anyway, it is absolutely impossible to work out a general scheme, as well as it seems hard to foresee and estimate which of the variants is more profitable when financial position of the company, its credit history, the condition of the unit for leasing or mortgage are unknown.

Coming to conclusion, it is possible to claim that there exists several ways to draw commercial property into business activities, but the ways SMB use them are different.
5. **Statistical data analysis of the survey (a questionnaire for entrepreneurs compiled by the author)**

The tendencies that exist in the commercial property market can be understood only if there is real statistics of the amount and types of bargains made. As it is really impossible to obtain official statistics the author of the article conducted a survey. The entrepreneurs of Tula Region (Central Russia) were questioned within the span of 2015-2016 to find out real ways of using property items in business activities. The amount of respondents is 400; the method used is “random choice”. The participants of the survey: commercial property owners (33%) and commercial property tenants (67%). All of them were distributed within 9 groups according to the type of business activity in agreement with Russian National Classifier of Types of Economic Activity (hereinafter CTEA).

The survey contained different questions about SMB business activities and problems connected with them. In this article our interest is concentrated on the part of the questionnaire where the ways of drawing the property into business activities are discussed. The results obtained were processed with the help of the statistical package STADIA. As the data show, 60% of owners and 32% of the tenants are interested in the development of their business and are ready to use different loans for that purpose. The mentioned above respondents according to their investment behavior are divided into clusters which can be clearly seen from the dendrogramm (Figure 5). X-axis: groups of entrepreneurs according to CTEA; Y-axis: span of clusters.

![Figure 5. Dendogramm (Euclid’s Metrics + Ward Method)](image)

The source: compiled by the author

As it can be seen from Figure 5, Ward method distinctively allocates 4 clusters. The answers to the questionnaires of the survey give the ground to interpret such results in the following way:

- The first cluster includes such business activities as freight activity and realtors. These businesses feel quite confident in the present day economic situation and show no interest in purchasing permanent property but are in need of capital widening and operating assets increase;
- The second cluster comprises wholesale business and different construction businesses. Purchasing of storage premises was the main aim of investment for the respondents of this cluster;
- The third cluster includes hotel business and manufacturing businesses. The entrepreneurs working in these businesses usually deal with industrial areas (buildings) which they own. They show a real interest in commercial mortgage loans and are not interested in financial leasing at all;
- The fourth cluster: services, catering and retail business. These businesses are the most “mobile” in terms of housing and their need in financial resources is determined by their sales.
6. Conclusion

So, we can claim that almost all representatives of SMB show the need of financial resources but only members of the second and the third clusters are in real need of long-time investment.

In conclusion, we would like to note that it is necessary to create favorable institutional conditions to draw commercial property into business activities as Russian government is interested in the development of manufacturing industries and in the involvement of a small business into this sphere. The use of commercial property mortgage loans may become one of the supportive mechanisms in this development.

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Validation of a new model to explain the impact factors of customers’ behaviour buying sporting goods

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Key words
Customer behaviour, online, retail, sporting goods

Abstract
Online shopping has become a critical factor in retail across all industries. The online channel has opened up new opportunities for customers and dealers and poses threats to traditional commerce. The reason for this investigation is that a new model should be used to investigate which factors influence the decision for particular channels. In this model, three main groups are used as research features: sociographic characteristics, intrinsic and extrinsic motivation. With the help of these characteristics, it can be examined which characteristics are responsible for purchasing decisions online on the Internet or stationary in retail. The model differentiates between three product groups which are Bike, Ski and Soccer. The process of buying was divided into two stages: search and buy. A standardized expert interview was chosen to conduct the investigation and validation of the model. The expert interviews were conducted with 11 experts. Expert interviews confirmed all independent variables in the model. The dependent variables did not validate the differentiation of the online channel into computers and mobile devices. In addition, the three product groups (Ski, Bike, Soccer) were also confirmed. Based on the interviews, the model was adapted and thus serves as the basis for further researches.

1. Introduction
Due to technological progress, the Internet is playing an increasingly important role in life. This affects all areas of life and also the consumption behavior of humans. Shopping 24 hours a day, seven days a week also has an impact on the landscape of classic retail. Due to the recent history of the Internet, research in this area is still very young. The first attempts to explain customer behavior were solved with the TAM model (Davis, 1989).

In empirical research, it has become common practice to design measurement models with multiple indicators if hypothetical constructs are to be captured and to test them for reliability and validity using causal analytical methods. This approach is especially useful if the constructs are phenomena that explain individual behavior. The researcher is confronted with problems that both, the content-theoretical mapping of his construct as well as the empirical-statistical proof of the quality of his measurement model. These are not independent of each other, and the performance of statistical methods in standard validation procedures is overrated by many users. In this new model we can find intrinsic, extrinsic motivation and shoppers socio demographics.

With the help of expert interviews, the model has been validated. It should be clarified whether the independent variables are those influencing factors, which are decisive for the choice of the purchase channel with the purchase of sport articles. In the selection of the experts an attempt was made to make a selection from the areas of sporting goods trade, sporting goods industry and interest groups.

2. Literature review
The TAM model (Davis, 1989), based on the TRA model (Fishbein and Ajzen, 1975). TAM assumes that the beliefs about the computer system influence attitudes, which in turn lead to intention, and then generate behaviour to use a system. The TAM model has been used very often to explain the use of the internet for shopping. The parsimony and predictive power of TAM are main strengths, but parsimony is also a limitation as there may be other variables instrumental to explain why customers are shopping online. The TAM model is taking two external variables in consideration: Perceived Usefulness and Perceived Ease of Use. In this research perceived usefulness is defined as the belief that the online channel improves the efficiency of shopping process (Frasquet et al., 2015, Venkatesh and Davis, 2000).
Childers et al. (2001) showed a positive relationship between perceived usefulness and the intentions to purchase online. Other studies showed the same positive relationship. As a result of the limitations of the TAM Model due to the parsimony, Venkatesh and Bala (2008) extended the existing TAM model. They added two more parameters: 1) Social influence and 2) Cognitive instrumental processes.

The motivational model (Deci and Ryan, 1985, Vallerand, 1997) was developed to overcome the limitations of the TAM model. The model also looks at the influencing factors associated with the reward when clients are intrinsically or extrinsically motivated. In the present study, the process of shopping was divided into two areas. On the one hand the search for products and on the other hand the actual purchase of sporting goods. The idea of using different channels differently during the purchasing process is not new and has already been analyzed before (Peterson et al., 1997, Montoya-Weiss et al., 2003).

By combining different models, the potential weaknesses are reduced to obtain more reliable statements in the context of scientific work. The combination of the motivational model and the TAM model (Frasquet et al., 2015) was suitable for investigations in the textile industry. Based on this model, the model in this research (Figure 1) was developed for the sporting goods industry and was validated in this study. Product involvement is a not very common variable and was implicated just in a few models (Stüber et al., 2009, Schuckel, 1999).

3. Research Methodology
Guides expert interviews have been chosen to validate the new model. The survey was conducted with guide-based expert interviews. This form of standard interview, in which the interviewer interviews respondents based on a prepared guideline, was therefore chosen to evaluate the new model. The expert term, which is used as the basis for the expert interviews described in this work, describes "the specific role of the interviewee as a source of specialist knowledge about the issues to be investigated." It was decided in advance to interview at least 10 experts.

Selection of Experts
The selection of experts was subject to some criteria. Experts have been defined as those who have been working in the sporting goods industry, in field of sporting goods retailers or any lobbying organization for the sport goods business for 10 years or more. The selection of experts also made sure that they came from different regions in Austria. The distribution of postal codes in a table shows this distribution. In addition, the experts were selected so that they are in senior positions. Table one gives an overview of the composition of the expert group.

<table>
<thead>
<tr>
<th>Name</th>
<th>Postal Code</th>
<th>Age</th>
<th>Experience</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernd Fürtbauer</td>
<td>4600</td>
<td>41</td>
<td>25</td>
<td>retail</td>
</tr>
<tr>
<td>Bram Wouters</td>
<td>5760</td>
<td>32</td>
<td>15</td>
<td>retail</td>
</tr>
<tr>
<td>Dieter Hagleitner</td>
<td>4600</td>
<td>44</td>
<td>14</td>
<td>retail</td>
</tr>
<tr>
<td>Eldrid Mänhardt</td>
<td>1060</td>
<td>53</td>
<td>16</td>
<td>lobby</td>
</tr>
<tr>
<td>Evelyn Scheidl</td>
<td>1020</td>
<td>55</td>
<td>35</td>
<td>industry</td>
</tr>
<tr>
<td>Gernot Kellermayr</td>
<td>4850</td>
<td>51</td>
<td>23</td>
<td>industry</td>
</tr>
<tr>
<td>Harald Sippl</td>
<td>3100</td>
<td>44</td>
<td>10</td>
<td>lobby</td>
</tr>
<tr>
<td>Herbert Neumayer</td>
<td>5710</td>
<td>48</td>
<td>34</td>
<td>retail</td>
</tr>
<tr>
<td>Holgar Schwarting</td>
<td>4662</td>
<td>53</td>
<td>15</td>
<td>retail</td>
</tr>
<tr>
<td>Markus Wallner</td>
<td>4600</td>
<td>42</td>
<td>23</td>
<td>retail</td>
</tr>
<tr>
<td>Wolfgang Haberstock</td>
<td>6971</td>
<td>38</td>
<td>15</td>
<td>industry</td>
</tr>
</tbody>
</table>

Table 10: List of Experts

Conducting the interviews
The interviews were conducted between 9.3.2018 and 21.3.2018. The experts were informed about the topic of the dissertation and explained that the survey serves to evaluate a new model. All
respondents were able to look at the model before questioning and also ask questions about it. The answer options for the individual questions were scaled up after approval.

![Research Framework Diagram]

**Fig. 1: Research Framework**

4. Findings

The collected data was summarized in a frequency distribution. The results were divided into three tables:

### Independent Variables

<table>
<thead>
<tr>
<th>Socio demographics</th>
<th>strongly agree</th>
<th>agree</th>
<th>undecided</th>
<th>disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
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<tr>
<td>Gender</td>
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<td></td>
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<td>Age</td>
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<td></td>
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<td></td>
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<td>3</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports Involvement</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extrinsic motivations</th>
<th>strongly agree</th>
<th>agree</th>
<th>undecided</th>
<th>disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>5</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usefulness</td>
<td>1</td>
<td>9</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Time Pressure</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening hours</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intrinsic motivations</th>
<th>strongly agree</th>
<th>agree</th>
<th>undecided</th>
<th>disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Use</td>
<td>5</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enjoyment</td>
<td>4</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Involvement</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 1: Socio demographics*
Dependent Variables

<table>
<thead>
<tr>
<th></th>
<th>strongly agree</th>
<th>agree</th>
<th>undecided</th>
<th>disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Search</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Search offline</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Search online</td>
<td>5</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Search online computer</td>
<td>3</td>
<td></td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Search online mobile device</td>
<td>1</td>
<td>2</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchase</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase offline</td>
<td>4</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase online</td>
<td>6</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase online computer</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Purchase online mobile device</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

Table 12: Dependent Variables

Product Categories

<table>
<thead>
<tr>
<th></th>
<th>strongly agree</th>
<th>agree</th>
<th>undecided</th>
<th>disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ski</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bike</td>
<td>7</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soccer</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Table 13: Product Categories

Due to the frequency distribution, all variables are discarded where more than 50% of the experts' answers are disagree or strongly disagree. Therefore, the variables search online computer, search online mobile device, purchase online computer and purchase online mobile device the model were adapted.

5. Conclusions

Due to the expert interviews the model has been revised and is validated in the following version:

![Fig. 2: Adopted Research Framework](image-url)
During the interviews it became clear that a further differentiation of the online search or the online purchase into computer and mobile device plays a subordinate role for the experts. From the practical point of view of the experts, this distinction has no effect on any decisions and also designs of websites or online shops. It has been called "state of the art" that all content on digital channels must be made accessible on all devices and a clear tendency towards mobile devices can be recognized. All other variables were confirmed by the experts. In addition, no expert cited an additional variable that should be included in the analysis.

Based on the results, the revised model can be considered as validated and thus offers a contribution in the field of sports goods trade to explain the choice of the channel in the search or the purchase by different variables.

6. Limitation and direction of future research

The expert interviews were used to validate a research model. The conducted interviews and questions refer exclusively to the Austrian market. Most of the interviewed experts came from the ski or bicycle sectors and put these areas much more important than other product categories that are important for the sporting goods trade. Although the experts have eliminated the mobile device and computer variables, they may become more important for future research as mobile device usage has been steadily increasing for years.

The validated research model is used for further investigations and will provide an insight into the choice of the channel when buying sports articles in the future.

7. Appendices
Questionnaire for expert interviews

Guideline Expert Interview
Are there any questions before we start?

How old are you?
Which qualifications do you have?
Which position are you having at the moment?
How long you are dealing already with sporting goods retailing?
In my research I deal with the topic, impact factors on the choice of purchasing channel (online / offline) for different product groups. Below is a list of drivers (dependent variable) that should have a significant impact on whether a customer purchases sporting goods online or in-store.

Independent Variables
Socio-demographics of shoppers
Gender
strongly agree
agreed
undecided
disagree
strongly disagree
Age
strongly agree
agreed
undecided
disagree
strongly disagree
Education
strongly agree
agreed
undecided
disagree
strongly disagree
Income
strongly agree
agreed
undecided
disagree
strongly disagree
Sports Involvement
strongly agree
agreed
undecided
disagree
strongly disagree
Extrinsic motivations

Price
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Usefulness
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Security
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Time Pressure
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Opening hours
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Intrinsic motivations

Ease of Use
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Enjoyment
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Product Involvement
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Dependent Variable

Beside the impact factors (independent variables) the purchase phase is divided in two stages. These stages are “Search” and “Purchase”. At each stage you can find a further segmentation between “offline” and “online”. Due to recent developments like the increase of mobile devices “Online” is differed in “Computer” and “Mobile Device”. The following segmentation of the purchase phase is relevant for the research frame work:

Search

Search offline
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Search online
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Search online Computer
- strongly agree
- agree
- undecided
- disagree
- strongly disagree

Search online mobile Device
- strongly agree
- agree
- undecided
- disagree
- strongly disagree
The research will be applied for three different product categories in the sport goods industry. Are the chosen product categories relevant for the research framework?

8. References
The influence of product markings on consumer buying decisions on FMCG market

Agnieszka Tetla
University of Economics in Katowice
Katowice, Poland

Keywords
Product marking, Product certificate, Consumer behavior

Abstract
There are various product markings and certificates that are present on FMCG market, some of them are easy to acquire, while in other cases the enterprises have to engage into complex and expensive certification procedures. The companies try in this way to attract consumers, to differentiate the products, to find new business partners etc., however is their effort really necessary? It appears that in many cases consumers do not care about the product markings and certificates, and perhaps the time and other resources of the companies have been wasted. The aim of this article is then to identify the influence that the products markings and certificates can have on decisions of FMCG consumers and to indicate the product markings and certificates that are worth of investment. In order to reach the research objectives, a typology of available product markings have been performed, followed by a qualitative research in a form of in-depth interviews.

1. The Introduction

Fast Moving Consumer Goods, or FMCG, is a sector of the economy covering goods belonging to a very wide group: food products, drinks, alcohol, tobacco products, cosmetics and personal care articles, household chemicals and over-the-counter drugs. These are products whose unit price is not high and which are bought in mass quantities (Liczmańska, 2016: 12).

There are various product markings and certificates that are present on FMCG market, some of them are easy to acquire, while in other cases the enterprises have to engage into complex and expensive certification procedures. The companies try in this way to attract consumers, to differentiate the products, to find new business partners etc., however is their effort really necessary? It appears that in many cases consumers do not care about the product markings and certificates, and perhaps the time and other resources of the companies have been wasted. The aim of this article is then to identify the influence that the products markings and certificates can have on decisions of the FMCG consumers and to indicate the product markings and certificates that are worth to invest in.

2. Literature review

In order to get a better knowledge about product markings and certificates, a literature review has been performed, including national and international sources. This stage of the research allowed to create a general typology of available product markings on the FMCG market.

The literature review has proved that a majority of publications concerning the above mentioned subject treats about a particular type of product markings and usually do not present it in a holistic way. For example M. Radziukiewicz in her publication “Behaviour and Preferences of Consumers of Fair Trade Products” focuses on Fair Trade labelling only (Radziukiewicz, 2014). A. Borowska in her publication “Attitudes of European consumers to traditional and regional products” touches only the origin markings. Another example is a publication of R. Nestorowicz “Labelling of Food Products and Sustainable Consumption” who writes about ecological markings and Fair Trade markings. The same in case of G. Hickle in his publication „Promoting product stewardship with eco-labels, certification programs, and product standards”, as well as in case of M. Janssen i U. Hamm pt. “Product labelling in the market for organic food: Consumer preferences and willingness-to-pay for different organic certification logos”.
The literature review shows that publications about product markings on FMCG market do not propose any general typology of product markings and do not identify those types which perhaps are not required by law but attract consumer attention and influence its buying decisions.

3. Research methodology

After the literature review a qualitative research has been performed in a form of in-depth interviews with FMCG consumers. The interviews have been conducted in November 2017 on a sample of 10 respondents. The research sample included nine women and one man. The majority of respondents acquired a higher education, while 2 respondents had achieved a secondary education. 40% of respondents were married. Regarding the employment status, two respondents were students, seven respondents were full-time employees and one respondent was unemployed. All respondents were living in cities counting from 100 thousand to 1 million habitants. The majority of respondents aged between 26 and 30 years, two respondents were between 18 to 25 year old, while one respondent was 56.

4. Findings

There are various product markings available and to make an interview scenario relevant to all of them, a typology according to subject of certification has been performed. It should be noticed however, that one product marking can fall into several categories, as it can confirm several characteristics of a particular product. The typology has been then based on the main focus assessment.

The secondary data analysis allowed to indicate the following product marking categories:

1) Fair trade, e.g.:
   - Fair Trade Certified,
   - Fair Trade Federation.

2) Quality and originality, e.g.:
   - Protected Designation of Origin,
   - Protected Geographical Indication.

3) Ecological performance and organicity, e.g.:
   - Leaping Bunny certificate,
   - Soil Association Organic Standard.

4) Special diet, special lifestyle, e.g.:
   - V label,
   - Vegan certified.

5) Recycling, e.g.:
   - Recycling symbols,
   - Carbon reduction label.

6) Quality system, e.g.:
   - ISO 22000:2006,
   - HACCP.

7) Consumer awards, e.g.:
   - Consumer World Award,
   - Consumer Choice Award.

During the interview, more than half of the respondents admitted that they do not pay any attention to the certificates and markings placed on the products they buy. Various explanations were given, including lack of time, lack of general interest, lack of trust and considering the markings and certificates as a marketing gimmick, trusting a given producer due to previous experience with the product, as well as paying attention only to the price.

Three respondents admitted that they pay attention to marks and certificates from time to time. The concern for close relatives, for example a preparation of meals for people with gluten intolerance, was given as a reason of interest. Particular attention was paid to the domestic origin of the products and perceived quality associated with it. In some cases, a particular certificate or other product marking was given as a decisive factor in case of products with a similar price - the respondent admitted that when the price is not significantly higher, he will choose the product marked with the "Fairtrade" symbol, mainly...
for coffee beans and teas. One of the respondents admitted that he pays attention only to previously unknown certificates and markings, treating them as a proof that the producer tries to stay ahead of its competitors, at the same time accusing universal certificates and markings to not deliver any added value in fact.

One respondent, however, admitted that he checks markings and certificates on products, especially on sweets, due to his vegan diet, indicating them as a great simplification and saving time.

The vast majority of respondents assessed markings and certificates on products as useful, although not to them personally. There was a consistent believe, that there are certain consumers who would be interested in it. Respondents have noticed that appropriate marks on the products are needed, especially for people who are lactose intolerant, gluten intolerant or have a celiac disease. It was noted that the markings and certifications would be much more useful if consumers knew what is their meaning and if efforts were made to educate them. The respondents believed that thanks to the particular product markings and certificates it is known that the product comes from a trustful source, or that the manufacturer has made every effort to ensure that the product is of the highest quality, but the same respondents have admitted they do not really care about it.

Two respondents said that certificates and markings are not needed, that it is only a marketing gimmick and that people should have limited confidence in them as they can be manipulated.

Respondents were also asked which features of the products should, in their opinion, be formally confirmed by an external institution. First of all the lack of allergens has been indicated (e.g. lactose or gluten). The country of origin, region of origin, harmlessness, safety for children, non-animal testing, and lack of animal origin were also mentioned. Moreover it has been noticed that the product markings and certificates should verify and confirm some features of products that consumer himself cannot verify.

Within this study the consumer familiarity with product markings and certificates has also been verified. For this reason, the respondents were asked to recall the product markings and certificates falling into the following groups: confirming that the product was manufactured in accordance with the principles of fair trade (no child labor, providing producers with a fair payment, etc.); markings confirming the quality and originality of the product; markings confirming the ecological nature of the product (no negative impact on the environment); markings confirming that a given product meets the requirements of a certain diet or lifestyle (vegetarianism, veganism, kosher, halal, etc.); markings of recycling, segregation rules etc.; markings of quality systems; consumer awards; Other.

It appears that consumers knowledge about the meaning of product markings and certificates on FMCG products is very limited. It should be noted that almost none of the respondents was able to give the full name of a given marking or certificate, describing it as "something green", "some leaf", "some flag", "a bunny", etc. It means that consumers recognize somehow the specific markings but in fact they are not interested in them, they do not look for information about them and do not really care about it. By matching descriptions made by respondents to actually existing markings and certificates, it can be assumed that the markings and certificates mentioned by respondents are mainly "Euro Leaf", recycling symbols, ISO standards (although it was pointed out that no attention is paid to them and that compliance with these standards should be obvious nowadays), "Consumer Awards", "Poland Now", "Leaping Bunny", certificates from the Fairtrade group, "BIO", gluten-free marking, and "V label".

Conducted interviews also showed a limited trust in certifying institutions. Particularly a limited trust was shown towards consumer awards. Respondents admitted that they do not know how the certification bodies work and who are the experts, but when an award is given by a public institution, it will be rather reliable, while in case of private institutions, it may be doubtful.

When asked about the factors that would encourage the respondents to pay attention to the product markings, veganism and gluten intolerance were indicated.

Respondents were also asked if they rely on certificates and markings placed on the products and from what other sources of product information they possibly use instead. Half of the respondents admitted that they do not rely on certificates and product markings, while the other half consider them useful at least in certain product groups.
5) **Discussions and conclusions**

Qualitative research conducted among consumers of FMCG indicates that the interest in certificates and product markings is rather limited and consumers, even if they link somehow a given mark on the packaging, usually they do not know what does it mean. Special attention is paid to certificates and markings from the “Special diet / lifestyle” group. Even if consumers do not belong to the group of interest, when asked about the usefulness of this kind of product markings and certificates, they were likely to mention people suffering from gluten intolerance, celiac disease or other allergies.

On the basis of the qualitative research, it can be concluded that consumers do not rely on markings and certificates placed on products, moreover, the results of the research indicate a limited trust in certifying entities. Public certification bodies enjoy greater trust, while private certification bodies are suspected to manipulate results. Particularly limited trust was shown towards consumer awards. It should be noted that certificates and markings are treated by consumers as a nice convenience and an alternative to a careful reading of product labels, but they are not the main source of information about the fast-moving products.

It should be noted that very often obtaining a given certificate requires enterprises to pay high certification fees and to engage a lot of resources to meet the certification criteria or just to prepare a relevant documentation. Enterprises should therefore very carefully choose the product markings and certificates they want to acquire, because due to a lack of consumer interest or lack of trust, the investment become highly inefficient and useless.

The FMCG producers should adjust the product markings and certificates to the target consumers and verify what the target consumers really care about. Especially in case of gluten-free products and vegetarian/vegan products, relevant product markings and certificates, given by a reliable institution, may boost products sales. Special diet or lifestyle requirements somehow force the consumers to pay attention to the product markings and certificates.

It can be assumed also that low consumers’ interest in product markings and certificates derive from lack of familiarity with their meaning. It seems then, that an enterprise obtaining given product marking or certificate, while promoting a product, should also increase the consumer awareness on this field.

6) **Limitations and direction for future research**

The most important limitation of this research is a very limited research sample. Only 10 respondents took part in the interviews, they were coming mostly from similar environment and it could strongly influence the results. This part of the research has been conducted however as an introduction to the subject and the author’s intention was to get a basic understanding of consumer attitudes towards product markings and certificates.

Within the next stage a quantitative research in a form of survey is planned for 2018/2019. The research sample will be increased and will allow to cover various groups of consumers. The expected results will be more reliable and will allow to design recommendations for FMCG producers regarding the product markings and certificates worth to invest, as well as ways of educating the target consumers.

7. **References**


**The impact of sexuality in advertisements on consumers purchase behaviour: A social media perspective**

Andrianna Zachari  
Yehia Sabri Nawar  
Elham Javaherizadeh  
Claude Littner Business School  
University of West London, United Kingdom

**Key words**  
Sexual appeals, Social media, Advertisements, Brand image, lifestyle, Digital Marketing

**Abstract**  
"In every corner of our daily life the appearance of advertisements has a significant impact in our purchase decisions. Further on that the sexual aspects are playing an even bigger role while is not only that shape the customer’s purchase behaviour. This paper purpose is to analyse the impact of the sexual content of advertisements has on both genders and further to identify the effect on their purchase decision. In other words, this study aimed to explore the real attitudes of the consumers when they are exposed in advertisements with sex appeals. This study followed the qualitative method and participated 12 people took part, 6 male and 6 female respondents. The research was in the form of tape recorded interviews. The outcome of the analysis that has emerged showing that the influence on the sex appeals to the customer purchase behaviour was not the one that used to be. The customers emphasize now on the product and make their purchases in conscious. However, everyone agreed that the sexual appeal in adverts still sells. It used to, and it will continue to do it. Especially in the field of Social media and digital marketing."

1. Introduction  
The messiness that an advertising leave on the customers either in a traditional or online platform still has concern many advertisers. More specifically that confusion leads the customers to a “selective attention” (Pilotta and Schultz 2005; Nimeh, 2007) or even worse, to avoid the advertisements (Ha & McCann 2008; Elliott and Speck 1998). For that reason, the advertisers, since the earlier ages, controversial tools such as the sexual content in advertising. Just turn the channels on TV, make a walk in the neighbourhood or enter the social media world and instantly you will feel surrounded by a world which called a product world, and subsequently or not has been dominated to sex. As the male fly, which is trying to spot another fly, uses its nose along with sense, the same happened with the advertisers. In order to spot the potential customer for their brands they are following more sexual and erotic’s design tools to do that. The question now is how effective it is anymore in our days.

1.1 Background of the study  
Advertisements are most of the times flirting with their forbidden content by accentuate erotic tools to catch up the attention (Heckler et. Al, 2001). In many countries the sexual aspects in adverts are used to awaken the fantasies of the potential customers (Gould, 1994). Going deeper of the forms that the sexuality in the adverts might have, these could be messages which are depicted through the brands adverts or more commonly through the fashion brands.

The research of this paper is targeted to discover the impact of Sexuality in Advertisements on Consumers Purchase Behaviour. A reference has been made on social media as well but with limited findings. Multiple variables will be discussed as potential impacts on the customer’s behaviour. The role of the two genders in advertising is highly analysed because the different perception of the marketers towards the genders shapes also the attitude of the genders. Fashion Brands are highlighted in this study, which are the key to bring moral issues to the surface.

It is well known that sex in adverts sells, BUT does it anymore? That is the reason why this study is important for further studies across the consumer behaviour and not only. The Advertisements companies and subsequently the brands will also be benefited from this study, for their further
consideration on adverts. To keep having the sexual appeals for their clients adverts or should not? Hence, this will measure the responses of the participants and finally to conclude with the main research question of whether or not the sexual aspects in the adverts have an impact to the customer’s purchase behaviour and eventually to their decision in a more indirect way. The ethical perspective during the study and according to the respondents will also be crucial to the outcome of the study. Afterwards, and according to Gould (1994), the ethical issues that arise from the sexual content of the adverts, is keep challenging and the history has proven that. That also links of whether or not the role of the women in adverts transforms, the two genders, behaviour.

This study is a qualitative study and the findings will come through the interviews. By using the interview method, rather than using a simple questionnaire, gives to the researcher the opportunity to get deeper into the mind of the respondent and highlight issues that might no one before has ever consider of them.

2. Advertising Processing

Advertisement, can change the whole perspective and buying behaviour of an individual (Ferrier and Fleming, 2014). Advertising has the power to create a fortune to a country’s income, has the power to shape and shift the public opinion while it can raise governments or demolishes them at the same time (Saunders, 1999). Advertising has started centuries ago. Rough adverts started to appear on Egyptian graves at 3000 BC while in 500 BC, were found engraved on theatrical ads made from stone by the Greeks. Only in the 20th century started have an image more familiar to what as we know it today (Saunders, 1999).

William Bernbach compared the advertising as a beautiful art who has the power to convince the people (Fox, S. 1984 p. 251). However, and according to statistics, the percentage of the customers few are the customers who are engaged with advertisements is insignificant.

According to Clow & Baack, 2007 there are seven appeals in adverts. Those are ‘fear’, ‘humour’, ‘sex’, ‘music’, ‘rationality’, ‘emotion’ and ‘sacristy’ (Clow & Baack, 2007). Many advertisers are those who are pleased to promote a product through sexual aspects. Hence, the sex remains the most effective appeal until today, while the line between the forbidden and the attractive have crossed several times (Heckler et. Al., 2001).

2.1 The Role of Social Media in Advertisements

While the advertisements have entered the life of the customers once for all, through the television, the billboards and radio, the customers started to lose their interest. A new and fresh marketing strategy must be created which is not other from the world of social media. The concept behind this was to “build mutually satisfying long-term relationships with key constituents in order to earn and retain their business” (Keller & Kotier, 2009, p. 20). In order to make this relationship work, must be created an intense desire of the marketers to deeply understand the customer’s needs. The experience of an advert that a customer will come across with it depends on several external and internal factors (Belch et al. 2007). The same applies for the adverts on online platforms as well. Those factors could be ethical judgments or religious matters which we will be discussed later in the paper.

According to scholars the sexual content in advertisements through the social media seems to affect mostly the adolescents. However, in social media the role of sexual content as a persuasive consuming tool has been moderate regarding the new trend of influencers. Individuals or group of people who have their “word” of customers decision they can easily affect customers buying decisions (Solomon, Bamossy, Askegaard & Hogg, 2010). Popular social networks such as Facebook, Twitter, Instagram it allows the social interaction between many users and so can shape their opinion. In nowadays, many of the consumers chase for other’s people advises (Evans et.al, 2009). That is why no many researches have shown the necessity of the sexual content in the social media platforms. Customers who are using those platforms are looking to be impacted in different and various ways rather than to be affected from a beautiful model on an advertisement.

2.2 Sexuality in Advertisements

Reichert (2003), has pointed out that the usage of sexual aspects with words and pictures, is a relatively modern phenomenon. Therefore, the sexual aspects can be presented in many types on an
advert. They are positioned in visual elements, such as the models, nudity and attractiveness (Severn, Belch and Belch, 1990) while can also positioned as verbal elements (Severn et al. 1990) such as words, and music. The hidden meaning is that even the simplest sentence is enough to create a sexual buzz in the customer’s head. Gould (1994) concluded that in some ‘sexy’ products ex. Perfumes, the advertisers can enhance sexuality in its depth while the products which are not ‘sexy’ in the mind of consumers, advertisers can return them into sexy by using words or images. Therefore, the sexual elements are crucial to the success of an advert because they will define the attitude of the audience towards the specific advert and its ethical issues (Gould, 1994). Because of the fact that most of the adverts with sexual aspects considered as controversial, therefore the efficiency of the adverts with sexual appeal to remain non-clear (Gould, 1994). A common clue between all of the sexual appeals that are used in the online or traditional advertisement, is that the advertiser is trying to build the desire of a customer to purchase the product through a lifestyle.

The audience can perceive an advert with sexual aspects more intense (Treise et. Al, 1994), and subsequently not keen to buy the product, but when the sex appeal in advertising is used with relevance and conscience, the audience considered themselves more prone to purchase the product (Gould, 1994; Treise and Weigold, 1994).

From 1993 to 2003 the appearance on sex in advertisements remains stable, as Reichert and Carpenter (2004) stated, and the only thing that it has changed was, the increase of the female portray with sexier appearance. Indeed, several analyses have been conducted from 2003 until recent times, and they presented a remarkable raise of the women image on adverts with the minimum coding dress. Sex therefore on advertising, remain omnipresent. The usage of sex, though, has been used to sell products, but at the same time has weakened the human sexuality.

2.3 The Relevance

One of the biggest advertisement agencies called Ogilvy, in their first attempt to promote an advert depicted a naked woman, had failed. That happened because the correlation between the lifestyle of the advert and the product, was missing. The experimental research of some researchers, highlighted that the sexual appeals in an advert, are having a more positive impact to the customers when the product is aligned with the sexual content of the ad. Similarly, the researchers Severn et al. (1990) agreed that an advert is successful when the sexual elements are accurate towards the ad. For example, a body oil product suit better if it advertised with a model rather than any other element. The functional use of the sex in adverts must be explicit in the whole duration of the advert. The relevance, therefore, plays the main role in the final formation on consumer purchase behaviour. In an opposite direction where the sexual appeals do not link directly to the product, can lead to the ineffectiveness of the product (Severn et al., 1990). This statement has been approved right. The sexual appeal when do not represent the product could be seen to have a vulgar content or to reduce the consumer’s attention. A significant number of authors and researchers stated that towards the advertised product and the sexual appeal the connection must be clear (e.g. Veloutsou & Ahmed, 2005; Ouwersloot & Duncan, 2008). Images with sexual content attracts the attention of the customers, the message is clearly transmitted to their minds, and can affect their purchase behaviour of the certain advertised product (Gunter, 2001).

Subsequent to the relevance of an ad, the customers can choose how they recreate memories (Scott, 1994) full of feelings and emotions and how they react to the diversion of messages by using a different appeal such as the humour (Zhang, 1996). In all these years the human’s mind had undergone a brainwash from the advertisement which make it normal to hide deeper wishes in the subconscious. Freud (1965), the father of psychoanalytic theory, followed the same path and stated that the unconscious mind is the main source of human behaviour. He claimed that the individual’s emotions, incentives, and judgement are strongly affected by former experiences which has been displayed to the human’s subconscious (Freud, 1965). Wisely, many advertisers, in modern times, use this notion of sex appeals to convince the customers to purchase the products. Furthermore, the unconscious of the consumer's mind leads to the creation of a lifestyle which states that by purchasing the specific product, the consumer will also acquire the beautiful model in the advertisement or similar to this, will gain the attention of a beautiful women/men. Lifestyle, consequently referred as a mental construction which explicate the human behaviour and at the same time can clarify in what way the customers operate within their
lifestyle (Lass and Hart, 2004). Living in an era with a massive development, the sexual aspects sooner or later it was about to be dominated by the world of advertisements (Berger, 2015). However, that also could have the entirely opposite results of what the advertisers want. An advert with a ‘bad’ sexual content is very easy to stay in the customer sub-conscious and later on impact its purchase behaviour. Multiple variable is presenting on how the consumers may respond on an advert with sex appeals. The religion, the political situation and the educational level would also can remain crucial variables.

2.4 The Cultural Perception of the Sexuality in Advertisements

The advertisers find a gap between sex in adverts and how the customers in closed societies are impacted by them. The purchase habits of the consumers are highly connected with the culture of where have been born in and the person’s values (Kalliny et al., 2008). An example is that in Western Culture, the societies differ from shared images and vocabulary (Scott, 1994). There are likewise different sex contrasts, as male and females have a tendency to vary methodically by the way they handle and translate a given advertisement (Bhat et al., 1998). Besides the Western Civilization, the Middle-East civilization are covered by a great range of advertisements (Kalliny et al., 2008). Many studies have demonstrated that there is a bigger possibility a customer to purchase a product which is according to his beliefs and his culture. For that reason, countries where the sex as a term is not existed in public, it is reasonable the citizens of this culture not to be open-minded when it comes to sex in adverts. The impact of these cultures has greatly been reduced. Their purchase behaviour formed accordingly to the value and ethics of their country.

2.5 Gender’s Reaction Towards the Sexuality in Advertising

The more sexuality an advert may have, the more attention will be given to the sexual aspects rather than the product itself. However, this automatically leads to a low brand recall (Clow & Baack, 2007). Leigh, & Wardlow (1996), stated that the consumers always perceive the sexual aspects in advertisements in a different way depending on their experiences, their motives and their social and ethnic background. According to studies, the women who acquired a high educational level and are having a good standard of living are more against to that kind of sexual aspects in adverts opposite with those with a low education level. Therefore, is not the success guaranteed when a brand advertised by using sexual content. The two researchers, LaTour and Henthorne’s (1994), came at the conclusion that the extensive sexuality in adverts appears a negative impact on both genders.

Both genders appear to have different behaviours towards sexual content of adverts. Previous researchers have demonstrated that men indeed give more attention to the advertisements, including female sexual symbolism (Berger, 2015). Findings revealed that breasts, legs and exposed skin served to increase a man's intention to purchase products that appear in ads exhausting female lung. The male model that appears in the advert with a limited sexual content, have a more positive impact on women (Israel and Strasberg’s, 2009). On the other hand, the two studies of the Liu, Cheng and Li (2009). A reasonable outcome considered the fact that the men from its nature get attracted by the female presence. And it is in both of genders nature to get attracted from each other. The individuals, as costumers are influenced, by ads with sexual content, but at the end of the day they come up with values which are related to their self-image, self-esteem and self-confidence (J. O'Shaughnessy & N. J. O'Shaughnessy, 2004). The values in the advertisements with sexual content mostly depicted through images as ‘healthy’, ‘beautiful’, or ‘slim’ (J. O'Shaughnessy & N. J. O'Shaughnessy, 2004).

2.6 The Fifty Shades of Brands

Through the years the customers have come across with a high number of fashion adverts offline and on social media line, with sexual content. As it is appeared from researches if sex in adverts would not sell in the fashion sector, then the biggest fashion industries would never have promoted their products by using the sexual appeal or would never gain the reputation that they have now. Maddy Coy et al. (2010) claimed that charm incorporates confidence in communication and effectively attracts the public. Some examples of sexual adverts in the fashion Industry can be found below.

On the other hand, limited researches have shown that the sexual aspects used by a fashion brand in a long term can possibly harm the brand. Because the advertisements with sexual content provoke the roles of the both genders into the society, their efficiency, is never guaranteed.
At this point, it’s worth to mention one characteristic example of Dolce & Gabbana, fashion brand. In 2007, the brand released a print advertisement, which considered by the majority as controversial. The theme of the advertisement was the spring/summer collection 2007, of the fashion house (Correspondents, 2009). The Advertising Self-Discipline Institute (IAP), identify the passive position of the women and how this representation could lead in more violence paths. The specific ad was characterized as a “Gang Rape” and has revolutionized reaction storms in many countries.

According to Jacobsen & Mazur (1995), the man mostly is depicted to acquire the predominant role, being rich, having confidence while the women the only thing that she must serve is to be ‘Beautiful’. This phrase serves perfectly the meaning of the Dolce & Gabbana ad. In the advert besides any subliminal meaning, the emphasis has been given to the ‘Beautiful’ bodies of the model. However, this depiction actively encourages the creation of a stereotype in how the consumers seeing their bodies through those adverts. Is impacting to purchase the product? Or this depiction unexpectedly influenced the violence for the women the society? In Spain for example, according to the ‘self-regulatory advertising body’ (IAP), this image has been banned (Hofer, 2016).

Recent advertisements show the violence as a part of their masculinity. This statement, however, creates a gap, since in the 21st century the role of the sexes is equal, and, in no any circumstance, it does not accept any abuse of women. In terms of marketing, though, a negative publicity from an intense content of sexual advertisements possible can harm a company’s sale and, afterwards, cost their reputation (Belch, 2007). Even so, a bad reputation is always a reputation. It is not coincidence that the most exceedingly advertisements with sexual appeals are coming from fashion brands. It is better to talk about you with negative comments rather than not talking about you at all. It is a way of marketing, it is a way of advertising.

2.7 The Ethical Judgement

Advertisements with sexual appeals are one of the most controversial adverts (Waller, 2006). Reidenbach and Robin (1990, p. 634) determined the term ‘ethical judgement’ as the level that something is perceived as moral from someone else. Adverts, with an extensive nudity and sex appeals, are mostly characterised as ‘unethical judgement’ (La Tour and Henthorne, 1994). A significant linking exists between the ethical judgement and religious commitment. Many authors agreed that people with a high sense of their religion are finding the adverts with sexual aspects, reprehensible and acquire that they are affected negatively (Putrevu and Swimberghek, 2013). The lack of education could be a factor that pushes a person to the religious commitment, as well. Concentrating on the female gender an ethical issue that rises up is to depict the women as victims, acquired a vulnerable position. This pattern has been promoted to the general public and many women either identify their selves in this role or trying to adopt a lifestyle as a woman susceptible within the society. Moreover, ‘the ideal sense’ is an ethical issue that many women come up against. Models are depicted flawless, with perfect skin, perfect faces proportion, perfect hair, body and general with a perfect lifestyle. The ‘next door girl’ would not be sufficient enough to support this kind of projection. Again the ‘plastic’ stereotype born, where the woman must be beautiful in all the times of the day. Most of the advertisements are so very-well-structured that if this adaptation of the women remain unsuccessful, they will feel frustrated during their efforts and they will feel that they miss their chance for happiness. Jacob & Mazur (1995) said that many sexual scenes in advertisements, are out of private, consensual sex, which can lead to a more ‘erotic’ term. The adverts are covered with bodies, or parts of it, with the cool alienation of products. Many fashion, houses times to times, have exploited the woman as an object to highlight their new clothing line. No pain, no gain, right? So, the emphasis has been given to the women because she sells more than the man.

The recent example was the advert of the fashion house of Dolce & Gabbana, but many others are in his routes such as Calvin Klein. As long as, the advertising industry remains a powerful and profitable tool of a country’s economy there will never be the possibility of a broad governmental arrangement, encouraging the advertising industry to incite self-restraint in the advertising industry. The recent years have shown that the ‘sex sells’ and mostly by portraying women. So, no intense to offend anyone, rather than to sell. Advertisers, therefore, seem to sacrifice a lot on the altar of money.
3: The Methodology Journey

3.1 Introduction

This study will follow and present the stages of the research onion which has been conducted by Saunders et al. (2009). The research onion exemplifies in depth all the procedure that must be taken during in the methodology chapter of the research. The best way to clarify and understand the research onion is by viewing it from the outside levels to inside levels (Saunders et al., 2009). In that way, the stages are described in more details. The research onion can be used for any type and content of research (Bryman, 2012).

3.2 The Research Onion Process

As have mentioned earlier the research the purpose of the research onion by Saunders et al. (2009) is to describe in detail the stages that the research will go through in order the study to achieve a successful methodology. The first stage of the research onion is the research philosophy. Going deeper, in the research onion, is the stage where the research philosophy will be defined. The stage number three, goes into the research strategy while in the fourth stage the time horizon has been identified. The fifth layer introduces the stage in which the data collection methodology is determined. The advantages of the research onion are that it can describe step by step the stages of the research study.

3.3 The Research Philosophy

The research philosophy is about the building and construction of knowledge and the nature of it (Saunders et. Al., 2009). The conclusion of the research philosophy testifies how the research will move forward (Flick, 2011). This study’s research philosophy is about to identify the differences between the both genders of how perceiving the sex in ads and guide their decision to act in a specific way (Neuman, 2006). A circle of deep examination of data which held from conversational between each, will lead to discovering the meaning of the research. Every participant is a crucial member of the procedure because it will be a stone of individual points of view as consumers to the whole idea (Newman, 2006).

Two are the main frameworks of the research process: the positivism and the constructionism or interpretivism (Monette et al. 2005). This research and therefore the methodology of the research will be conducted based on the interpretivism approach. The researcher aims to underline the behaviour of the respondents and how they, as customers, are impacting from the sexuality in the adverts.

3.4 Research Approaches

Two are the main types of the research approach: The Deductive research approach and the Inductive research approach (Saunders et. Al., 2009). Because of the topic of this research does not include any initial hypothesis, therefore the Inductive research approach is the most suitable for the thesis.
3.4.1 The Inductive Theory

According to Lodico, et. Al. (2010) “Inductive reasoning is often referred to as a “bottom-up” approach to knowing, in which the researcher uses observations to build an abstraction or to describe a picture of the phenomenon that is being studied”.

In the inductive theory through observations and test, the study will lead to the theory. In other words, the aim of the inductive approach is to lead the research from the specific to a general theory (Bryman & Bell, 2011). The patterns will help this procedure to be achieved. Through the researcher observation in the study of “what is the impact of sexuality in social media advertisements on the consumer purchase behaviour”, the study is targeted to generate a new theory. It is unlikely, though, that the data that will be examined to suit an already existing theory (Bryman & Bell, 2011). As mentioned above, the interviews during this method will lead from the specific to a broader theory passing through the patterns that was exerted from the respondents (Flick, 2011).

3.5 Research Strategy

According to Saunders et al., (2007), the research strategy aims to implement the study. Many forms of the research strategy exist. Within others are the ‘experimental research’, ‘action research’, ‘case study research’, ‘interviews’, ‘surveys’, or a ‘systematic literature review’, ‘grounded theory’, and ‘ethnography’ (Saunders et. Al., 2009).

On the other hand, the grounded theory is a qualitative methodology based on an inductive approach (Glaser and Straus, 1967), according to which the standards/patterns are derived from the data as a prerequisite for the study (May 2011). The Interview data of the study will be (1) transcribed, (2) coded and (3) grouped according to the common patterns that the respondent have created during the analysis. This theory will also take part of this study.

Moreover, this study will follow the ‘road’ of the Interviews. The Interviews can be extremely standardized and structured, using standard questions for every participant in the survey. On the other hand, the questions might be in as unstructured questions.

3.6 Choices

Unfolding the research onion, in the layer of Choices, is concluded, the Mono-Method, the mixed Methods and the Multi-Method. This study will follow only the Mono- method which means the qualitative approach.

3.7 Time Horizons

According to Saunders et. Al (2009), two Time Horizons is identifying the ‘cross-sectional’ and the ‘longitudinal’. Because of its nature, this study fits better to the longitudinal studies, with the only difference is that the time will not be wide, but more specifically the data that will be collected, after the end of this study will remain and ready in the near future probably to be reexamined (Saunders et.al., 2009).

3.8 Techniques & Procedures: Data Collection and Analysis

By using the qualitative method for this study, the primary data will be used. This study will use primary data instead of secondary data because the data will come from the respondents through the interviews (Bryman, 2012) and not from already existed article or researcher’s opinions (Newman, 1998).

3.8.1 Research design: The Qualitative approach

There are several research designs which are separated into two categories. The qualitative and the quantitative research. While the quantitative analysis is known as a more reliable research because it delivers a wide range of collecting data, it might not be clearly understandable from the respondents. Because of the significance of the research topic, the respondents must have a clear overview of the questions in order to move on to efficient results. The interviews duration was 30 to 40 minutes, and as Margaret A. et.Al., (2012) stated, a sufficient interview by using the qualitative method, is between 30 minutes to 2 hours.

According to Gray, 2017, (p. 171) ‘the qualitative data can be a powerful source for analysis’. Therefore, this study will use the qualitative approach. It is needed for the research to analyse and comprehend the reasons behind the respondents’ point of view (Saunders, Lewis and Thornhill, 2009).
This research aims to comprehend the nature of the responses of the interviewed and therefore the gathered data will be identified as crucial in the further analysis. Felizer (2010) said, that the qualitative research is which are commonly used to peer the importance of social phenomena.

Any personal involvement of the researcher upon the respondent’s nature perspective is not allowed, otherwise the data will be biased (Banister et al., 2011). The goal is, the researcher, to leave the respondents to define their own truths (Banister et al., 2011). This goal will be succeeded it through out open-ended interviews (Felizer, 2010).

3.8.2 Sampling

In the qualitative research, smaller samples will be used in contrast to the quantitative research. This sample, though, will represent a bigger amount of people (Bryman, 2012). The sample in the study will be conducted by 6 female and 6 male, citizens, heart quartered in the United Kingdom. The sample in total will be derived from twelve people. The idea behind the election of the candidates is to have a sufficient perspective by using an equal number of male and female, and the number 12 of the respondents, according to G. Guest et.al (2006) is sufficient to provide detailed data. Thus, between the same patterns that have been created during the answers of the participants, the research ensures that the sample of the participants was enough and efficient (Margaret A. et. Al., 2012). The range of ages will be between 23-35. That is because a 21-year-old boy or girl has not already acquired a solid perception on the sexual aspect in adverts or at least it is not in the position to have. Moreover, relevant documents and explanations will be given to the candidates before the start of the interview.

3.8.3 Data Collection Methods

Because the nature of the interviews poses risks, a detailed preparation must be held. The interview will be held in a quiet place. Otherwise, the collected data might be influenced by the environment next to the respondent (Saunders, 2005). Regarding the place and the time must be the same for all the participants. For example, if the first interview will be held at 06:00 o’clock in the afternoon, then the rest interviews must be held under the same time and place. Last but not least, is the outfit of the interviewer. No matter if the interviewer responding to friends or strangers, the outfit must be smart in order to underline the severity of the research. Robson (2002) proposes to researcher to adapt their style to the candidate’s style. Healey & Rawlinson (1994), stated that the interviewer must re-assure the candidates about the confidentiality of the research, and in that way the respondents will be more open and willing to ask questions. Anonymity is the number one priority for the interviewer, because it will raise the degree of reliance and trust and will limit any potential misleading to the questionnaire (Saunders, Lewis and Thornhill, 2009). The respondents will have also the re-assurance that this research have successfully passed through the Ethics Board of the University of West London where this thesis has been conducted. Plus, a consent form will be given to the participants before agreeing to take part of the research. All forms signed by the interviewees, first have been approved by the supervisor.

The questionnaires are in both structure and semi-structured interviews play a vital role in the research. The way of how the semi-structured and in-depth questions are held is because the interviewer what needs to discover is what exists under the surface. The data that will be gathered will help the research to give a response to questions as ‘what’ and ‘how’ but also to investigate the ‘why’.

Because of the significance of the research topic, the most appropriate type of interviews, is the recorded semi-structured and in-depth interview. Because the nature of the issue, ‘sex in social media advertising’, deserves greater explanation, it is crucial to ‘built’ questions during the interview that it was not planned, in order to lead the research interview into paths which was not previously included to the questionnaire and direct the conversation into greater subjects (Saunders, Lewis and Thornhill, 2009). By affiliating also, an ‘interpretivist epistemology’ emphasizes will be given to understand the concepts that participants attribute to different phenomena (Saunders, Lewis and Thornhill, 2009). A wide range of date will be collected and therefore lead to sufficient research results.

4: The Process of the Research
4.1 The Analysis

The analysis formed based on the answers of the respondents. The respondents have created patterns between their responses in which the analysis will be based in order to provide an overall view.
Beginning with, the outcome of the research, in some points will be presented as a pie chart in order to be clearer and depict more efficient results throughout the analysis. Therefore, starting from the beginning, males and females who took part in the research, were equal in number. That is to assure that the sample was taken equally for both genders. The equal sample helped to the credibility of the data while the names of the respondents will be reported anonymous in the analysis section as R1, R2 etc. This is due to the Data Protection Act. As this study is referenced to the ‘impact of sexuality in social media adverts on consumer behaviour’, males and females of varying ages was the most suitable target for that topic of the research.

Table 1: Percentage of the genders as participants in the research. Source: Amended by the author (2017)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td></td>
</tr>
<tr>
<td>Females</td>
<td></td>
</tr>
</tbody>
</table>

The next Table 2 is presenting the differences between the respondents as it is concerned their personal background, such as an education and work level.

Table 2: The respondent’s personal background/ Source: Amended by the author, (2017)

According to several studies, less UK residents acquire higher degrees than a first degree, as the Figure 2 below depicts.

Figure 2: Students obtaining a University degree in the UK/
Subsequently, the lack of knowledge can make the people more persuaded new and unexplored phenomena. That is something that the sexual appeal trying to do. To lure the customers to purchase the product. Further into the research it will be identified that this lack of knowledge truly makes the customers think differently towards the adverts with sexual appeals.

Following the Figure 3 depicts the education level of the women and the men separately until 2011. This is to enforce the research on why the women appeared more conscious to the adverts with sexual content, unlike the men. The educational background therefore plays a vital role here

![](image.png)

**Figure 3: Degrees of males and females/ Source: Education: Historical statistics (Paul Bolton - 2012) Get the data**

### 4.1.1 The Impact of Advertisements towards the Respondents

Most of them said that they do not pay any attention to the adverts. That is linked to the percentage that Burnett & Moriarty (1998) wrote, that the print advertisements readers are only the 20% of the population. On the other hand, though, this is a part of the population who remain active customers and therefore they contribute to the profits of the advertisement world in one way or another. The women, though, seemed to have a more neutral position regarding whether or not are influenced from the adverts with sexual appeal.

Followed the above belief, when the respondents asked what aspect will make them to see the product and eventually to purchase it none of their answers where the sexual content on it. Significant to that, words as creativity, slogan, loyalty, music and visual content were things which can make the respondents to notice the advert. Aspects as sexual content never mentioned by anyone in the first stage of the questions. According to Severn, Belch and Belch (1990) an advert with sexual content might positioned with elements such as visual content or music. In that case the respondents probably keep something for their selves. The music element that a respondent mentioned could highly correlate with a sexual appeal of the ad. This is not something insignificant because it explains several elements of their personalities as consumers within the market. Sexual appeal in an advert does not seem to add value as most of the participants thought it would. Consumers in general are looking for the adverts to have that ‘something’. They are by ads which are funny or smart or depict the product with its functions and what it serves. Generally speaking might the most of correspondents not to pay much of attention in adverts, but still some specific adverts are those who might make the most ‘hard’ audience to notice the advert. If he or she will proceed with the purchase of the product, that is something that the next questions will help to identify.

### 4.1.2 The First Impression

When the respondents asked if they will buy a product which is reflected in the mind the percentage of their responses, shaped as follow (Table 3):
Table 3: For this study, research question ‘Will you buy a product which is reflected in the mind as sexy?’

Source: Amended by the author (2017)

However, the majority of the women (4 out of 6) appeared a negative behaviour towards this question. Characteristic was the R11 who said that: “No, because to me it does not matter.... for me it matters if I can use the product, and if it will last.” While the respondent R1 answered that “mainly not...because of its lack of substance and profound content.” Two other respondents though, answered that: R4male “I would probably choose such a product because every man is interested in showing off to others as sexy.” While the R7female said: “depending if I can imagine my-self wearing that product.” So, it must be a link not only with the product and the sex appeals in ads but also with the sexy product and the consumers.

4.1.3 Sexual aspects on the advert

Most of the respondents answered that the sexual aspects of the advertising do not necessarily have to do with the vulgar or a nudity content. On the other hand, though, the sexual aspects in the adverts are more likely to impact the customers if they have a form of sensual, aesthetic, and erotic content. The respondents of this research, presenting behaviour which is more familiarized to a specific sexual appeal, the ‘sexual behaviour’. According to Lambaise and Reichert, 2003, in the advert the sexual appeals are presented in a more erotic, more provocative, and more seductive, form. LaTour and Henthorne’s (1994) confirmed that when the sexual content of the adverts is not excessive, then the customers are more open to accept the sex on ads. As the female R5 said: “…connected at some point with erotic, but without the sexuality being vulgar.” But this it does not necessarily answered the level of accepting the sexual appeals in adverts.

4.1.4 The Impact of Sexuality, on genders

The male R6 has an example to give on about an advert in Italy, in which a women depicted, but only as her back, her underwear and her legs. The majority of the males in Italy as he mentioned, impacted a lot about the beautiful presence in the advert. Subsequently, when the male customers confronted with more excessive sexual contents in adverts, their attention has attracted more (Taflinger, 1996). On the other hand, the impact of a sexy advert in the customer eye influence by several factors during the day. On that based and the male respondent said that “It is inappropriate when you are seeing an advert on TV with tense sexual aspects while you are eating with your family”. That is also confirmed by Dr. Rama Yelkur and Dr, Chuck Tomkovick, who said that the sexual contents of ads are not likeable from the audience especially during the family dinner. Therefore, the impact on sexual ads to the consumers purchase is not only consisted from the willingness of the person to accept them or not, but it is also the time and how ready the customer will be that instant to accept the sexuality in the advert.

The Elaboration Likelihood Model linked with the outcome of this question. As it depicted through the persuasion model, the women are following more the central route where they are trying to discover as much as more details they can from the advertised product so that is why they consider that a nude model or partially dressed model in the ad is mostly unnecessary (Gnepa, 2012). The women participants,
towards the nudity or other intense sexual aspects, opposed against or indifferent to it. The women when it comes to nudity most of the times can enforce the impact of the violence in the society (Kilbourne, 1999)

On the contrary, the male respondents seemed to be more opened when it comes to women sexualization. But what when it comes to males sexualization? The most of them will go against to those appeals. The R6 male who said that: “...sexy is more like part of the personality, I think. For me sexy is more related to the woman.” After all, the erogenous zone of both of the genders is very difficult to be hide or to be denied. But when it comes to car adverts the opinion of both genders it is worth of mentioning.

4.1.5 The Sexual Lifestyle Pattern

In the question of which car image, the respondents prefer, the discoveries of the research were not linked from what it has been mentioned until now. The women chose the car without the model while the men chose the car without the model, too. Again, the tense of the advert played the major role on the first ad with the model only. As the R7 female said: “...it’s the product, that is dominant in the photo’. And a second participant said: “I like the colours, I like all the background.”. An issue of the impact of the lifestyle rises in this question. A male respondent said that: “Instead I would prefer to see a man, having a good time, driving this car… I want to be in his position”. Similarly, the female R12 answered that the male model in the advert brings to the surface a very professionalism attitude of the model which seemed to inspired the respondent and which it linked it with the country that she is living the London. The Lifestyle of an individual can possibly affect his/her opinion towards the adverts with sexual aspects (Gould, 1992b).

The models impacted the customers, through their lifestyles. Brunso and Frimert (1998), researchers said that the lifestyle referred as a mental construction which explicate the human behaviour and at the same time can clarify in what way the customers operate within their lifestyle. That liked also to the perspective that the female needs to see their selves through them. An example came from a female R6: “The models are very important because you see how they wear it and that you want to wear it as well”. Therefore, the female and male in their majority expressed a positive attitude of adverts with sex appeal which promote a lifestyle. The input of Gould (1994) at this stage, strengthen the above observations. He stated that in many countries and the sexual aspects in adverts are used to awaken the fantasies of the potential customers.

The male R4 said several times in his responses: “I might have thought some adverts, which can make a person beautiful and sometimes you may think ‘Oh, nice I could have this (model) or lifestyle’. That means that the advertisers in our days tried more appeal through the sex in order to lure customers such as the lifestyle through the sex appeal.

4.1.6 The Culture Impact on the Consumers

Consequently, a major role of the respondents in order to shape a positive or negative attitude on sexual adverts, is the cultural level of the customers. In the question of what is the role of Culture in the sexual aspects of the ads, the male R2, answered that: “... plays a significant role, but sometimes it can restrict a customer of knowing the product.” Culture is the homogeneity of the attributes isolating a human group from the other (Griffith et al., 2000, p.304). The Arabic countries are faced many prohibitions when it comes to the sexuality of the adverts and that is why the impair on the consumers in those countries, towards their purchase habits is not positive.

4.1.7 The Objectification of the Gender

Previously, in the question of the car there was one respondent who answered that none of the ad cars was in his/her interests. In the question why, she/he just explain that the woman is objectified in that case. No matter the evolution of the society and the equality of the both genders some stereotypes are still holding. However, some of the researchers during the years have presented the males in a dominant role on the adverts, or acquire a higher hierarchical position (Linder, 2004). Today, some of the respondents stated against that perspective. The female R7 said that “...in our days I think females are dominant depending on which product…” while another respondent in the question of whether or not the position of the women is now objectified she said that “I would not really blame the man, I think that the women have allowed that to happen too” while a male respondent continued as: “...the role of the woman in the advertisement it became more and more objectified and it is not only because of men but also because
women want to be like that’” and another argued that: “I think the women is aware of it is using her beauty and her sexiness to transmit some messages”.

There is a clear decision in the majority of whether or not the women are seeing themselves as sex objects in the adverts. As respondent R5 said: “...it is more likely people would be attracted to beautiful faces and beautiful body..” and this is what exactly Jacobsen & Mazur (1995) have stated that the only thing that people must be in advert are to be ‘Beautiful’. Many studies came to the surface times to times, agreed that the woman is truly depicted in adverts, as a product. One of the respondents (R3) clearly agreed to that: “By presenting just a nice body or a nice woman basically make her an object, that you use next to something else just to make this something else to be seen.” Maybe are the body parts of the woman who can make her seen as an object. Only parts without a face is something that Millard & Grant (2006) noticed when they were searching the women as a sex object. The respondent opposed to that state by using a simple example of an advert of Bennigans. In this advert the main focus is in the woman’s body parts. That strengthens the studies of Liu, Cheng and Li (2009) and Jones and Reid (2010), who stated that the women are against those adverts where the sexuality is intense unlike the men. According to Courtney and Whipple (1983) the sexual scenes of an advert of course it will raise the attention of the audience bit without this especially lead to the purchase of the product. The opposite, it will reduce the brand awareness and it will diminish the product (Courtney and Whipple, 1983). On the hand, though, it might raise a bad reputation. “but a bad reputation is still a reputation.”

4.1.8 The Impact Sexuality of advert on Fashion Brands

Coming to the Fashion Brands, the respondents called to see an advert of the fashion brand Dolce & Gabbana and express their feelings. According to Peterson & Kerin, (1977) the sexual aspects in an advert when are aligned with the product are having a more positive than negative impact to the customers. This advert creates neutral, and negative feelings to respondents. The majority of the respondents was fighting to see what the advert wants to promote. As some said: “I have no idea what is this ad about.”, “I do not really like the concept”, “To be honest, this ad it does not persuade me to buy anything... it does not say why I should buy the product or it does not show the product.” Severn et al. (1990), therefore, found out that an advert is successful when the sexual elements are accurate towards the product during the advert.

Continuing with the brand, according to Belch & Belch, (2007) a negative publicity from an intense sexual content on an advert can reduce the sales of a brand and impact its reputation. Additionally, the respondent answered to that, but even it is a bad reputation is still remaining a reputation as R4 clearly stated. So, the advertisements have always an upper reason to use the sexual appeals in the adverts.

4.1.9 ‘Have you ever felt offended by an advert?’

![Image of a pie chart showing the results of the question: Have you ever felt offended by an advert?]

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<tr>
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<tr>
<td>No</td>
<td>42%</td>
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Table 4: Research question: ‘Have you ever felt offended by an advert?’ /Source: Amended by the author (2017)
As the Table 4 above most of the participants felt offended by an advert with a total different context from the sexual aspects and the other half does not even felt offended. Only a 17% appeared to be offended by an advert with sexual content. As La Tour and Henthorne (1994) discovered that an intense phenomenon of nudity and sex appeal during the advert is mostly characterised as unethical matter. Conflicted though to this opinion come the responses of two respondents who presenting two examples of how they felt offended by an advert with entirely different content. Those ads hurt the feelings of the customers and lead them to oppose with the certain product, as said R6male: “YOU CANNOT REPRESENT DEAD PEOPLE LIKE THAT……I never gonna implement the profits of the newspaper. I do not want to give my money in that.” Bad feelings created to these customers. The key words that are creating here are ‘feelings’, and ‘emotions’. If you hurt them, then you lost them. The same is happening with the sexual appeal. The sexual appeals may have an impact on the consumers, but (!) if the advertisers use it in a not ethical way, they will have opposite results. To the best of my knowledge from the instant that the ethical and unethical is everywhere around us less attention will be given to an unethical advert.

As the female R5 said: “…attracts attention because it is something forbidden”. But it is not only that. Now more people are more educated so the filtered everything that they are seen as consumers. The observation of another female participant linked to that point R3: “…at this stage of life where people are much more educated”. After all, “Advertising is about the product or the service, not about the sexual content of the advert (Sawyer, 2006).

4.1.10 Ethicality in Adverts with Sexual Contents

From the question if it is ethically right to use sexual aspect in the advert more information has been conducted concerning the participants. Three out of the twelve respondents responded that the advert in order to be ethically right must be linked with the product which promoted. What does the R3female said: “Maybe in a perfume you can use some kind of sexual content, but if you try to sell a sofa, for example, no it is not nice”. The more connection has a sexual advert with the product the more positive impact will have to the customer seems to agree Peterson & Kerin (1977). Continuing with the answers of the respondents separately, the male from the female, appeared to have a leak in their perceptions. While the female considered many variables in order for an advert with sexual aspects to be ethically on the other hand the half of the men answered that it is good/or ethically right, without any hesitation. R6male: ‘Yes, I think it is good. I think we have passed the period where sexual aspects in the adverts are seeing weird’. That period could easily have referred to how the society involved during the years and how now everybody has free access to the sexual content. People if not 100% agreed, then familiarized their selves with that kind of explosion. So, what comes next? Advertisements are most of the times flirting with their forbidden content by accentuate erotic tools to catch the attention (Heckler et. al, 2001).

5. Discussions and Conclusions
5.1 Discussion of Findings

Above all the analysis two are the factors that determined the consumer’s purchase behaviour in a negative or positive way and this is the ethical and the unethical content of sexual appeal in adverts. The adverts promote the image of the perfect model in order to create a whole new lifestyle behind the product and to influence more customers to buy it. Both genders believe that the sex is everywhere around them in nowadays on adverts. The puzzle assembled by all the interview questions and led to the general truth. It is worth to mention that people in their sub-conscious will always want to acquire a lifestyle which is promoted better than their own. While the women are stricter due to the intense sexuality of the adverts the men on the other hand appear more neutral. Taking as example two phrases from the respondent “The people always will want the forbidden” and “even a bad reputation still remains a reputation” drive us to the conclusion that no matter the educational level, the ethnic background or preferences, the buying behaviour of the consumers will always depend on their psychological factors. Targeting the person’s sentiments and be honest and clear when it comes to the product, it is more possible to gain their positive impact for the customers. Sex used to sell and still sells, but not with the same speed nor success as it used to. People ask for something that it will irritate their mind and not their body. The sexual aspects, in the advert, were once upon a time. Brands wants to create
a buzz around their name and their appearance, but now it does not have the same reflection to the consumers purchase habits. What more?! Sex in nowadays is everywhere. For that reason, a consumer would not be impressed by watching an advert on the television. The sex is accessible and free to everyone so sexy women in adverts underlined by a repeating pattern with an overall result of the woman’s degradation even in the 21st century.

In one of the interview questions, most of the respondents agreed that the sexual appeal increases the purchase of the product, but again that was a general opinion and did not come through their personalities. Another significant issue that emerged from the dissertation’s analysis was that the adverts have helped to create a provocative attitude to the consumer behaviour and mostly against the women. Most of the women when they asked about that ‘truth’ they agreed to it, but some of them noticed that nowadays is the woman that allowed that to happen. That is why the sexual appeal in adverts does not have the bad ‘guy’ role and the impact on the customers most of the time is neutral. When the respondents asked to describe an advert that was offensive to them none of them (except by those who couldn’t remember any) gave an example of an advert with sexual appeal. Why? Because they are so used to it that they do not pay any attention.

The focusing on the women in the dissertation mostly took place because every aspect of an advert has a female presence. So, women and men customers create a specific opinion based on if they like what they see or not. But, regarding on the candidates’ individual opinion seems that the sex in adverts does not sell at all. The exact opposite, may lead the potential buyers of the brand in the abhorrence of the advertised product. The younger generation will try to imitate a more unmoral way of living by seeing that the unethical presentation of the advert is everywhere.

5.2 Conclusion

The advertisements are here to stay for well in our daily life. This thesis studied the impact of sexuality in advertisements on consumer purchase behaviour. This study addressed the types of sexual appeals that are existing in the advertisements and identify how a sexual appeal can be memorable in the customer’s mind. The cultural endorsement on the literature review, played a significant role because it shows that the impact of the sexuality in ads differ from country to country and from culture to culture. So, it is important, the advertisers taking under consideration the public that they are targeting. Following to the study, the sexual appeals in the advert can appear as a new lifestyle in order to lure the potential customers. Before going any further to the analysis, it is crucial to mention the depiction of both genders through the adverts with sexual content. This is a crucial factor because it shapes the perception of the two genders during their purchase decisions. For example, because the role of the women appears in most of the adverts most degrade than the men, the outcome of the impact on women tend to be more negative than positive. Fashion brands has entered the world of sexual appeals once and for all. The Dolce & Gabbana ad is a very specific example of how they position the women in front of the men. Again, the impact of the genders of their purchase behaviour can easily be affected by these factors. Therefore, an ethical judgement has oriented the way that the customer perceives the sexuality through the adverts. The main aim of this study was to provide to the reader an efficient understanding of how the sexuality in the adverts can impact their purchase behaviour.

As it is conducted through the analysis this method managed to catch up the eye of the consumer or be discussed. Unlike, though, this method seemed to add no value to the add according to the respondents. Controversially, can shape their purchase behaviours ultimately in a negative way. All agree that the sex sells, but the findings that have emerged from the analysis, highlighted that not any more. The education level, the cultural factors and the lifestyle are factors which are playing a vital role in the customer’s purchase experiences. The thesis followed the qualitative methods and the analysis has been conducted through the recorded interviews with the written approval from the candidates. The number of the participants was 12 people. As mentioned earlier this study followed patterns instead of moving deeper into each one of the questions in order to create a more sufficient perspective from the consumer side.
6. Limitations

This study examines the impact of sexuality in advertising to genders purchase behaviour with a little but crucial reference to the sexual content on social media advertising. The adverts that have been used, are mostly restricted to the appearance of a model, male and female, in the ad rather than using more verbal references to sex with a direct or indirect way. The analysis stated mostly on the traditional ads rather than the social media due to the interest of the researcher to try and find the routes of the sexual content and how this one started to influence the customers before the world of social media rise. Furthermore, the research on the sexual content on social media is not expanded on the researches as it should be. In the analysis has been used a big percentage of the question, which clearly seems to have an impact to the respondents/ customers, but not all of them, because of the limitation of the words. Furthermore, the questions appealed to be leading questions regarding the design of the thesis which was to ascertain personal perspective of each respondent.

6.1 Direction for Further Research

What should happen next? This research highlights new perspectives of the today’s impact of sexual adverts of the consumer purchase decisions. The customers might notice an ad with sexual aspects, but again, it won’t shape their purchase behaviour if the content is vulgar or too sexist. The secret for the advertisers is to listen and understand their audience. The image or a sexy image gain the eye, but it does not sell. In order to sell acquired a relevance between the product that is advertised and the sexual content of the ad. But it still remains a profitable way for the companies? Moreover, by examine the ethical issues, in what percentage the younger generation affected by the sexual aspects in the advertisements which can lead to a negative or positive impact in the society.

7. Bibliography


How can social media marketing create positive image of nature-based tourist destination in Indonesia?

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Keywords
Community, Communication, Destination Image, Environment, Nature-Based Tourist Destination, Social Media Marketing

Abstract
Botanical Garden of Plant Conservation Center – Indonesian Institute of Sciences (LIPI) or often be called Bogor Botanical Garden is a highly renowned tourist destination in Bogor. As a nature-based tourist destination, Bogor Botanical Garden develop an image through its positive role in conserving environment and educating community. However, in reality, there is a discrepancy between the image which was built by the Bogor Botanical Garden with the perceptions in the visitors’ mind. Based on the result of the initial survey, there was a negative image which was evolved in the community. Bogor Botanical Garden was continuously trying to restore the image. One of the chosen strategies was by utilizing its social media marketing which consists of online communities, interaction, sharing of content, accessibility and credibility. This study aims to reveal the influence of social media marketing on destination image of Bogor Botanical Garden. The method used in this study were explanatory survey and cross-sectional approach. Using simple random sampling, questionnaires were given to 363 respondents who were followers of Bogor Botanical Garden’s social media account. The data were analyzed using multiple regression technique. The results showed that there is a positive influence between social media marketing and the destination image. It is important for the management to engage more on social media marketing strategy in terms on how they involve the community to their events and how they change the way they communicate and interact with their followers.

1. The Introduction
Indonesia has many potentials in natural resources and it is proven by the diversity of animals and plants in the country. Those resources should be utilized and developed as tourist destinations with the spirit to conserve their existence through wildlife sanctuaries, national parks, forest parks and natural tourism parks.

There are many nature-based tourism destinations in Indonesia, one of the most well-known by the tourists is Botanical Gardens Conservation Center - Indonesian Institute of Sciences (LIPI). Located in the heart of Bogor city, this garden is known as Bogor Botanical Garden by the public. It covers an area of 87 hectares which is planted variety of plants for the purpose of conservation and education. It is the first botanical garden in Indonesia, built in 1817, since then, it becomes role model for other botanical gardens which has the same goal to increase tourist visits.

Despite the fact that it has many tourist attractions, Bogor Botanical Garden faces a decline in the number of tourist visits. This is due to the incongruity between the expected image that the destination built and the image that is formed in public’s mind. Indonesian Institute of Sciences (LIPI) as a management, has made positioning strategy and it could be viewed in their vision statement which is to become one of the best botanical garden in the world in conserving and researching tropical plants, environmental education and tourism.

According to the vision, Indonesian Institute of Sciences plays a role as an institution which supports research on plants. Therefore, through the existence of the botanical garden, the community could learn about plants. In the other hand, on public’s perception, Bogor Botanical Garden is a place for recreation only; hence, it is different from what management planned.
This phenomenon is supported by the fact that 54% of the comments and reviews about Bogor Botanical Garden on Facebook and Trip Advisor tend to negative. Moreover, 49% of all testimonies in Trip Advisor were negative comments about the attractions in Bogor Botanical Garden. It could be analyzed that the positioning of Bogor Botanical Garden was not clearly received by the public. As a result, there was a distorted image risen in community. The advancement of technology especially in terms of social media brings many impacts to almost all aspects of human life including tourism. From the management's perspective, social media could become a marketing tool to deliver the positioning of a tourist destination. Thus, the image of a destination could be shaped.

Bogor Botanical Garden uses social media to implement that concept by publishing their nature-based educational programs through its official account on facebook and twitter. For instance, the recent publication was when Bogor Botanical Garden launched the Ecodome building, which was the first non-permanent building in Indonesia. It was functionalized for the purpose of exhibition, environment education, art and culture. Hopefully, such publication in social media could raise the image of Bogor Botanical Garden.

2. Literature review

A destination is a location where people going to travel, it is different from a place where they live (Wang and Pizam, 2011). To attract visitor to come, every destination needs to optimize the role of marketing. The application of destination marketing should be centered on visitor and proactive on economic and cultural development from a destination which integrates and balance the interest of tourist, service industry and community (Wang and Pizam, 2011). There were many experts who had formulated marketing mix and one of them is Kotler and Keller (2016). They stated that there are 8 dimensions of the marketing mix, those are product, price, place, promotion, people, processes, program and performance. From those dimensions, promotion becomes one of the common tools to communicate products and services.

Kotler and Keller (2016) also argued that in promotion there is a marketing communication mix which consists of advertising, sales promotion, events and experiences, public relations and publicity, online and social media marketing, mobile marketing, direct and database marketing and personal selling. All of those media could deliver the information to customer effectively; however, through the development of information and technology there is one of those communication media which is proven not only effective but also relatively efficient, that is online and social media marketing.

Social media marketing itself is an online activity and program which is designed to involve customer or prospect and increasing direct or indirect awareness, improve the image or to obtain sales of products and services. It utilizes various social media network, including the online community, marketing blog, and many others (Arief and Millianyani, 2015) and it reaches a much larger community that may not be available in traditional channels (Khan and Jan, 2015).

More and more researchers in the field of tourism have an interest in improving the role of social media in the formation of destination image (Kim et al., 2017). Experts have stated that the usage of social media marketing could create or have a positive impact on destination image (Jalilvand, 2016; Kim et al., 2017; Lim et al., 2012; Stepaniuk, 2015). This study used dimensions of social media marketing from Abu-Rumman and Alhadid (2014). They adopted several experts in order to formulate five dimensions, those are online communities, interaction, sharing of content, accessibility and credibility.

a. Online Communities

A company or business can use social media to build a community around a product or a business. Dynamic society can create loyalty and encourage discussion that can contribute to the improvement and development of business (Taprial and Kanwar, 2012).

b. Interaction

A Facebook page or Twitter account can tell its followers on a particular topic quickly and simultaneously. Social networking sites allow greater interaction with online communities through up-to-date broadcasts and relevant consumer information (Fischer and Reuber (2011)).
c. Sharing of content
This is about the extent to which individuals make changes, distribute and receive content in social media (Babac, 2011).

d. Accessibility
Social media can be accessed easily and does not take much time or there is no cost for its use. Social media is very easy to use and does not need any special skills and knowledge to use it (Taprial and Kanwar, 2012).

e. Credibility
It is about how to deliver a clear message to everyone, building credibility for what we say or do, connecting emotionally to the target we want, motivating buyers and generating loyal customers (Taprial dan Kanwar, 2012).

To discover the influence of social media marketing towards destination image, the dimensions to assess destination image were adapted from Tapirios et al. (2015), which are functional characteristics attribute, functional and psychological – holistic characteristics and psychological characteristics attribute. He also said that destination image is often described as "the impression of a place" or "perception of the area". It can be concluded that the destination image is a reciprocal from tourists for what they felt both through experience and information received, can be the impression, commentary and feelings towards a tourist destination.

The dimension of functional characteristics attributes is the physical attribute associated with tourism destinations including such things as tourism destinations, parking area conditions, climate, and infrastructure conditions. Functional and psychological dimension - holistic characteristics are associated with tourism destinations and comprise personal security, tourism development, reputation and impression. While psychological characteristics attribute is a psychological physical attribute associated with tourist destinations such as hospitality and environmental sustainability.

3. Research methodology
This study was conducted in Bogor Botanical Garden which is a nature-based tourist attraction. There were two variables analyzed in this study. The independent variable was social media marketing (X) which had five sub-variables, online communities(X1), interaction (X2), sharing of content (X3), accessibility (X4) and credibility (X5). The dependent variable was destination image (Y) which had three indicators including functional characteristics attribute, functional and psychological - holistic characteristics and psychological characteristics attribute.

Since this study was done in less than one year; therefore, it could be classified as the cross-sectional method. As stated by Umar (2008) that cross-sectional approach is a research method to study an object in a period of time or not continuous in the long run, same with Maholtra (2009) who said that in this method data were collected once in a period of time. The data were collected through questionnaires which have been tested its validity and reliability.

The unit of analysis or the respondents in this study were followers in social media accounts of Bogor Botanical Garden. The number of followers was 3,972 followers. The number of samples was determined by using Slovin formula with 5% for the margin of error. The result of the sample calculation was 363 respondents. Furthermore, the questionnaires were given to 363 respondents with simple random sampling technique. Afterward, the data were analyzed descriptively and using statistical verification including multiple regression analysis.

4. Findings/results
The analysis of data was carried out through various statistical techniques which is validity and reliability test and multiple regression. The data was analyzed using SPSS 23 for windows.

Table 1 shows the profile of the respondents based on demography. The gender distribution was 37.2% male and 62.8% female. The majority of the visitor was >20 years old (32%), followed by 30-35 years old (31.1%), >35 years old (21.5%), and 25-30 years old (15.4%). The highest proportion of occupation (32.5%) fell into housewife, followed by student (27.3%), employee (15.7%), government officer (14.9%), and entrepreneur (9.6%). For the annual income, majority of the respondents (36.1%) got £3158, followed by £1580-£3158 (30.9%), <£632 (18.7%) and £632-£1580 (14.3%). In terms of length of each visit, the highest
frequency was 1-2 hrs (48.2%), followed by 2-3 hrs (32.2%), >3 hrs (15.7%), and <1 hr (3.9%). The respondents mostly visited Bogor Botanical Garden with their families (59.8%), followed by friends (25.6%), colleagues (10%) and others (students, partners, tour package). A variety of sources of information were reported by the respondents. The highest frequency was social media (32.8%), followed by friends (30.3%), family (17.9%), website (15.4%) and others (brochure, other websites and blogs).

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<th>Table 1: Profile of the Respondents (n=363)</th>
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<td>2-3 hours</td>
</tr>
<tr>
<td>&gt;3 hours</td>
</tr>
<tr>
<td>Companion</td>
</tr>
<tr>
<td>Family</td>
</tr>
<tr>
<td>Friends</td>
</tr>
<tr>
<td>Colleagues</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Source of Information</td>
</tr>
<tr>
<td>Social Media</td>
</tr>
<tr>
<td>Website</td>
</tr>
<tr>
<td>Family</td>
</tr>
<tr>
<td>Friends</td>
</tr>
<tr>
<td>Others</td>
</tr>
</tbody>
</table>

Table 2 presents the validity test. All of the items under social media marketing variable and destination image were valid, since all of the scores are higher than the value of 0.3610.

<table>
<thead>
<tr>
<th>Table 2: Validity Test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No.</strong></td>
</tr>
<tr>
<td>A. Online Communities</td>
</tr>
<tr>
<td>1. Activity of the community lover, especially in facebook fanpage</td>
</tr>
<tr>
<td>B. Interaction</td>
</tr>
<tr>
<td>2. Interaction between social media admin with the netizens</td>
</tr>
<tr>
<td>3. Polling frequency to the netizens</td>
</tr>
<tr>
<td>4. Feedback frequency in the form of comments and like</td>
</tr>
<tr>
<td>C. Sharing of Content</td>
</tr>
<tr>
<td>5. Information shared in social media</td>
</tr>
<tr>
<td>6. The attractiveness of information about tourist attraction</td>
</tr>
<tr>
<td>D. Accessibility</td>
</tr>
<tr>
<td>10. The ease in accessing the official social media</td>
</tr>
<tr>
<td>E. Credibility</td>
</tr>
<tr>
<td>11. The ease of finding information in social media</td>
</tr>
</tbody>
</table>
Table 3 presents the reliability test using Cronbach’s Alpha. The reliability for variable social media marketing was 0.946 and for destination image was 0.916. It means all the variables are reliable since the scores are higher than the value of 0.70.

Table 3: Reliability Test

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>$\alpha_{count}$</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Social Media Marketing</td>
<td>0.946</td>
<td>Reliable</td>
</tr>
<tr>
<td>2.</td>
<td>Destination Image</td>
<td>0.916</td>
<td></td>
</tr>
</tbody>
</table>

A multiple regression analysis was used to further investigate the influence of social media marketing which consists of online communities, interaction, sharing of content, accessibility and credibility in predicting destination image. Table 4 shows the results of the regression analysis. The hypotheses testing was conducted to check the direct relationship between social media marketing and destination image. The result reveals that online communities, sharing of content, accessibility and credibility were found positively significant to destination image. Nevertheless, interaction was not found significant to destination image. An examination of the t-values for the five dimensions indicated that the most important factor in predicting destination image evaluation is online communities followed by sharing of content, accessibility and credibility. It appears that park manager should undertake more attempt and focus to develop its social media marketing along these dimensions as shown in Table 4, especially on online communities dimension.

Table 4: Regression Results on Social Media Marketing and Destination Image

<table>
<thead>
<tr>
<th>Social Media Marketing</th>
<th>t-value</th>
<th>Standardized Coefficients Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online communities</td>
<td>6.961</td>
<td>0.286</td>
</tr>
<tr>
<td>Interaction</td>
<td>0.185</td>
<td>0.007</td>
</tr>
<tr>
<td>Sharing of content</td>
<td>5.868</td>
<td>0.261</td>
</tr>
<tr>
<td>Accessibility</td>
<td>5.556</td>
<td>0.231</td>
</tr>
<tr>
<td>Credibility</td>
<td>5.249</td>
<td>0.225</td>
</tr>
<tr>
<td>F</td>
<td></td>
<td>70.298</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td>0.496</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td></td>
<td>0.489</td>
</tr>
</tbody>
</table>

Through the multiple regression analysis, we can acquire multiple regression equation for the influence of social media marketing on destination image, as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5$$
The analysis shows that a value constant of 13.907 means that if $X_1$, $X_2$, $X_3$, $X_4$ and $X_5$ are ignored, then destination image will be 13.907. If there is an increase of activities on all dimensions of social media marketing in each unit, so then the destination image of Bogor Botanical Garden will then will increase to $13.907 + 2.017 + 0.024 + 0.470 + 0.956 + 0.795 = 18.169$.

5. Discussions and conclusions

Based on the fifth dimensions of social media marketing, there are four dimensions that positively influence destination image. Those are online communities, sharing of content, accessibility and credibility. This is aligned with the study by Stepaniuk (2015) which stated that SNS (Social Networking Sites), which is part of social media, influenced tourism destination image. Content from tourism information in social media is used to create brand identity, demonstrate a positive relationship, and has an influence on tourism destination image (Jalilvand (2016); Kim, et al (2017); Lim et al (2012)). Other studies on social media marketing produced different outcomes. In regards with the hierarchy of dimensions of social media marketing on brand equity, it reported that accessibility and interaction played an important role when online communities and sharing of content didn’t affect brand equity (Abu-Rumman and Alhadid, 2014). Kim et.al (2017) stated that various aspects of tourism information quality in social media, which is content cues and non-content cues, are positively associated with different types of destination image. Tourists used social media as an influential source for obtaining tourism information. In this study, it was found that online communities is the most important factor in predicting destination image. This finding suggests that it is very important for the management to engage more with the community and involved the community in activities and events that are held by the management. This can build a positive image of Bogor Botanical Garden itself as a nature-based destination. This finding is contradictory with the study by Divinagracia et.al (2012) which stated that the most important digital media in creating destination image were search engines and tourism-specific websites, while social media was not considered as the most important one. It is aligned with the study from Foroudi et.al (2018) that reported that place website is the key factor that contribute to building a destination image.

The finding also reveals that interaction doesn’t have any influence on destination image. This shows that any interactions done between the admin of social media and the followers didn’t affect the perception of the followers toward the image itself. It is mainly because interaction between the admin and the followers tend to be low. Followers tend to interact more with the community such as fan base or community rather than with the admin itself. This finding is contradictory with the study by Fischer and Reuber (2011) which reported that interactions on social media affects effectual thinking and behaviour. It is important for the management to change the way they communicate with the followers in terms of sharing information about Bogor Botanical Garden itself. Hipperson (2010) and Lim, Chung and Weaver (2012) stated that a two-way communication in social media allows followers to engage in forming destination brand identity and image.

6. Limitations and direction for future research

This research has certain limitations. First, the study has been conducted in nature-based tourism destination. Future research should look into the comparison between nature-based and non nature-based tourism destination. Second, the social media used in this study is mainly facebook. Future research should include other social media such as Instagram, twitter or youtube. Third, participants in this study were followers of fan page itself. Further research should acquire respondents from other sources which will cover more segment. Fourth, other variables which are not included in this study may have
influenced on destination image, such as advertising, public relation, event, and tourist motivation. Finally, future research should compare social media marketing and traditional media marketing and its impact on destination image.

7. References
The scent marketing: consumers perception

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Keywords
Consumer, Scent marketing, consumer perception

Abstract
Scent marketing understood as influencing consumers with consciously prepared mix of scents is rapidly developing both in Europe and all over the world. It is found by many researchers that scent to which consumers are exposed positively influence their attitudes towards sales environments, improve their brands memory directly leading to increase of likelihood to purchase. Therefore, the goal of the paper is to analyze the perception of consumer regarding sensory marketing, which is important from marketing, both scientific and practice, point of view. There was a questionnaire conducted as a pilot studies with 96 respondets. It enables the beginning of the discussion about the scientific aim which is to assess the effectiveness of scent marketing, as it is perceived by consumers. According to research, consumers are aware of using pleasurable scent in retail environment and majority of them are prone to believe that fragrances used in shops may influence their decision making process.

1. Introduction
The sense of smell is increasingly examined by academia and still is often called to be one of the most mysterious of all senses (Davies, et.al, 2003:614-615). People within their bodies possess between 6-10 million receptor cells which are placed in olfactory epithelium which enable people to receive and distinguish up to 4 thousands smells. What is more, smell appears to be a sense which contribute to human perception of totality of the set of stimuli, in other words if smell does not correspond with what is present to people they might be unable to identify it (Davies, et.al, 2003:615-617). This knowledge is being more and more frequently used by marketers and entrepreneurs in retailing environment (Mattila&Wirtz, 2001:273).

2. Literature review
The scent marketing, also called the aroma-marketing, is a part of a quickly developing trend in a marketing communication – the sensory marketing. A scent appeared to be very important aspect of sensory marketing (Hultén et al., 2009). The reason of that is that other senses (sight, touch, taste or hearing) are conscious one while a scent is a sense targeting unconsciousness directly, being analyzed by the brain without any consumer awareness (Bradford & Desrochers, 2009). The aroma-marketing may be defined as a method of influencing the receiver by consciously prepared mix of fragrances (Morrin & Ratneshwar, 2003:10-25) which include influencing the consumers in the point of sales or by the product itself (Bartholmé & Melewar, 2011: 58-59). Scent which is accurately prepared and adjusted to customers may have an enormous impact on the atmosphere in the shop and therefore on emotional reactions of consumer. It is found by many researchers that scent to which consumers are exposed positively influence their attitudes towards sales environments and improve brands memory. It is then definitely confirmed that exposure to scents ultimately leads to in increased likelihood of purchase (Rimkute, et.al., 2016:25-24).

3. Research methodology
In order to obtain information about the perception of aroma-marketing by consumers and the level of their awareness about it, both secondary sources analysis and primary sources research were made. A questionnaire research was designed and conducted. As a result of the fact that aroma-marketing is relatively new and still developing area of academic interest, as well as that scent marketing is designed to influence consumers below their consciousness, it was decided that the research will be first conducted among consumers. Future research will engage wider spectrum of respondents in quantitative research, but also experts in aroma-marketing and companies’ employees in a in-depth interviews. Pilot studies already present interesting input to the discussion about sensory marketing perception by consumers.
questionnaire was made in the Internet using non-probability method with snowball sampling in which existing respondents recruit future research subjects from among their acquaintances. Research had a regional character and was conducted in two major cities in southern Poland: Katowice (58%) and Kraków (42%) in 2015. There were 96 fully answered questionnaire by 49 women and 47 men. Research had a direct character using questionnaire with 20 questions, brief description of researchers, aim of the research and definition of aroma-marketing.

4. Results

Respondents while asked what they associated with the term „aroma-marketing” were not very specific, however only one answer suggested that respondent have never heard about aroma-marketing. Among the most often indicated association with aroma-marketing were perfumery (30%), gastronomy (22%). This leads to an conclusion that respondents associate aroma-marketing with spaces were scents play major roles, were they can be easily sensed and connected to sales offer. Further associations are connected with any scent used in shops, companies or within products packages. According to next answers, only 8% of respondent never noticed any pleasurable scent used in a shop (within which 80% were male respondents). Majority of answers confirmed that consumers did observed pleasurable fragrances used in sales spaces.

Only 5% of consumers are sure that scents influence decision making process and almost 60% believe that it is rather possible. Around 20% believed that scents rather cannot influence their decision making process while sensed in a shop, 15% were not sure. Above mentioned answers lead to a conclusion that majority of consumers are aware of engaging scents in a shop and believe that it might have an influence on decision making process especially in case of purchasing products which one did not intend to buy before (48%) or purchasing higher quantity of such a product (20%) or purchasing product of other brand then originally intended (7%). Respondents confirmed that they bought some products in effect of being exposed to scents: 75% - bakery shop, 10% - coffee shop, 4% - popcorn, 3% - lunch.

Afterwards, respondents were asked which products and services do they associate with scent marketing. Respondents indicated wide range of products (sequenced accordingly): cosmetics(65%), food (48%), clothes (35%), cars (20%), furniture (15%), alcohols and beverages (5% - indicating whiskey), RTV (2%) and paper products (2%). Respondents also indicated several services (sequenced accordingly): cosmetic (42%), coffee shops and restaurants (38%), hair dressers (10%), hotels (6%), buses(5%) and airplanes (4%). Some respondents indicated also cinemas and discos.

Respondents were also asked what features would they use to describe scent marketing. More than 40% of answers indicated that respondents perceive scent marketing as interesting or very interesting as well as a positive way of communicating with consumers. Majority of respondents also believe that scent marketing is quite emotional. Ethic of scent marketing was not assessed in an uniform way, half of respondents rather perceive it as ethic and half of respondents are more prone to assess it as unethical. Thus, it may be conclude that it is a controversial part of scent marketing. Vast majority of respondents believe that it is not very popular form of marketing communication yet.

Above mentioned research results are part of wider analysis. It enabled to conclude that the awareness of consumers about scent marketing is increasing. Despite ethical issues which were risen by some respondents, scent marketing is perceived as positive form of communication. Despite the fact that consumers still associate it mainly with scent-based retailing environment, they believe that scent marketing may be effective in influencing their decision making process.

5. Discussion

Marketing and marketing communication has changed. It is caused by the technology development, popularity of online and mobile solutions as well as sociological changes. Consumers who were attacked by the ubiquitous advertising in last decade became resistant towards it. What is more, so called “Y” generation (people aged 20-30) is much more demanding, quick and aware as consumers segment. All of that changed the situation on the market and put the focus on experience and senses in order to reach and engage the consumers in long-term relationships. Growing number of companies changes the structures in marketing department starting from Chief Marketing Officer into Chief
Experience Officer in order to ensure consumers with genuine, one of the kind experience which will engage consumers’ senses.

Sensory marketing concept evolved throughout last years. It focuses on influencing consumers’ brains through all the senses. It is believed that the image of the brand is created by mental conceptions and imaginations through experience which consumer had with the brand or company. What is more, the basic economic theory had been refuted. According to Nobel prize winner Daniel Kahneman (2012, p. 14-23) people do not behave fully in rational way and their choices are not rational either. Peoples’ brains are prone to systematic mistakes as a result of several simplified rules of concluding which the brain follows unconsciously. For example, Kahneman indicates heuristic of affect what can be explain as the tendency to assess the environment based on the emotions or impressions like when one judge the sales’ skills of a person based on sympathy towards him or her. (Kahneman, 2012, p. 14-23) It is common bias made by people’s brains, very often observed during purchasing decision making process.

Several researches over the scent marketing effectiveness were conducted. First of all there was a research made by researchers at Washington State University who discovered that simple scent are more effective than the sophisticated compositions. It resulted from the fact that simple scent (e.g. lemon) was easier to analyze by brain that the composition of several e.g. orange with basil and green tea, on which consumers were required to focus. Another example of research which considers scent marketing effectiveness was also conducted at Washington State University by a consumer psychologist and dean of business school –Eris Spangenberg. The research was aimed at proving that the scent shall not only be simple but also shall be tailored to the customer. When rose Marco fragrance was sprayed in the clothing shop male part of customers spend more money and made bigger purchases, while in comparison when vanilla fragrance was sprayed the same situation could be observed in female part of consumers. Yet another research was made by neurologist from Chicago - Alan Hirsch, who place two pairs of Nike shoes in two identical rooms with only one difference. In one room there was a pleasant scent sprayed, while in the other the scent was neutral. It was observed that customers in room one were more eager to buy the pair of shoes even when the price was higher than in the second room. (The Smell of Success Grows Stronger, 2013, p. 27-28) There were many observation made over the scent marketing, nevertheless there is still a niche in effective research methodology concerning this area.

Research made for the purposes of this paper consider much broader scope. It considers possible scents which consumer would like to be used in shops, but also services’ providers. The area of services is hardly analyzed in other research, especially considering services like banks or public transportation. It also answers the questions about the association which consumers have with particular smells. Scent can evoke particular emotions in consumers, thus it is important to be aware of the type of emotional reaction that might be caused by scent used in marketing. Further research in this area will make several contributions. First of all it will help to understand consumers attitudes towards scent marketing. Second of all, it will support managers by suggesting ways for successful engagement of consumers by scent marketing practice and thus to gain from one hand devoted and loyal customers, on the other active opinion leaders spreading positive word-of-mouth about company. Therefore, managerial implication of the further study is the support in marketing management decision regarding engagement of consumers by using scent marketing.

6. Conclusions

To conclude, it shall be emphasized that according to both consumers and marketers, scent marketing is a powerful tool which may have an influence on purchasing behavior. According to research, consumers are aware of using pleasurable scent in retail environment and majority of them are prone to believe that fragrances used in shops may influence their decision making process. There is a rising interest among academia in relation to scent marketing, therefore its full potential is yet to be explored and described.

7. Limitations

The research was conducted as a pilot research on sample which consisted of less than 100 respondents. What is more, respondents were residents of two regions in Poland only. On one hand it gave a solid background for future research, but the sample is too small to be generalized on population.
8. References
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Measuring corporate transparency in sustainability reporting: An information entropy-based approach

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Keywords
corporate transparency, Shannon entropy, sustainability, text analytics

Abstract
Businesses have a key role to play in achieving the sustainable development goals set by the United Nations to protect the planet. Their related operations have major ramifications on the ecological, social, and economic contexts in which they operate. Further, these operations need to be transparent to all stakeholders so that meaningful reporting could be easily accessed and understood by stakeholders. Existing approaches to measuring transparency in reporting are primarily qualitative and do not lend themselves easily to automation. This research looks at how corporate transparency in sustainability reporting can be measured using an information entropy-based approach. The first step in developing such a transparency measure is to build a dictionary of words relevant to the topic of sustainability by applying text analytics on a corpus of sustainability-rich documents. Shannon entropies associated with the probability distribution of the dictionary words relative to the corpus documents are computed and corresponding analysis of variance (ANOVA) tests conducted to evaluate and improve the quality of the dictionary.

This research proposes a measure of corporate transparency in sustainability reporting as the relative entropy (information divergence) between the probability distributions of words in the sustainability dictionary and those in a corporate report. This resulting metric can be applied to compare sustainability reporting of organizations in specific industry sectors, for instance the energy sector which has among the highest greenhouse gas emissions relative to other sectors. The measure and methodology associated with this research may be extended to study corporate transparency in other areas such as accounting or privacy practices of businesses.

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Banks are donning new structures

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Keywords
Structures, Digitalization, Innovation, Technology

Abstract

Purpose of the research: In order to better understand the response of the banks to the new technology wave the authors carried out research in the Indian banks, meeting senior executives of various banks. They adopted qualitative approach to gain insight into the thoughts and vision of senior banking professionals. The semi-structured interviews revealed thinking in the bank management. These were personal interactions spanning over an hour in most cases.

Design/methodology: The authors conducted research in 16 banks talking to multiple executives face-to-face. These included medium and big banks in Indian public sector nationalised banks as well as private banks. Interviews happened in two cities.

Results/findings: It was apparent that the creation of innovation and/or digital groups had influence on the progress of digitization in the bank. The progressive banks offering digital services on internet and mobile had such groups in place. The extent of influence could not be determined directly however larger the group size more was the emphasis being placed by the bank on such movement.

Practical implications and Conclusions: While organizing separate groups for innovation and digital proves to be useful in short term it will be important to examine ways in which the innovation process gets distributed throughout the organization and gets embedded into culture. This will be very critical as the digital technologies keep progressing at a rapid pace and banks will continually need to explore ways and means to thrive in the digital world.

The Changing Scenario

Traditionally banks have been in their loans and advances business, which has been the core of their earnings. People had trust and they always approached banks to meet their requirements. Although loans and advances continue to be major source of revenue for banks over a period of time newer earning models based on services emerged. Banks started charging for services such as money transfer, cheques and ATM usage, though in certain cases these charges do not apply.

The services business made it possible for even non-banking companies to look at different businesses. Past few years have seen new trends and businesses giving birth to payment industry. Initially payment firms came up, showed way with the wallet business. Banks initially ignored them and later followed suit. Banks realized that they could not let go the payment sector transactions. They took on wallets, spent money built own wallet apps. In the meanwhile the NPCI (National Payment Corporation of India) was working on seamless transfer of money. The UPI and later BHIM came in the operation, it was clear that the digital transactions were taking off much faster than anyone had ever imagined. Number of digital transactions reported crossed 1.2 billion in volume (RBI March 2018). NPCI also released Rupay as the Indian domestic payment network. SBI and some the other banks have already launched these cards. The number of merchants accepting Rupay cards will increase over a period of time. While all such events were infolding the Indian Government was looking forward to extending financial facilities to nooks and corners of India. An extraordinary initiative that the government proposed to banks was the ‘Business Correspondents (BCs)’. Conceptually these are the bank representatives who are allowed to transact on behalf of banks handling cash, aimed at promoting financial inclusion.
Subsequently RBI issued guidelines for Correspondents and Facilitators in 2006. By end of 2017 the Public Sector Banks led banking through the correspondents and agents model at 73% (Microsave, 2018). Dun & Bradstreet (2017) reported that 452,151 villages were provided banking services by 30 June 2016, through various means.

The ‘Payment Banks’ was another initiative to improve financial inclusion. The Reserve Bank of India (RBI), the central bank, invited applications for payment banking licenses and after due process released 11 licenses in August 2015. However by end of 2016 3 licensees had backed out. Although this created bit of doubt about viability, RBI shows 6 payment banks operational in its publication in April 2018 (RBI, April 2018). At this stage totally 10 companies are authorised by RBI to conduct business as payment bank. Payment banks are aimed at financial inclusion extending reach of financial services. They depend on traditional banks for ATM services. The Debit cards are issued under Rupay payment network. To understand the financial inclusion one has to see these numbers reported by Dun & Bradstreet (2017). By 2017 end 281.7 million accounts were opened under Pradhan Mantri Jan Dhan Yojana, 219.9 million Rupay cards were issued and 39.7 million accounts opened under Pradhan Mantri Mudra Yojana.

The Unfolding Technology

The digitization in banking sector in India has been on increase. The consumers are more demanding with the mobile connectivity spreading pan India. The younger generation expects all services to be delivered on Mobile. Mobile based banking is on rise, very few customers in urban areas walk in the physical branches. The use of ATM was growing before mobile payments came into vogue. Consumers prefer internet banking using mobile apps, instead of physical transfer of money using ATMs. Customer initiated transactions as reported by HDFC Bank were 49% ATM in 2007 with 19% internet & mobile transactions. The ATM transactions dropped to 8% ten years later in 2017 with internet & mobile transactions growing to 80% (HDFC Bank, 2017). It is also true that cost of mobile payments is much lesser than ATM or walk-in branch, thus reducing overall costs for the bank.

Fintech sector is another crucial development that has been witnessed globally. These are typical technology companies building service based revenue models nibbling away share of banking services. Most traditional banks initially ignored them, but later on recognized them as competing in the same market. Changing outlook the banks have started considering the Fintech sector firms as collaborators rather than competitors (Dun & Bradstreet, 2017). Many banks have deployed various automation tools created by Fintechs to reduce their costs.

While the banks have accepted and adopted the early day computerisation and now digitization a completely new landscape is slowly unveiling the automation at the very different level in the form of artificial intelligence powered by machine learning.

New direction, vision of Banks

The Indian banking sector seems divided in two major categories, Public Sectors Banks established as Public Sector Undertakings (PSUs) and the Private Banks. Here are snippets of published direction of some of the banks:

1. Your Bank has embarked on a ‘Mobile First’ digital strategy that builds on the last two decades of investment in technology (HDFC, 2016).
2. To have superior technological prowess, customer-centric human resources and robust risk management practices your Bank came up with a paradigm transformation in its internal and external processes. This transformation was named Project Utkarsh (UBI, 2016).
3. The thrust of project Navoday is building the next generation capabilities and unleashing the organizational talent to make our Bank future ready with the ability to deliver a differentiated world class customer experience (BOB, 2016).
4. The Indian economy is witnessing a transformation. The emergence of new entrepreneurs and start-ups coupled with rapid developments in technology is shaping newer business models and challenging existing paradigms. Against this backdrop, to make ourselves even more agile, to place ourselves firmly ahead of our competitors on the path of innovation and to ensure that we are future-ready, we have embarked on a new journey of transformation, #LeadTheNew. #LeadTheNew is an umbrella initiative under which our endeavour is to be ready for the opportunities being created in the economy, which will enable us to sustain
our leadership position across products and segments. We have reinforced our organisation culture with the acronym DYNAMIC (Digital, Young, Nurturing, Agile, Mindful, Inclusive and Connected) - an organisation which harbours a greater readiness to experiment and which embraces new ideas. A DYNAMIC ICICI will continue to be an organisation where the customer is the prime focus and employees act with speed and constantly learn and re-learn to provide exemplary customer solutions (ICICI, 2016).

5. Our digital strategy has helped us broaden our reach in growth markets like India and Indonesia. In these large geographies, digital has enabled the creation of new distribution models which reduce dependency on expensive brick and mortar outlets. Digitalisation has helped DBS work smarter, reducing manual processes, and increasing productivity. From improving the way our customers pay for their everyday coffee to growing and preserving their wealth and business for the next generation, DBS understands that our customers want to live more, bank less. 2017 was a great year for DBS’ business franchise. However, it was not without challenges. With technology continuing to disrupt the business of banking, the need to stay on top of the digital agenda was keenly felt (DBS, 2017).

Such publically declared intentions convey the way banks visualise changes in the external worlds, especially customers. All are very keen to serve customers better, more efficiently simultaneously offering more facilities and services to customers taking advantage to new changes happening in technology space. All are gearing up their organizations in some way to face new challenges.

Our Research finding - newer structures

In order to better understand the response of the banks to the new technology wave the authors carried out research in the Indian banks, meeting senior executives of various banks. We adopted qualitative approach to gain insight into the thoughts and vision of senior banking professionals. The semi-structured interviews revealed thinking in the bank management. These were personal interactions spanning over an hour in most cases.

We conducted research in 16 banks talking to multiple executives face-to-face. These included medium and big banks in public sector nationalised banks as well as private banks. Interviews happened in two cities.

During interaction Interesting structures were found through the research. Here is a summary of our findings with respect to the organization structures:

1. Authors came across mix of Innovation, Digital and Technology groups.
2. Some of the banks formed Innovation team, some Digital teams, some had both Innovation and Digital teams. One bank had a group titled as “Innovation and Digital”.
3. Reporting of Innovation and Digital is in functions other than technology or IT. Only one bank has the Innovation group reporting into CIO.
4. Some public sector banks had none, neither Innovation team nor Digital team
5. In some of the banks the ‘Chief Information Officer (CIO)’ title seemed to have been replaced completely by a different title. One has to say this did not appear to be only a title change, it involved totally new thoughts and ideas in terms of organization structure. It also reflected a new vision and direction of the bank.
6. It also appears that the technology group is supposed to be acting as service provider to the innovation and digital groups.

In terms of progress on digitization and digital products and services

1. It became clear that many private sector banks were pursuing the digital and innovation path in some way, some of leading banks were far ahead of others.
2. The public sector banks were generally slower, although two of the large banks are extremely serious and invest heavily in the digital initiatives.
3. At the same time it was an intriguing observation that some of the large banks have still not addressed these challenges in any structured manner, there was little evidence to suggest that these banks were even considering taking significant steps towards newer technologies.
4. Foreign banks get their directions from parent, but also follow own initiatives in digital space.

It was apparent that the creation of innovation and/or digital groups had influence on the progress of digitization in the bank. The progressive banks offering digital services on internet and mobile
had such groups in place. The extent of influence could not be determined directly however larger the group size more was the emphasis being placed by the bank on such movement.

Another observation related to reporting of teams. In most cases the Innovation and/or Digital groups have come into existence over past 2-3 years. The technology/IT group has been around much longer. In some cases the Digital group reports into technology/IT Head while in some banks the Digital group reports into business.

Analysis

Preparing organization for new initiatives....org structure for innovation. Three main types of organization structures identified have been Hierarchy, Heterachy and Holacracy (Berntz, 2018). Hierarchy has been practiced for a long time, Heterachy is known in the form of matrix organization, the Holacracy was a newer form asking individuals to decide how they would contribute to the organization directly. Washington Post article in 2014 pronounced “Zappos says goodbye to bosses” (McGregor, 2014). Zappos replaced its traditional structure with Holacracy, the self-governing organization. While the goal was noble it was yet to evolve into a more structured and well thought out form of organization with the customer feedback embedded into the process (Denning, 2014).

Organizing the ‘digital’ and ‘innovation’ teams seem to have significant influence on banking services currently. The banks that are perceived to be doing better on automation and innovation seem to have followed this path of setting different teams in place. This structure is well supported by Nylen and Holmström (2014). Under theme of ‘organization’ they state “In order to reap the benefits of digital innovation, firms need to acquire new skills both internally and externally while establishing new digital roles.” The seeming threat of Fintech and automation challenges have driven some of the banks to rethink on the organization structure and the relationship amongst different groups. Many cases the model followed is of collaboration of peers and not hierarchical models. The collaboration and cooperation are somewhat loosely defined in most of the banks leaving it to the individuals to develop own relationships. In a way old concepts of networked organization is coming back to fore. In his article Satell says ‘silos aren’t an issue’, clustering is an effective way of grouping the functions the the path between clusters need to be shorter (Satell, 2015). Alibaba made a conscious move in 2015 to a new structure bringing focus in Digital Services Division (FT, 2015).

The organization structure and the business models need to be aligned to effectively derive benefits from the new formation. While it is clear that the maturity levels need to dictate the adoption and the change in organization structure there is little evidence that banks have thought through about the new formation. In almost all the banks that we studied the hierarchical structure stays in place the innovation and the digital business groups have come into existence without much of integration into the overall organization. Many seem to be experimenting with the new teams. To be effective Innovation centers need be created identifying clear goals and measurable outcomes (Fenn etl, 2016). In the banks that authors researched while there are certain documents in place for innovation groups those need to be clearer and meaningful.

Interestingly one of the senior executives remarked ‘Shouldn’t innovation be DNA of the bank embedded in every team, rather than assembling into a separate group’. The thought expressed resonates with the idea of distributed innovations democratising the innovation process further supported by combinational innovations (Yoo etl, 2012).

Inference

It is clear that the banks will need to introduce culture of innovation with digital products and services in times to come. Most of the banks are taking steps in that direction, some more aggressively than others. Banks have structured separate teams for innovation and digital. Some of the banks have more business people in innovation team while some have more technology people. Any case every innovation team seemed to have both business and technology competencies embedded, though in various proportions. It is believed that Innovation team when separately structured and reporting to senior leaders in organization bring better results (McKinsey, 2012). However it true that success and the outcome of such efforts will depend on how well the innovation and digital teams are integrated in organization and work in collaborative manner. To raise the innovations to a higher level network of
organizations may add greater value in bringing out the newer services (Spil et al., 2016). Indian banks exhibit this level of collaboration in developing the ‘Bankchain’ project where 22 banks participate.

The digital groups have been formed in many of the banks. Their contribution to the process modernization depends largely on their position in organization and closeness to the technology groups. Whether the digital group should report to the technology head or CIO of the organization depends on maturity of technology organization to understand the digital requirements. Ultimately any digital initiative to be successfully implemented needs strong support and collaboration of the technology group. While organizing separate groups for innovation and digital proves to be useful in short term it will be important to examine ways in which the innovation process gets distributed throughout the organization and gets embedded into culture. This will be very critical as the digital technologies keep progressing at a rapid pace and banks will continually need to explore ways and means to thrive in the digital world.

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Digital technologies: main directions of development

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Key words
Post-industrial society, digital economy, Internet technologies, cost-benefit analysis

Abstract
The article is devoted to the analysis of the main directions of development of digital technologies. At the beginning of the 21st century, when the advanced part of mankind begins to live in a post-industrial society, a "global digital divide" becomes a characteristic feature of the world's polarization. The social antithesis of the owners of the means of production and wage-workers, which existed earlier, is replaced by a division into Internet-haves and Internet-poor people. And Russia in this new world even after the reforms of the 1990s does not reduce, but increases the gap from developed countries. The more developed the country, the higher incomes the population has, and, accordingly, has greater access to the Internet and other technologies associated with it.

The article shows the influence of digital technologies development on reducing transaction costs and increasing the efficiency of companies' activities. The last section is devoted to the prospects for the Russian economy digitalization and obstacles on this path.

1. The rapid development of Internet technologies
D. Bell linked the scientific and technological revolution in 1980, first of all, with the revolution in telecommunications. If in the XIX - 1 half of the XX century two main forms of communication were newspapers, magazines and books, on the one hand, and telegraph, telephone, radio and television, on the other, in the second half of the 20th century, the main thing is the development of computer communications. In this regard, in his work "The Social Framework of the Information Society" in 1980, he formulated 5 problems that he believed would solve mankind in the coming decades:
1. Merging telephone and computer systems, telecommunications and information processing into one model
2. Replacement of paper by electronic means
3. Expansion of the television service through cable systems
4. Reorganization of information storage and computer-based query systems into an interactive information network accessible to all
5. Expansion of the education system based on computer training

Table 1. The Global Digital Gap, 2000. (by M. Castells)

<table>
<thead>
<tr>
<th>WORLD REGIONS</th>
<th>The share of the Internet users total number, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>42,6</td>
</tr>
<tr>
<td>Western Europe</td>
<td>23,8</td>
</tr>
<tr>
<td>Asia</td>
<td>20,6</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>4,7</td>
</tr>
<tr>
<td>Africa</td>
<td>0,6</td>
</tr>
</tbody>
</table>

At the beginning of the XXI century, about 15-20% of people began to live in a post-industrial society, 60-70% remained in an industrial society, and another 15-20% couldn’t even pass through primary industrialization. The characteristic of this polarization is the "global digital gap" (Table 1). The social antithesis of the means of production owners and wage-workers, which existed earlier, was replaced,

according to M. Castells, by a division into those who have the access to the Internet and those who do not. In this new world and even after the reforms of the 1990s, Russia does not reduce, but increases the gap from developed countries.

Thus, the theories of a post-industrial society pretend to play the role of a new social philosophy, which shows strategic development guidelines to both developed countries and mankind as a whole. But these theories have not yet reached such a level as to formulate direct recommendations of a tactical level for socio-economic regulation. Therefore, the regulatory institutions formation occurred in the second half of the twentieth century either with the support of Keynesian theories or even in a spontaneous manner.

The rapid development of the Internet at the beginning of the 21st century radically changed the face of modern civilization. This becomes particularly evident when compared with other changes that took place in countries at the turn of the century (see Figure 1).

The anamorphic map of Internet users in the world in 2014 is shown in Fig. 2. It clearly depicts that the world has divided, as M. Castells rightly noted, into those who have the access to the Internet and those who do not.
Not every country managed to make the Internet accessible, inexpensive, open and safe. The World Bank's World Development Report 2016 analyzes the reasons for the slow pace of the digital technologies spread and outlines a strategy for the Internet development. It helps to understand how to spread the benefits and reduce the costs of digital technology development (see Figure 3).

The average daily demand for various Internet services in 2015 is shown in Fig 4. The society becomes networked. The density of information flows has increased dramatically. Every day 36 million purchases through Amazon, 152 million Skype calls, 186 million publications on the Instagram social network, 803 million short messages in Twitter, 4.2 billion requests go through the Google search system are made. And it all happens every day!

Meanwhile it is obvious that this is not typical for all countries. The degree of development of the Internet in different countries in 2015 is shown in Fig. 5. With an aggregate population of 7.4 billion people, mobile communication is already available (to some extent) for almost 7 billion users. However, a large part falls on mobile phone owners, whose number in 2015 reached 5.2 billion. Among 3.2 billion people using the Internet, high-speed data is currently available for only 1.1 billion users.
Fig. 5. The degree of the Internet accessibility different countries (2015).
Note: High-speed internet (broadband) includes the total number of fixed-line broadband subscriptions (such as DSL, cable modems, fiber optics), and the total number of 4G/LTE mobile subscriptions, minus a correcting factor to allow for those who have both types of access. 4G = fourth generation; DSL = digital subscriber line; ICT = information and communication technology; LTE = Long Term Evolution.

Evidently, the quality of the Internet technologies increases with income growth (see Figure 6). The growth in incomes allows us to take advantage of all the new benefits that modern Internet can provide. New technologies and applications create new quality of life which was never possible before.

Fig. 6. The quality of technologies add-ons increases with the income growth
2. The digital technologies development impact on the transaction costs reducing

One of the most obvious and at the same time significant consequences of the ubiquitous spread of the Internet is the significant decrease in transaction costs, including, first of all, costs of information. A potential consequence of this decline may be almost complete elimination of information asymmetry, affecting the speed and quantity of economic relations (transactions) between entities due to the lack of trust to each other, which is typical for the developing countries. Figure 7 shows the change in transaction costs for the two types of society: before and after the Internet spread. As it can be seen, in the second case, the cost is reduced to almost zero.

![Fig. 7. Transaction costs reduction by the Internet use](source)

Figure 8 shows the dependence between the share of companies that have the fastest Internet access and the countries income where they are located, as well as how the Internet is used. Obviously, the more income the country's population has, the wider is the spread of broadband Internet access and the more it is used. It is worth noting that the diagrams represent broadband Internet access, not any access to the Internet. While access to the network can be accessible to the majority of the population and, accordingly, companies, its effective use is only possible when the minimum required transmission speeds are provided, otherwise its use will be lack of the economic sense.

![Fig. 8. The share of companies with broadband Internet access and analysis of its use in countries with different income levels](source)
Among all the ways of the Internet use, irrespectively of the income level, companies most frequently practice e-mail communication. Websites surfing is placed on the second place while Internet purchases and Internet delivery are at the approximately same level in all types of countries, with the exception of the poorest.

![Fig. 9. The use of the Internet by companies with various levels of productivity in countries with different levels of income during 2010-2014. Source: World Development Report 2016. Digital Dividends. P. 54](image)

All of the above activities in Internet are directly dependent on how productive the company is. Figure 9 shows the shares of companies which use the Internet, divided by their productivity per five quintiles in low-, middle- and high-income countries between 2010 and 2014. As expected, the more productivity is shown by companies, regardless of the country in which they operate, the wider is the use of the Internet and e-commerce. Also, we it is possible to say that the difference between primitive use of websites among the most productive companies in high and low income countries is less than twice, while the difference in the distribution of the required knowledge and skills of e-commerce among the same companies can reach a triple volume.

![Fig. 10. The spread of advanced digital technologies among high-income countries Source: World Development Report 2016. Digital Dividends. P. 53](image)
However, the use of digital technologies is not limited by the most primitive methods of the Internet use. While personal computer and proper access to the Internet is common among almost 100% of the population in high-income countries, there is more advanced technologies applying.

Figure 10 shows several advanced technologies that imply a high degree of public involvement in the process of digital transformation. As it can be seen from the figure, the most common practiced technology is Supply Chain Management (SCM), applied on average among half of the companies in high-income countries and allows to optimize and control the entire cycle of raw materials purchases, producing material goods and their further distribution. On the second and third place with approximately the same indicator of 30% spread the systems of effective use of human resources (Enterprise Resource Planning, ERP) and customer relationship management (CRM) were placed. After that, with a gradually decreasing percentage of the latitude of distribution, online shopping, sales and cloud computing systems are located. The last place is the use of Radio Frequency Identification (RFID), which spreads among only about 5% of companies. However, this may be occurred due to the fact that this technology is mainly applicable among companies directly interacting with customers e.g. retailers.

While considering the degree of digital technologies implementation among enterprises, the question about their share in the overall economy growth arises. Figure 11 shows the share of information and communication technologies in the GDP of OECD countries and the share of ICT in GDP growth among developed and developing countries. First of all, it is worth noting that the 6% average share of the digital economy among the OECD countries is quite significant, given that the world community is at the very beginning of the transformation process. Compare to this, the 12% value of Ireland's looks abnormally high, but this can be explained by the efforts made by the government in order to attract foreign technology companies which consist of the creation of comfortable conditions for the business, including tax policy.

![Figure 11](image_url)

*Fig. 11. The size of information and communication technologies and their share in the GDP of developed and developing countries*


On the other hand, it can be seen that the faster growth of the economy does not affect the proportional performance of digital technologies but the low growth rates typical for the developed countries are largely composed of ICT. So, for the period from 2005 to 2009, the economic growth of developed countries was about 1%, and for developing countries - about 6.5%. At the same time, the digital economy accounted for approximately 40% and 25%, respectively. Over the next four years, the situation has not changed dramatically: about 30% of digital technologies in aggregate growth of 1.9% for developed countries and about 15% for growth of 5.6% for developing countries. This, again, can be explained by the fact that the more developed the country is the higher incomes and greater access to the technologies the population has.

The question about Russian economy digitalization is especially actual now as well as its perspectives and obstacles. First of all, it should be noted that in July 2017 the Government of the Russian Federation approved the state program "Digital Economy of the Russian Federation", which determines the main directions of the country's development in the digital age. Among them:

- infrastructure creation;
- information security ensuring;
- development of the legislative regulations;
- research and digital developments stimulation;
- training and educational programs.

![Fig. 12. The structure of I-DESI indicators and their application for the countries of the first and second groups.](source: International Digital Economy and Society Index (I-DESI). Final report 2016. P. 16)

On the one hand, the official documents adoption at the federal level is certainly a significant step forward, but on the other – a similar program was adopted in Saudi Arabia in 2005, while in various countries state institutions were established: in Australia, the Agency for digital transformation in 2015, in

The soonest response to world trends in the field of digital technologies, should have a respective outcome, expressed in their ubiquity. Among the approaches to this question there is the International Digital Economy and Society Index (I-DESI), developed by the European Commission, which assesses the digitalization of EU members and compares some of the indicators with 15 other countries, including Russia. This rating includes five components:

- communication;
- human capital;
- use of the Internet;
- introduction of digital technologies;
- public digital services.

The full list of indicators for each of the components and their application are shown in the Fig. 12. Countries are divided into two groups according to the principle of data collection accessibility. In the first group, the figures were calculated for all 28 EU members, as well as Australia, Canada, Iceland, Japan, South Korea, Norway, Switzerland and the United States. The second group included all countries from the first group, plus Brazil, China, Israel, Mexico, New Zealand, Russia and Turkey.

The shares of each of the five components are weighted as follows: communication - 25%, human capital - 25%, use of the Internet - 15%, introduction of digital technologies - 20%, public digital services - 15%. The results of the calculation are shown in Fig.13.

According to the results, in 2015 Russia was inferior to almost all the countries of the first group and Israel, but ahead of China, Turkey, Brazil and Mexico. Taking into account all the Russian features it is difficult to say whether these results are satisfactory or not; further researches are necessary.

After getting acquainted with the ranking of the overall countries digitalization, it seems consistent to estimate the technologies share in the countries’ GDP. However, at this stage there is an uncertainty with the methodology of such calculations. The Boston Consulting Group analysts suggest such an approach where the share of the digital economy is the sum of consumption, investment, government spending and net exports in the following categories: expenditures for online consumption, acquisition of access devices and Internet access expenses; the results are shown in Fig. 14.
Figure 14 shows that the largest share of GDP is consist of online consumption, exceeding the amount spent on devices and Internet access by almost 50%. Nevertheless, it should be noted that, taking into account all components, the total amount of 1.6 trillion rubles is only approximately 2.1% of GDP; the dynamics of the relationship is shown in Fig.15.

At this stage, it becomes clear that in recent years, the technological part of the Russian GDP has been fluctuating at the level of two percent, which is definitely not the economy’s driver. Also, it is obvious that an immediate breakthrough in the short term perspective to the developed countries level is unlikely. It raises the question about fundamental steps which should be taken now to take a better place on the international arena in the future. In this regard, BCG analysts identify four categories of instruments designed to influence the development of digitalization in Russia:
1. Digital privatization;
2. A digital leap;
3. Self-digitization;
4. Digital reinvestment.

The essence of digital privatization is the transfer of ineffective areas of government responsibilities (such as housing and utilities) to the private sector, which should lead to greater focus on the result and, as a consequence, greater efficiency. The idea of a "digital leap" consists of active promotion in the state development of advanced technologies, including big data, artificial intelligence and others. At the same time, state self-digitization should be aimed at maximizing the government services via the Internet for both citizens and businesses, which should also increase the effectiveness of these processes. According to the plan, all of the above should free up significant resources through savings, including transaction costs reduction, and increase the amount of incoming funds that the government will need to reinvest in health and education which will bring a long-term positive effect.

Analyzing the need to take certain actions aimed at the development of the digital economy, it can be noted that today, a significant number of initiatives have been proposed by government, private sector, and non-profit organizations. Usually, the proposed measures intersect or duplicate one another: it is known that investments normally stimulate development or that a more educated person is more likely to contribute to the development of technologies in the country. At this stage, of course, it is necessary to mobilize and move towards digitalization, but it is also worth noting that it will not come sooner than it is possible.

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Accounting and non-accounting challenges of small and medium scale enterprises in Nigeria: Their impacts and way forward for effective national industrialization

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Keywords
Accounting, Challenges, National Industrialization, Non-Accounting, SMEs

Abstract
Small and Medium Scale Enterprises play vital roles in the national industrialization and economic growth. In the bid to effectively perform the economic roles, SMEs seem to encounter certain challenges. This study aims at filling a gap by ascertaining the accounting and non-accounting challenges of SMEs in Nigeria, their impacts and way forward for effective national industrialization.

The paper adopted survey research design and used 600 randomly selected manufacturing firms (SMEs) in the South-East of Nigeria. Data were collected by means of Questionnaire and analyzed using descriptive statistics, while hypotheses were tested using Multinomial Logit Model (MNL) technique. Results shows that wrong accounting system, inadequate cash flow management, inefficient debtors and inventory management, and ineffective accounting reports are accounting challenges encountered by SMEs in the South-East of Nigeria. Also, lack of infrastructural facilities, insecurity, lack of government support, inadequate power supply and high cost of rent are non-accounting challenges facing SMEs in the South-East of Nigeria. It also reveals that the accounting challenges have significant negative impacts on the SMEs quality of financial reports, while the non-accounting challenges have significant impact on the SMEs contributions to national industrialization. This implies that if accounting challenges are not checked they will hinder production of useful financial reports that will facilitate effective business decision making and access to loan. Also, if the non-accounting challenges are not checked they will hinder SMEs from contributing effectively to the national growth and industrialization. Therefore, SMEs should employ efficient accounting personnel, or outsource their accounting services in other to overcome the accounting challenges and be able to produce useful financial reports. Also, government should ensure efficient provision of security, infrastructural facilities, financial support, steady power supply, institute range of rents to be paid by the SMEs which will help them to effectively upgrade Nigeria to industrialized economy.

Acknowledgement
We acknowledge our families for their financial support and encouragement during the course of this study. We highly appreciate the staff of Enugu Small and Medium Scale Enterprises (SMEs) Centre, Nigeria for their cooperation during the period of data collection for this study. We equally thank the manufacturing firms in the South-East of Nigeria that responded to the questionnaire used for this study. May you all be abundantly rewarded.

1. Introduction
Small and Medium Scale Enterprises (SMEs) are important economic organisations that are vital for rapid economic growth and development of any nation. It is generally referred to as the key to industrialization and sustainable economic development. The indispensable value of SMEs to nations has been recognised for several decades especially by developed nations as a result of the unique roles they play in aiding accelerated industrialization, economic development, growth and stability (Agwu and
They contribute immensely to job/employment creation, mobilization and utilization of domestic savings, poverty reduction, innovation, entrepreneurship and export/import stimulation as well as to the national Gross Domestic Product (Abbakin, 2018). According to Frimpong (2013) the percentage contribution of SMEs to Gross Domestic Product (GDP) in different countries is 60% in China, 57% in Germany, 55.3% in Japan, 50% in Korea and 47.3% in Malaysia. SMEs in Ghana provide about 85% of manufacturing employment and are estimated to contribute about 70% to the GDP. Also, according to OECD (2017) SMEs contribute up to 33% of national GDP and 45% of total employment in emerging economies.

In Nigeria, SMEs contribute to the economic development in different ways just like in developed countries. Their contributions are seen in various areas such as employment generation, provision of goods and services, utilization of local raw materials, supplying of input to larger firms, export/import and entrepreneurship stimulation, poverty alleviation and they equally contribute to the national gross domestic product (Etuk, Etuk and Baghebo, 2014) and (Ezeali and Uwadi, 2017). Specifically, SMEs contribute about 48% of the national GDP and accounts for over 50% of employment in Nigeria. Though, SMEs were able to contribute to this extent, more is being desired of them considering the dare need to bring Nigerian economy into an industrialized level (Elebeke, 2012). Having recognised the economic value of the SMEs by the government, several efforts have been made towards its development and enhancement by establishing banks and agencies such as Nigeria Industrial Development Bank -NIDB (1962), Nigerian Bank for Commerce and Industry -NBCI (1973), National Economic Reconstruction Fund -NERFUND (1990), Bank of Industry -BOI (2000) and Small and Medium Industries Equity Investment Scheme -SMIEIS (2001) with intention to ensure progressive contribution to the economic development of the country (Ohachosim, Onwuchekwa and Ileanyi, 2015). Despite the efforts of the government to uplift the SMEs to perfection level for effective economic growth, the high rate of unemployment, poverty, and business closure suggests that these SMEs are experiencing some challenges which are hindering their economic contributions and performance. In line with this background, this study aims at filling a gap by ascertaining the accounting and non-accounting challenges of SMEs in Nigeria, their impacts and way forward for effective national industrialization.

1.1 Statement of the Problem

SMEs are regarded as the key to national economic growth and industrialization. This is mostly due to important economic roles they play which include employment creation, poverty alleviation, mobilization of domestic savings and innovation. Coincidently, SMEs in Nigeria rarely meet up in actualizing most of the economic roles expected of them, hence, low level of national industrialization. This is evidenced by high rate of unemployment, business failures, lack of varieties of goods and services, ineffective poverty reduction, importation of raw materials/equipment, high dependent on foreign goods/services of different kinds as well as unimpressive percentage rate of SMEs contribution to the national GDP which are being recently experienced for some years in Nigeria (Agwu and Emeti, 2014) and (Opafunso and Adepoju, 2014). This situation has activated researchers’ attention in relation to obstacles that are hindering SMEs in fulfilling their role as the engine for economic growth and industrialization. This is because an economy without progressive and positive performing SMEs is in danger of landing into national economic depression. It is against this background that the researchers ventured into ascertaining the accounting and non-accounting challenges of SMEs in Nigeria, their impacts and way forward for effective national industrialization using manufacturing firms (SMEs) in the South-East of Nigeria as the case study.

1.2 Objectives of the Study

The main objective of this paper is to ascertain the accounting and non-accounting challenges of small and medium scale enterprises in Nigeria: their impacts and way forward for effective national industrialization. Other specific objectives are to:

1. Ascertain the accounting and non-accounting challenges encountered by SMEs in Nigeria.
2. Determine whether accounting challenges have impact on SMEs financial reports in Nigeria.
3. Determine whether non-accounting challenges have impact on SMEs contributions to the national industrialization in Nigeria.
1.3 Research Questions
The following research questions were raised for this study:
1. What are the accounting and non-accounting challenges encountered by SMEs in Nigeria?
2. To what extent does accounting challenges impact on SMEs financial reports in Nigeria?
3. To what extent does non-accounting challenges impact on SMEs contribution to national industrialization in Nigeria?

1.4 Hypotheses
The research hypotheses for this study are stated in null form as follows:
1. There is no significant accounting and non-accounting challenges encountered by SMEs in Nigeria.
2. Accounting challenges have no significant impact on SMEs financial reports in Nigeria.
3. Non-accounting challenges have no significant impact on SMEs contributions to national industrialization in Nigeria.

2. Literature Review
2.1 Conceptual Review
2.1.1 Concept of SMEs
Small and Medium Scale Enterprises are generally seen as the key to national growth, development and industrialization both in the developed and developing economies. This is because it unlocks the economic potentials of the small and medium business owners, empowers and helps in job creation, poverty reduction, and contributes to the national Gross Domestic Product (GDP). In Nigeria, SME sector contribute about 48% of the national GDP, and accounts for over 50% of employment in Nigeria (Agwu and Emeti, 2014). As a result of these economic values of SMEs, different countries defined it based on their economic policies, industrialization targets, SMEs roles in the country as well as the programme designed by the government or the agency responsible for the SMEs activities (Oyelaran-Oyeyinka, 2018). Basically, there is no international standard definition of SMEs. This notwithstanding, the definitions mostly have common measures which are size, fixed assets, gross output, and the number of employees (Eniola, 2014). In developed economies like USA, U.K and Canada the definition usually consist of a mixture of annual turnover and employment levels (Agwu and Emeti, 2014) while a mixture of size and level of employees are adopted in developing economies. “For statistical purposes, the Organisation of Economic Corporation and Development (OECD) refer to SMEs as the firms employing up to 249 persons, with the following breakdown: micro (1 to 9), small (10 to 49) and medium (50-249)” (OECD, 2017).

In Nigeria, the National Council of Industries in 2003 categorized enterprises based on three criteria: Size, number of employees and total cost including working capital but excluding land. Furthermore, the classification adopted by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in 2007 for National Policy on Micro, Small and Medium Enterprises (MSMEs) is firm size, employment size and assets excluding land and building. However, the asset base criterion is mostly used in Nigeria. The Central Bank of Nigeria, in its 2005 guideline on Small and Medium Scale Industries Equity Investment Scheme (SMIEIS) defined SME as any enterprise with a maximum asset base of 200million naira excluding land and working capital with a number of staff employed not less than 10 or more than 300 (Agwu and Emeti, 2014). In spite of the varieties of definition accorded to SMEs, there is still a high level of consensus on the role and economic importance of SMEs especially the SMEs manufacturing sub-sector to the economic growth and industrialization.

2.1.2 Accounting Challenges of SMEs
Accounting consists of recording of financial events, processing and communicating accounting information relating to an economic entity for effective decision making. It plays a critical role in the life of an organisation. Accounting system in use in any organisation determines the success or failure of that organisation. According to Debitoor (2018) accounting system is the means by which an organisation manages its income, expenditure, liabilities, and other financial activities for effective generation of financial reports for management or interested parties decision-making. In other words, it involves methods of record keeping, analyzing, classifying, processing and providing the financial information that
guide the organizational activities and decision. In the context of SMEs, accounting information is important in making varieties of business decisions such as make or buy decision, product price determination, expenditure limit, revenue target and profit or loss determination. However, according to Okoli (2011) it has been reported that many SMEs failed to keep adequate accounting records needed for effective accounting information generation. This situation has resulted to so many accounting challenges been experienced by the SMEs, which include wrong accounting system, wrong profit determination, weak expense control, ineffective debtors and inventory management, ineffective accounting reports, inadequate cash flow management, inability to determine accurate financial position, and incomplete accounting information for decision making purposes (Ohachosim, 2015) and (Zotorvie, 2017).

2.1.3 Non-Accounting Challenges of SMEs

Though SMEs face a lot of challenges in the course of the business activities, not all challenges are accounting in nature. Those challenges that are not related to accounting systems are referred to as Non-accounting challenges. In this study, all challenges that are external to the SMEs or come from the business environment are referred to as non-accounting challenges of SMEs. Agwu and Emeti (2014) and Oyelaran-Oyeyinka (2018) outlined the non-accounting challenges which include lack of infrastructural facilities, lack of government financial support, lack of credit facilities, non-enabling business environment, high cost of rent, policy inconsistencies, multiple taxation, high levels of unskilled workforce, low investment commitment to bring industrial production to commercial scale and lack of investment in human capital. Also, Elebeka (2012) identified ineffective power supply, bad road, inadequate infrastructure, lack of access to finance, unfavourable tax policies/administration, corruption, insecurity, lack of vocational education and business skills training as challenges that are hindering the effectiveness of SMEs in becoming the backbone of the economic growth and industrialization in Nigeria.

2.1.4 SMEs and National Industrialization

National industrialization is the process of changing from an agriculture-based society to the one based on manufacturing and its features include automation, scientific development, factories establishment, division of labour, replacement of barter with a money-based economy, increase in mobile workforce, and the growth of urban centers (Chartered Management Institute, 2003). Most of these features are visible in both developed and developing economies like USA, U.K, Ghana and Kenya. They are also mostly linked and credited to the existence of SMEs who are regarded as the engine of economic growth and industrialization (Opafunso and Adepoju, 2014). SMEs account for a large proportion of the total employment in many countries and they contribute significantly to the national Gross Domestic Product (GDP). According to Etuk, Etuk and Baghebo (2014) SMEs as well as micro enterprises in the OECD economies account for over 95% of firms, 60-70% of employment, 55% of GDP and generate a large share of employment. In relation to developing economies, the situation is not very different, in Morocco, 93% of firms are SMEs and they account for 38% of production, 33% investment, 30% export and 46% employment.

According to Abbakin (2018) a survey carried out by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in conjunction with National Bureau of Statistics (NBS) in 2013 revealed that “the total number of Micro, Small and Medium Scale Enterprises (MSMEs) in the country as at 2013 stood at 37,067,416 with Micro Businesses recording 36,994,578, Small Businesses recording 68,168, and Medium Businesses recording 4,670”. The SMEs employed 59,741,211, representing 84.02% of the Nigeria total labour force, contribute 48.47% to the nation’s Gross Domestic Product (GDP) and 7.27% to exportation. However, irrespective these contributions, the development of a viable and efficient SMEs in Nigeria like other evolving nations is hampered by structural constraints over the years which include difficulties in marketing and distribution of products, communication problems, insecurity, lack of investment capitals, and ineffective power supply (Abbakin, 2018).

2.2 Theoretical Review

This study was anchored on two theories, the theory of Going Concern and Developmental State theory. The first theory which is the Going concern principle/theory is a tool in accounting. It is an assumption that an entity will not cease its operation soon, rather it will continue in operational existence
for the foreseeable future. Also, the second theory which is the Developmental State Theory was first conceptualized by Chalmers Johnson (1982). According to Johnson, “developmental state a state that is focused on economic development and takes necessary policy measures to accomplish its’ objective” (Leftwich, 1995). In other words, government intervenes in the national economic situation with specific intention to encourage and promote economic development, industrialization and reduce poverty. Therefore, the two theories are suitable for the study since effective accounting system helps SMEs to sustain their businesses, and the provision of enabling business environment, are within the power of the government.

2.3 Empirical Review

In a study carried out by Maseko and Manyani (2011) on accounting practices of SMEs in Zimbabwe in which they investigated accounting record keeping practices for performance measurement employed by SMEs in Zimbabwe, using Bindura as a case study. The study revealed that the majority of SMEs do not keep complete accounting records because of lack of accounting knowledge which resulted to incomplete accounting information for measurement of financial performance. It was recommended that national regulators should develop specific record keeping and accounting guidelines for SMEs and organize accounting training programmes for entrepreneurs in small businesses. In line with this, Okoli (2011) in his work ”evaluation of accounting systems used by small scale enterprises in Nigeria using Enugu-South East” linked proper record keeping of SMEs to financial performance/profitability and asserted that with inadequate record keeping, small scale business operators could not effectively determine their financial performance. The researcher suggested that SMEs should keep adequate records which would help the owner-managers to keep track of the performance of their businesses and also enhance their continuity. Inefficient use of accounting information to support business financial decisions can negatively affect the financial performance and long term sustainability of a business whether large or small.

Also, in a research work carried out by Ohachosim, Onwuchekwa and Ifeanyi (2015) on the financial challenges of SMEs in Nigeria with emphasis on the relevance of accounting information in which they investigated the extent to which accounting information can be used to ameliorate the financial challenges of SMEs in Nigeria. The study showed that SMEs in Nigeria have poor accounting system. It also revealed that SMEs access to finance depends largely on the quality of accounting information they can generate which is determined by their accounting practices. The study recommended that SMEs should employ the services of the accountants so as to establish dependable accounting system which is characterised by generally accepted accounting practices (GAAPs) because quality accounting information will enhance SMEs financial information, management as well as finance accessibility.

A study on financial accounting practices of small and medium scale enterprises (SMEs) carried out by Zotorvie (2017) in Ho Municipality, Ghana using 225 owner-managers, indicated that majority of SMEs keep improper accounting records pertaining to their businesses. This resulted to difficulty in determining the assets and liabilities as well as the profit earned or loss suffered in the business within an accounting period. The study also revealed that the failure to keep proper accounting records and prepare useful financial statements is due to challenges facing the SMEs which include high cost of hiring qualified accountants and lack of accounting knowledge on the part of some owner-managers. The researchers recommended that the National Board for Small Scale Industries (NBSSI) in collaboration with the accounting bodies should organize accounting training programmes on proper bookkeeping and accounting practices for owner-managers of SMEs.

Agwu and Emeti (2014) studied the issues, challenges and prospects of small and medium scale enterprises in Port-Harcourt City, Nigeria. The result of the study indicated that poor financing, inadequate infrastructure, lack of managerial skills and multiple taxation are major challenges facing SMEs in Port-Harcourt. They recommended provision of soft loan and guaranteeing of long-term loans to SMEs operators by the government, establishment of SMEs funding agency, public/private sector partnership in provision of infrastructural facilities, capacity building and provision of tax incentives for SMEs operators.
Ezeali and Uwali (2017) in their study of Nigerian industrial sector challenges and path to economic industrialization examined the challenges militating against the development of Nigerian industrial sector and strategies for economic industrialization in the year 2035. The research result showed that foreign technology dependent, poor infrastructural facilities, inadequate power supply, uneasy access to fund, bureaucratic corrupt practices, inadequate technical manpower, poor entrepreneurial development, lack of progressive and protectionist industrial policies hinders industrialization in Nigeria. The study recommended development of indigenous technology, provision of infrastructural facilities, promotion of entrepreneurship, steady power supply, (manpower training and development, institution of progressive and protectionist industrial policies) as well as honest and transparent leaders with strong political will as paths to achievement of industrialization in Nigeria.

3. Research Methodology

This paper adopted survey research design. A sample of randomly selected 600 manufacturing firms (SMEs) operating within the South-East of Nigeria was used for the study. Questionnaire was used to collect data the firms. Expert validators were used for the face and content validity of the instrument to ensure that it measured what it purports to measure. The items in the questionnaire were reviewed for clarity of words, relevance, content coverage and effectiveness of the instrument in measuring the issue under study. The questions that related to the accounting and non-accounting challenges of SMEs were analysed using descriptive statistics, while the questions that addressed the impact of the accounting and non-accounting challenges were analyzed using Multinomial Logit model (MNL) which is a multiple regression technique that applies when multiple variable/proxies apply (usually more than two variables and where qualitative explanatory variables apply. Also, the model is suitable when data is collected through a survey. Hence, this technique is suitable in this study.

4. Findings/Results

The result of the data analyzed in relation to the accounting and non-accounting challenges of SMEs are presented in tables 3.1 and 3.2 below. Descriptive statistics is applied in analysing responses to be used for testing hypothesis 1.

<table>
<thead>
<tr>
<th>Options</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrong Accounting System</td>
<td>62</td>
<td>10.3</td>
</tr>
<tr>
<td>Inadequate Cashflow Management</td>
<td>16</td>
<td>2.7</td>
</tr>
<tr>
<td>Inefficient Debtors Management</td>
<td>8</td>
<td>1.3</td>
</tr>
<tr>
<td>Ineffective Accounting Reports</td>
<td>102</td>
<td>17</td>
</tr>
<tr>
<td>Inefficient Inventory Management</td>
<td>10</td>
<td>1.7</td>
</tr>
<tr>
<td>All of the above</td>
<td>402</td>
<td>67</td>
</tr>
<tr>
<td>Total (%)</td>
<td>600</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 Response to the Accounting Challenges of SMEs in the South-East of Nigeria

Source: Field Survey, 2018

Table 4.1 above reveals that (402) 67% of the respondents identify wrong accounting system, inadequate cashflow management, inefficient debtors management, ineffective accounting reports and inefficient inventory management as accounting challenges facing SMEs in the South-East of Nigeria. The analysis also reveals that 102 (17%) and 62 (10.3%) of the respondents identify only ineffective accounting reports and wrong accounting system respectively as accounting challenges of SMEs in the South-East of Nigeria, while 16 (2.7%) and 8 (1.3%) of the respondents identify only inadequate cashflow management and inefficient debtors management respectively as accounting challenges of SMEs in the South-East of Nigeria.
Table 4.2 Response to the Non-Accounting Challenges of SMEs in the South-East of Nigeria
Source: Field Survey, 2018

<table>
<thead>
<tr>
<th>Options</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Infrastructural Facilities</td>
<td>11</td>
<td>1.8</td>
</tr>
<tr>
<td>Insecurity</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>Lack of Government Support</td>
<td>3</td>
<td>0.5</td>
</tr>
<tr>
<td>Inadequate Power Supply</td>
<td>14</td>
<td>2.3</td>
</tr>
<tr>
<td>High Cost of Rent</td>
<td>4</td>
<td>0.7</td>
</tr>
<tr>
<td>All of the above</td>
<td>538</td>
<td>89.7</td>
</tr>
<tr>
<td>Total (%)</td>
<td>600</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.2 above shows that (538) 89.7% of the respondents identify lack of infrastructural facilities, insecurity, lack of government support, inadequate power supply and high cost of rent as non-accounting challenges facing SMEs in the South-East of Nigeria. The study also reveals that 30 (5%) and 14 (2.3%) of the respondents identify only insecurity and inadequate power supply respectively as non-accounting challenges of SMEs in the South-East of Nigeria, while 4 (0.7%) and 3 (0.5%) of the respondents identify only high cost of rent and lack of government support respectively as non-accounting challenges facing SMEs in the South-East of Nigeria.

Furthermore, the results of the Multinomial Logit model (MNL) used in testing the hypotheses respectively is shown in tables 4.3 to 4.10 below. Result in table 4.3 explain the parameter estimates for the impact of accounting challenges to “Strongly Agree” responses. The result shows that wrong accounting system (WAS), inadequate cashflow management (ICM) and irrelevant accounting reports (IAR) are more likely to have adverse impact on the SMEs quality of financial reports, while inefficient debtors management (IDM) and inefficient inventory management (IIM) are less likely to have adverse impact on the SMEs quality of financial reports. Table 4.4 below which presents parameter estimates for the impact of non-accounting challenges indicates that lack of infrastructural facilities (LIF), insecurity (INSC) and inadequate power supply (IPS) are more likely to hinder SMEs contributions to the national industrialization, while lack of government support (LGS) and high cost of rent (HCR) are less likely to hinder SMEs contributions to the national industrialization.

Tables 4.5 and 4.6 below presents the magnitude of impact the accounting and non-accounting challenges on the SMEs quality of financial reports and contributions to the national industrialization respectively. Table 4.5 which addresses the hypothesis 2, reveals that wrong accounting system, inadequate cashflow management and irrelevant accounting reports have significant impact on the SMEs quality of financial reports, while inefficient debtors management and inefficient inventory management do not. Also, Table 4.6 which addresses the hypothesis 3 reveals that lack of infrastructural facilities, insecurity and inadequate power supply have significant impact on SMEs contributions to national industrialisation, whereas lack of government support and high cost of rent do not have significant impact on the SMEs contributions to the national industrialization.

Furthermore, table 4.7 presents information on the model fitting. The result shows that when the intercept alone is regressed against the SMEs quality of accounting information, the log likelihood is 129.980 but with no degree of freedom. However, when we include the accounting challenges (regressors), the log likelihood becomes 86.77 while the degree of freedom is 10. In view of the objective two, which seeks to determine whether accounting challenges have significant impact on SMEs quality of financial reports, the result thus reveals that the model is well fitted and the regressors which are the accounting challenges are jointly significant in affecting the SMEs quality of financial reports. This is explained by the p-value = 0.000 < 0.05. Also, for objective three, which aims to ascertain whether non-accounting challenges have significant impact on SMEs contributions to national industrialization, the regressors which are the non-accounting challenges are jointly significant in affecting the SMEs contributions to national industrialization which is evidenced by the p-value = 0.014 < 0.05 as shown in Table 4.8 below.

Moreover, Pseudo R-Square based on three criteria is explained in relation to hypothesis 2 and hypothesis 3 in tables 4.9 and 4.10 respectively. These criteria are the coefficients of determination and the analysis are based on the Nagelkerke. In relation to hypothesis 2, the result in table 4.9 indicates that about
58 percent of the variations in the SMEs quality of financial reports are attributed to the changes in the accounting challenges, while the remaining 42 percent are due to changes in other factors not included in the model. For hypothesis 3, about 46% of the variations in the SMEs contributions to national industrialization are attributed to the changes in the non-accounting challenges as shown in table 4.10 below.

Table 4.3 Parameter Estimates

<table>
<thead>
<tr>
<th>SMEs Quality of Financial Reports</th>
<th>B</th>
<th>Std. Error</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>95% Confidence Interval for Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-4.373</td>
<td>.835</td>
<td>27.443</td>
<td>1</td>
<td>.000</td>
<td>2.327</td>
<td>1.077 - 5.029</td>
</tr>
<tr>
<td>WAS</td>
<td>.845</td>
<td>.393</td>
<td>4.616</td>
<td>1</td>
<td>.032</td>
<td>.327</td>
<td>.181 - .591</td>
</tr>
<tr>
<td>ICM</td>
<td>.598</td>
<td>.326</td>
<td>3.376</td>
<td>1</td>
<td>.066</td>
<td>.519</td>
<td>.266 - .936</td>
</tr>
<tr>
<td>IDM</td>
<td>1.489</td>
<td>.559</td>
<td>7.096</td>
<td>1</td>
<td>.008</td>
<td>2.266</td>
<td>.775 - .675</td>
</tr>
<tr>
<td>IIM</td>
<td>-3.34</td>
<td>.487</td>
<td>4.470</td>
<td>1</td>
<td>.037</td>
<td>.266</td>
<td>.124 - .598</td>
</tr>
<tr>
<td>IAR</td>
<td>1.335</td>
<td>.354</td>
<td>14.179</td>
<td>1</td>
<td>.000</td>
<td>3.799</td>
<td>1.896 - 7.610</td>
</tr>
</tbody>
</table>

Table 4.4 Parameter Estimates

<table>
<thead>
<tr>
<th>SMEs contribution to National Industrialization</th>
<th>B</th>
<th>Std. Error</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
<th>95% Confidence Interval for Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-1.411</td>
<td>.635</td>
<td>4.933</td>
<td>1</td>
<td>.026</td>
<td>1.077</td>
<td>.431 - 2.687</td>
</tr>
<tr>
<td>LIF</td>
<td>.074</td>
<td>.467</td>
<td>.025</td>
<td>1</td>
<td>.874</td>
<td>1.077</td>
<td>.431 - 2.687</td>
</tr>
<tr>
<td>LG5</td>
<td>.052</td>
<td>.324</td>
<td>.025</td>
<td>1</td>
<td>.873</td>
<td>.950</td>
<td>.504 - 1.791</td>
</tr>
<tr>
<td>INS</td>
<td>.791</td>
<td>.240</td>
<td>10.878</td>
<td>1</td>
<td>.001</td>
<td>2.206</td>
<td>1.378 - 3.529</td>
</tr>
<tr>
<td>IPS</td>
<td>1.188</td>
<td>.582</td>
<td>4.170</td>
<td>1</td>
<td>.041</td>
<td>.305</td>
<td>.097 - .953</td>
</tr>
<tr>
<td>HCR</td>
<td>-0.047</td>
<td>.284</td>
<td>.027</td>
<td>1</td>
<td>.869</td>
<td>.954</td>
<td>.547 - 1.664</td>
</tr>
</tbody>
</table>

Table 4.5 Likelihood Ratio Tests

<table>
<thead>
<tr>
<th>Impact</th>
<th>-2 Log Likelihood of Reduced Model</th>
<th>Chi-Square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>107.660</td>
<td>20.893</td>
<td>2</td>
<td>.000</td>
</tr>
<tr>
<td>WAS</td>
<td>97.651</td>
<td>10.884</td>
<td>2</td>
<td>.001</td>
</tr>
<tr>
<td>ICM</td>
<td>98.400</td>
<td>11.633</td>
<td>2</td>
<td>.003</td>
</tr>
<tr>
<td>IDM</td>
<td>90.141</td>
<td>3.375</td>
<td>2</td>
<td>.185</td>
</tr>
<tr>
<td>IIM</td>
<td>90.896</td>
<td>4.129</td>
<td>2</td>
<td>.127</td>
</tr>
<tr>
<td>IAR</td>
<td>102.928</td>
<td>16.162</td>
<td>2</td>
<td>.000</td>
</tr>
</tbody>
</table>

58% of the variations in the SMEs quality of financial reports are attributed to the changes in the accounting challenges, while the remaining 42% are due to changes in other factors not included in the model. For hypothesis 3, about 46% of the variations in the SMEs contributions to national industrialization are attributed to the changes in the non-accounting challenges as shown in table 4.10 below.
### Table 4.6 Likelihood Ratio Tests

<table>
<thead>
<tr>
<th>Impact</th>
<th>-2 Log Likelihood of Reduced Model</th>
<th>Chi-Square</th>
<th>df</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>107.424</td>
<td>5.904</td>
<td>2</td>
<td>.052</td>
</tr>
<tr>
<td>LIF</td>
<td>96.100</td>
<td>12.233</td>
<td>2</td>
<td>.004</td>
</tr>
<tr>
<td>LGS</td>
<td>101.925</td>
<td>.405</td>
<td>2</td>
<td>.817</td>
</tr>
<tr>
<td>INSC</td>
<td>111.645</td>
<td>10.126</td>
<td>2</td>
<td>.006</td>
</tr>
<tr>
<td>IPS</td>
<td>114.052</td>
<td>12.532</td>
<td>2</td>
<td>.002</td>
</tr>
<tr>
<td>HCR</td>
<td>102.049</td>
<td>.529</td>
<td>2</td>
<td>.767</td>
</tr>
</tbody>
</table>

### Table 4.7 Model Fitting Information

<table>
<thead>
<tr>
<th>Model</th>
<th>-2 Log Likelihood</th>
<th>Chi-Square</th>
<th>df</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept Only</td>
<td>129.980</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final</td>
<td>86.767</td>
<td>43.213</td>
<td>10</td>
<td>.000</td>
</tr>
</tbody>
</table>

### Table 4.8 Model Fitting Information

<table>
<thead>
<tr>
<th>Model</th>
<th>-2 Log Likelihood</th>
<th>Chi-Square</th>
<th>df</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept Only</td>
<td>123.660</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final</td>
<td>101.520</td>
<td>22.140</td>
<td>10</td>
<td>.014</td>
</tr>
</tbody>
</table>

### Table 4.9 Pseudo R-Square

<table>
<thead>
<tr>
<th>Type</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cox and Snell</td>
<td>.369</td>
</tr>
<tr>
<td>Nagelkerke</td>
<td>.580</td>
</tr>
<tr>
<td>McFadden</td>
<td>.448</td>
</tr>
</tbody>
</table>

### Table 4.10 Pseudo R-Square

<table>
<thead>
<tr>
<th>Type</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cox and Snell</td>
<td>.336</td>
</tr>
<tr>
<td>Nagelkerke</td>
<td>.463</td>
</tr>
<tr>
<td>McFadden</td>
<td>.243</td>
</tr>
</tbody>
</table>
5. Discussion and Conclusion

The result of the descriptive statistics carried out on hypothesis 1 shows that there is significant accounting and non-accounting challenges encountered by SMEs in the South-East of Nigeria. The study reveals that 67% of the SMEs pointed out that wrong accounting system, inadequate cashflow management, inefficient debtors management, inefficient inventory management and ineffective accounting reports are accounting challenges they are facing in the South-East of Nigeria, and 89.7% of the SMEs says that lack of infrastructural facilities, lack of government support, insecurity, inadequate power supply, and high cost of rent are non-accounting challenges facing them in the South-East of Nigeria. This implies that SMEs are having challenges both in accounting and non-accounting issues. These research outcomes are in line with the research findings of the studies done by (Maseko and Manyani, 2011) and (Ezeali and Uwadi, 2017). We therefore conclude that these identified challenges are the accounting and non-accounting challenges of SMEs in the South-East of Nigeria.

The result of the Multinomial Logit model (MNL) that was carried out on hypothesis 2 reveals that the model is well fitted and the regressors which are the accounting challenges are jointly significant in affecting the SMEs quality of financial reports. We therefore conclude that accounting challenges have significant negative impact on the SMEs quality of financial reports. This research finding is in line with the research outcome of the studies done by Agwu and Emeti (2014) in which they pointed out that poor accounting reports is a hindrance in determining a accurate business performance and in obtaining any form of loan for the organisation. Also, the result of the Multinomial Logit model (MNL) that was carried out on hypothesis 3 reveals that non-accounting challenges are jointly significant in affecting the SMEs contributions to national industrialization. We therefore conclude that non-accounting challenges have significant hinders the SMEs contributions to the national industrialization. This conclusion is buttressed by the outcome of the studies carried out by (Ezeali and Uwadi, 2017) and (Elebeka, 2012).

6. Limitations and Direction for Future Research

This study was limited to the manufacturing sub-sector of Small and Medium Scale Enterprises (SMEs) in the South-East of Nigeria. The choice of the research group is because of their value added functions and useful contributions to the national industrialization. The researchers recommend that future research should look into areas such as: governance efficiency and SMEs performance in Nigeria; challenges of SMEs and way forward for post-industrialization, and also SMEs and insurance as a means of business sustainability and national development.

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The JBRMR, a scholarly and refereed journal, provides an authoritative source of information for scholars, academicians, and professionals in the fields of business and retail management and is published twice a year. The journal promotes the advancement, understanding, and practice of business & retail management. It is peer reviewed and is the main research platform of The Academy of Business & Retail Management (ABRM). Scholars across borders are encouraged in advancing the frontiers of management education, particularly in the area of retail trade. Contributions should therefore be of interest to scholars, practitioners and researchers in management in both developed and developing countries targeting a worldwide readership through both print and electronic medium.

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- Publish high quality and scholarly empirical based research papers, case studies, reviews in all aspect of teaching & learning, education management and leadership with theoretical underpinnings.
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- Methodology of educational research, Adult and continuing education
- Special education, Gender, diversity and difference, Vocational education
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